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For Immediate Release

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Department of Finance Reports Record 2015 Financial Service Business Filings Securities Industry Filings Break Record for Seventh Consecutive Year

Boise, Idaho . . . Gavin Gee, director of the Idaho Department of Finance, released numbers for calendar year 2015 that demonstrate the continued robust health of the financial services industry in Idaho. The department processed nearly 175,000 business filings, licenses and registrations in 2015, an increase of nearly 4 percent over 2014 and a new calendar year record. *"The continued growth in business filings speaks well of Idaho's economy and creates competitive choices for Idaho consumers,"* Gee said. New filings include applications and renewals by the state banking, credit union, mortgage, consumer lending and securities industries, under 23 financial service laws. On a calendar year basis, the securities bureau reported a record 120,572 securities filings and professionals licensing to do business in Idaho. This is the seventh consecutive year of record high securities industry filings. The mortgage industry continued its recent growth in Idaho with more than a 10 percent aggregate growth in mortgage loan originator and mortgage broker/lender license applications. Department-licensed companies and professionals reside in every state and 23 foreign countries.

Department Holds Third Round of Town Hall Meetings to Support Community Banks - The Department participated in the third annual Community Banking Research and Policy Conference, hosted by the Conference of State Bank Supervisors and the Federal Reserve System. The conference brought together academics, community bankers, and federal and state policymakers from across the country to discuss the latest research and trends in community banking. To include the voice of Idaho community bankers in the meeting, the department again conducted an Idaho community bank town hall meeting in 2015. Bankers provided valuable feedback on local markets and economies, unmet financial services needs, and the significantly increased regulatory burdens resulting from new and existing laws. These efforts underscore the critical role of community banks in their communities and the local and national economies. Their focus on small business, commercial real estate and farm lending, coupled with other valuable products and services, creates jobs, and strengthens Idaho communities and economies. More information about the conference, including the research papers that were presented and keynote speaker remarks, is available at <https://www.communitybanking.org/2015-conference.html?tab=agenda>.

Critical On-Going Efforts in Cyber Security – Recent years have seen a notable increase in the breaches or hacking of national merchants, financial institutions, government entities and others. The department has launched several initiatives to educate consumers and industry about cyber security 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; continued training of its entire staff, and specifically field examiners, on cyber security; 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.

Decline in Licensed Payday Lenders in Idaho –The Department observed a 34 percent decline in licensed payday lenders, from 223 at the end of 2014 to 147 as of December 31, 2015. The department attributes the decline to increased scrutiny of the payday lending industry by the federal Consumer Financial Protection Bureau (CFPB), and industry expectation of new federal payday lending regulations in 2016. The anticipated federal regulations are expected to require more robust underwriting practices for short-term consumer loans, limit such loans to 45 days, and establish a 60-day "cooling off" period after a borrower has taken out three such loans in a row.

Idaho Banks and Credit Unions Continue Improvement - Idaho-based banks continued to exhibit improved performance and financial condition. For the first three quarters of 2015, the average aggregate Return on Assets (ROA) improved from 0.81 percent to 0.96 percent. While slightly below the national average ROA of 1.05 percent, Idaho-based institutions outperformed the national average in other key performance indicators. The average net interest margin for banks headquartered in Idaho improved from 3.70 percent to 3.85 percent, which compared favorably to the national average of 3.05 percent. The ratio of noncurrent loans to total loans declined from 1.11 percent to 0.61 percent, which was lower than the 1.61 percent reported for all banks nationally. In addition, net charge-offs as a percentage of loans for Idaho-based banks was just

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0.06 percent, compared to the national average of 0.42 percent. The average core capital ratio for Idaho-based banks improved modestly from 11.71 percent to 11.79 percent and remained stronger than the national average of 9.61 percent. Every bank headquartered in Idaho was considered well-capitalized as of September 30, 2015.

Idaho-based credit unions continued to exhibit strong financial performance in the first three quarters of 2015, as well. Although the average total Net Worth ratio for Idaho-based credit unions declined from 9.96 percent to 9.74 percent, as compared to the national average 10.99 percent, credit unions in Idaho outperformed national averages in other measures. Idaho-based credit unions earned an annualized ROA of 1.06 percent, as compared to the national average of 0.80 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 0.41 percent as compared to the national average of 0.78 percent. Also, Idaho's annualized Net Loan Charge-Off ratio of 0.26 percent compares favorably to the national average of 0.46 percent. Annualized total loan growth is reported at 16.52 percent as compared to 10.71 percent for the national average, and annualized share growth is reported at 11.65 percent as compared to 5.83 percent nationally.

Two Idaho credit unions merged during calendar year 2015, decreasing the total number of credit unions headquartered in Idaho to 39. There were no bank or credit union failures in Idaho during the year. However, nationally, 8 banks and 12 credit unions failed in 2015, compared to 18 bank and 11 credit union failures in 2014.

Financial Fraud Remains a Concern – Although financial fraud investigations conducted by the department during the year continued to decline from record highs after the great recession; they suggest a potential impact of approximately \$11 million. The department processed nearly 300 consumer complaints, initiated or completed over 30 enforcement actions and assisted in several criminal cases. As a result, Idahoans were the beneficiaries of refunds or orders of restitution of approximately \$1 million.

Financial Education Efforts – Consumer and investor education continues to be part of the department's mission. Idaho is one of only 19 states to require a personal finance class in high school. This past year's highlights included the department's participation and/or sponsorship of **America Saves Week**, the **17th Annual Financial Literacy Month**, "**Bank On Treasure Valley**," **Idaho Scam Jam Alliance's Boise Scam Jam**, two **Smart Women Smart Money Financial Conferences**, as well as educational efforts directed at members of the military and financial fairs and presentations in concert with the **Idaho Commission of Libraries**.

Bank and Credit Union Programs Reaccredited – The department was accredited for bank and credit union supervision by the Conference of State Bank Supervisors (CSBS) and National Association of State Credit Union Supervisors (NASCUS), certifying that it maintains the high standards and practices set by those programs. This is the department's sixth accreditation; it was first accredited in 1989 for the bank program and 1990 for the credit union program. The accreditation programs involve a comprehensive review of all critical elements that assure a department's ability to discharge its responsibilities, including administration and finance, personnel, training, examination, supervision, and legislative powers. The high standards encourage agencies to enhance their capability to promote safe and sound financial services with a minimum of regulatory burden and cost.

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The Department of Finance receives no state or federal tax dollars. Regulated entities fund its operations. Department Press Releases and other information can be found on the Department's website at: <http://finance.idaho.gov/PR/PressRelease.aspx> or by contacting the department at (208) 332-8000 or Idaho toll-free at 1-888-346-3378.