

- ty, land, and personnel housing;
- management and administration of three health insurance programs, one each for employees of state government, local governments, and local education entities;
- providing support services and grants to public and private agencies to promote the quality management of state resources;
- providing direction, planning, resources, and coordination in managing the information systems needs of the state;
- providing services to Tennesseans with mental retardation and other developmental disabilities to meet their individual and family choices and needs for services and support; and
- overseeing TennCare, which is responsible for the administration of Tennessee's Medicaid waiver program and provides basic healthcare and mental health services to people who meet Medicaid eligibility requirements, certain low-income individuals without access to health insurance, and the medically eligible. ■

# TENNESSEE DEPARTMENT OF FINANCIAL INSTITUTIONS



by Commissioner Kevin P. Lavender

**Our mission is to provide the citizens of Tennessee with a sound system of state-chartered financial institutions.**

**F**inancial institutions are symbols of security for most of us. Their role in business and industry is crucial to the growth of our economy and personal well-being.

In Tennessee, banking is big business. At year-end 2003 the Department of Financial Institutions regulated 159 state-chartered banks, 10 trust companies, two business and industrial development corporations (BIDCOs), and 129 credit unions. In addition, the department has responsibility for regulating 744 industrial loan and thrift offices, 63 insurance premium finance companies, 1,289 mortgage companies, 366 check-cashers, 1,189 deferred presentment services companies, and 42 money transmitters.

Our mission is to provide the citizens of Tennessee with a safe and fiscally sound system of state-chartered financial institutions. How do we accomplish this? By monitoring compliance with the state laws and regulations that promote

sound business practices and safeguard depositors and consumers. We conduct onsite examinations not only of our depository institutions, but also of our nondepository licensees.

The department consists of five separate divisions—Administrative and Legal, Bank, Credit Union, Compliance, and Consumer Resources—all aimed at responding to the ever-changing needs of consumers and the industry.

The *Administrative and Legal Division* oversees communications, fiscal services, human resources, information systems, legislative initiatives, training and development, and the department's self-funded budget. In addition, the division provides legal advice and representation for the department and works closely with the governor's office and the Tennessee General Assembly on legislative issues affecting financial institutions. It also assists in the coordination of enforcement initiatives with

other federal and state regulators as well as with various law enforcement agencies.

The **Bank Division** is charged with the regulation and supervision of state-chartered financial institutions including banks, trust companies, and business and industrial development corporations. In order to effectively carry out its responsibilities, this division is divided into three sections: applications, bank examinations and financial analysis, and trust examinations.

Responsible for regulation and supervision of state-chartered credit unions, the **Credit Union Division** performs examinations of each credit union and determines compliance with governing laws and regulations.

The **Compliance Division** is responsible for the regulatory oversight of industrial loan and thrift companies, insurance premium finance companies, mortgage companies, check cashers, deferred presentment services companies, and money transmitters.

A recent addition to the department, the **Consumer Resources Division** aims to resolve consumer complaints and coordinate financial literacy efforts statewide. Its mission is to be a clearinghouse for Tennesseans for financial information, education, and assistance. The department resolved 500 complaints in 2003.

### **Economic Development/Partnership**

While the department will always remain focused on our charge of examining for compliance, safety, and soundness, we recognize the partnership we share with regulated entities. As financial services and products become more complex, it is imperative that this department work with licensees to ensure accurate communication of timeframes and regulatory guidelines. The economic development of the state is fueled by financial institutions. Therefore, we are obligated to remain responsive to and cooperative with those entities while maintaining the charge of regulation.

### **Charter Conversions**

The dual system has served our state and nation very well for many years. While we continue to endorse that system, we are proud that Tennessee is able to offer the “Charter of Choice.” To that end, the department continues to encourage nationally chartered bank boards and management teams to convert to a state charter. Considering the impact that banks have on economic development, the state benefits directly by having these entities under the department’s supervision. By having a state charter, the banks benefit since the department offers greater regulatory accessibility and responsiveness, potentially lower fees, and regional economic expertise.

### **Key Legislation**

During this past legislative session, the department took a proactive stance in focusing on reducing predatory lending activities. The department organized a task force composed of representatives of industry-related and consumer advocacy groups. The task force reviewed and debated legislative initiatives that are intended to reduce the incidence of consumer abuse and predatory lending in our state. The result was a bill introduced and passed unanimously in both the Senate and the House. The bill was signed into law on May 24.

Specifically, the law

- requires all mortgage loan originators under the Mortgage Act to register with the department;
- requires that mortgage loan originators register in affiliation with one mortgage lender/broker;
- specifies that mortgage lender/brokers are responsible for and should supervise the acts of mortgage loan originators;
- subjects license/registration of mortgage lender/brokers to suspend/revoke conduct of mortgage loan originator;
- requires a roster be kept listing names of all mortgage loan originators and the mortgage lender/brokers for whom the originator works;
- requires that licensees/registrants under the Mortgage Act designate managing principals/branch managers and, moreover, ensures that such managers have sufficient experience to operate the business of the licensee/registrant lawfully;
- removes from the Mortgage Act the 14-day notice requirement of the department’s intent to conduct an examination (there have been instances where former licensees/registrants have altered or hidden records after being given advance notice of examinations);
- adds other provisions that afford consumers greater protections and improve regulatory oversight;
- provides the commissioner with specific authority under both the TILT and Mortgage Acts to order civil money penalties up to \$10,000 against a person for violation of both acts (under current law, civil money penalties are limited to the amount of \$500 per day);
- clarifies the commissioner’s authority to order a person to make refunds to a borrower for interest, fees, and charges collected in violation of the TILT or Mortgage Acts;
- makes more specific some of the grounds

**During this past legislative session, the department took a proactive stance in focusing on reducing predatory lending activities.**

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for taking disciplinary action against a licensee/registrant under the Mortgage Act—i.e., engaging in a pattern of underestimating closing costs, delaying closing for the purpose of increasing interest, attempting to intimidate a real estate appraiser; and

- authorizes the commissioner to charge registrants under the TILT Act the reasonable and actual expenses for an examination (examination fees have remained the same

since the late 1980s, and registrants do not currently cover costs for examinations).

This legislation no doubt will help the department more effectively regulate the mortgage industry and curb predatory practices.

In closing, these are exciting times for the Department of Financial Institutions, and we look forward to continuing to serve the citizens of the great state of Tennessee. For more information, visit [www.tennessee.gov/financialinst](http://www.tennessee.gov/financialinst) or call (615) 741-2236. ■

## TENNESSEE DEPARTMENT OF GENERAL SERVICES



by Commissioner Gwendolyn Sims Davis

**We believe that it is essential to the successful operation of state government to have a centralized agency of logistical support that economically provides needed services and equipment to other state agencies.**

**A**ppointed in January 2003 by Governor Bredesen, I serve as commissioner of the Department of General Services, an executive branch agency of the state. The department has an annual budget of approximately \$89 million and employs approximately 540 to 550 full-time staff.

The department is responsible for providing a broad range of support services to other departments and agencies of state government: procurement contracts for services, commodities, and equipment on a statewide basis; building management; motor vehicle and equipment management; surplus property utilization; printing and photographic services; postal services; food services; records management; and central stores, an office and janitorial supply warehouse.

We believe that it is essential to the successful operation of state government to have a centralized agency of logistical support that economically provides needed services and equipment to other state agencies. Without the planning and organization that come from having support functions provided by a centralized agency, there would be needless and costly duplication of services, equipment, and staff in state government.

Upon taking office, not only did my fellow commissioners and I have the challenge of learning how state government works but we were all asked by the governor to help trim back the size of state government by cutting our budgets by nine percent. I asked my staff to work with me to accomplish this task and to think of this challenge as an opportunity to make the department run more efficiently and cost effectively. Soon thereafter the governor asked us to trim an additional five percent from our budget.

We implemented a “Working Smarter Plan” within the department and reviewed the staffing patterns and operations of each division. As a result, we were able to meet our goals by reassigning certain employee duties and responsibilities, cutting unnecessary positions and revamping some operational procedures.

During the review of the department, I quickly realized that General Services not only provides a wide array of services to other state agencies but also serves the public by providing state contracting opportunities to many Tennessee businesses. After talking with many Tennessee business owners, other state officials, and our procurement staff, it became apparent to me that a number of unintentional barriers