

MISSISSIPPI DEPARTMENT OF BANKING AND CONSUMER FINANCE

5 – YEAR STRATEGIC PLAN

FOR THE FISCAL YEARS 2019 - 2023

Mississippi Department of Banking and Consumer Finance

1. Comprehensive Mission Statement:

The Department of Banking and Consumer Finance's (DBCF) primary mission is to provide effective supervision and regulation of State-chartered banks and other financial service industries to ensure the public is provided with a convenient, safe and competitive banking environment along with fair and lawful consumer related financial transactions.

2. Philosophy

The DBCF is committed to providing quality supervision and regulation to those institutions, persons, firms, corporations, and associations furnishing financial services, as authorized by statute, to the people of Mississippi.

DBCF is charged with the primary examination and regulatory supervision of all state chartered commercial banks, state chartered thrift institutions, state chartered credit unions, independent trust companies, mortgage lenders, small loans (consumer finance companies), insurance premium finance companies, motor vehicle sales finance companies, pawn brokers, title pledge lenders, consumer loan brokers, check cashers, money transmitters, credit availability lenders, and debt management service providers. The agency also gives cooperative assistance to any individual, institution, industry, or other regulatory agency within the scope of our responsibilities.

The philosophy of the agency is to promote public confidence in the stability of our regulated entities through ensuring timely, fair, and effective supervision and regulation of the financial institutions and licensees under our jurisdiction. DBCF strongly believes in the importance of the Dual Banking System (system where both the state and the federal government independently issue charters and supervise banks) and local licensing/examination of consumer financial services. This system enables the state legislature to control banking and consumer finance statutes, the industry and its impact on Mississippi's economy. The dual system is an efficient and competitive regulatory system that leads to innovation in both financial services and supervisory practices.

3. Relevant Statewide Goals and Benchmarks

Statewide Goal #1: (Public Safety and Order) Ensure that a Mississippi State-charter is the "charter of choice" for banks domiciled in Mississippi (as opposed to a Federal charter under the Dual Banking System). State charters are essential because they allow Mississippi to maintain its voice in the banking system and provide local supervision with direct access to regulators familiar with State economic conditions. This active role maintains public confidence in the integrity of the banking system.

Relevant Benchmark #1:

- Number of State-chartered banks to National Banks in Assets

Statewide Goal #2: (Economic Development) Promote economic development by ensuring prudent regulatory principles that enable the Mississippi banking industry to be competitive and provide the Mississippi economy with the benefit of a readily available and healthy financial system. A viable and profitable state banking system is good for all Mississippians. Well-capitalized and well-managed institutions are positioned to have funds available to expand credit opportunities for businesses and consumers, thus stimulating economic growth.

Relevant Benchmark #2:

- Number of watchlist banks
- Migration analysis

Statewide Goal #3: (Education) Promote Financial Literacy among Mississippi consumers.

Relevant Benchmark #3:

- Number of programs the agency participates in

4. Overview of the Agency 5-Year Strategic Plan:

The DBCF must ensure the hiring and retention of adequate professional staffing to provide continuous examinations and effectively provide oversight of the financial industry. The agency must ensure the public has safe and sound institutions that operate within the confines of law and provide for economic expansion within the state of Mississippi. Identifying, training, and retaining highly qualified examiners is vital to staying abreast of ever-evolving Federal standards and guidelines.

In the same vein, ensuring that an intact management succession plan is embedded in the agency career ladder is vital to the sustainability of the agency's success. Experienced examiners migrate into leadership positions within the agency, and as such retaining this management component with this invaluable knowledge is equally as important as retention of the examination staff.

The agency has incorporated several noteworthy priorities in the Five Year Strategic Plan in response to changes in Federal and State Laws governing regulated industries. The Plan will also capture our efforts to reflect the increasing complexity of industry activities and substantial growth in the banking industry in Mississippi in examination scopes and supervisory oversight. These priorities are derivatives of our statutory authority, responsibility and our commitment to Mississippi citizens, as well as, our regulated institutions. As such, many of these adopted goals, objectives, and outputs revolve around evaluating systems/programs/procedures, effectively utilizing staff/technology resources, improving efficiencies, and retaining employees. A more descriptive summary of agency goals is listed below.

- Manage staffing needs of the department:
 - 1) Over the course of the next five years considerable time and resources will be expended in the training of our inexperienced examination staff, staff with less than 3 years of experience (roughly 49%).
 - 2) With the staff positions awarded over the past two fiscal years, the agency does not plan to request additional positions in the immediate future. Instead, our focus will be

on retaining and developing current staff. We will re-evaluate future staffing needs during the upcoming fiscal year.

- 3) New laws, regulations, and their impact on our regulated industries creates a constant learning curve for our examination staff.
 - 4) Continue to develop the professional specialty examiners to effectively examine our banks and licensees for Information Technology, The Bank Secrecy Act, and Trusts.
 - 5) Overcome significant limitations posed by the current career ladder by reviewing the career ladder and related promotional factors.
- Control/Manage operating costs for the department:
 - 1) Agency is evaluating offsite exam procedures to decrease travel costs and reduce regulatory burden.
 - 2) License renewals are being converted to a mandatory online method to reduce paper, storage, and staff time costs.
 - 3) Progress is being made to fully convert our various in-house databases over to one system to save staff time and reduce paper.
 - 4) Transition of the Consumer Industries to NMLS continues. NMLS is nationwide licensing system that is used by many state agencies. The use of this system will create efficiencies in payments, licensing, and supervision. All consumer industries will be transitioned to this system by 2019.
 - Increase investigative capacity to handle consumer complaints and alleged violations of State and Federal laws.
 - Develop stronger agency identity through effective participation in Financial Literacy projects throughout the state.

While attesting successful development and implementation of several aforementioned goals and objectives may be achieved through analysis of numerical reports or comparative ratios, a majority of our agency specific priorities may not be tested for efficiency through numerical or quantifiable measures. Instead, these administrative goals, objectives, and outputs will be assessed through a closer review of related objectives, strategies, outputs and efficiencies during annual agency-wide strategic planning sessions, round table discussions and working group assessments. At the conclusion of each strategic event, a summary report will be provided detailing strategic goals assessed, adopted strategies, and objectives. Additionally, a determination will be made if stated outputs were met and efficiencies achieved. These sessions and resultant reports and conclusions will serve as the administrative measure for the success or failure in meeting agency goals.

Quantifiable measures will require both automated and manual reports that will be generated or calculated by respective division management. These measures will be tested with stated goals, and adopted strategies and objectives to determine the agency's success in meeting expectations. Through comparative analysis, quantifiable outputs and efficiencies will also be documented.

Compounding quantifiable and administrative goals not only make the Department unique in how we define goals and measures of success, but it serves the best interest of our regulated industries and the citizens of Mississippi. With proper administrative objectives and goals, we ensure that

we can meet demands of industry operations, remain proactive in managing efficiencies, continue effective enforcement of our statutory authority, and maintain a reputation of fair and reasonable State regulation among our regulated industries.

Both administrative and quantifiable measures are included within the agency Plan. Identified measureable outputs, outcomes and efficiencies contain well-defined methodologies and statistical analysis. These three (3) numerical measures are readily quantifiable since they are already automated and are included in the agency FY18 budget:

1. Timely examinations of all state chartered institutions
2. Exams are performed within statutory time limits
3. Hours spent on exams

The remaining sixteen (16) output and efficiency measures are administrative in nature and may only be accurately measured through manual processes. Over the course of our Five Year Strategic Plan cycle, we will incorporate more automated measures and reports to support agency stated goals and ensure that objectives are met.

5. Agency's External/Internal Assessment

- 1) Significant changes in the banking system or consumer finance industry brought on by actions of the Federal Government would impact this agency.
- 2) The potential for another Great Recession similar to 2008 would greatly increase the day-to-day operations and staffing needs of the department.
- 3) Potential legislative mandates such as the addition of a fleet of vehicles or rental cars would require additional staffing, financial resources, and likely increase examiner turnover.
- 4) Over-reliance on two large banks funding DBCF's budget. A conversion to a National charter or a merger with an out-of-state institution would greatly impact the agency's revenue stream and examination needs. Conversely, continued conversion of National banks to State chartered banks would have the alternate impact.
- 5) The agency must ensure proper succession planning to effectively manage potential retirements of key personnel currently qualified for or approaching qualification for retirement.
- 6) The agency's career ladder should serve as a source of continuity in ensuring effective management succession of the supervisory function. Salary compression has resulted in salary inequities that threaten the integrity of the career ladder and the sustainability of experienced upper management.
- 7) An inexperienced staff has the potential to cause reputation risk for the agency should their lack of depth in understanding regulations and examination issues lead to missing critical issues.

Budgetary needs are considered when new or expanded projects are authorized by law and the use of experienced personnel has resulted in making the agency more efficient and responsive.

The agency is accredited by the Conference of State Bank Supervisors. This accreditation was first awarded in 1996, after meeting stringent accreditation standards. As a part of this program,

the Department is reviewed off-site annually and subjected to an on-site reaccreditation every five years. DBCF was most recently reaccredited in 2016. The results of the accreditation review ranked our banking and mortgage department in the top percentile of all accredited departments.

6. Agency's Goals, Objectives, Strategies and Measures by Program for FY2016 through FY2020

Agency Wide

Non-Quantifiable Goals

GOAL A: DBCF will strive to retain examination and non-examination staff.

OBJECTIVE A: Effectively manage a reliable and well trained staff.

Outcome: Maintain critical expertise and improve employee morale.

A.1 STRATEGY: Review Federal agency and other states' off-site examination procedures.

A.2 STRATEGY: Increase focus on a regionalized supervisory structure.

A.1 – A.2:

**Output:* Reduced examiner turnover ratio

**Output:* Improved ratio for examiner hours vs. FDIC

**Output:* Increased number of examiners

**Output:* Improved average tenure of examination staff

Efficiency: Less State money spent hiring and training due to high turnover rate

*These measurable outputs are supported by manual evaluations, assessments and calculations of examiner staff and hours annually. Respective division directors will monitor these ratios and report findings to the Commissioner.

Non-Quantifiable Goals

GOAL B: DBCF will ensure we make the best use of technology.

OBJECTIVE B: Effectively use technological resources available to the agency.

Outcome: Improve employee productivity and decrease reliance on paper

B.1 STRATEGY: Evaluate LARS and NMLS to ensure getting the best use of both systems.

Output: Amount of administrative time saved using effective system

B.2 STRATEGY: Maintain desktop system and security.

Output: Improved IT management of system

**Efficiency:* IT staff and contract staff time saved

*Dollar savings will be calculated and tracked by the accounting division and reported to the Commissioner.

B.3 STRATEGY: Activate and control external access to servers.

Output: Improved access to information for field staff

Efficiency: Administrative time saved locating and emailing information.

Non-Quantifiable Goal

GOAL C: DBCF will increase public exposure of the agency and work to provide Financial Literacy/Education throughout the state.

OBJECTIVE C: To improve public awareness of financial products offered in the state.

Outcome: Citizens who makes better informed financial decisions

C.1 STRATEGY: Continue to partner with Treasurer on Financial Literacy.

**Output:* Number of speaking engagements DBCF involved in

**Output:* Number of high school students reached in this process

C.2 STRATEGY: Continue to conduct outreach with college professors to market DBCF.

Output: Improved awareness at college level of what an examiner does

**Efficiency:* Examiners hired over time as a result of this contact.

*Public Awareness events are directed by the Deputy Commissioner with hours and events types documented, tracked, and retained by administration.

Non-Quantifiable Goal

GOAL D: DBCF will review and evaluate legislative needs.

OBJECTIVE D: Obtain statutory authority where needed and revise outdated/ineffective statutes.

Outcome: Improved statutory authority over regulated industries and improved agency administration.

D.1 STRATEGY: Obtain Technology Service Provider authority.

Output: DBCF would have authority to participate in examinations with Federal agencies and receive information related to the safety and soundness of the vendors providing third party services to Mississippi

chartered industries.

**Output:* Increased supervisory role and improved CSBS rating.

*Comparative analysis of past scores will serve as the measure of improving the rating. To ensure this output can be realized, periodic accreditation meetings are held to discuss best practices and agency strategies.

D.2 STRATEGY: Conduct study of bank assessment structure including interpretation of current assessment statute and adopt new methodology if needed.

**Output:* Less reliance on two largest banks to fund budget.

*Comparative analysis of methodologies and resultant individual bank assessments will be used to determine if the reliance on our two largest banks has been reduced. Once methodologies have been established, the accounting division will be responsible for reviewing assessments for proportionate assessments and disparities.

D.3 STRATEGY: Evaluate Parity list and periodically poll staff for possible code changes needed. Consider recodification.

Output: More effective statutes.

Efficiency: Less time spent managing outdated statutes; less conflicts among statutes.

Bank Maintenance Division

Non-Quantifiable Goal

GOAL E: Administration - Supervise and regulate banks, trust companies, and credit unions chartered by the State of Mississippi.

OBJECTIVE E: Provide administrative support to the examination staff and State-chartered institutions.

Outcome: An efficient and effective staff capable of providing a high level of administrative support.

E.1 STRATEGY: Retain key administrative support staff.

Output: Ongoing supervision, support, and maintenance

Output: Effective and timely communication with Federal agencies, regulated entities, and the public

Efficiency: Turnaround time on applications, documentation, etc.

E.2 STRATEGY: Retain key examination review staff.

Output: Fully supported examination findings presented in a consistent and thoroughly vetted report.

*A manual comparative analysis during absences can be conducted by respective division

directors.

Non-Quantifiable Goal

GOAL F: Examination - Examine banks, trust companies, and credit unions chartered by the State of Mississippi.

OBJECTIVE F: Conduct examinations to assess safety and soundness and ensure compliance with applicable laws of financial institutions.

+Outcome: Timely, fair, and effective examinations of all state-chartered institutions.

F.1 STRATEGY: Retain and develop current staff.

+Output: Exams performed within statutory time limits

**Output:* Improved ratio for FDIC vs DBCF hours

+Efficiency: Hours spent on exams

+These measures supported by automated reports.

*These measures can be tested using a manual process using our scheduling system and examination reports.

Consumer Finance Division:

Non-Quantifiable Goal

GOAL G - Administration: Supervise, regulate and license money transmitters, motor vehicle sales finance companies, small loan companies, consumer loan brokers, insurance premium finance companies, pawnbrokers, title pledge lenders, credit availability lenders, check cashers, and debt management service providers.

OBJECTIVE G: To process and issue licenses to qualified lenders, provide support for examiners, and communicate with consumer industries.

Outcome: An efficient and effective staff capable of providing a high level of administrative support for licensure.

G.1 STRATEGY: Retain key administrative support.

Output: Issue and renew licenses in timely manner

Output: Provide effective back-up for one another during absences

**Efficiency:* Money saved hiring contract workers

*The accounting division can calculate cost savings with comparative analysis.

Non-Quantifiable Goal

GOAL H. - Examination: Examine licensees within statutory timeframes for compliance

with all factors prescribed by law.

OBJECTIVE H: To perform examinations that will ensure the consumers' accounts are being handled in accordance with the provisions of statutes and regulations.

Outcome: Professional examination program ensuring a fair and lawful consumer finance industry.

H.1 STRATEGY: Retain trained and competent examination staff.

Output: Examination staff capable of performing exams on all nine industries

Output: Flexibility in making assignments with fully trained staff

Efficiency: Examiners able to perform exams independently

Mortgage Division:

Non-Quantifiable Goal

GOAL I. - Administration: Supervise, regulate and license the mortgage industry.

OBJECTIVE I: To process and issue licenses to qualified mortgage companies, branches of mortgage companies and mortgage loan originators, provide support for examiners, and communicate with mortgage industry professionals.

Outcome: An efficient and effective staff capable of providing a high level of administrative support for licensure.

I.1 STRATEGY: Retain key administrative support.

Output: Issue and renew licenses in timely manner

Output: Provide effective back-up for one another during absences

**Efficiency:* Money saved hiring contract workers

*The accounting division can calculate cost savings with comparative analysis.

Non-Quantifiable Goal

GOAL J. - Examination: Examine licensees within statutory timeframes for all factors prescribed by law for the mortgage industry.

OBJECTIVE J: To perform examinations that will ensure the mortgage consumers' accounts are being handled in accordance with the provisions of the statutes and regulations.

Outcome: Professional examination program ensuring a fair and lawful mortgage industry.

J.1 STRATEGY: Retain trained and competent examination staff.

Output: Examination staff capable of performing complex examinations

**Efficiency*: Money saved with examiners performing exams off-site independently

*The accounting division can calculate incurred expenses for similarly sized institutions for both onsite and offsite examinations.

Mississippi Department of Banking and Consumer Finance
 FY 2017 Performance Measures

Program	Name	Type	Measure	FY17 Actual	FY18 Estimated	FY19 Projected
1	Bank - Administration	Outputs	Assets (billions) of Financial Institutions supervised	74.99	77.96	81.33
1	Bank - Administration	Outputs	Banks, Credit Union, Savings Banks, Savings & Loans, and Trust Companies	92	80	79
1	Bank - Administration	Efficiencies	Assets (billions) of Financial Institutions supervised	74.99	77.96	81.33
1	Bank - Administration	Outcomes	Banks, Credit Unions, Savings Banks, Saving & Loans, and Trust Companies	92	80	79
1	Bank - Administration	Outcomes	Provide chartering opportunity	92	80	79
1	Bank - Administration	Outcomes	Continuous annual examination	92	80	79
1	Bank - Administration	Outcomes	Provide consumers convenient banking access	92	80	79
1 Total						
2	Bank - Examination	Outputs	Assets (billions) of Financial Institutions to be examined and / or monitored off-site	74.99	77.96	81.33
2	Bank - Examination	Outputs	Number of Banks, Credit Unions, Savings Banks, Savings & Loans, and Trust Companies to be examined on-site	92	80	79
2	Bank - Examination	Outputs	Exams performed within statutory time limits.	92	80	79
2	Bank - Examination	Efficiencies	Assets (billions) of Financial Institutions to be examined	74.99	77.96	81.33
2	Bank - Examination	Efficiencies	Banks, Credit Unions, Savings Banks, Saving & Loans, and Trust Companies	92	80	79
2	Bank - Examination	Outcomes	Hours spent on exams.	45305	47117	49002
2	Bank - Examination	Outcomes	Timely, fair, and effective examinations of all state-chartered institutions.	25	25	25
2	Bank - Examination	Outcomes	Examine each Financial Institution for the banking public to ensure safe and sound institutions.	92	80	79
2 Total						
3	Bank Board Hearing	Outputs	Branch Decision - Hearings	0	0	0
3	Bank Board Hearing	Outputs	Regulation - Hearings	1	1	1
3	Bank Board Hearing	Outputs	New Bank - Hearing	1	1	1
3	Bank Board Hearing	Efficiencies	Branch Decision - Hearings	0	0	0
3	Bank Board Hearing	Efficiencies	New Bank - Hearings	1	1	1
3	Bank Board Hearing	Efficiencies	Regulation - Hearings	1	1	1
3	Bank Board Hearing	Outcomes	Branch Decision - Hearings	0	0	0
3	Bank Board Hearing	Outcomes	New Bank Hearings	1	1	1
3	Bank Board Hearing	Outcomes	Regulation Hearings	1	1	1
3 Total						
4	Cons Finance - Administration	Outputs	Consumer Loan Broker Licensees	4	4	4
4	Cons Finance - Administration	Outputs	Debt Management Service Provider Licensees	45	50	55
4	Cons Finance - Administration	Outputs	Premium Finance Licensees	49	50	50
4	Cons Finance - Administration	Outputs	Money Transmitter Licensees (formerly Sale of Checks)	104	110	115
4	Cons Finance - Administration	Outputs	Pawnbroker Licensees	221	225	230
4	Cons Finance - Administration	Outputs	Motor Vehicle Licensees	236	240	245
4	Cons Finance - Administration	Outputs	Title Pledge Licensees	508	500	490
4	Cons Finance - Administration	Outputs	Small Loan Licensees	558	560	565
4	Cons Finance - Administration	Outputs	Check Casher Licensees	875	900	900
4	Cons Finance - Administration	Outputs	Credit Availability Licensees	328	375	400
4	Cons Finance - Administration	Efficiencies	Consumer Loan Broker renewal license fee (initial \$300.00)	300	300	300
4	Cons Finance - Administration	Efficiencies	Pawnbroker renewal license fee (initial \$750.00)	350	350	350
4	Cons Finance - Administration	Efficiencies	Money Transmitter renewal license fee (initial \$750.00)	400	400	400
4	Cons Finance - Administration	Efficiencies	Small Loan renewal license fee (initial \$750.00)	475	475	475
4	Cons Finance - Administration	Efficiencies	Motor Vehicle renewal license fee (initial \$750.00)	475	475	475
4	Cons Finance - Administration	Efficiencies	Premium Finance renewal license fee (initial \$750.00)	475	475	475

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4	Cons Finance - Administration	Efficiencies	Title Pledge renewal license fee (initial \$750.00)	475	475	475
4	Cons Finance - Administration	Efficiencies	Check Casher renewal license fee (initial \$750.00)	475	475	475
4	Cons Finance - Administration	Efficiencies	Debt Management Service Providers renewal license fee (initial \$750.00)	475	475	475
4	Cons Finance - Administration	Efficiencies	Credit Availability renewal license fee (initial \$750.00)	475	475	475
4	Cons Finance - Administration	Outcomes	To license qualified companies with an efficient turnaround	2928	3014	3054
4 Total						
5	Cons Finance - Examination	Outputs	Examine Consumer Loan Broker Licensees	0	2	2
5	Cons Finance - Examination	Outputs	Examine Debt Management Service Providers	34	15	15
5	Cons Finance - Examination	Outputs	Examine Premium Finance Licensees	9	20	20
5	Cons Finance - Examination	Outputs	Examine Money Transmitter Licensees	30	40	40
5	Cons Finance - Examination	Outputs	Examine Pawnbroker Licensees	77	150	150
5	Cons Finance - Examination	Outputs	Examine Motor Vehicle Licensees	104	75	75
5	Cons Finance - Examination	Outputs	Examine Title Pledge Licensees	226	250	250
5	Cons Finance - Examination	Outputs	Examine Small Loan Licensees	234	250	250
5	Cons Finance - Examination	Outputs	Examine Check Casher Licensees	322	450	450
5	Cons Finance - Examination	Outputs	Examine Credit Availability Licensees	1	100	100
5	Cons Finance - Examination	Efficiencies	Consumer Loan Broker Examination Fee	200	200	200
5	Cons Finance - Examination	Efficiencies	Small Loan Examination Fee	600	600	600
5	Cons Finance - Examination	Efficiencies	Motor Vehicle Examination Fee	600	600	600
5	Cons Finance - Examination	Efficiencies	Premium Finance Examination Fee	600	600	600
5	Cons Finance - Examination	Efficiencies	Title Pledge Examination Fee	600	600	600
5	Cons Finance - Examination	Efficiencies	Check Casher Examination Fee	600	600	600
5	Cons Finance - Examination	Efficiencies	Money Transmitter Examination Fee	600	600	600
5	Cons Finance - Examination	Efficiencies	Debt Management Service Providers Examination Fee	600	600	600
5	Cons Finance - Examination	Efficiencies	Credit Availability Examination Fee	600	600	600
5	Cons Finance - Examination	Outcomes	To examine licensees in accordance with the provisions of the laws under which company is licensed	1037	1352	1352
5 Total						
6	Mortgage - Administration	Outputs	Mortgage Company - Brokers/Lenders	355	365	375
6	Mortgage - Administration	Outputs	Mortgage Company - Branches	611	650	700
6	Mortgage - Administration	Outputs	Mortgage Company - Loan Originators	4062	4200	4350
6	Mortgage - Administration	Efficiencies	Mortgage Company Loan Originators renewal license fee (initial \$200.00)	100	100	100
6	Mortgage - Administration	Efficiencies	Mortgage Company Branch renewal license fee (initial \$300.00)	100	100	100
6	Mortgage - Administration	Efficiencies	Mortgage Company renewal license fee (initial \$1500.00)	1000	1000	1000
6	Mortgage - Administration	Outcomes	To license qualified companies or individuals with an efficient turnaround	5028	5215	5425
6 Total						
7	Mortgage - Examination	Outputs	Examine Mortgage Company Broker/Lender Licensees	64	65	70
7	Mortgage - Examination	Efficiencies	Mortgage Company Broker/Lender Examination Fee	600	600	600
7	Mortgage - Examination	Outcomes	To examine licensees in accordance with the provisions of the laws under which each company is licensed	64	65	70
7 Total						