



Contact:

Gavin Gee

Director

(208) 332-8010

Jim Burns

Securities Bureau Chief

208-332-8080

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For Immediate Release

January 11, 2017

Department of Finance Reports Business Filings and Calendar Year Highlights *Securities Industry Filings Break Record for Eighth Consecutive Year*

Boise, Idaho . . . The Idaho Department of Finance reports that it processed more than 173,000 business filings, licenses and registrations in 2016. Director Gavin Gee said that the number is evidence not only that businesses continue to desire to operate in Idaho, but helps explain the state's economic advances and growing reputation for strength. "Idaho consumers benefit from competition among healthy financial service providers," Gee said, "and Idaho businesses benefit from having ready sources of credit." The filings include applications and renewals by the state banking, credit union, mortgage, consumer lending and securities industries, under 23 financial service laws.

Securities and Mortgage Industries Continue to Grow - A record 120,579 securities filings and professionals licensing to do business in Idaho occurred in 2016. This is the eighth consecutive year of record high securities industry filings. The mortgage industry continued its recent growth in Idaho with a nearly 25-percent increase in loan originator licenses outstanding, as well as a more than 20-percent increase in non-bank consumer lending companies.

Idaho Banks and Credit Unions Continue to Fuel Economies – The overall strong financial condition of Idaho-based banks and credit unions in the first three quarters of 2016 contributed to Idaho's rising economy. The aggregate net income generated by Idaho-based banks totaled \$38.89 million compared to \$36.15 million for the first three quarters one year ago, and the Return on Assets (ROA) improved from 0.96 percent to 0.98 percent. The increase was slight due to continued average asset growth among Idaho banks of 6.24 percent over the year, mostly in loans. Total loan balances in Idaho banks rose 9.50 percent, while loan growth of 6.84 percent was reported nationally. The interest rate environment remains a challenge for all banks, but Idaho-based banks reported an improved aggregate net interest margin of 3.97 percent, which compares favorably to the national average of 3.11 percent. The ratio of noncurrent loans to total loans declined from 0.61 percent to 0.37 percent, significantly lower than the 1.45 percent reported nationally. Net charge-offs increased for Idaho-based banks to \$1.99 million, up \$639,000, or 47 percent, from a year earlier. Every bank headquartered in Idaho was considered well-capitalized as of September 30, 2016.

Idaho credit unions outperformed national averages in significant measures. Although the average total Net Worth ratio for Idaho-based credit unions declined from 9.74 percent to 9.58 percent, as compared to the national average of 10.85 percent, credit unions in Idaho earned an annualized ROA of 1.05 percent, as compared to the national average of 0.78 percent. Idaho-based credit union asset quality indicators continue to compare favorably to the national averages with the aggregate Delinquent Loans to Total Loans ratio reported at 0.42 percent as compared to the national average of 0.77 percent. Also, Idaho's annualized Net Loan Charge-Off ratio of 0.30 percent compares favorably to the national average of 0.53 percent. Annualized total loan growth is reported at 12.66 percent as

NEWS RELEASE

January 11, 2017

Page 2 of 3

compared to 10.19 percent for the national average, and annualized share growth is reported at 15.30 percent as compared to 8.14 percent nationally.

The Idaho Department of Finance welcomed Latah Credit Union as the newest State of Idaho-chartered financial institution; Latah Credit Union converted from a federal charter to a state charter on September 15, 2016. The credit union, originally chartered in 1969, has its main office in Moscow, with four branches in northern Idaho.

Continued Participation in Initiatives to Support Community Banks and Credit Unions – Community banks and credit unions play an important role in the daily lives of Idahoans by providing certain services for which there are no substitutes – particularly in largely rural states. These financial institutions provide credit and deposit services to local businesses, including family farms, through relationship banking. The relationships are critical to Idaho’s improving local and state economies. In support of Idaho community banks, the Department participated in the fourth annual Community Banking in the 21st Century Research and Policy Conference, sponsored by the Federal Reserve System and the Conference of State Bank Supervisors (CSBS). A primary purpose of the conference is to motivate academic experts, federal and state policymakers, and community bankers to develop and discuss research on the critical contributions of community banks. A report, *Community Banking in the 21st Century*, was issued following the conference, including a summary of the Department’s meetings with Idaho bank CEOs and the results of a national survey of community bankers. The report provides a comprehensive view of opportunities and challenges facing community banks.

In support of Idaho credit unions and in coordination with the National Association of State Credit Union Supervisors (NASCUS) and the Idaho Credit Union League, the Department hosted and participated in the “Idaho Credit Union Outreach,” a day of discussion and training for credit union executives.

On-Going Efforts in Cybersecurity – To help prevent breaches or hacking of personal information held by businesses, the Department developed and participated in initiatives to educate consumers and industry about cybersecurity and identity theft risks, and to assess their preparedness to mitigate or respond to these risks. The Department offered educational materials and seminars to assist industry, investors and consumers to better combat cyber risks. An “Executive Leadership on Cybersecurity,” was cosponsored by the Department in Coeur d’Alene for community bank executives and board members in conjunction with the Idaho/Nevada/Oregon Bankers Association and the Idaho Community Bankers Association Annual Meetings. Cybersecurity was a key focus of the “Idaho Credit Union Outreach” held in Boise. The Department participated in the “Cybersecurity for Businesses” conference sponsored by The Bank of Commerce in Idaho Falls. More than 200 business people attended the conference, which featured speakers from the U.S. Secret Service, the Idaho National Laboratory and the Homeland Security Division. The Department conducted continued training on cybersecurity to its entire staff and specifically field examiners, and enhanced the information technology examinations of banks and credit unions to assess their efforts to maintain the security of customer information. The Department also increased its efforts to educate financial institutions, retail businesses, and consumers on the importance of transitioning to “EMV” chip credit and debit cards to reduce fraud and create safer and better payment options.

NEWS RELEASE

January 11, 2017

Page 3 of 3

Financial Fraud Remains a Concern – Although financial fraud complaints received by the Department continued their decline from record highs in recent years, they suggest a potential financial impact of just over \$10 million. The Department processed more than 340 consumer complaints, initiated or completed over 20 enforcement actions, and assisted in one completed criminal investigation and prosecution while working with criminal prosecutors in others. As a result, Idahoans were the beneficiaries of refunds or orders of restitution of more than \$238,000.

Financial Education Efforts – Consumer financial and investor education initiatives continue to develop and grow as a core part of the Department of Finance’s mission. Our consumer directed educational initiatives now average more than 25 speaking, sponsoring and collaborative educational events each year. This is in addition to our industry-directed education and training efforts. This past year’s highlights included the Department’s participation and/or sponsorship of **TWO Smart Women Smart Money Conferences**, the **Annual Financial Literacy Month**, **THREE Senior Scam Jams**, **“Bank On Treasure Valley,” America Saves Week, Military Saves Week** and the **Idaho Financial Education Summit**.
