Department of Banking

At a Glance

HOWARD F. PITKIN, *Commissioner*
***Established* - 1837**
***Statutory authority* - Titles 36a and 36b**
Connecticut General Statutes and Related Laws
***Central office* - 260 Constitution Plaza,**
Hartford, CT 06103-1800
***Average number of full-time employees* - 112**
***Recurring operating expenses 2011-12* - $18,449,687**
***Organizational structure* -**
Administration
Consumer Credit
Financial Institutions
Securities and Business Investments

Mission

The mission of the Department of Banking is to protect users of financial services from unlawful or improper practices by requiring that regulated entities and individuals adhere to the law, assuring the safety and soundness of state chartered banks and credit unions, educating and communicating with the public and other stakeholders, and promoting cost-efficient and effective regulation.

Statutory Responsibility

The Department of Banking is responsible for the regulation and examination of financial institutions and various related entities chartered, licensed or registered by the state. The Banking Commissioner is charged with administering the banking and credit union laws of the state as well as the laws regarding securities, tender offers and business opportunities. The Banking Commissioner also administers the Truth-in-Lending Act and other consumer credit laws and a major portion of the law concerning rental security deposits.

Specific regulatory functions are assigned to divisions within the Department.

The Consumer Credit Division regulates the activities of mortgage lenders, brokers, and loan originators; small loan companies; sales finance companies; debt adjusters; debt negotiators; consumer collection agencies; money transmitters; issuers of money orders and travelers checks; and check cashing services. The Division is responsible for the licensing and examination of these entities and the enforcement of related Connecticut laws. The Division also administers Truth-in-Lending laws and retail installment sales financing laws.

The Financial Institutions Division is responsible for the supervision of state-chartered bank and trust companies, savings banks, savings and loan associations and credit unions. The Division also licenses foreign banking organizations that establish and maintain representative offices, agency offices and branch offices in Connecticut, and supervises bank holding companies. It has responsibility for analyzing applications for new bank or credit union charters, acquisitions, mergers, branches, changes in corporate structure, and credit union field of membership expansions. In addition, the Division licenses business and industrial development corporations and certain non-banking corporations that exercise fiduciary powers.

The Securities and Business Investments Division is responsible for the registration of securities and business opportunity offerings for sale in Connecticut; the registration of broker-dealers and investment advisers, along with their agents and branch offices; the examination of broker-dealer, investment adviser and branch office registrants; and enforcement of the state's securities, business opportunity and tender offer laws.

The Department's customers include the general public, representatives of the public, regulated entities and consultants. The public at large, including depositors, borrowers, investors, landlords and tenants, and others who use the services of regulated financial entities, benefits broadly from agency activities. Agency services protect public funds in depository institutions, offer important investor and consumer protections, assist in dispute resolution and provide helpful public information.

Representatives of the public including the Governor and the General Assembly, other elected and appointed officials and federal, state and municipal agencies, receive information, advice, proposed legislation, case referrals and other important services from the Department.

Financial entities are subject to regulatory oversight. Consultants, including law firms, accounting firms, consumer advocacy groups, trade associations and others, receive information, advice, policies and guidelines from the Department.

Public Service

The Department of Banking is strongly committed to maintaining a standard of excellence in meeting its regulatory responsibility, while being responsive to Governor Malloy's desire to promote a business friendly climate in Connecticut.

In order to provide the public with convenient 24-hour, 7-day access to information on agency programs, licensing activity and educational resources, the Department maintains a website on the Internet at www.ct.gov/dob. During the 2011-2012 fiscal year, approximately 181,000 visitors viewed nearly 1 million pages on the agency website.

A weekly News Bulletin, now sent electronically or accessed weekly on the agency website, provides information on applications before the agency, orders and intended changes in regulations. The Securities Division continued publication of its quarterly Securities Bulletin, also sent electronically and posted to the website, to advise the industry of new regulatory developments.

As a fundamental part of its mission, the Department is committed to protecting Connecticut citizens in transactions with financial institutions, as directed by state law, and in assisting with consumer complaints and dispute resolution.

Consumers are encouraged to contact the Department whenever they need assistance in dealing with financial institutions. Agency employees will promptly assist consumers with issues involving banks, credit unions, mortgage lending and other consumer credit matters, rental security deposits, and matters relating to securities and business opportunity investments.

During the fiscal year 2011-2012, examiners in the Government Relations and Consumer Affairs Division handled approximately 12,247 calls telephone inquiries and 3,152 written complaints from the public. As a result of their efforts, the Department obtained approximately $1,823,068 in adjustments and reimbursements on behalf of consumers during the period.

The Foreclosure Assistance Hotline, established in 2007, has continued to be a valuable resource for Connecticut residents. Callers to the 800-number receive pertinent advice and guidance regarding their mortgage problems. During the 2011-2012 fiscal year, the hotline received 4,472 calls, with an average of 21 calls per day, and responded to 3,195 foreclosure assistance cases.

The agency's security deposit investigator resolved 251 landlord/tenant disputes and recovered $53,060.19 for Connecticut residents who had complained to the Department that landlords had unjustly withheld their refundable rental security deposits.

The public received restitution of approximately $252,657.00 as a result of penalties imposed upon licensees by the Consumer Credit Division as part of the examination process. The Division continued its focus on enforcement activities as evidenced by the taking of approximately 162 actions resulting in penalties ordered in excess of $2,759,250 and restitution to the public of $655,308.

Intervention by the Securities and Business Investments Division during the fiscal year resulted in restitution and rescission offers to the investing public totaling $7,873,267. The Division also imposed $3,133,282 in fines for violations of the state's securities and business opportunity laws.

Enforcement cases pursued by the Division included schemes involving misappropriation of investor funds, fraudulent high yield investment programs, promissory notes and inadequate fee disclosure on customer account statements. The Division also settled several matters involving licensing, securities registration and supervisory lapses by brokerage firms and investment advisers.

On July 21, 2011, Title IV of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), Pub. L. No. 111-203 took effect. Dodd-Frank had a significant impact on state registration of investment advisers. Prior to Dodd-Frank, Congressional legislation dictated that the states could only register smaller investment advisers, i.e., those whose assets under management were $25 million or less. Larger investment advisers were generally required to register with the federal Securities and Exchange Commission (the "SEC"). Dodd-Frank increased the ceiling for state investment adviser registration from $25 million to $100 million in assets under management. The Division estimated that it would see an increase of approximately 25% in the number of investment advisers transitioning from SEC registration to state registration as a result of Dodd-Frank.

In July 2011, Connecticut took a proactive stance regarding the changes wrought by Dodd-Frank. Three policy orders were issued to give the securities industry guidance on complying with state law requirements: 1) Order Establishing a State Registration Timetable for Certain Investment Advisers Affected by the Dodd-Frank Wall Street Reform and Consumer Protection Act; 2) Order Governing Certain Investment Advisers Exempt from Federal Registration Following Passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act; and 3) Amendment and Restatement of March 4, 1999 Order Defining the Term "Client" for Purposes of the Connecticut De Minimis Exemption for Investment Advisers.

The Securities and Business Investments Division also held a free compliance workshop in Fairfield, Connecticut on December 9, 2011 to explain the workings of Dodd-Frank. Approximately 100 investment advisers and other interested parties signed up for the event. Sacred Heart University donated the seminar space as a public service.

The Division faced special challenges in 2011-2012 stemming from staff attrition; the need to reallocate staff based on an increased investment adviser regulation workload post-Dodd-Frank; and an increase in the number of cases involving complex fact patterns or securities fraud.

As of the end of the fiscal year, there were no state-chartered domestic banks in organization. On September 8, 2011 the organizers of Sachem Bank, which was to be located in Madison, Connecticut with a branch office in Branford, withdrew their application to organize a bank. On December 23, 2011, SoundView Federal Credit Union converted from a federal to state credit union to be known as SoundView Financial Credit Union, Inc.

Connecticut continues to host five foreign banking organizations in this state, four branch offices and one representative office.

During this fiscal year, the Banking Commissioner participated in a number of industry related meetings with CEOs of banks and credit unions. The Annual CEO Roundtable hosted jointly with the Connecticut Bankers Association was held in September 2011. The Commissioner spoke at the Credit Union League of Connecticut's State & Federal Issues Government Affairs Conference in May 2012 and at the Bankers Forum sponsored by the Center for Financial Training in February 2012. Financial Institutions Division staff participated in a number of industry events sponsored by the Connecticut Bankers Association or the Credit Union League of Connecticut.

The Financial Institutions Division continues to produce its quarterly "DeNovo Report" for the benefit of bank executives and boards of directors, industry representatives and consultants. The report offers a comparative view of the financial performance of new banks in Connecticut. The Department also produces the "Connecticut Banks Performance Report" which highlights financial performance on a semi-annual basis of institutions operating between five and ten years.

Each year the Department, with the coordination of the Government Relations and Consumer Affairs Division, conducts an active legislative program. During the 2012 legislative session, three agency proposals were combined into one bill and enacted into law as Public Act 12-96, An Act Concerning Revisions to the Banking Statutes.

Public Act 12-96 was originally three separate pieces of legislation proposed by the agency. The Banks Committee combined the three bills into one omnibus act. Public Act 12-96 broadens the Banking Commissioner's investigatory powers, and enables him to order restitution and disgorgement for banking law violations without seeking a court order. The act also makes several changes to mortgage licensing provisions.

The Department posts on its website copies of administrative actions taken by the agency against various entities, as well as indices to advisory opinions issued by the Commissioner concerning bank, credit union, consumer credit, landlord/tenant and business opportunity matters.

The Department emphasizes educational efforts to help the public understand financial services offered in the marketplace and recognize fraudulent investment offers and banking scams. Agency staff conducted numerous talks and presentations during the 2011-2012 fiscal year to students, physicians, service members, library groups, seniors and others regarding banking scams and fraud, credit and debt management, reverse mortgages, foreclosure assistance and investor education topics.

In 2011, the department joined the Elder Investment Fraud and Financial Exploitation Prevention Program. The program, funded by a grant from the Investor Protection Trust, trains physicians, adult protective services professionals and other caregivers to identify and assist those individuals at risk of elder investment fraud. The department partnered with the University of Connecticut Health Center to plan two Continuing Medical Education courses. The first course was held on October 6, 2011 at ProHealth Physicians Corporate Office in Farmington, Connecticut. A second took place on May 4, 2012 at the University of Connecticut Health Center in Farmington, Connecticut.

In the spring of 2012, Department representatives gave three presentations at the Fairfield Public Library as part of the library's series, entitled "Reinvent Your Financial Future". Agency staff led two informative sessions on choosing a financial planner and a program which provided an understanding of personal banking products as financial planning tools. Government Relations and Consumer Affairs staff conducted a 3-week series at the Southington Library, with presentations on avoiding foreclosure, debt management and reverse mortgages.

In partnership with the Western Area Agency on Aging, the Department of Banking sponsored two Senior Financial Fraud Seminars. In April 2012, a program was held at the Redding Community Center in Redding, Connecticut. A second event took place in May 2012 at Noble Horizons, a retirement community in Salisbury, Connecticut.

Government Relations and Consumer Affairs Division personnel continue to actively participate in monthly foreclosure prevention clinics during the year, giving presentations and providing one-on-one counseling to homeowners having mortgage problems.

The Department of Banking's annual Affirmative Action Plan was submitted to the Commission on Human Rights and Opportunities on October 30, 2010 and approved on January 13, 2011. The Department continues its strong commitment to promoting equal employment opportunity on the basis of merit; to assuring nondiscrimination in all policies, practices and procedures; and also implementing affirmative action and contract compliance programs as required by law.

Improvements/Achievements 2011-2012

On November 15, 2011, the Department of Banking, in coordination with Governor Dannel P. Malloy and Attorney General George Jepsen, sponsored a *Homeowners Mortgage Assistance Event* at the Connecticut Convention Center in Hartford. The event provided an opportunity for troubled borrowers to meet face to face with their mortgage company or a housing counselor to discuss their options and find appropriate workout solutions. Over 1,500 people attended this free event. On March 29, 2012, a second event was held at the Webster Bank Arena in Bridgeport, which was attended by over 1,300 people. These events have become a national model, emulated by other Attorneys General offices.

The Human Resources Office continues to offer programs to enhance employee awareness of the rich culturally diverse community that we work and live in.

The Business Office worked closely with the Department divisions to implement several efficient and effective cost savings measures. The agency instituted State vehicle assignments to some field examiners to reduce the mileage costs to the agency. In a five month period of time, the agency saved over $22,000 with five cars assigned. During this difficult budgetary time, staff provided fiscal control, constricting total operating expenses to $18,449,667, or 87.8% of the appropriated budget of $21,003,823. Total savings was $2,564,136, or 12.2%. The Business Office continued to fulfill its mission to protect the public through its day to day operations by expeditiously handling over 7,276 checks and total receipts of over $33,511,778.

The Consumer Credit Division continued to implement the requirements in the mortgage area to coincide with the provisions required under the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (S.A.F.E). Mortgage Loan Originator requirements include the completion of pre-education and continuing education, national and state testing, standards for financial responsibility, and the submission of fingerprints through the Federal Bureau of Investigation for production of background checks.

The Division's enforcement efforts saw an increase in the licensing and regulation of debt negotiators. The Division's primary focus was on consumer protections, including the setting of maximum fees. Numerous enforcement actions were taken against out of state entities that collected advanced fees and did not perform services as promised for loan modifications, debt settlement and foreclosure rescue activity.

The Consumer Credit Division staff actively participates in working groups associated with the Conference of State Bank Supervisors to help improve the examination process not only in the mortgage area, but in the money services businesses as well. These working groups, involving members from other states, provide a forum for discussion and feedback toward national reform within the consumer finance area.

The Financial Institutions Division remains committed to continuing its communication with industry representatives. At the conclusion of every examination, Financial Institutions Division staff meets with the bank or credit union's board of directors. The institution also has the opportunity to provide feedback directly to the Banking Commissioner by completing a streamlined two-page post-examination survey. Institutions are given the opportunity via the survey to comment on staff performance, examination efficiency and examination time demands in an effort to improve future examinations.

The Division continues to update and maintain information on the Department's website which includes financial and industry information related to the financial institutions operating in Connecticut. Relevant financial information is updated quarterly for banks and credit unions, in addition to providing the public with easy access to such public filings as the quarterly Call Report information. Additionally, any public enforcement actions undertaken by the Banking Commissioner are posted on the website.

The Financial Institutions Division staff remains active members of both the Conference of State Bank Supervisors (CSBS) and the National Association of State Credit Union Supervisors (NASCUS). Financial Institutions Division staff serves on a variety of committees, actively participate in webinars and conference calls, and assist in the development of regulatory and best practice standards. The Department of Banking received its re-accreditation from NASCUS in May 2010 and CSBS in 2008. In 2012, the Department will undergo its CSBS Re-Accreditation review.

The Securities Division is assisted by a Securities Advisory Council, comprised of industry representatives, academics and members of the bar, all of whom serve without compensation. The Securities Advisory Council offers the Commissioner and staff insight on proposed regulatory initiatives. The Division obtained critical input from Advisory Council members in formulating the Division’s response to the Dodd-Frank legislation.