

DEPARTMENT OF COMMERCE
IOWA DIVISION OF BANKING

PERFORMANCE REPORT

Performance Results Achieved
for Fiscal Year 2020

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INTRODUCTION

I am pleased to present the Department of Commerce, Iowa Division of Banking (IDOB) Performance Report for Fiscal Year 2020 (July 1, 2019 - June 30, 2020). This report contains valuable information about the services the IDOB has provided for Iowans during the past fiscal year. This report is provided to meet the agency's commitment to manage for results and to be open and accountable to Iowa citizens. This report contains performance information on the Bank Bureau, the Finance Bureau, and the Professional Licensing Bureau of the IDOB.

AGENCY OVERVIEW

The IDOB was created in 1917 to ensure the stability and public confidence in the banks organized under a state charter. Today the IDOB is led by the Superintendent of Banking and consists of three functional areas: The Bank Bureau, the Finance Bureau, and the Professional Licensing Bureau (PLB) which merged with IDOB as of 7-1-2006.

Vision: Ensure that Iowans have access to a fair and competitive marketplace for regulated financial and professional services.

Mission: Protect the interests of those doing business with Iowa chartered banks, licensed financial services providers, and licensed professionals through regulation that ensures safety, soundness, and adherence to applicable laws.

Core Function: Regulation & Compliance

IDOB determines that individuals or businesses meet criteria established by the legislature, congress, and state and federal authorities to provide identified financial and professional services. Applicants must meet the criteria initially and continuously.

An initial determination is evidenced by the granting of a charter or license. Continued compliance is confirmed via examination or work product review and/or subsequent renewal applications.

The **Banking and Finance Bureaus** of IDOB perform safety and soundness, trust, bank secrecy act, compliance, and information system examinations of IDOB-supervised institutions.

Examinations are conducted to assess an institution's overall financial condition, management practices and policies, and compliance with applicable laws and regulations. Through the examination process, the IDOB also assesses the adequacy of management and internal control systems to identify and control risks. The IDOB regularly reviews examination methodologies and adjusts them as necessary to remain effective. At the conclusion of the examination a confidential report is provided to the financial institution's board and other regulatory bodies.

If the examination process reveals weaknesses in an IDOB-supervised institution's operations or conditions, the IDOB takes appropriate action. Informal or formal enforcement actions may be

issued for IDOB-supervised institutions with significant weaknesses or those operating in a deteriorated financial condition. The actions remain in effect until the weakness is corrected. If the problems remain unresolved, the IDOB may take further steps to encourage or compel institutions to comply with the actions. If these efforts are unsuccessful or if other weaknesses are evident, the institution would be instructed to seek additional capital or a merger. If problems remain unresolved, the IDOB, as the chartering authority, may close the institution. The IDOB would then appoint the FDIC as receiver, with this agency overseeing the resolution of the institution.

Informal enforcement actions require the institution's acknowledgement and commitment to correct the problem. Informal actions include board resolutions or memoranda of understanding. Formal enforcement actions are taken when an informal action is ineffective or inappropriate. Formal enforcement actions include written agreements, cease and desist orders, civil money penalties, and officer and director suspension or removal.

Communication is an important component of the IDOB's regulatory program. Risks identified during an examination are discussed with the institution's management and its board of directors. In addition to communication regarding examinations, the IDOB provides information on issues affecting the industry through letters, emails, and forums.

The IDOB also evaluates an IDOB-supervised institution's ability to manage risk when reviewing applications or notices for new or expanded activities. In order for the IDOB to expedite the review of an institution's application or notice, it must be well-capitalized, possess a qualified management team, be capable of operating in a safe and sound manner, and be compliant with applicable laws and regulations.

The development and implementation of effective risk-management policies and practices are the responsibility of individual financial institutions. As institutions enter new lines of business and activities, implement new technologies, or face changing economic conditions, risk-management policies and oversight become increasingly important.

Procedures normally performed in completing examinations may disclose the presence of fraud or insider abuse, although fraud detection is not a primary purpose of the examination program. The IDOB prepares its examination staff to recognize indicators of fraudulent activity, but fraud is often difficult to detect and losses may occur before the fraudulent activity is detected.

For banks, the IDOB participates in an examination program under which examinations are performed on an alternating basis with the two federal financial institution regulators – the FRB and FDIC. The close working relationship the IDOB has with the FRB and the FDIC enables the regulators to address issues and programs that transcend the jurisdiction of each agency.

The IDOB also works closely with the Conference of State Bank Supervisors (CSBS), which represents the state regulatory authorities in Washington D.C.

IDOB also provides administrative support for seven professional licensing boards that license and regulate individuals and firms. To ensure citizens of the state receive professional, competent, and safe services, each board: adopts rules and establishes standards for licensure or certification (including regular renewal of those licenses and certifications) which may include an initial examination, education, apprenticeship, and criminal background check;

makes licensing decisions and issues the license or permit to practice; and actively monitors licensee compliance by investigating complaints and work-product review, and conducting disciplinary hearings.

PLB provides administrative support for the following six professional licensing boards:

a. The engineering and land surveying examining board is a seven-member board appointed by the governor and confirmed by the senate. It is composed of four professional engineers, one land surveyor, and two public members. The board administers Iowa Code chapter 542B, Professional Engineers and Land Surveyors, and Iowa Administrative Code chapter 193C.

b. The accountancy examining board is an eight-member board appointed by the governor and confirmed by the senate. It is composed of five certified public accountants, one accounting practitioner, and two public members. The board administers Iowa Code chapter 542, Public Accountants, and Iowa Administrative Code 193A.

c. The real estate commission is a seven-member commission appointed by the governor and confirmed by the senate. It is composed of five members licensed under Iowa Code chapter 543B and two public members. The board administers Iowa Code chapter 543B; Real Estate Brokers and Salespersons; 543C, Sales of Subdivided Land Outside of Iowa; 557A, Time-Share Act; and Iowa Administrative Code 193E.

d. The architectural examining board is a seven-member board appointed by the governor and confirmed by the senate. It is composed of five registered architects and two public members. The board administers Iowa Code chapter 544A, Registered Architects, and Iowa Administrative Code chapter 193B.

e. The landscape architectural examining board is a seven-member board appointed by the governor and confirmed by the senate. It is composed of five registered landscape architects and two public members. The board administers Iowa Code chapter 544B, Landscape Architects, and Iowa Administrative Code chapter 193D.

f. The interior design examining board is a seven-member board appointed by the governor and confirmed by the senate. It is composed of five interior designers and two public members. The board administers Iowa Code chapter 544A, Interior Design, and Iowa Administrative Code chapter 193G.

Effective July 1, 2016, the administrative support for the real estate appraiser board was provided by the Finance Bureau rather than PLB. The real estate appraiser examining board is a seven-member board appointed by the governor and confirmed by the senate. It is composed of five certified real estate appraisers and two public members. The board administers Iowa Code chapter 543D, Real Estate Appraisals and Appraisers, and Iowa Administrative Code chapter 193F.

While PLB is a bureau of IDOB, funds and appropriations are kept separate from the rest of IDOB. PLB [Dept. 217] has 1 office, 10 FTEs and general fund budget \$370,263. The remainder of IDOB [Dept. 213] has 1 office, up to 80 FTEs and annual budget of \$ \$11,978,695.

KEY RESULT TEMPLATE

CORE FUNCTIONS – I. Banking and Finance, II. Professional Licensing

Name: Regulation & Compliance:

I. Banking and Finance

Description:

The IDOB supervises certain financial institutions as required by state law via licensing or chartering, examining on a regular basis, and investigating consumer complaints. The intent is to ensure licensed or chartered financial institutions operate in a safe and sound manner and in compliance with applicable laws and regulations.

Why we are doing this:

With the assurance that banks are operating in a safe and sound manner, citizens are encouraged to deposit money and utilize the bank's money transmittal services while the bank utilizes these deposits to lend in its community. Supervision provides for that assurance and also promotes fair competition to those regulated entities competing for citizen's deposits. This supervision also provides an outlet for citizens to contact if they feel they have been unjustly treated by the regulated entities.

What we're doing to achieve results:

The IDOB utilizes performance measures to ensure that we provide timely responses to those seeking to be licensed or chartered in Iowa, examinations are conducted in an efficient and timely manner, and that consumer complaints are investigated and responded to in a timely manner. We have established procedures to assure safety and soundness and compliance. These measures are utilized to ensure we perform our duties in a consistently improving, efficient manner.

What was achieved: 100% of chartered banks and 93% licensed financial institutions were examined within the statutorily required timeframes and those exams reflected that the financial institutions are operated in a safe and sound manner and in compliance with applicable laws and regulations. In the finance bureau 100% of complaints received were acknowledged and reviewed within 4 days of receipt. 98% of those complaints were resolved within 30 days. 100% of the applications received were reviewed within 6 days of receipt. Pending applications are closely monitored with delays beyond 30 days generally attributed to incomplete applications. Licensing decisions were made on 77% of applications within 30 days of receipt of the application.

Data Sources: Internal data base.

Resources: The IDOB is funded by fees assessed to the entities it regulates. The fees received and expenditures made are handled through accounts within the Commerce Revolving Fund (except for PLB which separately accounts for its funds). The Iowa Division of Banking is no cost to the General Fund.

II. Professional Licensing

Description: IDOB administers and coordinates the licensing and regulation of several professions through seven separate boards. Six are administered by PLB and one is administered by the Finance Bureau. Two primary activities in the regulation of professions are licensing and complaint investigation.

Why we are doing this: To preserve and protect the public's health, safety and welfare.

What we're doing to achieve results: Provide complaint forms and information on each of the profession's web pages. Then the complaints are investigated, reported to the applicable board with appropriate action then taken.

Data Sources: Review of Board/Commission meeting minutes, internal database.

Data reliability: The Boards/Commission maintains files and records for each case opened and closed.

What we achieved:

1. Initial Licensing: Completed and approved 90% application in 14 business days.
2. Application Processing: Completed 90% application in 30 business days.
3. Audits: Completed 10% of active licenses audit and average 30 days per audit.
4. Investigations: Completed 90% of written complains in 90 days.

Factors affecting results: The boards have an assigned investigator, however, often the professions need a subject matter expert. An increase in fees for peer review and additional EO effort in obtaining peer review folks in advance led to better results. Some complaints take longer than a year to resolve because of legal and/or time constraints depending on the severity of the alleged offense.

Resources used: PLB is funded through licensing fees and appropriation. Fees generated exceed the amount appropriated to PLB.

AGENCY PERFORMANCE PLAN

FY 2020

Name of Agency: DEPARTMENT OF COMMERCE – DIVISION OF BANKING				
Agency Mission: Protect the interests of those doing business with banks, financial service providers and licensed professionals by ensuring safety, soundness and adherence to the laws and regulations of Iowa.				
Core Function	Performance Measure (Outcome)	Performance Target	Prior Year Actual	Link to Strategic Plan Goal(s)
CF: 1. Regulation & Compliance				
Dept 213				
Desired Outcome(s):				
All financial institutions chartered and licensed by the Iowa Division of Banking are operated in a safe and sound manner and in compliance with applicable laws and regulations.	Appropriate regulation and guidance help financial institutions improve their overall performance, but many other factors and market conditions play essential roles on the overall success.	NA	NA	Promote public & industry confidence. Enhance the Exam Process. Maintain independence.
Services, Products, Activities	Performance Measures	Performance Target	Prior Year Actual	Strategies/Recommended Actions
1. Regulation of state chartered banks.	Percent of state chartered banks examined.	100% of the state-chartered banks will be examined within statutory time limitations.	100%	Regional Managers will schedule examinations so targets are met. Monitoring of the schedule will occur at least monthly by the Bank Bureau Chief and Regional Managers using electronic exam tracking applications.
2. Regulation of financial institutions.	Percent of licensed financial institutions examined that are required to be examined by statute.	100% of the state-licensed financial institutions will be examined within statutory time limitations.	93%	Utilize the examination procedures and processing manual that provides deadlines for each step in the examination process from scheduling to report distribution.
	Percent of financial institution complaints resolved.	90% of consumer complaints will be responded to (or resolved) within 30 days of receipt.	98%	Utilize the complaint processing manual that provides deadlines for each step in the process.
	Percent of license applications processed.	The licensing decision will be communicated to 90% of the	77% (*)	Utilize the application processing manual that provides deadlines for

	(*) Delays are generally caused by the applicant after our first response.	license applicants within 30 days of receipt of a completed application.		each step in the process. All applications were reviewed within 7 days of receipt and 87% of the licensing decisions were made within 60 days of receipt.
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Core Function	Performance Measure (Outcome)	Performance Target	Actual	Link to Strategic Plan Goal(s)
CF: 1. Regulation & Compliance				
Dept 217				
Desired Outcome(s):				
To protect the public's health, safety and welfare.				
Services, Products, Activities	Performance Measures	Performance Target	Prior Year Actual	Strategies/ Recommended Actions
1. Initial Licensing	Average number of days an application for initial licensure is approved from receipt	90% completed in 14 business days	91%	Monitor licensing process and implement change where needed.
2. Application Processing	Average number of days applications (other than applications for initial licensure or renewal) are processed from receipt	90% completed in 30 business days	96%	Monitor application process and implement change where needed.
3. Audits	a) Number of Audits b) Average number of days to complete an audit.	a) 10% of active licenses at beginning of performance period b) 30 business days	5%/20 days	
4. Investigations	Average number of days written complaints are investigated from receipt	90% completed in 90 days	60%	

AGENCY CONTACTS

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