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# State of South Carolina

## STATE BOARD OF FINANCIAL INSTITUTIONS

CALHOUN OFFICE BUILDING, THIRD FLOOR  
COLUMBIA, SC 29211-1778

Chairman  
GRADY L. PATTERSON, JR.  
STATE TREASURER

Board Members  
ROBERT E. COFFEE, Myrtle Beach  
NAOMI HALL DREHER, Columbia  
F.M.C. FRALIX, Columbia  
WILLIAM S. HUMMERS, Greenville  
H. ALBERT JACKSON, Taylors  
WILLIAM F. SACHS, Columbia  
RODNEY B. SCARBOROUGH, Timmonsville  
WILLIAM B. VARN, Hartsville  
HERBERT W. WATTS, Cheraw

October 26, 1999

SANDY AGEE  
Assistant to the Chairman  
POST OFFICE BOX 11778  
TELEPHONE (803) 734-2635  
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STATE DOCUMENTS

Ms. Karen Amos  
Office of State Budget  
1122 Lady Street  
Columbia, SC 29201

Dear Ms. Amos:

I am pleased to submit herewith the State Board of Financial Institutions Annual Accountability Report for Fiscal Year 1998-1999. Included is a disk in Microsoft Word format containing this file.

The State Board of Financial Institution is responsible for the examination and supervision of state-chartered banks, savings institutions, credit unions, trust companies, consumer finance companies, deferred presentment companies, and check cashing companies. The Board also has responsibility for the issuance of pre-need funeral contract licenses

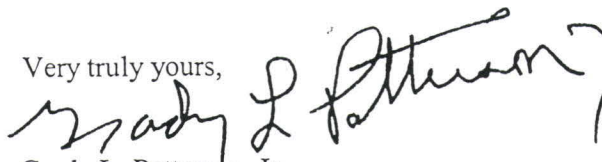
The Board works closely with the Department of Consumer Affairs to resolve complaints or concerns consumers might have and to help educate the public on how to shop for credit. We work very closely with all the state chartered financial institutions within the State to assist and guide them in meeting statutory and regulatory requirements so that they may better serve the public.

We have established priorities for Y2K compliance and effective maximum utilization of available technological resources to enhance, improve and assure the reliability and accountability of the State's financial resources.

Both divisions of this Board are considered of critical importance; however, we have ranked them according to program costs or funds managed or processed in those areas.

If you have any questions regarding the information provided, please contact Grady L. Patterson, Jr., Chairman 724-2101; Louie A. Jacobs-Commissioner of Banking 734-2001; or C. Dean Bratton-Director of Consumer Finance 734-2020.

Very truly yours,



Grady L. Patterson, Jr.  
Chairman

Enclosure

**STATE BOARD OF FINANCIAL INSTITUTIONS  
ANNUAL ACCOUNTABILITY REPORT  
1998-1999**

**EXECUTIVE SUMMARY**

The State Board of Financial Institutions supervises financial institutions under its jurisdiction through the Bank Examining Division and the Consumer Finance Division. This oversight includes the promulgation of regulations and instructions relating to the supervision of financial institutions, as well as the consideration of applications for new banks, trust companies, savings and loan associations, credit unions, consumer finance licenses, deferred presentment licenses, regular check cashing licenses, and pre-need funeral contract licenses, and the consideration of applications for branches of banks, savings and loan associations, credit unions, and trust companies.

A brief summary of our efforts and accomplishments in each Division is provided for review. Since taking office in January, our efforts have been focused on Y2K compliance; achieving equity for state-chartered financial institutions with the federally-chartered for fair competition; and, in the implementation of new laws which established licensing requirements for deferred presentment and regular check cashing companies. Legislative initiatives were introduced which allowed the Board to adjust the fee schedules of consumer finance licensees. The Board developed a Fiscal Year 1999-2000 plan to use new revenue funds generated from fees charged these new licensees to reduce fees in the upcoming fiscal year. Under the plan, new revenues would fund examination fees for check cashing companies for one year, and fees charged all consumer finance companies would be reduced by at least 50% for one year.

**Bank Examining Division**

In addition to meeting the statutory requirements for the establishment and supervision of state-chartered banks, savings and loan associations, credit unions and the licensing of funeral homes for pre-need funeral contract licenses, the Examining Division has identified several significant accomplishments in FY 99. The Examining Division has developed on-line access to Federal data bases for more effective responses to consumer inquiries and better preparation for examinations. The Division identified disparities between requirements for state-chartered financial institutions and federally-chartered and recommended changes which would allow state-chartered institutions to become more competitive. The Division also works with the Federal Deposit Insurance Corporation to address deficiencies in a State bank with serious regulatory issues and assisted the new institution which replaced it. All examinations of financial were completed within the timeframes required by law. The examination of preneed funeral contract licensees were completed within the timeframes of the program objectives.

**Consumer Finance Division**

In FY 99, the Consumer Finance Division was given the additional responsibility of supervision and licensing of deferred presentment (274 licenses issued) and regular check cashing companies (101 licenses). This combined with the Division's regular responsibilities for the supervision, licensing and examination of all consumer finance companies in the state was accomplished within available resources. All examinations were conducted within prescribed timeframes as required by law.

**STATE BOARD OF FINANCIAL INSTITUTIONS  
ANNUAL ACCOUNTABILITY REPORT  
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**MISSION STATEMENT:**

The mission of the Board of Financial Institutions is to serve the citizens of the State of South Carolina by preserving a sound state chartered financial community and protecting the borrowing public by ensuring that the state banking and consumer finance laws and regulations are followed. To this end, the State Board of Financial Institutions is responsible for the supervision, licensing and examination of all the state chartered banks, savings and loan associations, credit unions, consumer finance companies, deferred presentment and regular check cashing companies.

**STATE BOARD OF FINANCIAL INSTITUTIONS  
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**LEADERSHIP SYSTEMS**

Before taking office, the State Treasurer, who also serves as Chairman of the Board, called upon a Transition Team to provide guidance and recommendations in setting directions for the establishment of objectives and improved services.

The State Board of Financial Institutions consists of a ten-member board, of which the State Treasurer serves as ex officio member and Chairman. The Governor appoints the other nine members with the advice and consent of the Senate. These officials develop and implement policy with the assistance of senior staff. Input from employees is obtained from individual and group interaction through meetings and discussions. Professionalism and prompt response to client inquiries and requests are stressed with an emphasis on quality service.

Through monthly meetings the State Board of Financial Institutions establishes policy, reviews applications and considers other matters coming before the Board.

The Chairman supervises the Board's Division Directors by providing advice and counsel, guidance and direction through daily communication. The Division Directors are responsible for the daily management of their divisions within statutory guidelines, and for implementation of the Board's policies and regulations. Weekly meetings are held with examiners to review examinations, discuss assignments and set objectives.

Various financial institution associations provide valuable input and feedback on Board policies and regulations, and on any issue related to their industry which might require action by the Board.

**STATE BOARD OF FINANCIAL INSTITUTIONS**  
**ANNUAL ACCOUNTABILITY REPORT**  
**1998-1999**

**CUSTOMER FOCUS AND SATISFACTION**

As a regulatory body, the agency strives to maintain the proper balance of performing its statutory responsibilities without imposing an undue burden on the institutions under its jurisdiction. Examining and licensing procedures are periodically reviewed and changes made where possible to insure that the agency is utilizing its resources properly with an emphasis on client service. A conscientious effort is made to maintain a dialogue with institutions under the Board's supervision and responses from these institutions are addressed in a timely manner. The agency strives to provide prompt response to citizen inquiries.

The Treasurer receives feedback from citizens through his public appearances, through the office Web Site and his personal E-mail access as well as from the usual correspondence and telephone. All inquiries are taken seriously and response is provided quickly.

**STATE BOARD OF FINANCIAL INSTITUTIONS  
ANNUAL ACCOUNTABILITY REPORT  
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**DESCRIPTION OF PROGRAMS:**

**Priority Ranking :** First

**Program Name:** State Board of Financial Institutions - Bank Examining Division

**Program Goal:** Examine and supervise banks, trust companies, savings and loan associations, and credit unions. Issue licenses to funeral home directors to sell preneed funeral contracts, provided they qualify.

**Program Objectives:** Examine all state-chartered banks, savings and loan associations, credit unions, trust companies, and a business development corporation at least once within a 24 month period.  
Examine all preneed burial contract licensees at least once every 18 months.  
Process applications for new charters.  
Process applications for branches of existing state institutions.  
Process applications for holding company acquisitions.

**Program Cost:** \$1,249,383 Other Funds

**Performance Measures:**

<u>Workload:</u>	<b>Calendar</b>	
	<u>1997</u>	<u>1998</u>
Banks examined	37	39
Savings and loan associations examined	1	3
Credit unions examined	23	24
Trust companies examined	1	2
Development corporation examined	0	1
Preneed burial contract licensees examined	215	158
Preneed burial contract licenses issued	22	22
Applications for new banks processed	2	2
Application for a new trust company processed	1	1
Applications for bank branches	26	23
Applications for trust company branches processed	1	2
Applications for holding company acquisitions processed	10	13
Applications for bank mergers processed	3	5
Application for a credit union merger processed	0	1

**STATE BOARD OF FINANCIAL INSTITUTIONS  
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State Board of Financial Institutions - Bank Examining Division (continued)

Outcome:

The number of banks supervised have increase by 12% in the past five years.

All state chartered banks, savings and loan associations, credit unions, trust companies, and a business development corporation were examined within timeframes required by law.

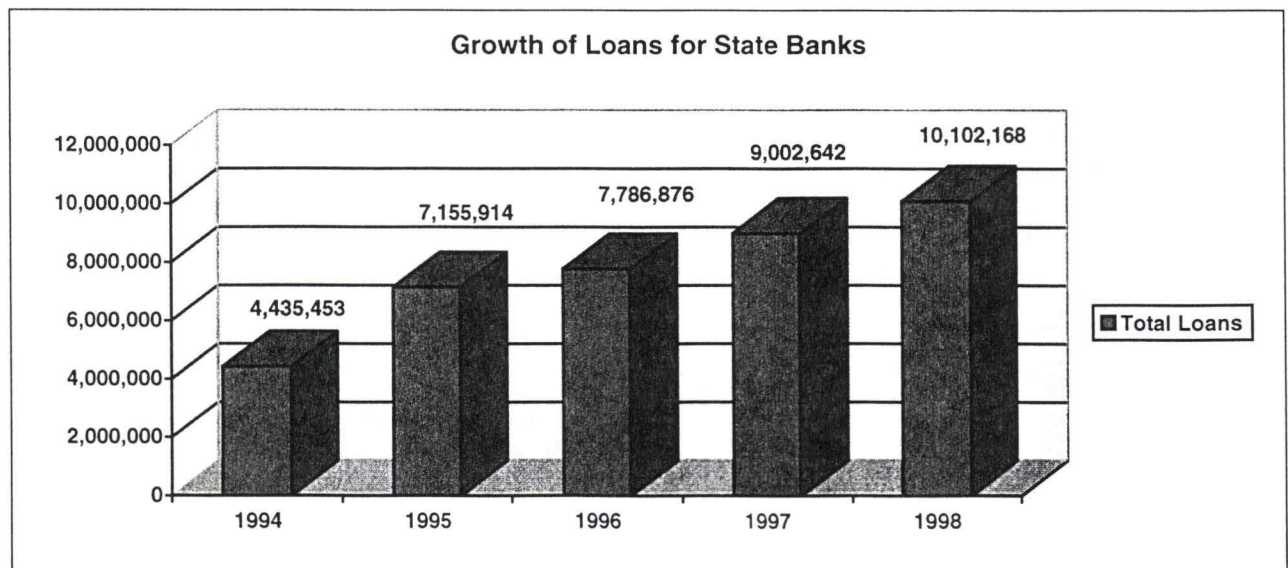
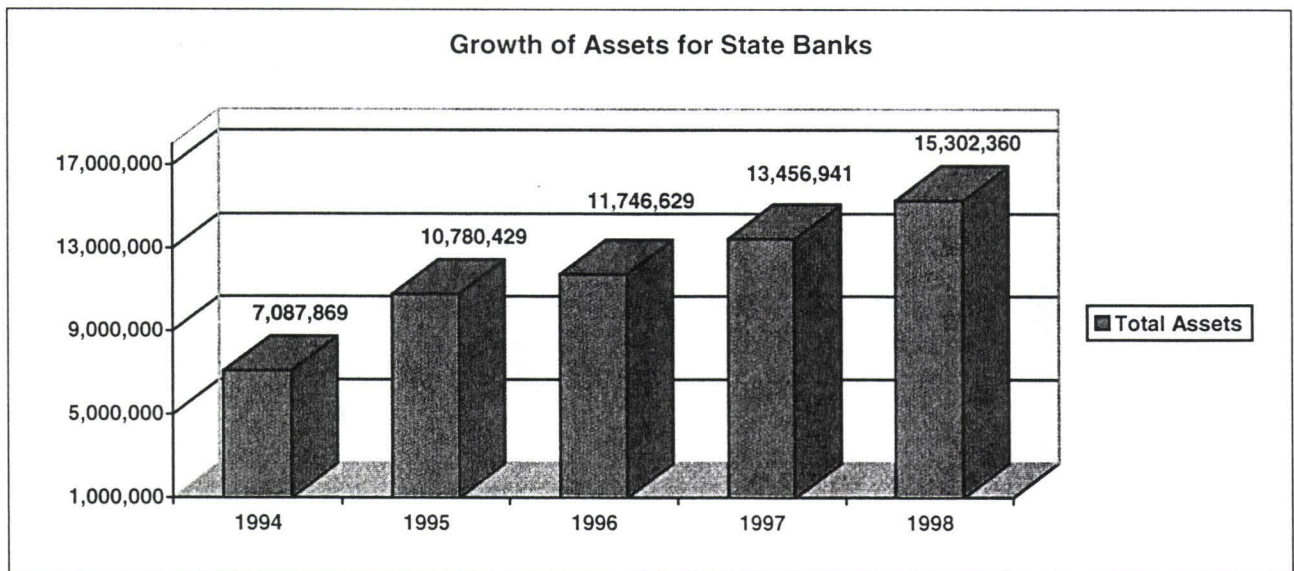
All pre-need burial contract licensees were examined within timeframes established within the program objective.

The banks supervised have grown considerably in the past five years. Banks under the Board's supervision have increased total assets by 136% and total loans have increase by 162%. The growth in assets and loans in state-chartered banks have increased the complexity and scope of examinations.

**STATE BOARD OF FINANCIAL INSTITUTIONS  
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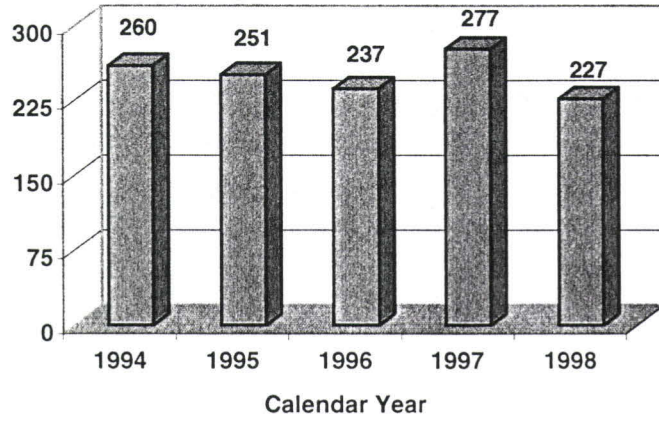
**Growth of Assets and Loans for State Banks**

	12/31/93	12/31/98	Percent Change
<b>Total Assets</b>	6,479,027	15,302,380	136%
# of banks	51	57	12%
Average	127,040	268,462	111%
<b>Total Loans</b>	3,858,911	10,102,168	162%
# of banks	51	57	12%
Average	75,626	177,231	134%
Assets and Loans in thousands			

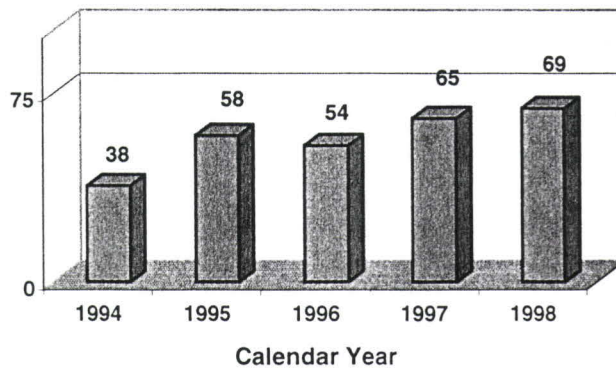




Bank Examining Division  
Examination Comparison



Bank Examining Division  
New Applications



**STATE BOARD OF FINANCIAL INSTITUTIONS  
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**DESCRIPTION OF PROGRAMS:**

**Priority Ranking:** Second

**Program Name:** State Board of Financial Institutions - Consumer Finance Division

**Program Goal:** License, examine and supervise each licensed consumer finance company and check cashing company.

**Program Objectives:** Examine all Restricted lenders, Supervised lenders and Check Cashing Companies as required by law.  
Process applications for new Restricted lenders.  
Process applications for new Supervised lenders.  
Process applications for new Check Cashing companies.  
Investigate all complaints to the fullest extent and best resolution for the consumer.

**Program Cost:** \$787,555 Other Funds

**Performance Measures:**

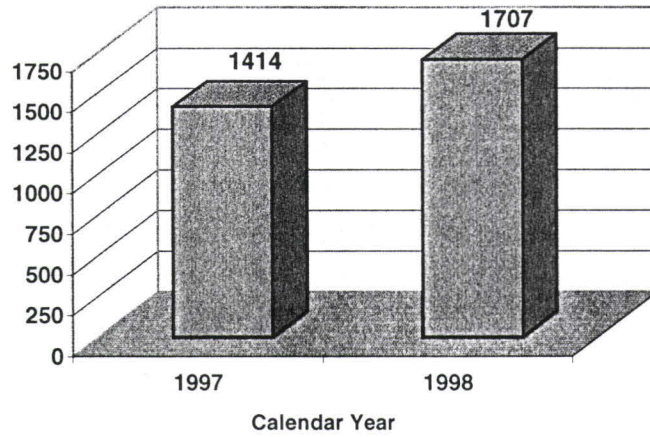
<u>Workload:</u>	<u>1997</u>	Calendar	<u>1998</u>
Restricted Licensees were examined	392		278
Supervised Licensees were examined	975		1429
New Restricted applications were investigated and approved for a Restricted License	16		9
Supervised applications were investigated and approved for a Supervised License	409		482
Check Cashing applications were investigated and approved for a Check Cashing License	0		375
Written complaints were received, investigated and brought to a successful conclusion	268		301
Death Claims were verified and proper refunds given to the beneficiary	1812		1429

Outcome:

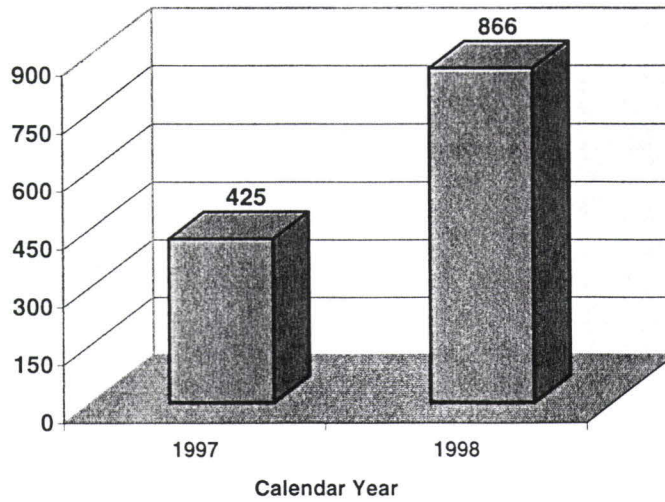
The overall number of licenses issued increased by 44%. This increase was handled within budget.

All licensees were examined within timeframes required by law.

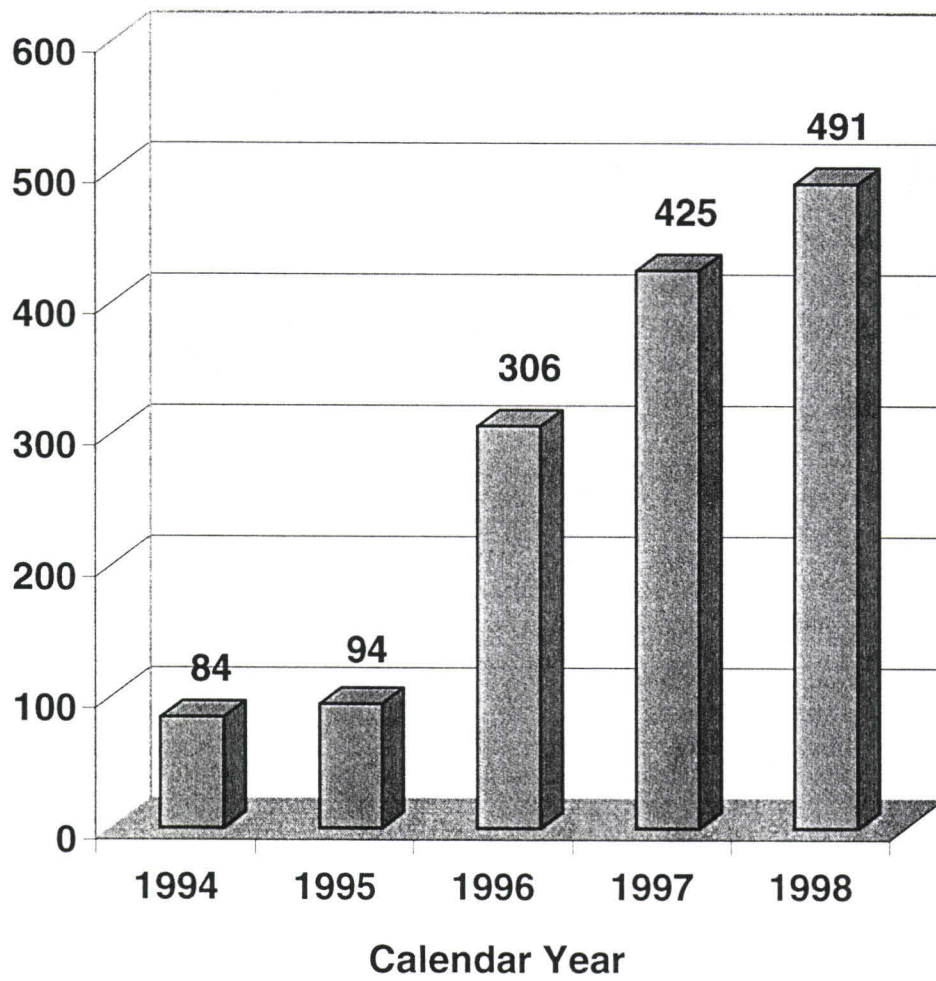
Consumer Division  
Examination Comparison



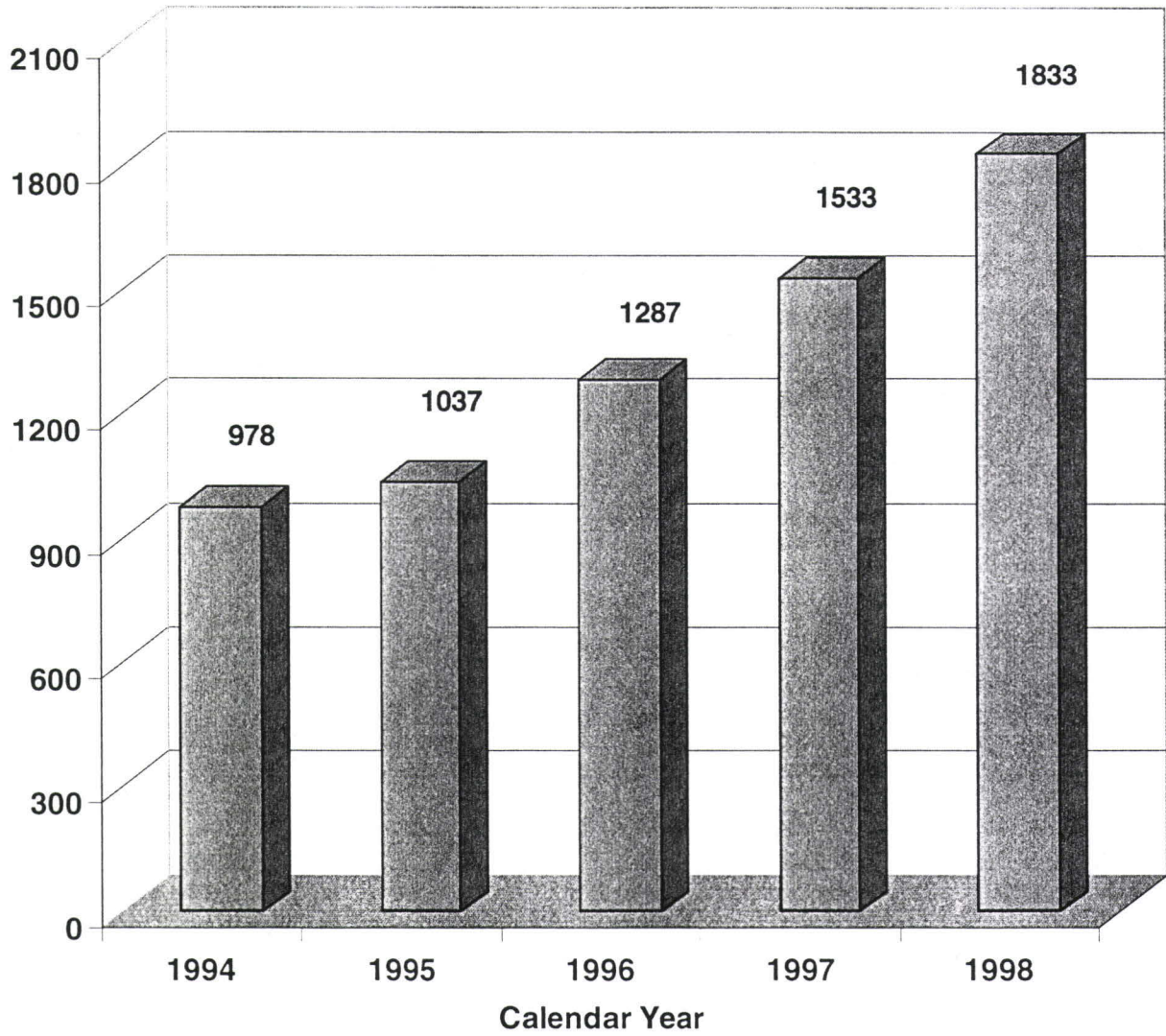
Consumer Division  
Applications Processed



### New Consumer Finance Licenses Issued



**Total Number of Consumer Finance Licenses**



### Deferred Presentment and Check Cashing Licenses

