

Kansas

Office of the State Bank Commissioner

Overview of the Office of the State Bank Commissioner

Senate Financial Institutions and Insurance Committee

January 15, 2013

Kansas

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
 - ☞ Division of Consumer and Mortgage Lending
 - ☞ Legal
 - ☞ Administration
 - ☞ Information Technology
- Employ 106 full-time staff with three full-time temporary positions.

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Administration

- **Annual Budget Preparation**

Preparation of Executive and Legislative Branch Appeals
Preparation of Budget Summaries for Legislative Committees
FY 13 Budget - \$11,280,738

- **Other**

Inventory Control
Facilities Management
Strategic Planning Oversight
Fleet Management

- **Financial Accounting System**

Accounts Receivable & Payable
Annual Assessments
Purchasing
Financial Reporting & Forecasting

- **Human Resource Function**

Recruitment
Benefits
Employer/Employee Relations
Personnel Policies
Payroll

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Legal

Legal Research/Writing/Opinions

- Research, interpret and provide legal advice to staff regarding federal and state laws pertaining to financial institutions
- Educate licensees and the public regarding the laws the agency enforces

Administrative Actions/Judicial Review

- Adjudicate administrative actions against licensed and unlicensed entities
- Defend agency actions upon judicial review

Legislative and Regulatory Matters

- Draft legislation, testimony and fiscal notes
- Draft regulations and oversee adoption process
- Draft Special Orders and Administrative Interpretations

Human Resources, Contracting Support, and Other Support

- Represent and provide legal advice in personnel and contractual matters

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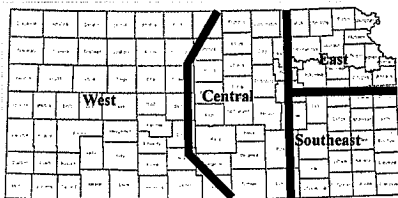
Information Technology Responsibilities

- Local Area Networks and Servers
- Databases
- Internet Website (osbckansas.org)
- Telecommunications
- Security and User Policy
- Technical Support
- Purchasing and Planning

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Division of Banking and Trust



West Region

- 56 banks
- Field Offices: Dodge City & Hays

Central Region

- 70 Banks
- Field Offices: Salina & Wichita

East Region

- 66 banks
- Field Offices: Lenexa & Topeka

Southeast Region

- 36 Banks
- Field Office: Erie

Trust

- 10 Trust Companies & 37 Active Trust Departments
- Field Offices: Topeka and Overland Park

As of January 14, 2013

Division of Banking Examination Process

CAMELS

C – Capital

A – Assets

M – Management

E – Earnings

L – Liquidity

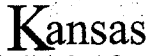
S – Sensitivity to Market Risk

CAMELS – Banks are rated on a scale of 1 to 5, with a 1 rating as the best and a 5 rating as the worst. Each component is rated and an overall composite rating is assigned.

For example, a bank could be rated 1-2-2-2-2-1/2.

Division of Banking

- Problem institutions are considered to be those rated 3, 4, or 5 and possess unsafe or unsound practices.
- Enforcement Actions:
 - Board Resolution
 - Memorandum of Understanding
 - Cease and Desist Order (formal)



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Division of Banking

Kansas State-Chartered Bank	9/30/12	12/31/11	12/31/10
# of State-Chartered Banks	229	237	239
# State Federal Reserve Member Banks	43	40	40
Total State Bank Assets (millions)	\$31,852	\$30,206	\$28,961
Average Bank Size (millions)	\$139	\$128	\$121
% of Unprofitable Institutions	4.78%	8.44%	14.64%

National Banks in Kansas	9/30/12	12/31/11	12/31/10
# of National Banks	62	67	72
Total Assets of National Banks in Kansas (millions)	\$18,544	\$19,678	\$21,204



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Division of Banking

5 Largest Kansas State-Chartered Banks

Rank	Bank	City	\$ Assets (000)
1	Emprise Bank	Wichita	\$1,482,000
2	Equity Bank	Andover	\$1,290,000
3	CoreFirst Bank	Topeka	\$1,103,000
4	Kansas State Bank	Manhattan	\$891,000
5	Valley View State Bank	Overland Park	\$867,000

5 Smallest Kansas State-Chartered Banks

Rank	Bank	City	\$ Assets (000)
225	State Bank of Burrton	Burrton	\$9,746
226	Towanda State Bank	Towanda	\$9,514
227	The Walton State Bank	Walton	\$9,053
228	Dickinson County Bank	Enterprise	\$8,503
229	TriCentury Bank	Simpson	\$3,829



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Division of Banking

State-Chartered Bank Ratings

Date	Not Rated	1	2	3	4	5	Total / 3-4-5
12/31/10	1	72	114	34	12	6	239 / 52
12/31/11	2	65	132	22	10	6	237 / 38
12/31/12	3	67	138	12	7	2	229 / 21



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Division of Banking

Kansas State-Chartered Bank Examination Trends

Year	Visitations			Joint Examinations			Independent OSBC Examinations			Total Examinations
	OSBC Lead	Federal Lead	Total	OSBC Lead	Federal Lead	Sub-Total	Regular	Conversion	Sub-Total	
2010	16	22	38	20	26	46	68	1	69	115
2011	17	28	45	33	18	51	63	2	65	116
2012	15	13	28	17	23	40	56	4	60	100

KSIMS reports as of 12/31/12

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Division of Banking

State Charter Conversions

2011 Conversions

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

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

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Division of Banking

Money Transmitters



Year	Total # Supervised MTs	Total # KS Agents	# Kansas Based MTs	# Exams
2010	53		2	
2011	61		4	5
2012	65	5,867	2	11

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Division of Banking Trust Companies & Departments

Trust Companies - 10 Trust Departments - 39

\$39,732,845,000 of Trust Assets
in Kansas State-Chartered Trust Departments & Companies

5 Largest Trust Companies

Midwest Trust Company	Overland Park	\$10,605,342,000
Benefits Trust Company	Overland Park	\$8,314,311,000
First Trust Company	Onaga	\$6,466,069,000
Brotherhood Bank & Trust	Kansas City	\$5,382,434,000
Great Plains Trust Company	Overland Park	\$1,874,144,000

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Division of Banking

The division is accredited by the
Conference of State Bank Supervisors.

We are subject to:

- Annual Reviews
- Annual Profile Survey; 7 sections spread consecutively throughout the year
- Reaccreditation every 5 years

Division of Banking Application Process

- Bank Branch – 9
- Trust Service Office - 3
- Change of Control - 8
- Charter Conversion - 3
- Merger / Purchase and Assumption – 21
- Name Change - 4
- Office Relocation – 6

(applications processed for 2012)

Consumer & Mortgage Lending Division

The Consumer and Mortgage Lending (CML) Division licenses and regulates lenders, servicers, brokers, and other consumer credit providers located in 46 states as well as Central America, South America, and Asia.

- Mortgage Bankers
- Mortgage Brokers
- Mortgage Servicers
- Individual Mortgage Loan Originators
- Supervised Lenders / Finance Companies
- Consumer Credit Grantors / Credit Sales
- Payday & Title Lenders
- Credit Services Organizations

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CML Division

Supervision and Enforcement

- Uniform Consumer Credit Code (UCCC)
K.S.A. 16a-1-101 to 16a-9-102 9-2201 to 9-2220
- 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
- Federal Regulation X (RESPA)
- Federal Regulation B (ECOA)
- Secure and Fair Enforcement for Mortgage Licensing Act (SAFE)
- Dodd-Frank Wall Street Reform and Consumer Protection Act

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CML Division

Licensed and Regulated Types

2012

Total: 6,395

Mortgage Company Licensees	425*
Supervised Loan Licensees	953*
Loan Originator Registrations	2,401
Notification Registrants	2,580
Credit Services Organizations	36

Total Assets of Licensed Cos.	\$ 834.4 Billion
Kansas Loan Volume	\$ 17.1 Billion

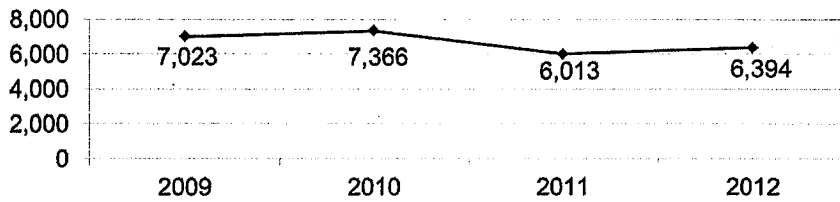
*Includes 40 Pending Company Applications

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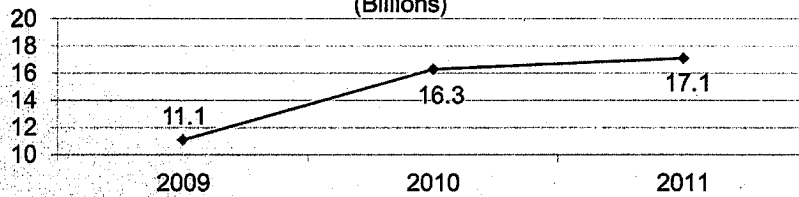
CML Division

Total Licensed/Registered



Total Kansas Loan Volume

(Billions)



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CML Division

Results for FY 2012

Examinations Completed	172
Enforcement Actions Completed	90
Fines and Settlements Collected	\$ 200,796
Cash Refunds to Consumers	\$ 835,043*
Other Consumer Savings	\$ 303,972*

*Total Refunds and Savings 2000-2012: \$52.1 Million

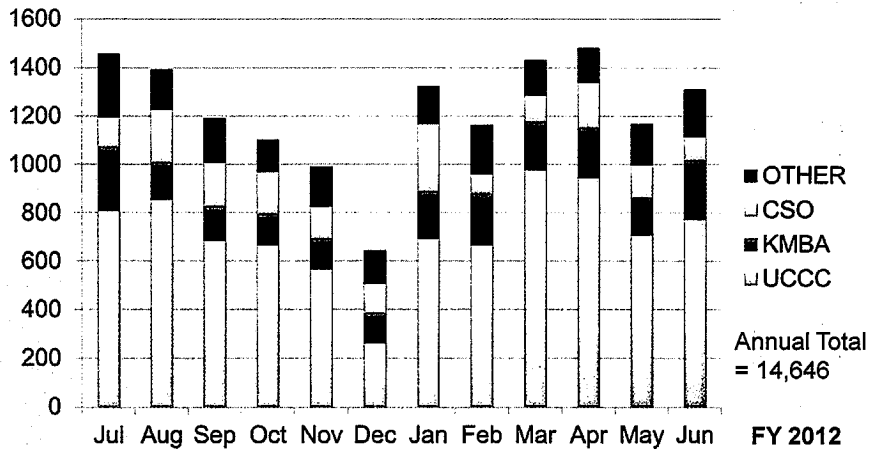
CML Division

Applications Processed FY 2012

- Company/Branch Applications – 1,453
- Loan Originator Applications – 2,152
- License Amendments – 452
- Notification Filings – 2,521
- Owner/Officer Change in Control – 563

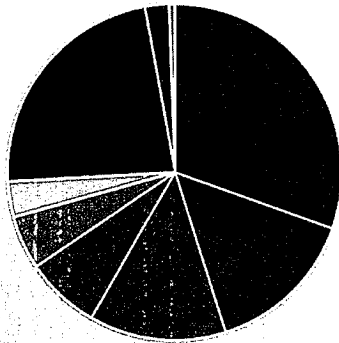
CML Division

Monthly Inquiries by Industry Type



Consumer Written Complaints by Topic FY 2012

Total = 348



- CML - Mortgage - 106
- CML - CSO - 51
- CML - Small Loans (Payday/Title/OE LOC) - 46
- CML - Debt Buyer - 25
- CML - Various UCCC / Auto / Sales Finance - 18
- CML - Miscellaneous - 12
- Banking - Deposit Accounts - 80
- Banking - Money Transmitters - 8
- Banking - Trust Companies - 2

CML Division

Consumer Education Initiatives

Sponsorships and grants are awarded for a variety of consumer education programs statewide. Focus ranges from school age children to adults. These grants are funded through fines and settlements obtained by the CML Division.

- Awarded since 2000: \$3.5 million

CML Division

National Organization Affiliations

- National Association of Consumer Credit Administrators (NACCA)
- American Association of Residential Mortgage Regulators (AARMR)
- Nationwide Mortgage Licensing System (NMLS)
- Multi-State Mortgage Committee (MMC)
- CLEAR / National Certified Investigator Training (NCIT)

CML Division

Federal Regulatory Reform Issues

- Federal financial reform legislation has significant impact
- Dodd-Frank Act and the Consumer Financial Protection Bureau (CFPB) reworking the consumer lending landscape
- Regulatory changes impacting CML Division
 - 21 Final Rules
 - 9 Proposed Rules
 - 61 Notices for Comment
- Major changes to be finalized by end of January 2013

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CML Division

CFPB / CML Examinations

- CFPB and CML share information regarding state licensed company examinations
- During 2012, CML participated in examination related activities with CFPB on 23 companies resulting in more than 150 interagency contacts
- CML examiners expected to comply with CFPB examination procedures to facilitate examination activities