IDAHO
DEPARTMENT OF FINANCE

STRATEGIC PLAN

Years 2012 – 2017

June 2011

Idaho Department of Finance
2012 – 2017 Strategic Plan

Introduction
The Idaho Department of Finance (IDOF or Department) prepares an annual performance plan and a five year strategic plan. The planning process is collaborative, seeking input from the Department's employees, representatives of the industries it regulates, Legislators and consumers. A summary of the Department's 2011 Strategic Planning Survey is attached to this report as an Appendix. Part of the preparation of the annual performance plan is reviewing and updating the strategic plan. Among the items considered in the strategic planning process are economic conditions, industry health, human resources, and financial constraints.

In fiscal year 2012, the IDOF will spend $6,102,800 and employ approximately 61 individuals. The IDOF will adjust its budget annually to take inflation and workload into consideration. The IDOF continues to refine its processes to become more efficient, proactive, and effective in its operations.

Mission Statement
The mission of the Department is to aggressively promote access to vigorous, healthy and comprehensive financial services for Idaho citizens. This is accomplished through prudent and efficient oversight of financial institutions, investment opportunities, and credit transactions. Through administration of laws enacted by the Idaho Legislature, legitimate financial transactions are encouraged, while fraud, unsafe practices, and unlawful conduct are detected and appropriate enforcement action is taken.

Vision Statement
We envision innovation by the markets in response to greater public demand for services, and a financial marketplace that will be greatly affected by national and international events. We foresee the continuing development and implementation of advanced computer technology and telecommunications by industry and government. The industries that we regulate will become more complex as new products and technologies are developed.

We believe that the corresponding complexity in financial services regulation will lead many financial institutions to seek a state charter because of the responsiveness, flexibility and accessibility local regulation offers. State regulators will also continue to assume increasing responsibility for local enforcement actions as federal resources are directed at national problems. To this end, we are committed to providing our employees with the knowledge and skills necessary to meet these new challenges.

History
The IDOF was created in 1905 to ensure the stability of and public confidence in the banks organized under a state charter. Today the IDOF consists of three functional areas, the Financial Institutions Bureau, the Securities Bureau and the Consumer Finance Bureau. A fourth bureau, the Supporting Services Bureau, provides IT, human resources and fiscal management of the Department. The IDOF regulates in excess of 130,000 financial service providers and products including banks, credit unions, broker-dealers and investments advisers and their agents, securities offerings, securities issuers, money transmitters, endowed care cemeteries, mortgage brokers/lenders and their loan originators, finance companies, collection agencies, regulated lenders, and escrow companies.

External Factors Affecting the Department
During the next five years, several factors may impact the ability of the Department to meet its goals. Among these factors are the continuing struggles in the local and national economies, structural changes within the financial services industry, and an aging workforce. In addition, preemption of state laws by the federal government increasingly hampers the Department's ability to protect its citizens. This affects the dual banking system, securities regulation, mortgage regulation and money services businesses.

The past three years have been tumultuous for the financial services sector. The U.S. is currently in the midst of the worst economic downturn since the Great Depression. While officially the U.S. entered a recession in December 2007 which ended in June 2009, the recovery has been very slow.

Congress and the Obama administration have made overhaul of the financial regulatory structure a high priority. A new financial regulatory agency, the Consumer Financial Protection Bureau (CFPB), was created by the Dodd-Frank Wall Street Reform and Consumer Protection Act. The CFPB is scheduled to officially begin work on July 21, 2011. It will make and enforce rules to implement federal consumer financial protection laws on credit cards, mortgages and other financial products and services. The CFPB will also restrict unfair, deceptive or abusive practices; take consumer complaints; promote financial education; research consumer behavior; and, monitor financial markets for new risks to consumers. These changes and others will require the Department to review its laws and procedures so Idaho consumers and businesses are assured of fair treatment.

The strength of the economy directly affects the financial services industry's performance. The difficult economy and recession have reduced asset growth, increased loan losses, and diminished profitability for the financial services industry. Increased fuel and food prices, a depressed real estate market, and high consumer debt have contributed to a slowdown in consumer spending. High unemployment also contributes to dampened consumer demand for loans and mortgages. This directly affects the ability of many of those companies to continue. These factors also will affect the ability of financial services companies to continue to fully staff their operations.

The economic downturn has resulted in certain businesses under the Department's supervision discontinuing their activities; however, other businesses, such as collection agencies and payday and title lenders, have seen an increase in business. Poor economic times also tend to bring out fraudulent schemes preying on those most vulnerable. This then has become a higher priority area for the Department.

Whether the economy is booming or sagging, it has become essential that the Department focus its efforts toward those areas and entities that present the greatest risk to both the institution/firm and its customers. Department staff in all bureaus will increasingly emphasize the identification and management of these risks.

In the last decade, significant changes in the financial services industry have occurred. Financial modernization, interstate branching, privacy legislation and the globalization of securities markets all have had impacts on the way firms operate. We see the increasingly large burden and cost of complying with anti-terrorism, privacy and corporate governance laws, largely dictated by the federal government, as a particular threat to our smaller financial institutions. We fear some smaller firms will close simply because they cannot afford to comply.

Finally, like many organizations, the Department is faced with an aging workforce. Currently, 44 percent of our staff is eligible for retirement (age 55 +), increasing to 62 percent within five years. Over 47 percent of the IDOF staff has more than 10 years of regulatory experience. As a result, the IDOF must ensure that it continues to have the managerial and technical resources to effectively fulfill its mission and goals as those employees elect to retire.

The Department is taking steps to ensure that its entire workforce has the necessary experience and qualifications to assume these responsibilities. The IDOF will continue to hire well qualified employees and invest in training and development for them. The Department has explored options that allow current employees who do not wish to completely leave the workforce to work reduced hours or part-time rather than simply retire. We see many innovative strategies being developed for recruiting and retaining excellent older workers and intend to take advantage of the best of these.

At present, the most pressing workforce issue faced by the Department is our ability to recruit and retain a knowledgeable professional staff. The Strategic Planning Survey conducted in preparation for this report showed 100 percent of respondents believe this is a very important goal. The Department wishes to express its appreciation to the Governor, Division of Financial Management and the Legislature for their efforts to address this issue. The Department continues to believe that working toward parity with our federal counterparts will encourage our staff to remain with the Department rather than leaving for the federal agencies. Maintaining experienced staff is good for both Idaho's financial institutions as well as their customers.

Financial Institutions Bureau

Goal #1: **<u>Promote public and industry confidence in the banking and credit union systems through timely, reasonable and effective supervision and regulation.</u>**

Objective: **Implement sound regulatory policies and programs that insure the safety of deposits and protect the customers of the financial institutions.**

Objective: **Assist each financial institution's management in establishing effective risk management policies and procedures.**

Objective: **Maintain a sufficient number of experienced and professionally competent staff by providing competitive compensation and training opportunities to keep skills current.**

Performance Measures:

- **Idaho state-chartered financial institutions offer products and services that are competitive with those offered by federally-chartered financial institutions.**
  Benchmark: **100% of the financial products and services offered by federally-chartered financial institutions may also be offered in Idaho by Idaho state-chartered institutions.**
- **Idaho state-chartered financial institutions are operated in a safe and sound manner.**
  Benchmark: **No state-chartered financial institution fails.**
- **Financial Institutions Bureau retains experienced, professional examination staff.**
  Benchmark: **No employee leaves the Financial Institutions Bureau primarily to obtain greater compensation or training benefits with a federal or other state government financial regulator, as determined through an exit interview.**
- **Retain national accreditation of both the banking and credit union sections of the Financial Institutions Bureau.**
  Benchmark: **Banking and credit union sections re-accredited each time the section is reviewed.**

Goal # 2: **<u>Enhance the examination process to monitor and evaluate internal and external conditions, address industry trends and ensure fiscal integrity.</u>**

Objective: **Utilize monitoring and examination processes that focus resources on discovering and evaluating risks.**

Objective: **Monitor trends in the financial services industry and develop expertise in new financial products, services and technology, including electronic commerce and banking.**

Objective: **Coordinate and cooperate with other regulators to increase regulatory efficiency and reduce regulatory burden on industry.**

Performance Measures:

- **Utilize both on- and off-site monitoring systems to increase quality of financial institution surveillance and reduce on-site examination time.**
  Benchmark: **On-site examination time minimized and off-site surveillance optimized consistent with financial institution's risk profile.**
- **Percentage of state-chartered banks examined each year.**
  Benchmark: **100% of state-chartered banks examined within statutory timeframes.**
- **Percentage of state-chartered credit unions examined each year.**
  Benchmark: **100% of state-chartered credit unions examined within statutory timeframes.**
- **Examiners are familiar with new products and technologies being used in the financial institutions.**
  Benchmark: **At least one examiner has sufficient expertise in each significant product, service and technology used or offered by a financial institution to evaluate its risks and benefits.**

Goal #3: **Maintain a strong state regulatory system for depository and non-depository financial institutions.**

Objective: **Promote the dual banking system.**

Objective: **Avoid further federal preemption that results in a reduction of state authority and consumer protections.**

Objective: **Provide excellent accessibility, responsiveness and value added services to financial institutions chartered in Idaho.**

Objective: **Permit Idaho state-chartered financial institutions to innovate and exercise new powers consistent with the principles of safety and soundness.**

Objective: **Reduce regulatory burden to the extent possible without compromising safety and soundness or consumer protections.**

Performance Measures:

- **Actively oppose further federal preemption efforts.**
  Benchmark: **Write letters, provide testimony and educate decision-makers about the negative consequences of preemption as opportunities present themselves.**
- **Review statutes and rules to ensure requirements continue to be necessary.**
  Benchmark: **Review statutes and rules annually for ways to reduce regulatory burden.**
- **Demonstrate the benefits to financial institutions of choosing the state-charter.**
  Benchmark: **Maintain or increase the number of financial institutions that choose a state, as opposed to a federal, charter each year.**

SECURITIES BUREAU

Goal # 1: **Promote public and industry confidence in the securities markets, Idaho investment professionals, endowment care cemeteries and money transmitters through the registration and examination processes.**

Objective: **Promote Idaho as a desirable place in which to invest and do business.**

Objective: **Ensure endowment care cemeteries properly account for trust funds so cemeteries are well-maintained in perpetuity.**

Objective: **Ensure that all businesses required to register under the Idaho Money Transmitters Act (IMTA), I.C. 26-2901, et seq., have done so.**

Objective: **Maintain a sufficient number of experienced and professionally competent staff by providing competitive compensation and training opportunities, including access to certification programs, to keep skills current.**

Objective: **Coordinate and cooperate with other regulators to increase regulatory efficiency and reduce regulatory burden on industry.**

Performance measures:

- **Number of individuals and entities registering with the Department to do business in Idaho.**
  Benchmark: **Maintain or increase the number of registrants and securities offerings in Idaho in all years with a positive national economy.**

- **Percentage of endowment care cemeteries for which the Department has completed an on-site examination each year.**
  Benchmark: Examine 100% of all endowment care cemeteries each year.
- **Percentage of state-registered investment advisers for which the Department has completed an on-site examination each year.**
  Benchmark: Examine 25% of state-registered investment advisers each year.
- **Percentage of money transmitters about which the Department has a concern that are subject to an examination or investigation each year.**
  Benchmark: Examine/investigate 100% of money transmitters that raise concern each year.
- **Number of examinations and investigations conducted jointly with other state, SRO and federal regulators.**
  Benchmark: Attend annual joint regulator examination summit and coordinate exams to extent possible.

Goal #2: Protect investors from investment fraud through timely enforcement of Idaho's securities laws.

Objective: Bring appropriate legal action against those violating securities and other laws under Department's authority.

Objective: Ensure investment offerings fully comply with Idaho law.

Objective: Ensure applicants for broker-dealer, investment advisor and agent registration fully meet qualification standards of Idaho law.

Objective: Conduct on-site examinations of firms and applicants to ensure compliance with legal requirements.

Performance Measures:
- **Conduct timely investigations of suspected violations.**
  Benchmark: Cases more than 6 months old are: being actively investigated, closed or have been referred for legal action.
- **Perform a comprehensive and timely review of materials submitted with securities registration applications.**
  Benchmark: Registration materials are reviewed and any comments letters issued within statutory timeframes.
- **Conduct investigations of investment advisors, broker-dealers and their branch offices and agents when red flags are noted.**
  Benchmark: On-going frauds or sales practice abuses are halted quickly.

Goal #3: Increase the financial literacy of all Idahoans.

Objective: Give Idahoans the financial knowledge base needed to wisely use credit, save, invest and avoid fraud.

Performance Measures:
- **Educate Idaho teachers at all levels on personal finance basics so those principles can be incorporated into everyday lessons.**
  Benchmark: Sponsor or participate in yearly teacher financial literacy education programs.
- **Educate Idaho medical professionals and social workers about signs of elder fraud and financial abuse.**
  Benchmark: Sponsor or participate in yearly medical/social worker elder financial fraud prevention programs.
- **Provide speakers and consumer information to schools, senior centers, civic groups and any other interested group to raise awareness of personal finance issues.**
  Benchmark: Increase each year the number of Idahoans to whom presentations are made.

- **Issue press releases and investor alerts highlighting current frauds and ways to avoid fraud.**
  Benchmark: Issue at least one press release each month that incorporates a financial educational component.

Goal #4: **Maintain a strong state regulatory system for securities and investment professionals.**

Objective: Avoid federal preemption of state laws that results in a reduction of state authority and consumer protections.

Objective: Reduce regulatory burden to the extent possible without compromising safety and soundness or consumer protections.

Performance Measures:

- **Actively oppose further federal preemption efforts.**
  Benchmark: Write letters, provide testimony and educate decision-makers about the negative consequences of preemption as opportunities present themselves.
- **Review statutes and rules to ensure requirements continue to be necessary.**
  Benchmark: Review statutes and rules annually for ways to reduce regulatory burden.

Consumer Finance Bureau

Goal #1: **Promote public and industry confidence in Idaho consumer financial services through the licensing and examination process.**

Objective: Ensure Idaho has a healthy, competitive financial services industry.

Objective: Ensure all participants in the financial services industry are properly licensed and comply with applicable Idaho laws.

Objective: Coordinate and cooperate with other regulators to increase regulatory efficiency and reduce regulatory burden on industry.

Objective: Maintain a sufficient number of experienced and professionally competent staff by providing competitive compensation and training opportunities to keep skills current.

Performance measures:

- **Idahoans have access to a sufficient array of competitive financial products.**
  Benchmark: Idahoans are able to obtain financial services at a competitive price.
- **Mortgage industry members receive adequate training about laws administered by the Department.**
  Benchmark: Annually provide at least one training session eligible for continuing education credit for mortgage industry members.
- **Licensees under the Idaho Credit Code, Idaho Residential Mortgage Practices Act, Idaho Collection Agency Act, and the Idaho Escrow Act are examined by the Department to determine compliance with governing laws and rules.**
  Benchmark: Subject to higher-priority "for cause" examinations, conduct 200 routine licensee examinations each year, prioritized based on risk factors and the public interest.
- **Licensees under the Idaho Residential Mortgage Practices Act use the Nationwide Mortgage Licensing System (NMLS) for mortgage license applications and annual mortgage license renewals and learn of expanded NMLS functionalities as they are introduced.**
  Benchmark: Department regularly contributes information to and extracts information from the NMLS and communicates expanded NMLS tools and functionalities to licensees when introduced.

Goal #2: **<u>Protect consumers from financial fraud through timely enforcement of Idaho's mortgage, collection agency, escrow, and consumer credit laws.</u>**

Objective: **Bring appropriate legal action against those violating mortgage and consumer credit laws.**

Objective: **Ensure consumers obtain appropriate redress for violations, to the extent possible.**

Objective: **Ensure applicants for licensing under consumer finance laws fully meet qualification standards of Idaho law.**

Objective: **Conduct on-site examinations of licensees to ensure compliance with legal requirements.**

Performance Measures:

- **Conduct timely investigations into consumer complaints and other suspected violations.**
  Benchmark: **Cases/complaints more than 6 months old are: being actively investigated, closed or have been referred for legal action.**
- **Perform a comprehensive and timely review of materials submitted with licensing applications.**
  Benchmark: **Licensing materials are reviewed and any comments letters issued within statutory timeframes.**
- **Conduct "for cause" examinations of licensees when red flags are noted.**
  Benchmark: **Fraudulent and other prohibited practices are halted quickly.**

Goal #3: **<u>Increase the financial literacy of all Idahoans.</u>**

Objective: **Give Idahoans the financial knowledge base needed to wisely use credit, save, invest and avoid fraud.**

Performance Measures:

- **Educate Idaho teachers at all levels on personal finance basics so those principles can be incorporated into everyday lessons.**
  Benchmark: **Sponsor or participate in yearly teacher financial literacy education programs.**
- **Provide speakers and consumer information to schools, senior centers, civic groups and any other interested group to raise awareness of personal finance issues.**
  Benchmark: **Increase each year the number of Idahoans to whom presentations are made.**
- **Issue press releases and investor alerts highlighting current frauds and ways to avoid fraud.**
  Benchmark: **Issue at least one press release each month that incorporates a financial educational component.**

Goal #4: **<u>Maintain a strong state regulatory system for mortgage brokering/lending services.</u>**

Objective: **Avoid federal preemption of state laws that results in a reduction of state authority and consumer protections.**

Objective: **Reduce regulatory burden to the extent possible without compromising safety and soundness or consumer protections.**

Performance Measures:

- **Actively oppose further federal preemption efforts.**
  Benchmark: **Write letters, provide testimony and educate decision-makers about the negative consequences of preemption as opportunities present themselves.**
- **Review statutes and rules to ensure requirements continue to be necessary.**
  Benchmark: **Review statutes and rules annually for ways to reduce regulatory burden.**

DESCRIPTION OF PERFORMANCE BENCHMARKS

Four general categories of benchmarks are used by the Department in its Strategic Plan. The most frequently used benchmarks are those that dictate that a certain percentage of the time a particular result will occur. Example: "100% of state-chartered credit unions [were] examined within statutory timeframes." Benchmarks of this type were selected because:

a. a statute mandates a particular result, or

b. the benchmark represents the Department's expected, planned or intended result. This result is based on the Department's own experience, the experience of other regulators and an analysis of the specific resources available to the Department.

Other benchmarks set minimum targets that must be achieved. Example: "[A]t least one examiner has sufficient expertise in each significant product, service and technology used or offered by a financial institution to evaluate its risks and benefits." This type of benchmark assures that the Department is able to adequately regulate all products and services under its jurisdiction.

Benchmarks that require some action within a specific timeframe not mandated by statute have been determined based on the Department's own experience, the experience of other regulators and an analysis of the specific resources available to the Department. Similarly, some benchmarks will measure performance by comparing the number of times an action was taken versus the number of opportunities the Department had to take that action. Example: "Write letters, provide testimony and educate decision-makers about the negative consequences of preemption as opportunities present themselves."

The final type of benchmark is one that requires the Department to review the financial services marketplace or other non-numeric set of items or events to determine if the benchmark has been met. Example: "Idahoans are able to obtain financial services at a competitive price."

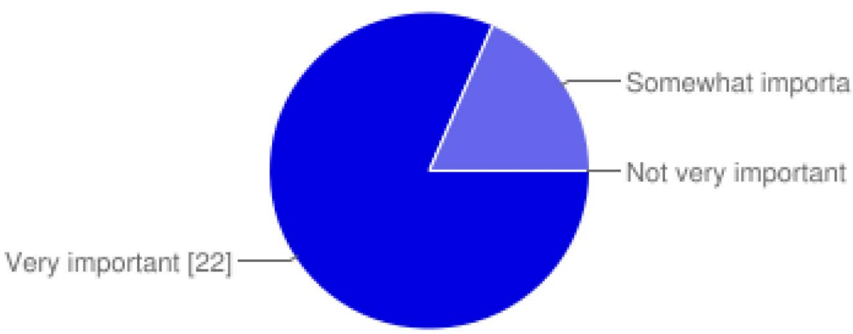
Appendix

27 responses

Increase the financial literacy of all Idahoans.

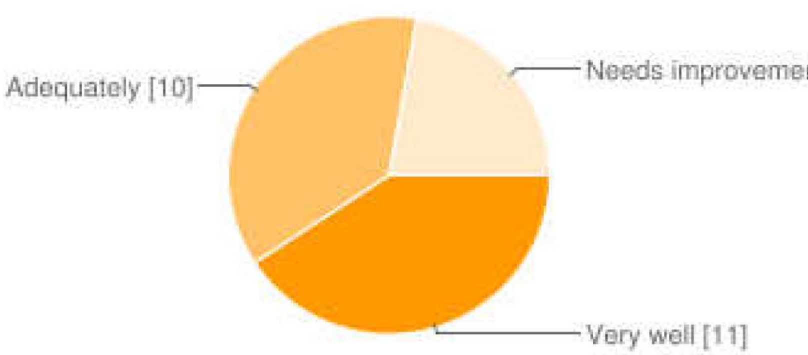
This includes educating Idahoans on the wise use of credit, explaining the differences among financial services providers and products, identifying sound investment opportunities, and recognizing and avoiding financial fraud.

Importance of the goal:



Very important	**22**	81%
Somewhat important	**5**	19%
Not very important	**0**	0%

How well is the Department currently meeting this goal:

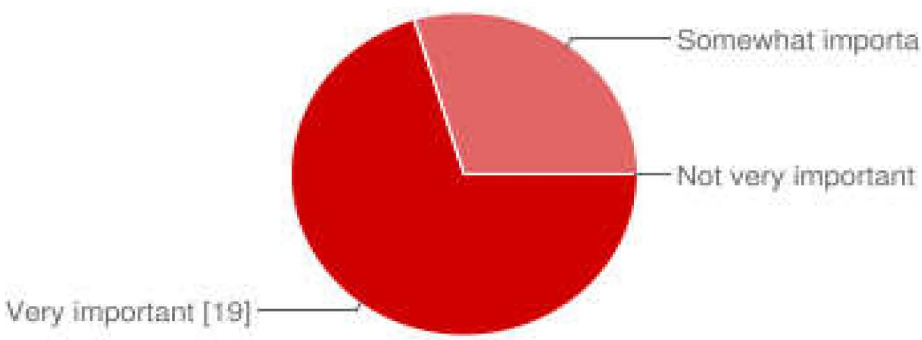


Very well	**11**	41%
Adequately	**10**	37%
Needs improvement	**6**	22%

Increase our coordination and cooperation with other regulators.

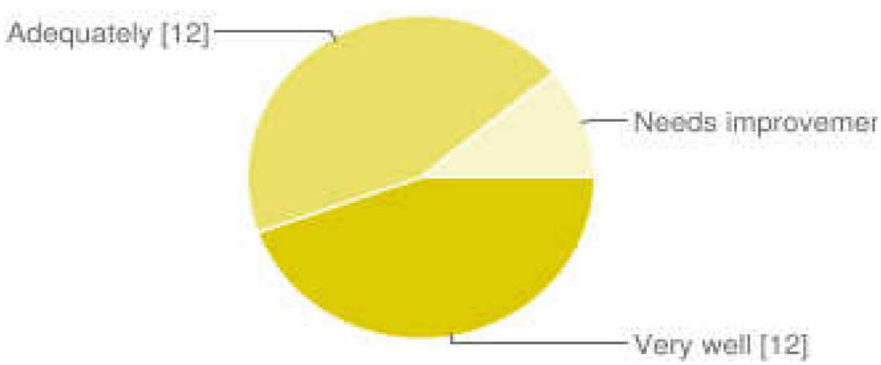
This includes increasing our overall efficiency by coordinating the allocation of resources, sharing information and dividing jurisdiction among regulators. It also is intended to reduce regulatory burden on our regulated entities.

Importance of the goal:



Very important	**19**	70%
Somewhat important	**8**	30%
Not very important	**0**	0%

How well is the Department currently meeting this goal:

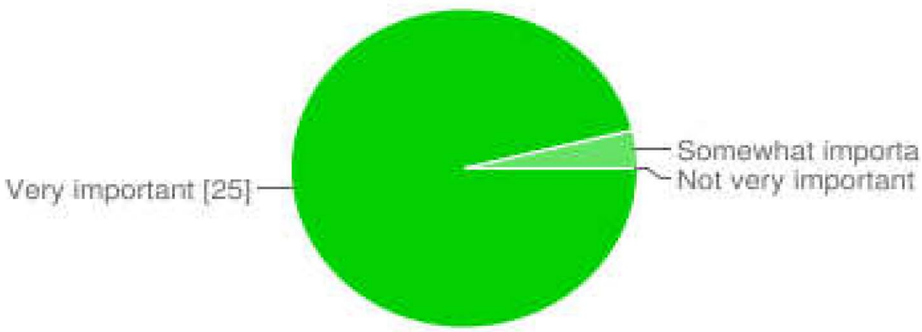


Very well	**12**	44%
Adequately	**12**	44%
Needs improvement	**3**	11%

Retain national accreditation of both the banking and credit union sections of the Financial Institutions Bureau.

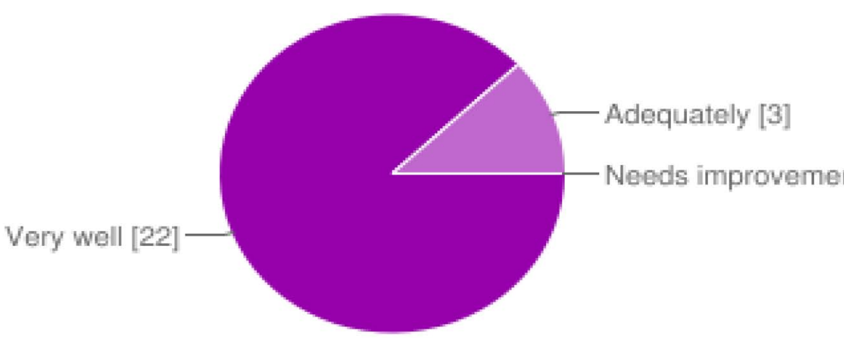
Both the banking and credit union sections were reaccredited in 2010.

Importance of the goal:



Very important	**25**	93%
Somewhat important	**1**	4%
Not very important	**0**	0%

How well is the Department currently meeting this goal:

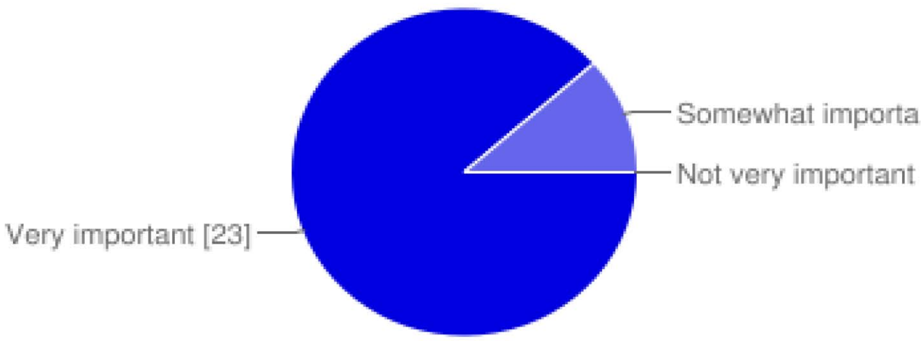


Very well	**22**	81%
Adequately	**3**	11%
Needs improvement	**0**	0%

Obtain national accreditation fo the mortgage supervision section of the Consumer Finance Bureau.

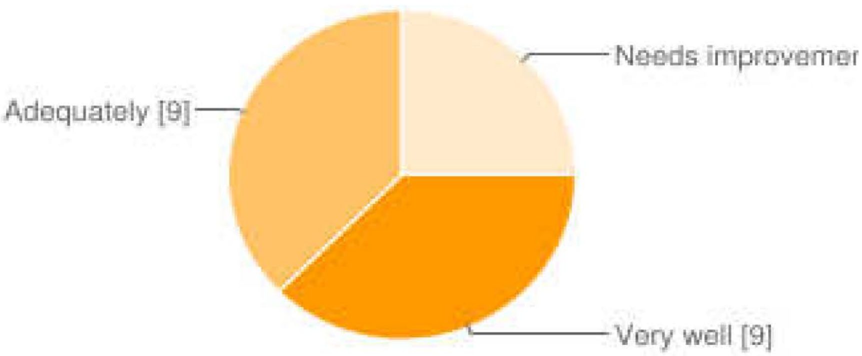
The Consumer Finance Bureau is currently developing and implementing administrative and procedural policies to meet accreditation standards for its mortgage supervision section.

Importance of the goal:



Very important	**23**	85%
Somewhat important	**3**	11%
Not very important	**0**	0%

How well is the Department currently meeting this goal:

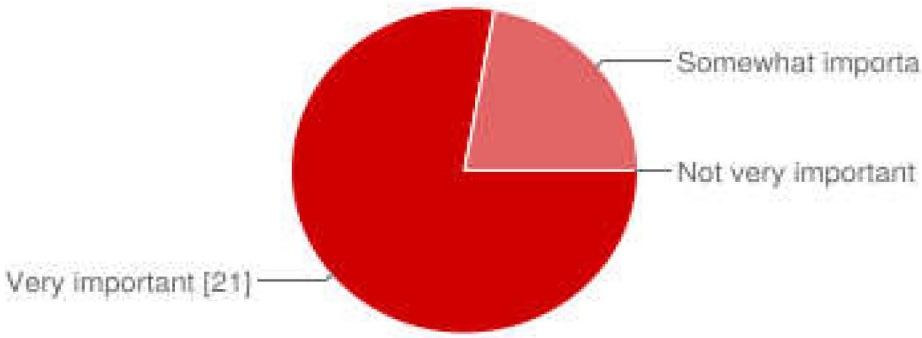


Very well	**9**	33%
Adequately	**9**	33%
Needs improvement	**6**	22%

Seek certification for all Securities Analysts/Investigators who have been with the Department for at least three years and who demonstrate a commitment to state service.

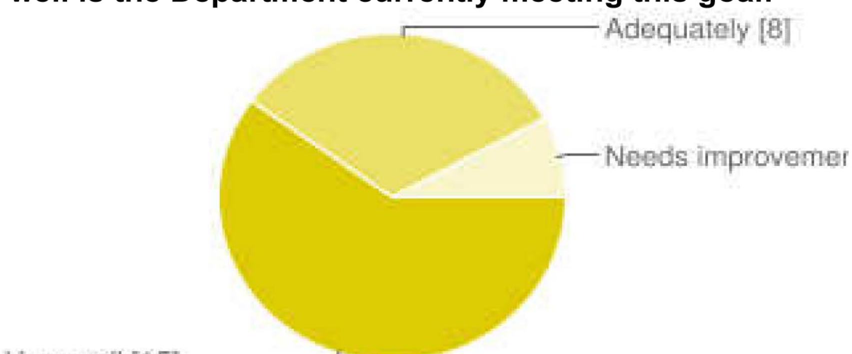
Certifications may include the NASD/Wharton School Securities Certification and the Certified Fraud Examiner designation and other comparable designations indicating completion of advanced coursework in the individual employee's area of expertise. Currently all six eligible employees hold such a designation.

Importance of the goal:



Very important	**21**	78%
Somewhat important	**6**	22%
Not very important	**0**	0%

How well is the Department currently meeting this goal:

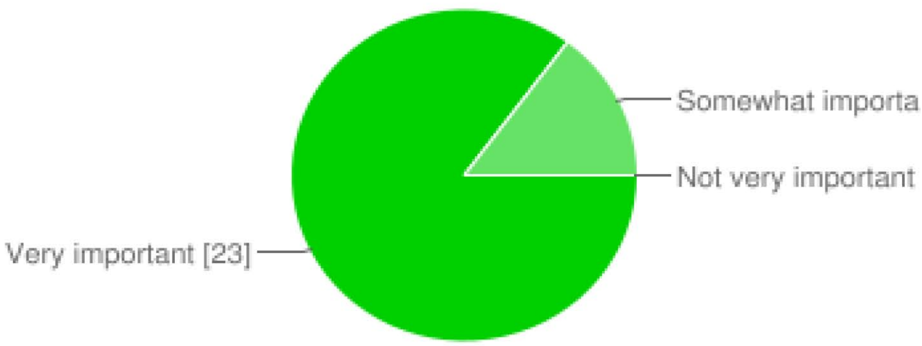


Very well	**15**	56%
Adequately	**8**	30%
Needs improvement	**2**	7%

Maintain sufficient staffing levels to provide adequate oversight of the increasing number of regulated entities.

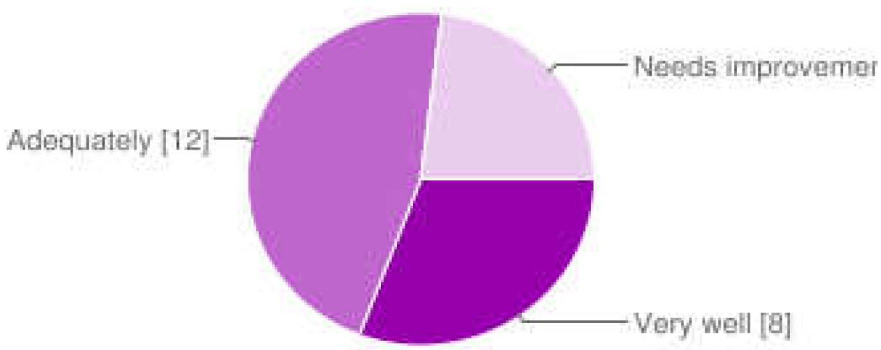
The Department currently has 54 employees. As of April 1, 2011, the Department had 136,451 individuals and entities under its supervision. Based on the large number of regulated entities, the Department must allocate its limited resources very responsibly, taking into account changes in the marketplace including evolving consumer protection demands.

Importance of the goal:



Very important	**23**	85%
Somewhat important	**4**	15%
Not very important	**0**	0%

How well is the Department currently meeting this goal:

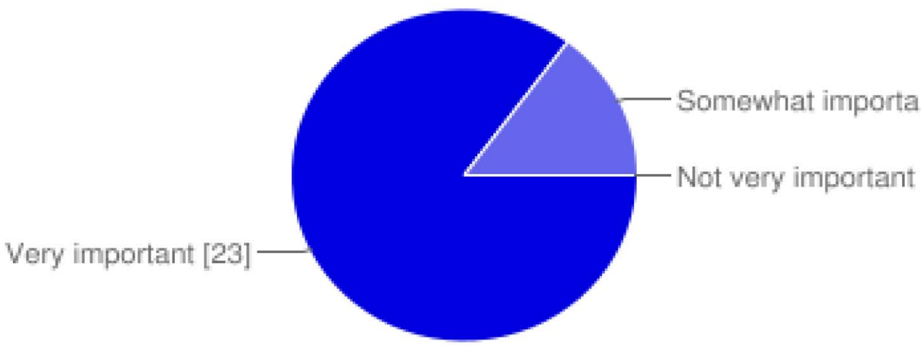


Very well	**8**	30%
Adequately	**12**	44%
Needs improvement	**6**	22%

Effectively communicate with all stakeholders (the regulated industries, the Legislature and the public).

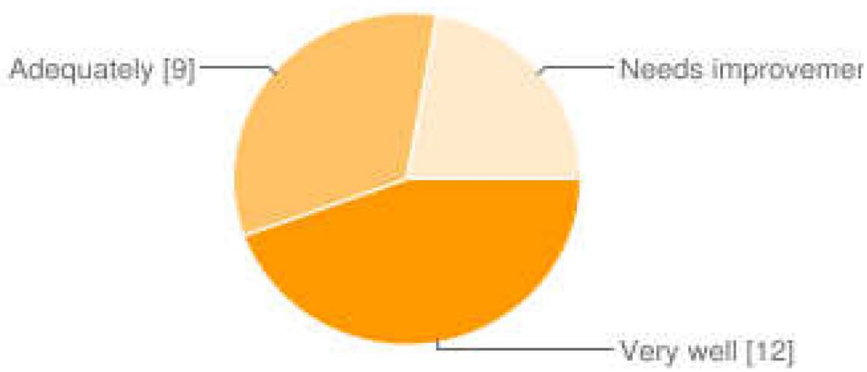
This includes educational efforts directed to our regulated entities concerning safe and prudent financial practices, education through press releases and presentations directed to all stakeholders about on-going financial services trends and issues, and regular updates to the Department's website to ensure information and forms are accurate and current.

Importance of the goal:



Very important	**23**	85%
Somewhat important	**4**	15%
Not very important	**0**	0%

How well is the Department currently meeting this goal:

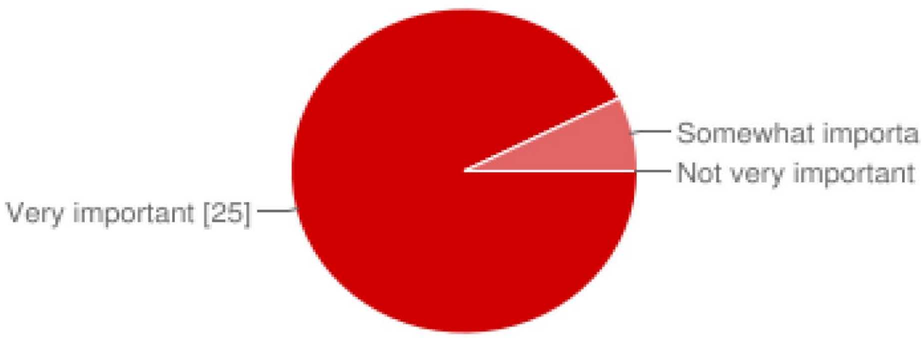


Very well	**12**	44%
Adequately	**9**	33%
Needs improvement	**6**	22%

Maintain a strong state regulatory system for depository and non-depository financial institutions, mortgage brokering and banking services, and securities and investment providers.

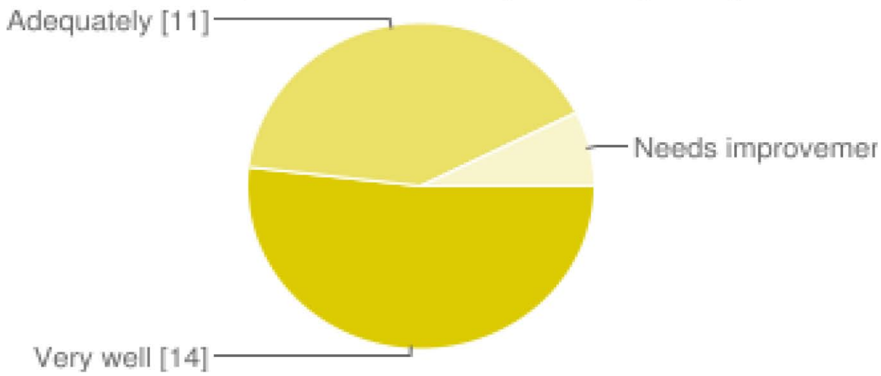
This includes promoting the dual banking system and maintaining the competitiveness of the state charter, and working to avoid preemption that results in a reduction of state authority and consumer protections. It also includes assuring that all laws and rules administered by the Department are current and continue to be appropriate.

Importance of the goal:



Very important	**25**	93%
Somewhat important	**2**	7%
Not very important	**0**	0%

How well is the Department currently meeting this goal:

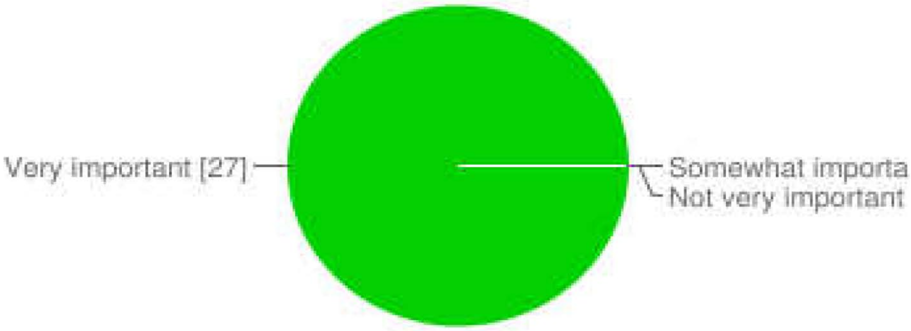


Very well	**14**	52%
Adequately	**11**	41%
Needs improvement	**2**	7%

Retain and recruit a knowledgeable, well-trained, professional staff.

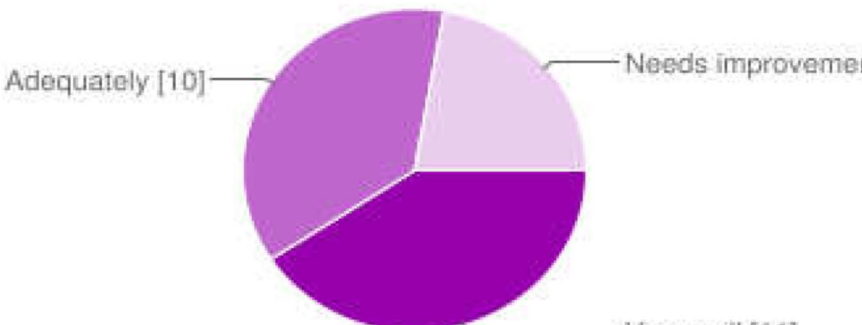
This includes providing on-going training opportunities for staff members, developing cross training and partnering programs between bureau staff to most fully utilize available resources, and assuring all state and departmental guidelines are understood and followed by staff members.

Importance of the goal:



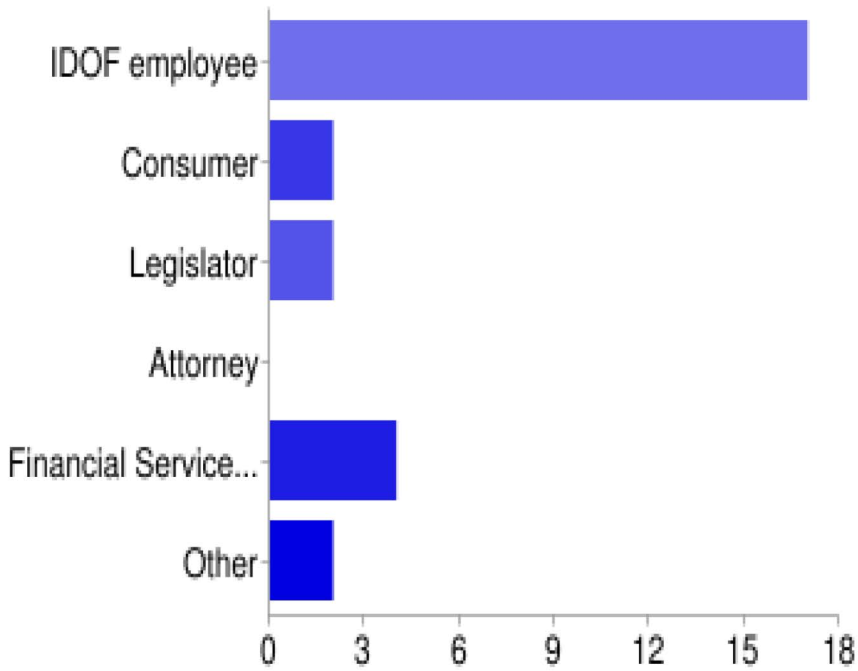
Very important	**27**	100%
Somewhat important	**0**	0%
Not very important	**0**	0%

How well is the Department currently meeting this goal:



Very well	**11**	41%
Adequately	**10**	37%
Needs improvement	**6**	22%

Please identify the consituency group of which you are a member.



IDOF employee	**17**
Consumer	**2**
Legislator	**2**
Attorney	**0**
Financial Services Industry Member	**4**
Other	**2**