

2008 Annual Report

**Tennessee Department of Financial Institutions
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ADMINISTRATIVE AND LEGAL DIVISION

TOTAL NUMBER OF STATE-CHARTERED INSTITUTIONS AND LICENSEES/REGISTRANTS

CHARTERS	June 30, 2008	June 30, 2007
Commercial Banks/Savings Banks	160	164
Trust Companies	8	8
BIDCOs	2	2
Credit Unions	112	115
TOTAL NUMBER OF CHARTERS	284	289

LICENSEES/REGISTRANTS	June 30, 2008	June 30, 2007
Industrial Loan and Thrift Companies	1,011	885
Insurance Premium Finance Companies	71	74
Mortgage Companies	1,277	1,577
Mortgage Loan Originators	12,464	17,000
Money Transmitters	58	55
Deferred Presentment	1,481	1,499
Check Cashers	699	568
Title Pledge Lenders	790	758
TOTAL # LICENSEES/REGISTRANTS	17,851	22,416

TOTAL # OF ADMINISTRATIVE ACTIONS - CALENDAR YEAR 12/31/2008 - 113**TOTAL # OF EXAMINATIONS PER INDUSTRY - FISCAL YEAR 6/30/2008**

LICENSEES/REGISTRANTS	
Industrial Loan and Thrift Companies	1,001
Mortgage Companies	317
Deferred Presentment	1,239
Check Cashers	429
Title Pledge Lenders	669

TOTAL # OF REFUNDS TO CONSUMERS - FISCAL YEAR 6/30/2008

LICENSEES/REGISTRANTS	
Industrial Loan & Thrift Companies	\$ 174,934
Mortgage Companies	\$2,293,756
Deferred Presentment	\$ 152,700
Check Cashers	\$ 29,301
Title Pledge Lenders	\$ 397,064
Money Transmitters	\$1,013,465
Total Refunded	\$4,061,220

ADMINISTRATIVE AND LEGAL DIVISION

ADMINISTRATIVE AND LEGAL DIVISION

HEADQUARTERS PERSONNEL- NASHVILLE

COMMISSIONER'S OFFICE

Greg Gonzales, Commissioner

Cullen Earnest, Legislative Liaison and Communications Director
Debbie Curry, Commissioner's Assistant

ADMINISTRATIVE AND LEGAL DIVISION

Tina Miller, General Counsel
Marsha Anderson, Attorney
David Axford, Attorney
Joseph Schmidt, Attorney
Derek Church, Attorney
Eric Rogers, Attorney
Paula Cagle, Legal Assistant
Kelley Cole, Administrative Assistant
Tommie Pendergrass, CPA, Fiscal Director/Acting Assistant Commissioner of Administration
Leslie Yanez, Human Resources Director
Maria Broussard, Human Resources Technician
Mary Jane Friedmann, Accountant 2
Sandra Janus, Accountant 1
Barbara Jones, Administrative Services Assistant
Steve Asper, Information Systems Director
Robert Eddy, Information Systems Consultant
Paul Maier, Information Systems Analyst
Charles Ingram, Information Resource Support Specialist
Christy Beadle Adams, Analyst
Melody Johnson, Analyst
Memory Barber, Administrative Assistant
Nick Ragsdale, Administrative Assistant
Carmen McCreedy, Executive Secretary

ADMINISTRATIVE AND LEGAL DIVISION

ADMINISTRATIVE DIVISION NARRATIVE

The Administrative Division administers the Department's budget and oversees fiscal services, human resources, training and development, and information systems. Over the past year, this division has been training to implement the Edison System. The Edison System is a suite of fully integrated software applications that will replace the State's existing administrative business processes such as financial management, procurement, personnel, and payroll administration. Initial implementation began in July of 2008.

The Department continues to work with both the Department of Human Resources and the Department of Finance and Administration to develop and improve career path with salary progression for our examiners.

Training is another integral part of developing and maintaining a qualified examination staff. To ensure value, the Department's training needs are annually assessed and budgeted. The majority of the structured training curriculum is acquired through external training sources such as the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Board of Governors of the Federal Reserve System, the Educational Foundation of the Conference of State Bank Supervisors, the National Association of the State Credit Union Supervisors, the Federal Financial Institutions Examination Council, the National Association of Consumer Credit Administrators, and the Money Transmitters Regulators Association as well as other sources.



ADMINISTRATIVE AND LEGAL DIVISION

LEGAL DIVISION NARRATIVE

The Legal Division provides legal advice and representation for the Department. This Division consists of a General Counsel, five staff attorney positions, a Legal Assistant and an Administrative Assistant.

The Department's lawyers advise the Commissioner and departmental personnel in all legal matters affecting the Department. They work with regulated entities and the general public in addressing legal issues. They also work closely with the Governor's Office and the Tennessee General Assembly on legislative issues affecting financial institutions. The Legal Division assists in the coordination of enforcement initiatives with other federal and state regulators as well as with various law enforcement agencies. Also, they represent the Department in all administrative enforcement actions initiated by the various divisions in the Department. The number of enforcement actions initiated this fiscal year, is nearly double the number of enforcement actions initiated during the previous fiscal year.

The Legal Division was heavily involved in the 2008 Legislative session by tracking bills, working closely with the Governor's Office, the General Assembly, and other groups sponsoring legislation which impacted the Department. This Division provided assistance to operating divisions on issues involving title pledge lenders, mortgage loan originator registration, predatory lending, bank and trust company operations including interstate transactions, bank and credit union applications, money transmission, Bank Secrecy Act compliance, check cashing, deferred presentment, mortgage companies, and credit union fields of membership, as well as other areas requiring legal expertise.



ADMINISTRATIVE AND LEGAL DIVISION

2008 LEGISLATION

Public Chapter 677
Amends T.C.A. § 45-2-907
Effective Date: 3/17/08

Public Chapter 677 amends T.C.A. 45-2-907(d) to authorize the sale of abandoned property in safe deposit boxes by any method approved by the commissioner of financial institutions, the state treasurer, or in accordance with the appropriate section of the Uniform Commercial Code (T.C.A. 47-9-610).

Public Chapter 648
Amends T.C.A. §§ 47-9-503 and 47-9-516
Effective Date: 5/1/08

Under the Uniform Commercial Code, it is important for financing statements to provide the correct name of the debtor because financing statements are indexed under the debtor's name. Those wishing to find a particular financing statement would search for it by utilizing the debtor's name. Subsection (a) of T.C.A. 47-9-503 stipulates what constitutes a debtor's name for the purposes of a financing statement.

If the debtor is a "registered organization" (a corporation, limited liability company, etc.), Public Chapter 648 amends subsection (a) by clarifying that the debtor's formation documents filed in the debtor's formation jurisdiction are to be used by a lender as the source for "registered organization" debtor's name on the financing statement (including any amendments to the formation documents for the express purpose of amending the debtor's name).

If the debtor is an "individual," Public Chapter 648 amends subsection (a) by stating that the following forms of identification may be used by a lender as sources for an "individual" debtor's name: 1) a state-issued driver's license or identification card issued in lieu of a driver's license; 2) a birth certificate; 3) a passport; 4) a social security card; or 5) a government-issued military identification card.

Under the Uniform Commercial Code, in order to "perfect" a security interest, a lender must properly file the financing statement in a filing office. T.C.A. § 47-9-516 stipulates what actions, on behalf of a lender, constitute a proper "filing" of the financing statement. Public Chapter 648 amends subsection (b) by clarifying that a proper "filing" of the financing statement does not occur if a filing office refuses the financing statement because the financing statement does not correctly provide the name of the debtor.

Public Chapter 686
Amends T.C.A. § 47-9-317(e)
Effective Date: 3/20/08

Public Chapter 686 amends T.C.A. § 47-9-317(e) relative to priorities between parties with respect to purchase money security interests. T.C.A. § 47-9-317(e) governs priority conflicts between a purchase-money security interest and a buyer, lessee, or lien creditor (e.g. bankruptcy trustee) between the time the debtor gets possession of the collateral and the time the purchase-money secured party files a financing statement. Public Chapter 686 amends T.C.A. § 47-9-317(e) by increasing the time period for filing the financing statement from 20 days to 30 days.

ADMINISTRATIVE AND LEGAL DIVISION

Public Chapter 743**Amends T.C.A. § 35-5-101(e)****Effective Date: 4/10/08**

Public Chapter 743 amends T.C.A. § 35-5-101(e) by clarifying where notice of foreclosure is to be sent to the debtor. The new language in subdivision (1) provides that a notice of foreclosure sale shall be mailed to the debtor: at any address designated by the debtor in any loan document, correspondence or notice for purposes of receiving notices, correspondence or information from the creditor or creditor's agent. If no address has been designated, then notice may be mailed to the last known residence or other mailing address of the debtor; or to the location of the property unless the property is unimproved, vacant land or farmland, or commercial property, or the debtor has designated an address different from the location of the property for the purpose of receiving notices or correspondence from the creditor or creditor's agent.

The new language in subdivision (2) provides that notice of the foreclosure sale shall be mailed to a co-debtor at any address designated by the co-debtor. If no address has been designated, then notice shall be mailed to the last known residence or other mailing address of the co-debtor that is received by the creditor or the creditor's agent at least 30 days prior to the publication date, if the residence or other address of the co-debtor is different from the address of the property and from the debtor.

**Public Chapter 788****Amends T.C.A. § 45-10-107****Effective Date: 4/22/08**

Public Chapter 788 adds a new subsection to T.C.A. § 45-10-107 to make it clear that a financial institution responding to a defective or improperly issued subpoena is entitled to recover its expenses including attorneys fees.

ADMINISTRATIVE AND LEGAL DIVISION

Public Chapter 821
Amends T.C.A. Title 45, Chapter 13
Effective Date: 1/1/09

Public Chapter 821 amends Title 45, Chapter 13, known as the “Tennessee Residential Lending, Brokerage and Servicing Act”. Below is a summary of the changes made to the Act:

- Authorizes the commissioner to request identifying information such as the name and address of persons owning ten percent (10%) or more of the stock of the applicant for a license or certificate of registration.
- Authorizes the commissioner to establish professional education requirements which must be successfully completed as a condition to obtaining a license under the Act, and requires applicants to submit to a criminal history record check as a condition to obtaining a license. The educational requirements would not become effective until the commissioner approves at least one educational training course. In addition, mortgage loan originators are required to submit to a criminal history check as a condition to being registered in affiliation with a licensee or registrant.
- Clarifies that the time within which the commissioner must act upon an application does not begin until a “complete” application has been filed for a license.
- Authorizes the commissioner to require continuing professional education of licensees and registrants as a condition of license and registration renewal.
- Clarifies that persons applying for a certificate of registration under the Mortgage Act are subject to the same financial responsibility, experience, and character standard as persons applying for a license.

ADMINISTRATIVE AND LEGAL DIVISION

- Authorizes the commissioner to participate in the establishment and implementation of a multi-state automated licensing system for persons subject to licensing and registration under the Act and allows the commissioner to enter into any agreements necessary for the organization of the system. It also provides the commissioner with authority to require that applications for licensing/registration be filed with the system. Further, the commissioner may require that all application fees required under the Act and any other fee necessary for participation in the system to be paid to the system. The commissioner may establish by rule any new requirements or take any action reasonably necessary to participate in the system. It makes clear that the commissioner may not require participation in the system for persons not subject to the Act and also that participation in the system shall not be deemed a derogation of the commissioner's authority.

Public Chapter 968**Amends T.C.A. Title 45, Chapter 11****Effective Date: 5/19/08**

Clarifies that when a credit union seeks to convert to a mutual savings bank, that the majority of members who voted at the meeting called to consider the conversion must approve the conversion as opposed to requiring approval by a majority of all members.



ADMINISTRATIVE AND LEGAL DIVISION

Public Chapter 1010
Amends T.C.A. Title 35, Chapter 16
Effective Date: 7/1/08

Public Chapter 1010 adds a new subsection to T.C.A. 35-16-104 of the Tennessee Investment Services Act of 2007. This new subsection provides that the limitations on actions by creditors set forth in subsections (a) and (b) of Section 35-16-104 shall not apply in the event that the transferor (generally defined as the owner of property transferred to the investment services trust) is indebted on account of an agreement or court order for payment of support for the transferor's spouse or former spouse or children or for a division of property in favor of the transferor's spouse or former spouse, but only to the extent of such debt, legally mandated interest and reasonable costs of collection.

This Act also creates an exception to allow property transferred to an investment services trust to be subject to claims for payment of support of the transferor's spouse, former spouse, or children and a division of property in favor of the transferor's spouse or former spouse.

Public Chapter 1055
Amends: T.C.A. Title 56
Effective Date: 5/28/08

This Act clarifies that a guaranteed asset protection waiver (GAP waiver) is not insurance and is not subject to the insurance laws of Tennessee. Therefore, a person marketing, soliciting, negotiating, selling or offering to sell a GAP waiver is exempt from Tennessee's insurance license requirements. The Act imposes several requirements on GAP waivers and mandates certain consumer disclosures.

Rulemaking

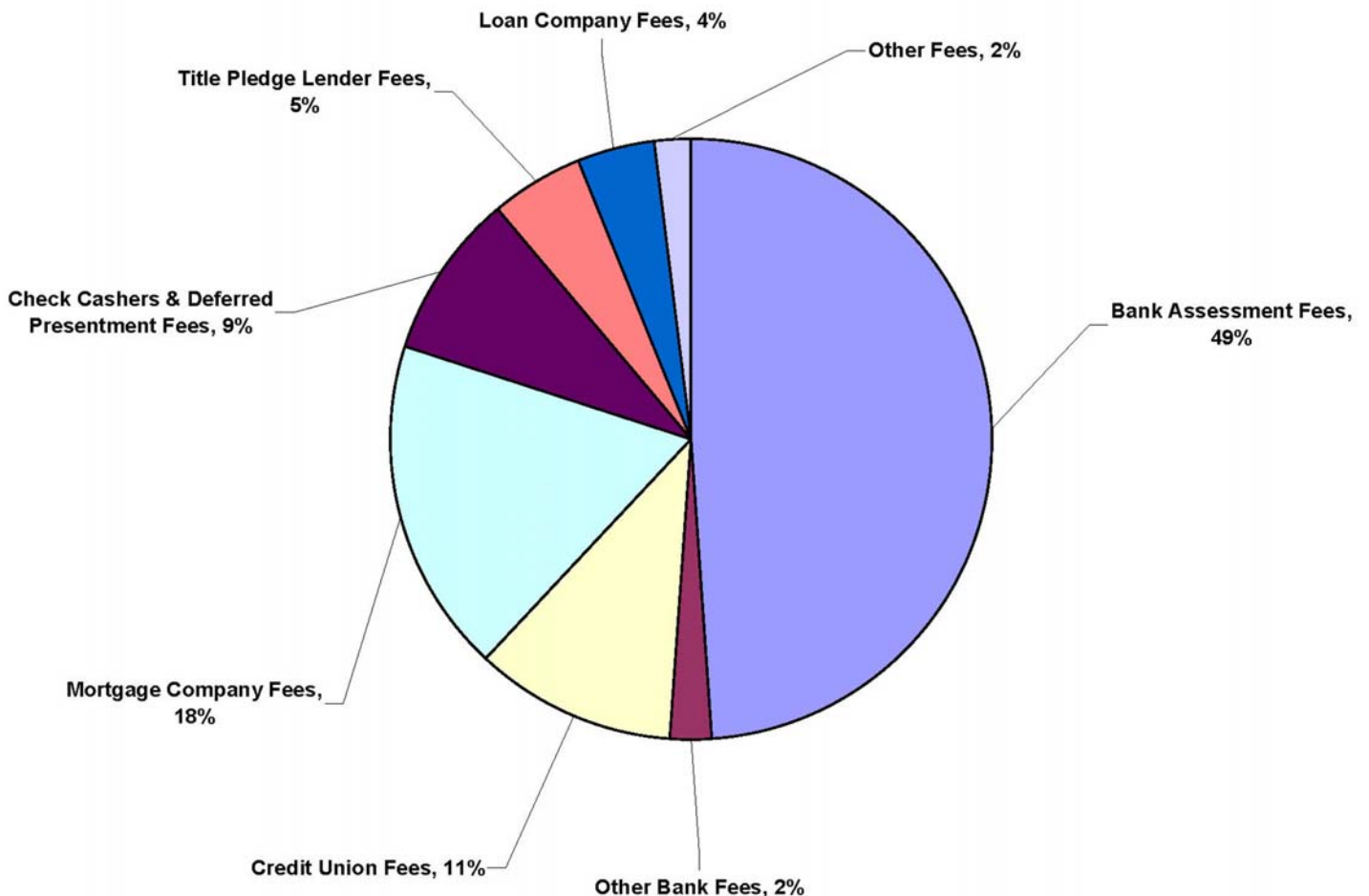
No new rules or amendments were filed in 2008.

ADMINISTRATIVE AND LEGAL DIVISION

2008 FISCAL NUMBERS AT A GLANCE

The Department of Financial Institutions receives no federal or state taxpayer funds and is fully funded by the fees assessed to the financial institutions regulated and supervised by the Department.

At the end of fiscal year 2008, the Department reverted \$3,362,269.93 to the State’s general fund. Most of this reversion is due to some vacant positions in fiscal year 2008, resulting in savings for payroll and operational costs. The Department regulates state-chartered banks, state-chartered credit unions, business and industrial development corporations, trust companies, check cashing companies, deferred presentment companies, loan companies, money transmitters, mortgage companies, mortgage loan originators, insurance premium finance companies, and title pledge lenders. We must maintain and budget for an adequate number of available examiner positions to be able to respond to industry trends as required.



ADMINISTRATIVE AND LEGAL DIVISION

EXPENDITURE AND FUNDING SOURCES FY 2007 - 2008

EXPENDITURE AND FUNDING SOURCES FY 2007 - 2008	
REVENUES	
Appropriations-Bank Assessment Fee	\$ 8,199,200.00
Other Bank Fees	\$ 390,141.66
BIDCO's & Trust Company Fees	\$ 17,623.09
Credit Union Fees	\$ 1,933,507.32
Money Order Fees	\$ 167,532.00
Loan Company Fees	\$ 728,300.00
Insurance Premium Finance Company Fees	\$ 27,900.00
Mortgage Company Fees	\$ 3,037,183.34
Check Cashers Fees	\$ 477,850.00
Deferred Presentment Fees	\$ 1,021,900.00
Title Pledge Lender Fees	\$ 833,050.00
Miscellaneous	\$ 1,800.00
TOTAL REVENUES	\$ 16,835,987.41
EXPENDITURES	
Personal Services	\$ 7,629,094.59
Employee Benefits	\$ 2,805,093.98
TOTAL PAYROLL	\$ 10,434,188.57
Travel	\$ 921,714.05
Printing Duplicating and Film Processing	\$ 110,721.20
Communication & Shipping Costs	\$ 68,667.46
Maintenance, Repair & Services	\$ 16,147.00
Professional and Administrative Services	\$ 649,199.87
Supplies	\$ 109,220.50
Rentals & Insurance	\$ 928,242.50
Awards & Indemnities	\$ 1,752.01
Grants & Subsidies	\$ 221,040.00
Unclassified	\$ 4,400.00
Equipment	\$ 8,424.32
TOTAL OPERATIONAL	\$ 3,039,528.91
TOTAL EXPENDITURES	\$ 13,473,717.48
EXCESS OF REVENUE OVER EXPENDITURES	\$ 3,362,269.93
Reverted to the State's General Fund	\$ 3,362,269.93

ADMINISTRATIVE AND LEGAL DIVISION

2008 TECHNOLOGICAL ADVANCEMENTS

The Management Information Systems (MIS) staff completed the full disk encryption of all Departmental computers. This included all laptop and desktop computers. In addition, media encryption was implemented to the field Banking Examiners to ensure data is secure while being transitioned from one computer to another. These security related accomplishments have allowed the Department to stay on schedule with the progressive information security plan that began implementation in 2005 with a goal of continually looking for ways to minimize the risk of loss or exposure of sensitive personal and financial data, better ensure data integrity and authenticity, and facilitate compliance with state and federal laws requiring the protection of such data. The Department was able to find and acquire a business application that will replace the aging Regulatory Board System and also planned the implementation, which will occur throughout 2009, of requirements legislated by Congress in the “Secure and Fair Enforcement for Mortgage Licensing Act” (S.A.F.E.) to bring our mortgage licensees under the National Mortgage Licensing System (NMLS).

