

MISSISSIPPI DEPARTMENT OF BANKING AND CONSUMER FINANCE

5 – YEAR STRATEGIC PLAN

FOR THE FISCAL YEARS 2020 - 2024

Mississippi Department of Banking and Consumer Finance

1. Comprehensive Mission Statement:

The Department of Banking and Consumer Finance's (DBCF) primary mission is to regulate, supervise, and safeguard financial institutions chartered and licensed in Mississippi.

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 provides 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 governments independently issue charters and supervise banks) and local licensing/examination of consumer financial services. This system enables the state legislature to dictate 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. 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, we will continue to develop inexperienced examination staff with less than 3 years of experience (roughly 42% as of June 2018).
 - 2) We will continue to develop senior examination staff with 5 years of more experience (roughly 40% as of June 2018).
 - 3) With the staff positions awarded over the past two fiscal years, the agency will not request additional positions. Our goal is to maintain current level of positions, through retaining and developing current staff and attracting qualified personnel to fill

- vacancies. We will continue to evaluate future staffing needs during the upcoming fiscal year and monitor industry and regulatory activity.
- 4) New laws, regulations, and their impact on our regulated industries creates a constant learning curve for our examination staff.
 - 5) Continue to develop the professional specialty examiners to effectively examine our banks and licensees for Information Technology, The Bank Secrecy Act, and Trusts.
 - 6) 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 staffing 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 year-end 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 are assessed through discussion 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 are 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 automated and are included in the agency FY19 budget:

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

The remaining seventeen (17) 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 three 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. Initial 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 FY2020 through FY2024

Agency Wide

Non-Quantifiable Goals

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

OBJECTIVE A: Effectively manage a knowledgeable staff.

Outcome: Retain regulatory expertise.

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. Improved examination quality due to greater experience and more hours worked.

*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 security of agency database

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 DBCF infrastructure, network, computer systems 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 file access for essential personnel

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 make 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: Conduct study of bank assessment structure including interpretation of current assessment statute. Additionally, review the assessment methodologies of Federal agencies and other states banking department contiguous so Mississippi including Texas.

**Output:* Better understanding of Mississippi Assessment authority as well as surrounding states that are potential options for a charter change.

*Comparative analysis of methodologies and resultant individual bank assessments will be tracked. Once methodologies have been established, the accounting division will be responsible for reviewing assessments for proportionate assessments and disparities.

D.2 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: Maintain adequate 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: Improve turnaround time on applications and adequate document retention.

E.2 STRATEGY: Retain key examination review staff.

Output: Comprehensive examination findings appropriately identify risks and provide adequate recommendation for correction.

E.3 STRATEGY: Enhance training coordinator role

Output: Training coordinator develops training programs and monitors examiners training progress.

Efficiency: A Training Coordinator improves examiner abilities and speed of experience is faster, which reduces training expenses and yields better examiner productivity.

*A manual comparative analysis 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

F.2 STRATEGY: Increase staffing and expand training at large banks.

+*Output:* Staff the three largest banks with two dedicated examiners. A better trained and larger examination staff allows the DBCF to provide more examiner to individual target reviews.

**Output:* Enroll dedicated large bank examiners in appropriate training and expose younger examiners to the large bank exam process.

+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 by not 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 ensure effective supervision of regulated industries.

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 the ten 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 by not 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.