

Accountability Report Transmittal Form

Agency Name: Board of Financial Institutions

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**STATE BOARD OF
FINANCIAL INSTITUTIONS**

ANNUAL ACCOUNTABILITY REPORT

FY 2010-2011

**STATE BOARD OF FINANCIAL INSTITUTIONS
ANNUAL ACCOUNTABILITY REPORT
2010-2011**



EXECUTIVE SUMMARY

The State Board of Financial Institutions supervises financial institutions under its jurisdiction. This supervision is handled through its two divisions - the Banking Division and the Consumer Finance Division. The oversight includes the promulgation of regulations and instructions relating to the supervision of financial institutions, as well as the consideration of applications for new banks, trust companies, savings and loan associations, savings banks, credit unions, non-depository mortgage lenders and their loan originators, consumer finance licenses, deferred presentment licenses, and regular check cashing licenses, and the consideration of applications for branches of banks, savings and loan associations, savings banks, credit unions, and trust companies.

Mission Statement and Values:

The mission of the Board of Financial Institutions is to serve the citizens of the State of South Carolina by preserving a sound State chartered financial community and protecting the borrowing public by ensuring that the state banking and consumer finance laws and regulations are followed. To this end, the State Board of Financial Institutions is responsible for the supervision, licensing and examination of all State chartered banks, savings and loan associations, savings banks, credit unions, trust companies, development corporations, non-depository mortgage lenders and their loan originators, consumer finance companies, deferred presentment companies, and regular check cashing companies.

Major Accomplishments:

Banking Division

In addition to meeting the statutory requirements for the establishment and supervision of state-chartered banks, savings and loan associations, savings banks, and credit unions, the Banking Division has identified several significant accomplishments in FY 2011. A review of capital adequacy, earnings, and past due and nonaccrual loans was performed quarterly on all banks, and the reviews were utilized to determine supervisory strategies. All examinations of financial institutions were completed within the time frames required by law. In addition to on-the-job training in the field, an examiner was sent to a Federal Deposit Insurance Corporation sponsored school, and one examiner attended the Graduate School of Bank Investments and Financial Management at the University of South Carolina. The Division continuously reviewed and solicited ideas through staff meetings on ways to improve operations without compromising the mission of the agency.

Consumer Finance Division

The key goal of the Consumer Finance Division is to proficiently supervise the licensing and examination of all non-depository mortgage lenders, branches and their loan originators, consumer finance companies, deferred presentment services and check cashing services. In addition to meeting statutory requirements, the Consumer Finance Division has identified several major achievements/accomplishments in 2010 and is outlined below.

As of January 1, 2010, Act #67 effectively amended Title 37, which required the licensing of mortgage lenders/servicers, mortgage branch locations, and mortgage loan originators. The implementation of the Nationwide Mortgage Licensing System database was successfully completed on time, as required by statute. The functionality of the Nationwide Mortgage Licensing System database went live for South Carolina on January 3, 2010. In 2010, we received and approved 2,400 mortgage lending applications, consisting of 298 mortgage lender/servicer applications, 333 mortgage branch locations, and 1769 mortgage loan originator applications. We also received and processed over 20,000 amendments, which included change in officers and/or qualified individuals, addresses, names, and employment.

With the introduction of mortgage lending licensing, the investigation process included certification of pre-licensure courses, federal and state testing, fingerprinted background checks, submission of credit reports, verification of surety bonds, and validation of continuing education requirements.

In 2010, we also processed our first renewal cycle for mortgage lending; effectively verifying receipt of continuation bonds, receipt of funds, ensuring accuracy in processing and posting to correct accounting and unique identifier codes for all company, branch, and loan originator licenses.

As of February 1, 2010, Act #78 effectively amended Title 34, Chapter 39-175, requiring the implementation of a real-time internet accessible database, maintained by Veritec Solutions, LLC, for deferred presentment providers to verify if a consumer has a transaction outstanding. The

implementation was successfully completed on time, as required by statute. The Veritec Solutions, LLC database went online 12:01AM(EST) on February 1, 2010.

With the implementation of the database, we experienced a decrease in the number of licensees. By the end of 2010, we had 529 licensed deferred presentment companies, compared to 663 at the end of 2009. By June 2011, that number was reduced even further to 457; a 69% decrease in the number of licensees.

All of the above was accomplished after losing three key employees in 2010 with over 60 years in combined total experience, due to retirements.

Key Strategic Goals:

The key goals of the agency are to ensure that procedures are in place to adequately monitor the safety and soundness of financial institutions under the Board's jurisdiction, to ensure that statutory responsibilities are met, and to ensure that the interests of the citizens of the State are protected. The agency strives to keep abreast of changes in financial products and services in order to conduct thorough and comprehensive examinations. The Chairman, Board members, and the directors of the two divisions are the key participants in the planning process. Programs and procedures are periodically reviewed and measures are implemented to address changes in the financial industry and the economic environment.

Key Strategic Challenges:

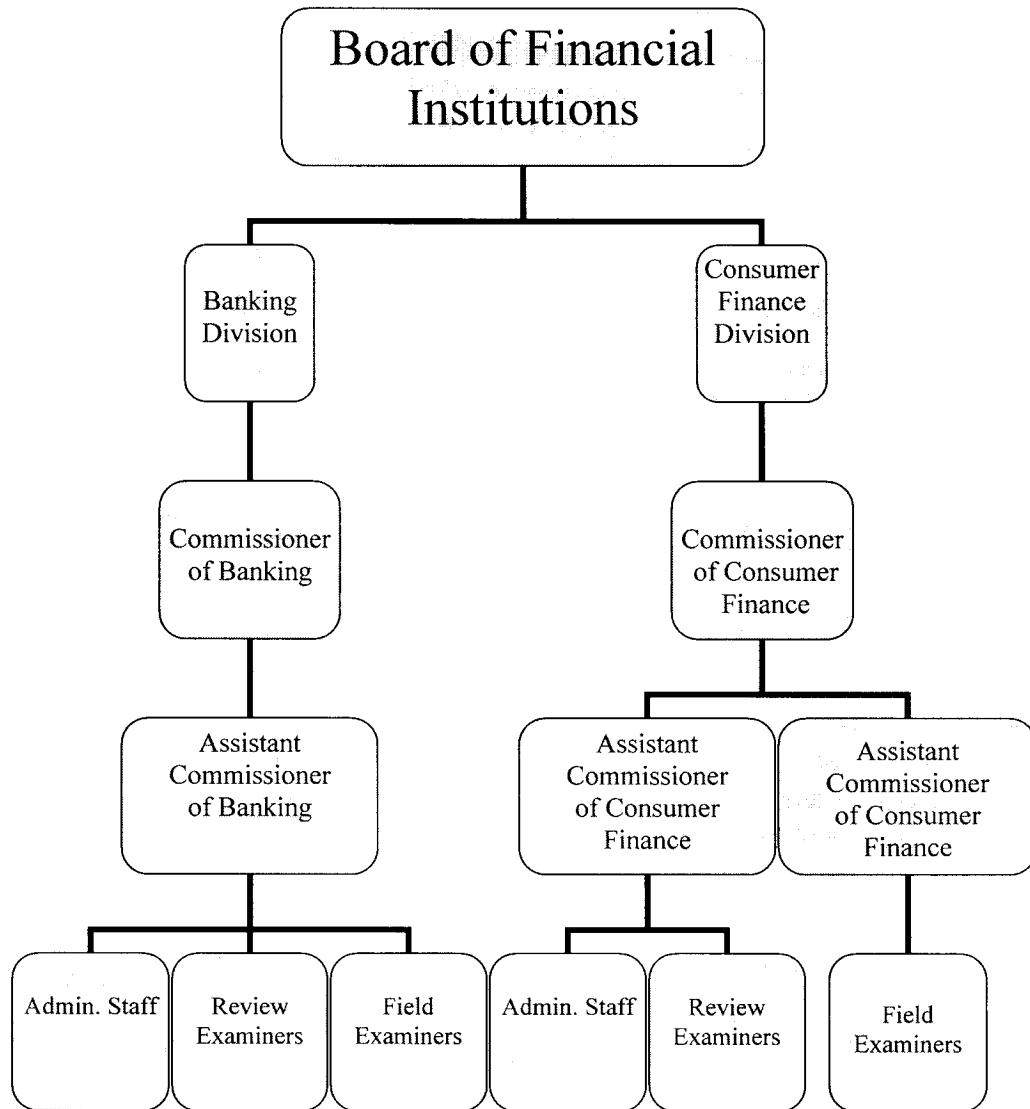
The directors of the agency strive to take advantage of all opportunities available to achieve success in fulfilling the agency's mission and achieving its strategic goals. Since having a competent and effective staff is crucial to fulfilling the mission of the agency, the directors seek new opportunities for staff development, effective recruitment procedures, and diversity in the workforce. The Board's major strategic challenge is to maintain a competent workforce. Because of the travel required for the agency's examiners, attracting and retaining competent employees is a major challenge. Major barriers consist of reduction in funding sources and competition from other employers for experienced workers. In addition, the increasing complexity of financial products requires more training and more detailed review. The directors continually evaluate the strategic challenges the agency faces and alter the agency's plans accordingly.

Use of Accountability Report:

The accountability report is used as a self-assessment tool that allows management to identify its strengths and the opportunities for improvement. Management is able to focus on the goals of the agency, develop an action plan for meeting the goals, communicate these goals to the staff, and implement strategies for meeting the goals. This process leads to an overall improvement in organizational performance.

ORGANIZATIONAL PROFILE

- The agency's main service is to preserve a sound State chartered financial community and protect the borrowing public. Major products offered by the Board are licenses/charters to operate banks, savings and loan associations, savings banks, credit unions, trust companies, mortgage lenders and their loan originators, consumer finance companies, deferred presentment companies, and check cashing companies. In addition to the licenses, the agency evaluates and monitors the condition of the institutions and determines compliance with applicable statutes and regulations.
- The citizens of South Carolina, the Legislature, and the Governor are the key customers of the Board of Financial Institutions. Regulated institutions are secondary customers of the Board. The Board's customers expect that the Board will ensure the safety of deposits and protect the borrowing public by ensuring that the state banking and consumer finance laws and regulations are followed.
- The Board's key stakeholders are the taxpayers of South Carolina.
- Since the agency is a regulatory agency that provides services to its customers, the employees of the Board are the key suppliers. Other regulatory agencies such as the Federal Deposit Insurance Corporation and the Federal Reserve Bank are the agency's partners.
- Offices of the Board are located in Columbia, but employees travel throughout the State examining institutions under the Board's jurisdiction.
- The Board has 2 unclassified and 44 classified full-time positions.
- The Board is governed by the Laws and Regulations of the State of South Carolina. The Board is also governed by Federal acts such as the Americans with Disabilities Act and the Family and Medical Leave Act and by regulations of Federal agencies such as the Occupational Safety and Health Administration and the U.S. Department of Labor.
- The major system of performance improvement involves obtaining feedback from employees and customers. Cross training and rotational assignments are also used to improve performance.
- The State Board of Financial Institutions consists of an eleven member board that meets monthly. The State Treasurer is the Chairman and ex officio member. The Governor appoints the other ten members with the advice and consent of the Senate. The Commissioner of Banking heads the Banking Division, which examines and supervises State chartered banks, trust companies, savings and loan associations, savings banks, credit unions, and development corporations. The Consumer Finance Commissioner heads the Consumer Finance Division, which examines and supervises non-depository mortgage lenders and their loan originators, consumer finance companies, deferred presentment companies, and check cashing companies.



The following table presents the agency's expenditures for Fiscal Years 09-10 and 10-11 and the appropriations for Fiscal Year 11-12. The agency's operations are funded by fees received from institutions under its supervision.

Base Budget Expenditures and Appropriations

Major Budget Categories	09-10 Actual Expenditures		10-11 Actual Expenditures		11-12 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	1,859,350	0	1,864,880	0	2,535,368	0
Other Operating	528,751	0	539,478	0	796,209	0
Special Items	0	0	0	0	0	0
Permanent Improvements	0	0	0	0	0	0
Case Services	0	0	0	0	0	0
Distributions to Subdivisions	0	0	0	0	0	0
Fringe Benefits	521,978	0	548,812	0	737,498	0
Non-recurring		0		0		0
Total	2,910,079	0	2,953,170	0	4,069,075	0

Major Program Areas

Program Number and Title	Major Program Area Purpose (Brief)	FY 09-10 Budget Expenditures	FY 10-11 Budget Expenditures	Key Cross References for Financial Results
05000000 Banking	The division examines and supervises State chartered banks, trust companies, savings and loan associations, savings banks, credit unions, and development corporations.	State: Federal: Other: \$1,675,063 Total: \$1,675,063 % of Total Budget: 57	State: Federal: Other: \$1,727,371 Total: \$1,727,371 % of Total Budget: 59	Figure 7.3-1 (page 25)
10000000 Consumer Finance	The division supervises the licensing and examining of all non-depository mortgage lenders and their loan originators, consumer finance companies, deferred presentment services and check cashing services licensed under Title 34 and Title 37.	State: Federal: Other: \$1,216,956 Total: \$1,216,956 % of Total Budget: 42	State: Federal: Other: \$1,195,377 Total: \$1,195,377 % of Total Budget: 40	Figure 7.3-2 (page 25)

Below: List any programs not included above and show the remainder of expenditures by source of funds:

Administration

Remainder of Expenditures:	State: Federal: Other: \$18,060 Total: \$18,060 % of Total Budget: 1	State: Federal: Other: \$30,422 Total: \$30,422 % of Total Budget: 1
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SENIOR LEADERSHIP, GOVERNANCE, AND SOCIAL RESPONSIBILITY

Through monthly meetings, the State Board of Financial Institutions establishes policy, reviews applications and considers other matters coming before the Board which require action. The Chairman provides counsel, guidance and direction. The long-term direction of the agency is set by the Board at its monthly meetings. The Division Directors are responsible for the daily management of their divisions within statutory guidelines and for implementation of the Board's policies and regulations. Short-term direction, performance expectations, and organizational values for the agency are set by the Division Directors with input from senior staff members. The direction of the agency, performance expectations, and organizational values are communicated to the employees through periodic meetings. In order to set organizational priorities for improvement, senior leadership evaluates performance measures, employee feedback, customer feedback, and input from regulated institutions. Once the priorities for improvement have been set, senior leadership communicates the priorities to staff members through meetings, individual discussions, and memorandums. Within the guidelines of the agency, employees may use discretion in the performance of their jobs in order to give the employees a feeling of empowerment and to encourage innovation within the agency. New employees receive on-the-job training and attend courses to enhance their knowledge of the job. Input from employees concerning areas where additional training or learning is needed is obtained from individual and group interaction through meetings and discussions. As a result of this input, additional in-house training classes are given and employees attend training sessions offered by the Federal Deposit Insurance Corporation or similar organizations. Ethical behavior, especially as it relates to the State Ethics Act, is stressed by senior staff members when employees are hired and at periodic meetings. Senior leaders maintain fiscal, legal, and regulatory accountability through oversight by the agency's Board and through annual audits by the State Auditor's Office.

The emphasis concerning customer focus is on regulating the institutions supervised in order to provide the Board's customers (the citizens of the State of South Carolina) with a sound financial community. While the primary mission is to serve the citizens of the State of South Carolina in an efficient and effective manner, the same level of efficiency is provided to the institutions under the agency's supervision. The Board has consistently supported an open door policy that encourages effective communication between the agency and the officials of the supervised industries. The Consumer Finance Division continues to offer compliance seminars in an effort to stimulate open communication between the division and the officials of all its licensees.

Senior officials regularly review the number of examinations completed during the year and the turnaround time of the reports. The number of applications processed and time frames for processing these applications are also monitored. Officials monitor the growth of bank assets, loans, and deposits. Complaint logs, application logs, and examiner productivity logs are monitored weekly and corrective action is taken when needed.

Management periodically reviews and evaluates performance measures and utilizes employee feedback to assess the effectiveness and progress of the agency in meeting established goals and objectives. Meetings solicit examiner input for innovative ideas designed to streamline the examination process, while increasing productivity. In addition, meetings are used to solicit agency objectives and to set objective measures. Exit interviews are held when employees leave the agency, and suggestions are received from these employees concerning the improvements that could be made

in the agency. Senior officials, including the directors, use the information gathered to make changes in the agency. The commitment of the agency leaders to the organizational values is reflected in their strong work ethic and in their willingness to make changes in order to benefit the organization. By constantly evaluating their performance and the way they lead the agency, senior officials hope to improve their leadership effectiveness.

The agency addresses the current and potential impact on the public of its products and services by thoroughly reviewing applications before they are acted on by the Board and by periodically examining the institutions under its jurisdiction. Investigations of those applying for licenses are conducted through SLED background and credit checks. The impact on the community of new banks and bank branches is also studied. Examinations of depository institutions under the agency's jurisdiction are conducted periodically to assess the safety and soundness of the institutions. This is done to ensure that citizens of the state have a safe and stable financial environment in which to conduct business and to ensure that laws and regulations are being followed.

Senior leaders promote succession planning and the development of future organizational leaders through mentoring, on-the-job training, and cross training. The planning stages of employee evaluations offer senior leaders an opportunity to personally participate in succession planning. At that time and throughout the evaluation period, supervisors discuss with the employees ways in which they can improve their performance and work to their fullest potential. Steps have been taken to place examiners where their skills will be developed and utilized to their full potential. Career progression within the agency is promoted by senior leaders. This leads to a staff that is knowledgeable about all aspects of the agency and also encourages well-qualified employees to remain with the agency.

Senior leaders create an environment for performance improvement, accomplishment of strategic objectives, and innovation by ensuring that employees are aware of strategic objectives, by listening and responding to agency employees and customers, and by encouraging employees to be innovative and make improvements whenever possible. In order to create an environment for organizational and workforce learning, employees are encouraged to identify areas where additional training is needed and to share ideas to improve existing processes. When these areas are identified, training is provided and new processes are implemented. Senior leaders communicate with and motivate the workforce by meeting periodically with staff members to encourage and motivate them and to get the employees' feedback concerning the agency.

The agency supports and strengthens the communities in which it operates by helping to ensure a safe and sound financial community. The State Treasurer attends many functions throughout the state, talking to the citizens, and supporting the communities. He attends annual meetings of the financial industry to solicit input from member institutions and to stay abreast of industry trends and changes. In addition, employee support of the community is encouraged. Employees may make payroll deductions to support agencies such as the United Way and the Good Health Appeal.

STRATEGIC PLANNING

Strategies and plans for the Board are developed with an emphasis on the Mission of the agency. The two division directors and senior staff members are the key participants in the planning process. The agency's strengths, weaknesses, opportunities and threats are periodically evaluated by management. Complaints and comments from the citizens of South Carolina, comments from regulated institutions, and input from financial institution associations are considered in determining the organization's strengths and weaknesses, to include shifts in technology, opportunities and threats. Technology and the regulatory environment are monitored so that strategies can be modified when changes in these areas occur. Programs and procedures are reviewed, and measures are implemented to address changes in the financial industry and the economic environment and the risks associated with those changes. Workforce capabilities are also reviewed periodically, and areas where additional training is needed are determined. Cross-training needs are evaluated so that the department will be prepared when employees are promoted or leave the agency. This provides continuity in the case of emergencies.

The Board's major strategic challenge is to maintain a competent workforce. Because of the travel required for the agency's examiners, attracting and retaining competent employees is a major challenge. This challenge is addressed in the agency's objective of maintaining a competent and well-trained staff.

As stated in the Executive Summary, the directors seek new opportunities for staff development, effective recruitment procedures, and diversity in the workforce. Major barriers consist of reduction in funding sources and competition from other employers for experienced workers. In addition, the increasing complexity of financial products requires more training and more detailed review. Management continually evaluates the strategic challenges the agency faces and alters the agency's plans accordingly. To ensure that job openings are made available to a diverse group of people, the State of South Carolina's State Jobs Link is utilized, making the vacancies immediately available for review, and the agency participates in State Job Fairs, when applicable.

Organizational continuity in emergencies is addressed through the Disaster Recovery Program. As part of the strategic planning process, senior management, including the agency's Disaster Recovery Coordinator, analyzes possible disaster threats. Plans are made for organizational continuity and contact with regulated financial institutions and Federal regulatory agencies during emergencies.

Once the strategic goals have been determined by the directors, time is allocated for senior staff members to develop plans to achieve the goals. Staff members track and report the action plans to the directors. Resources are allocated according to the number and condition of institutions and through an analysis of trends. Strategic objectives, action plans, and related performance measures are communicated to staff members through meetings and individual discussions.

Progress of the agency's action plans is measured on an ongoing basis through the tracking of the number of examinations performed, the number and type of actions presented to the Board of Financial Institutions, responses to consumer complaints, and the employee turnover rate. The information gathered is evaluated to determine if the goals of the agency are being met.

The agency's strategic planning process is periodically evaluated by senior management. Each step in the process is reviewed to determine if it is effective, and improvements are made where necessary.

Strategic Planning

Program Number and Title	Supported Agency Strategic Planning Goal/Objective	Related FY 10-11 and beyond Key Agency Action Plan/Initiative(s) and Timeline for Accomplishing the Plan(s)	Key Cross References for Performance Measures
05000000 Banking 10000000 Consumer Finance	Monitor the safety and soundness of financial institutions under the Board's jurisdiction.	Examine State chartered financial institutions and other licensees. Timeline – Continuously	Figures 7.1-11 (page 23) 7.2-1 (page 24) 7.5-2 (page 27)
05000000 Banking 10000000 Consumer Finance	Ensure that statutory responsibilities are met.	Perform examinations within time frames required by law. Review and evaluate applications coming before the Board. Timeline – Continuously.	Figures 7.1-11 (page 23) 7.1-5 (page 20) 7.2-1 (page 24) 7.2-2 (page 24) 7.5-1 (page 26) 7.5-2 (page 27)
05000000 Banking 10000000 Consumer Finance	Protect the interests of the citizens of South Carolina.	Examine State chartered financial institutions and other licensees. Respond to consumer complaints. Timeline – Continuously.	Figures 7.1-11 (page 23) 7.2-1 (page 24) 7.5-2 (page 27) 7.5-3 (page 27)
05000000 Banking 10000000 Consumer Finance	Maintain a competent and well-trained staff.	Hire and retain highly qualified, diverse employees, and provide adequate training. Timeline – Continuously	Figure 7.4-1 (page 26)

CUSTOMER FOCUS

The citizens of South Carolina, the Legislature, and the Governor are the key customers of the Board of Financial Institutions. Regulated institutions are secondary customers of the Board. As a regulatory body, the agency strives to maintain the proper balance of performing its statutory responsibilities without imposing an undue burden on the institutions under its jurisdiction. The agency determines the needs of its customers by listening to and evaluating comments from its customers. The agency strives to keep its listening and learning methods current with changing customer/business needs and expectations by continually evaluating customer input. Key customer access mechanisms include feedback from citizens through the State Treasurer's public appearances, the office Web Site, and E-mail access as well as from the usual correspondence and telephone. The Board of Financial Institutions has consistently supported an open door policy that encourages effective communication between the divisions and the officials of the industries it licenses. The divisions continue to offer their services and expertise in areas of compliance in an effort to stimulate open communication between the divisions and officials of institutions under the Board's jurisdiction. Various financial institutions and associations provide valuable input and feedback on Board policies and regulations and on any issues related to their industry which might require action by the Board. Information from customers is used in the planning process to assist in determining goals for the agency. In an effort to measure customer satisfaction, the Board of Financial Institutions continuously monitors and updates its key indicators (consumer complaints and industry complaints). In addition to logging the number of complaints received, the division also monitors the nature of the complaints to detect problem areas. The agency uses this information to evaluate its service to its customers and make improvements where necessary. The agency tries to build positive relationships with the citizens of South Carolina by taking seriously all inquiries/complaints and by providing prompt responses.

MEASUREMENT, ANALYSIS, AND KNOWLEDGE MANAGEMENT

The directors and senior leaders evaluate the operations, processes, and systems of the agency in order to determine what should be measured, and they are responsible for implementing processes to monitor progress relative to strategic objectives and action plans. Data/information analysis is performed on all financial institutions in order to determine supervisory strategies throughout the organization. Areas being measured relate to the agency's strategic objectives, action plans, and mission statement. The directors monitor the key measures to assure they remain current with business needs and direction. Key comparative data and information is selected and used based on the agency's strategic objectives and whether the data measures the agency's progress towards its goals. The divisions carefully schedule examinations of financial institutions under the Board's jurisdiction in order to accomplish the objective of examining all financial institutions within the time frames required by law. In addition, off-site analysis is performed on all financial institutions in order to determine supervisory strategies. The off-site analysis enables the divisions to determine which financial institutions are in greatest need of examination and which institutions require extra consultation and direction. The directors ensure data integrity and accuracy by having the data carefully checked by staff members. The directors ensure data timeliness and availability by allocating sufficient personnel to collect and analyze the data. Organizational performance reviews are used as self-assessment tools that allow management to identify strengths and the opportunities for

improvement. Periodic meetings are held with staff members in order to collect and transfer accumulated employee knowledge and to identify and share best practices. Training sessions are held in order to maintain and update employee knowledge. This enables the divisions to reach the ultimate goal of preserving a sound State chartered financial community.

WORKFORCE FOCUS

The work force is managed by the directors and supervisors and is designed to encourage and motivate employees to develop and utilize their full potential by giving them positive feedback concerning the performance of their jobs. Employees are cross trained and assignments are rotated to enable the employees to develop and utilize their full potential, aligned with the organization's objectives, strategies, and action plans. Additionally, employees may use discretion in the performance of their jobs in order to give the employees a feeling of empowerment and to encourage innovation within the agency. The directors and supervisors emphasize the importance of the organization's objectives, strategies, and action plans to promote cooperation in meeting the mission of the agency.

Periodic meetings are held with all examiners to review the examination process and to consider methods to implement a more efficient and effective examination process. Employees are encouraged to share ideas concerning the examination process with each other and with management. At the meetings, employees are encouraged to identify areas where additional training is needed. These meetings help to ensure effective communication, cooperation, and knowledge sharing among the employees.

New employees are recruited through the State of South Carolina e-recruitment system and through State job fairs. Management seeks to hire the most capable and motivated individuals from the pool of applicants. Steps are then taken to place examiners where their skills will be developed and fully utilized. Major barriers when recruiting and retaining employees are competition from other employers who can pay higher salaries and the travel required for the employees who examine the financial institutions.

Senior management assesses workforce capability and capacity needs through a monthly review of agency objectives and goals to determine whether staffing levels are sufficient to successfully deliver products and services to customers. If necessary, adjustments are made to meet varying demand levels.

Employees receive periodic evaluations, and promotional opportunities are available to those who are qualified. At the beginning of each evaluation period, a planning stage document is given to the employees. At that time and throughout the evaluation period, supervisors discuss with the employees ways in which they can improve their performance and contribute to the achievement of the agency's action plans. Senior leaders evaluate employee feedback and information from exit interviews to determine priorities for improvement.

Cross-training, mentoring, and on-the-job training all lead to the development and enhancement of organizational leadership and knowledge. Management stresses the importance of ethical practices. Effective employee development offsets possible strategic challenges and contributes to the achievement of the agency's action plans.

Effective employee training enables employees to be properly trained to achieve the agency's goals. Training is provided by individual instruction and through the utilization of schools which specialize in the training of financial institution examiners. Comprehensive evaluations are a structured part of all courses. Management is very supportive and encourages the implementation of new knowledge and skills, if it results in a more efficient way to achieve the agency's mission.

As stated in the Executive Summary, with the increasing complexity of financial products, more training and more detailed review are required. As such, it is essential that the agency have a well trained staff to achieve the action plans.

A key measurement tool of the effectiveness of the workforce is the employee performance management system. It is reviewed periodically throughout the year by senior management who track progress and offer suggestions and opportunities to place staff in leadership positions to help develop and motivate them to utilize their full potential.

Most assessments to determine employee well being, satisfaction, and motivation are informal. In order to assess employee well being and satisfaction, the directors and supervisors talk with employees on an informal basis to try to determine the employees' attitudes. When employees leave the agency, an exit interview is conducted to determine how those employees feel about the agency and what areas they believe could be improved.

Effective career progression and succession planning is managed through mentoring and cross training. Management realizes that the key to effective succession planning is to create a match between the agency's future needs and the needs and desires of individual employees. Employees are encouraged to learn all they can about their jobs, jobs in their career paths, and the agency as a whole.

A safe and healthy work environment is maintained by conducting periodic checks of the office space to ensure that it is safe. If employees notice areas that they believe are unsafe or unhealthy, they are encouraged to bring it to the attention of management. In case an evacuation of the building were necessary, an Emergency Action Plan is in place. Employees have been notified of the procedures for evacuation, and an Accountability Monitor has been assigned. Periodic building evacuation drills are held.

PROCESS MANAGEMENT

Since the Board of Financial Institutions is a regulatory agency, its primary aim is to provide a service to the citizens of South Carolina. The agency's core competencies are its knowledge of financial institutions and the financial industry and its ability to supervise and regulate these institutions. These competencies are essential to meeting the agency's mission, which is to preserve a sound State chartered financial community and protect the borrowing public by ensuring that the state banking and consumer finance laws and regulations are followed.

All key processes correlate with the department's mission statement. These processes are constantly reviewed to ensure that they are producing results designed to support the mission statement and

strategic goals and to meet changing customer needs. The department also reviews and researches the systems of other related government agencies for processes to enhance the delivery of its services. As organizational knowledge grows and technology changes, key processes are revised to make them more efficient and effective. An example would include the implementation of the new accounting system, South Carolina Enterprise Information System (SCEIS), which has cost controls imbedded in the software.

The primary product of the agency is the examination report that is produced when financial institutions are examined. After the reports are produced by examiners, they are reviewed by office staff to ensure that they are accurate and of high quality. The reports are produced using computers and specialized computer software. Information technology needs are periodically evaluated to ensure that employees have the necessary tools and training to effectively and efficiently perform their jobs.

In order to improve future reports, examiners are informed when errors are found or changes are made. Management tracks the turnaround time of the reports in an effort to send the reports to the financial institutions and other regulators in a timely fashion. Management also keeps abreast of changes in the financial industry and relays these changes to examiners through memos and meetings. Reports and other monitoring methods provide information that is critical to the supervision of institutions under the jurisdiction of the Board. This information allows management to evaluate its product and service related processes to ensure the safety of depositors and a stable financial environment for the citizens of the state.

Based on the direction of the agency, members of senior management meet to discuss and determine the resources needed to meet current and projected budget and financial obligations, using prior year expenditures and revenues as a guide. Since the agency operates on 100% Other Funds (revenues derived from supervisory and licensing fees), supervisory and licensing trends and pending legislation must also be considered.

RESULTS

Financial institutions reporting to the Banking Division maintain their records on a calendar year basis. The Consumer Finance Division is required by statute to collect information by calendar year. For these reasons, results are reported on a calendar year basis.

Total assets of State chartered banks now total over \$23 billion. In 2010, the consumer finance industry made more than \$1.68 billion in loans to South Carolina consumers. The deferred presentment industry made an additional \$417.6 million in short-term loans. Annual report information for the mortgage industry will be available spring 2012.

Applications for two bank branches, two holding company acquisitions, and one bank merger were processed. In addition, 31 banks, 15 credit unions, 1 trust company, and 2 development corporations were examined. The Consumer Finance Division issued 2,507 new licenses (107 consumer finance and check cashing licenses and 2,400 mortgage licenses), examined 1,956 licensed locations and investigated and resolved 362 written consumer complaints.

Examinations, as required by law, were conducted and corrective action was taken when necessary. In-house compliance seminars and round table discussions were utilized to disseminate information regarding law changes. The Board continued to promote good health and encourage all employees to become involved with donating time and financial support to non-profit charitable organizations.

Performance data is presented in the following tables and charts.

Performance Measures:

	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Banking Division</u>			
Banks examined	25	24	31
Savings and Loan Associations examined	1	1	0
Credit Unions examined	15	16	15
Trust Companies examined	2	1	1
Development Corporations examined	2	2	2
Applications for new Banks processed	0	0	0
Applications for Bank branches processed	16	2	2
Application for Credit Union branches processed	0	0	0
Applications for Holding Company acquisitions processed	2	1	2
Applications for Bank and Credit Union mergers processed	1	3	1
<u>Consumer Finance Division</u>			
Restricted Licensees examined	20	17	13
Supervised Licensees examined	1,616	1,556	1,249
Deferred Presentment & Check Cashing companies examined	1,065	1,015	694
Applications for a Supervised License processed	202	216	65
Applications for a Check Cashing License processed	145	77	42
Applications for Mortgage Lenders processed & approved			298
Applications for Mortgage Branches processed & approved			333
Applications for Mortgage Loan Originators processed & approved			1,769
Written complaints received, investigated and brought to a successful conclusion	359	418	362
Death claims verified and proper refunds given to the beneficiary	1,200	1,010	789

Growth of Assets and Loans for State Banks

	12/31/05	12/31/10	Percent Change
Total Assets	30,862,970	23,132,354	-25%
# of banks	51	48	-6%
Average Total Assets	605,156	481,924	-20%
Total Loans	21,261,039	14,731,820	-31%
# of banks	51	48	-6%
Average Total Loans	416,883	306,913	-26%
Total Deposits	23,096,598	19,503,923	-16%
# of banks	51	48	-6%
Average Total Deposits	452,874	406,332	-10%
(Assets and Loans in thousands)			

Figure 7.1-1

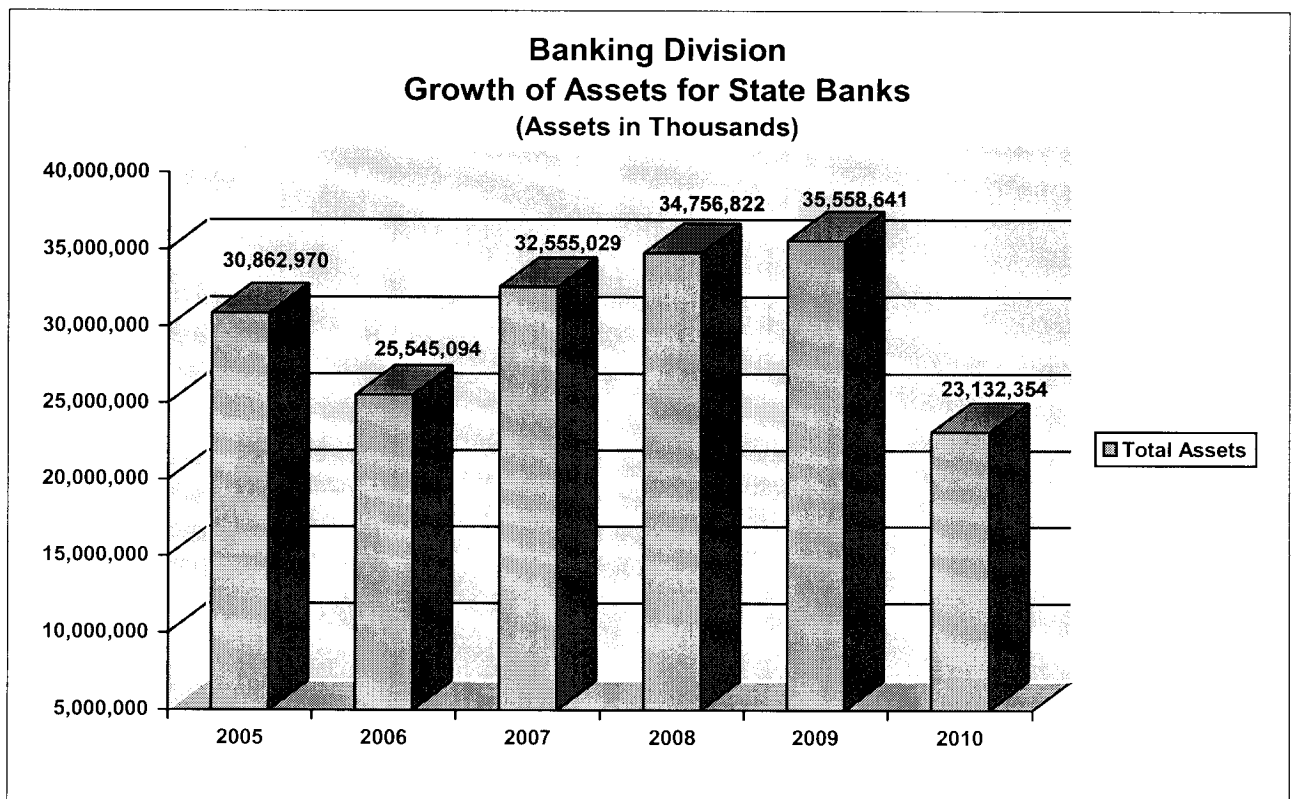


Figure 7.1-2

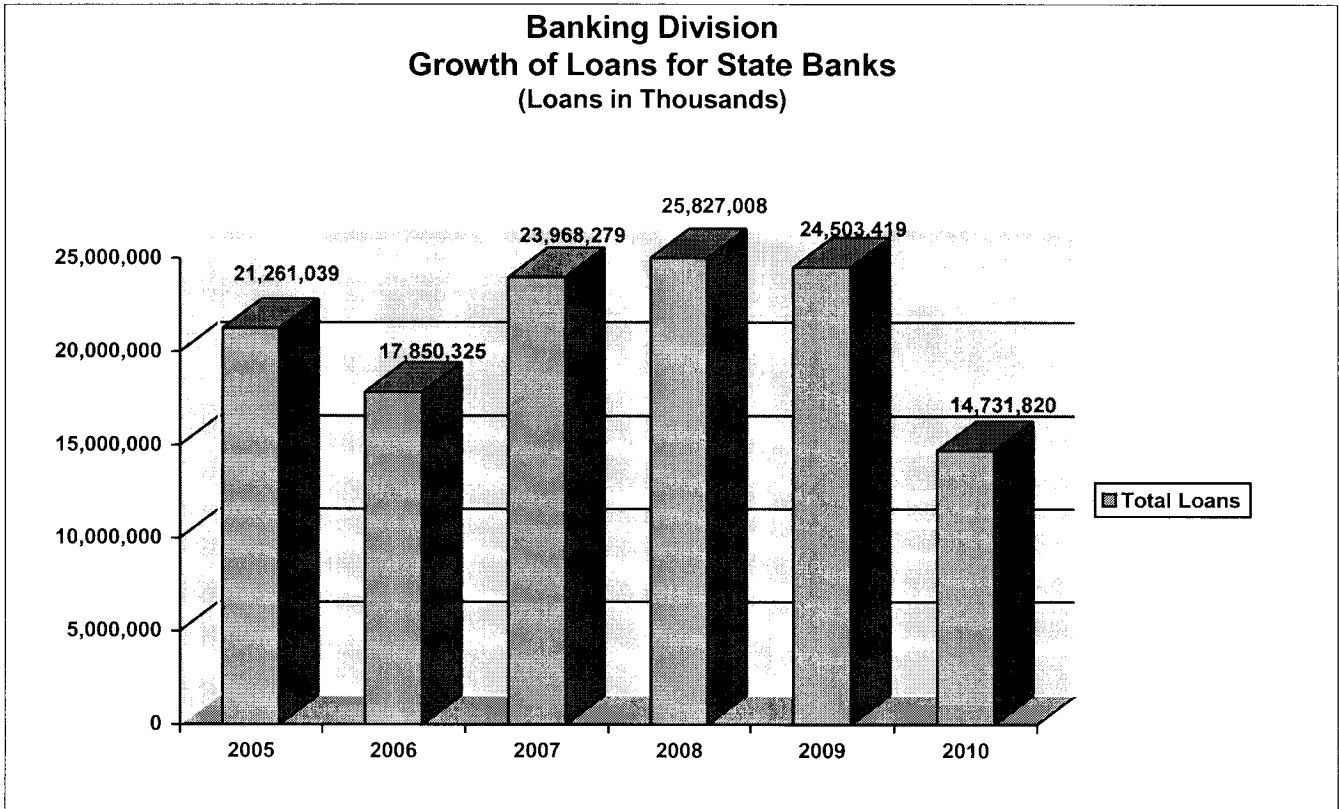


Figure 7.1-3

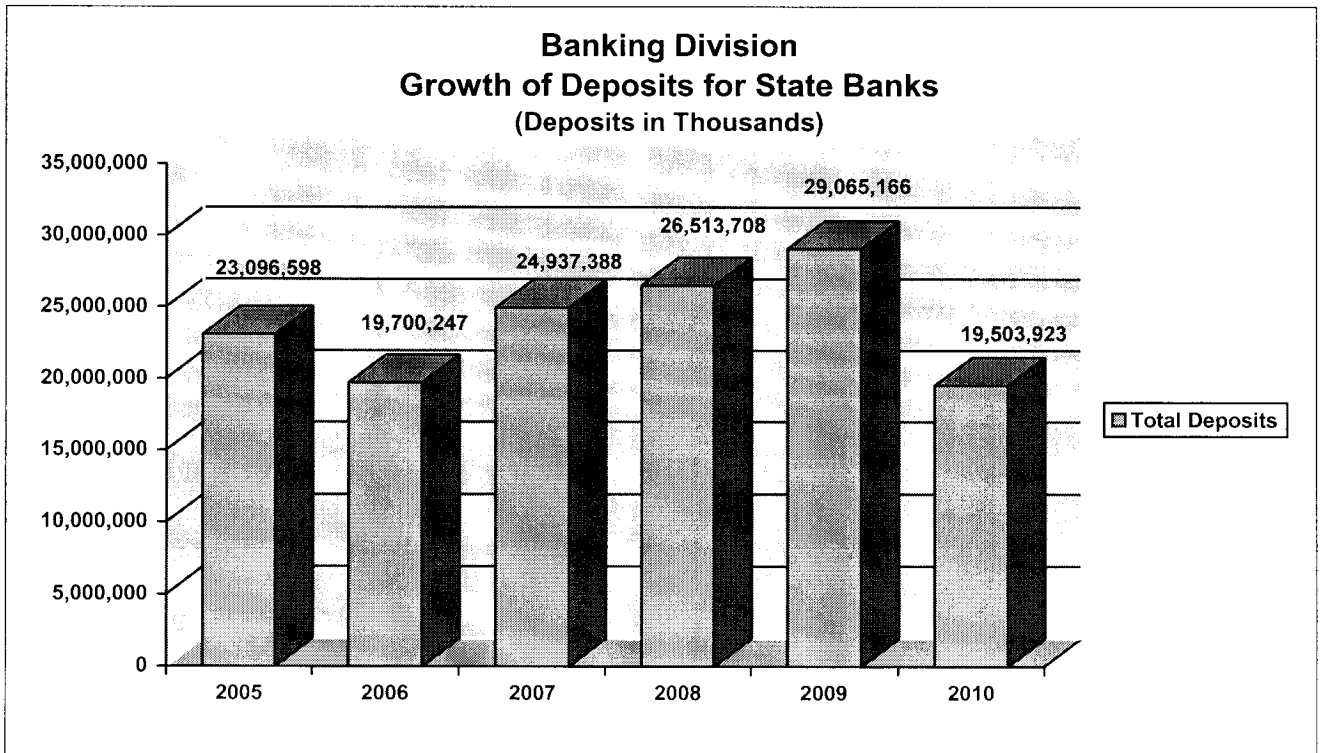


Figure 7.1-4

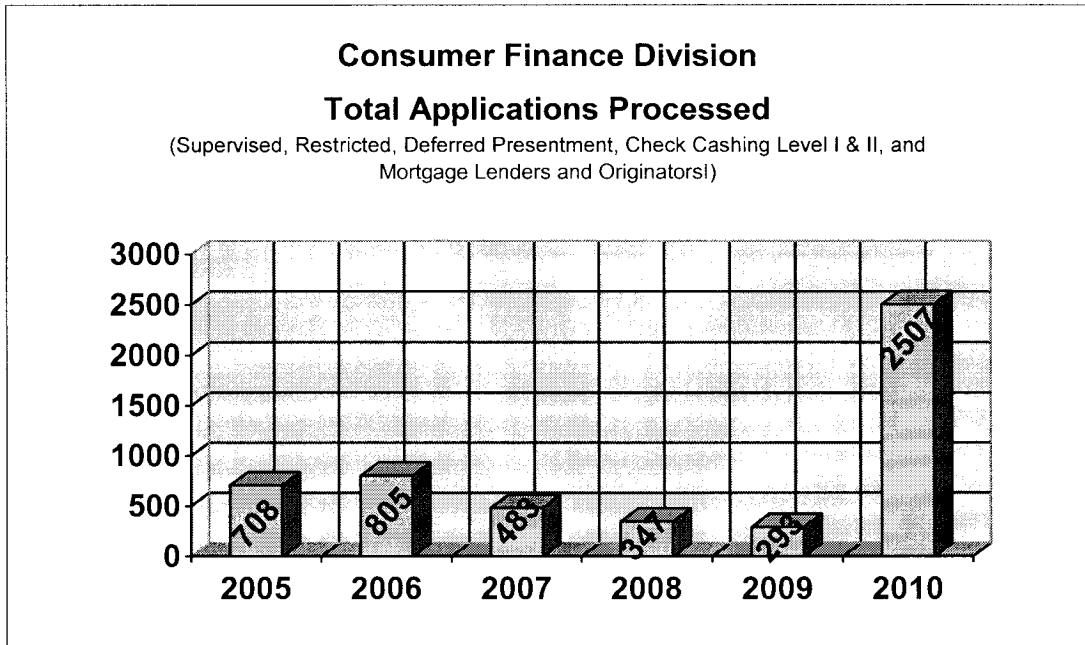


Figure 7.1-5

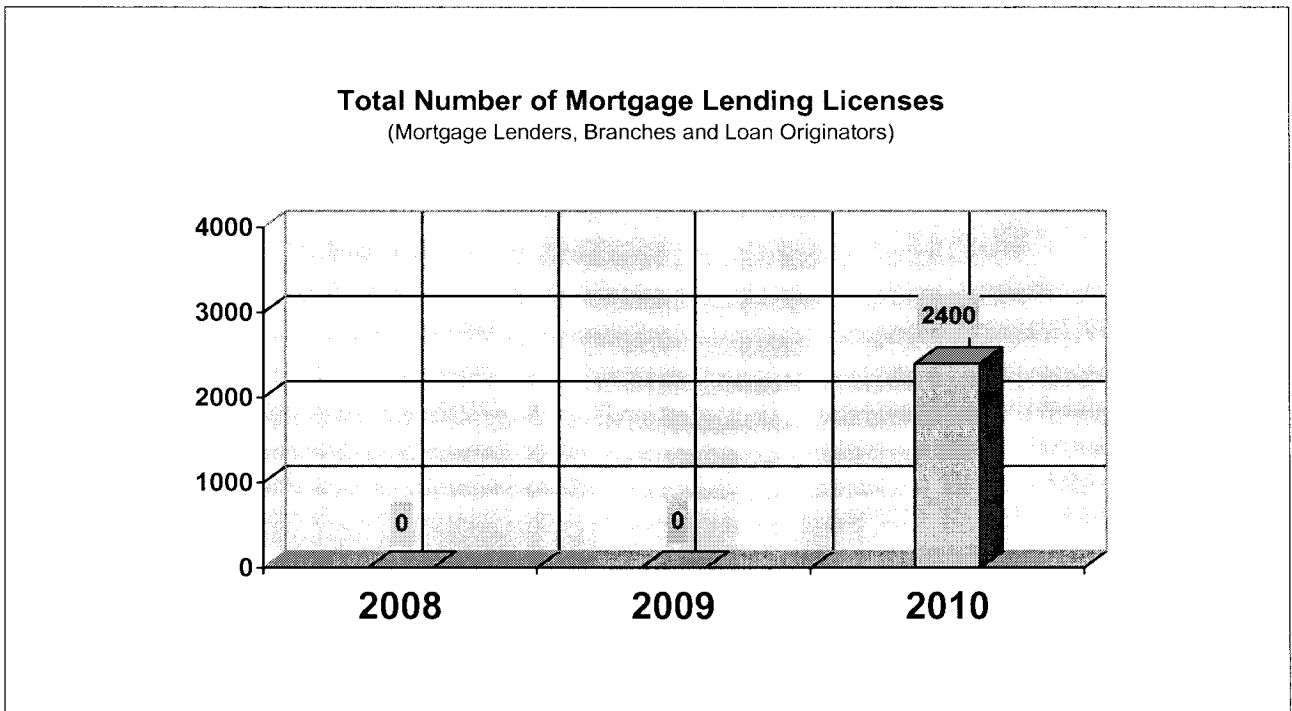


Figure 7.1-6

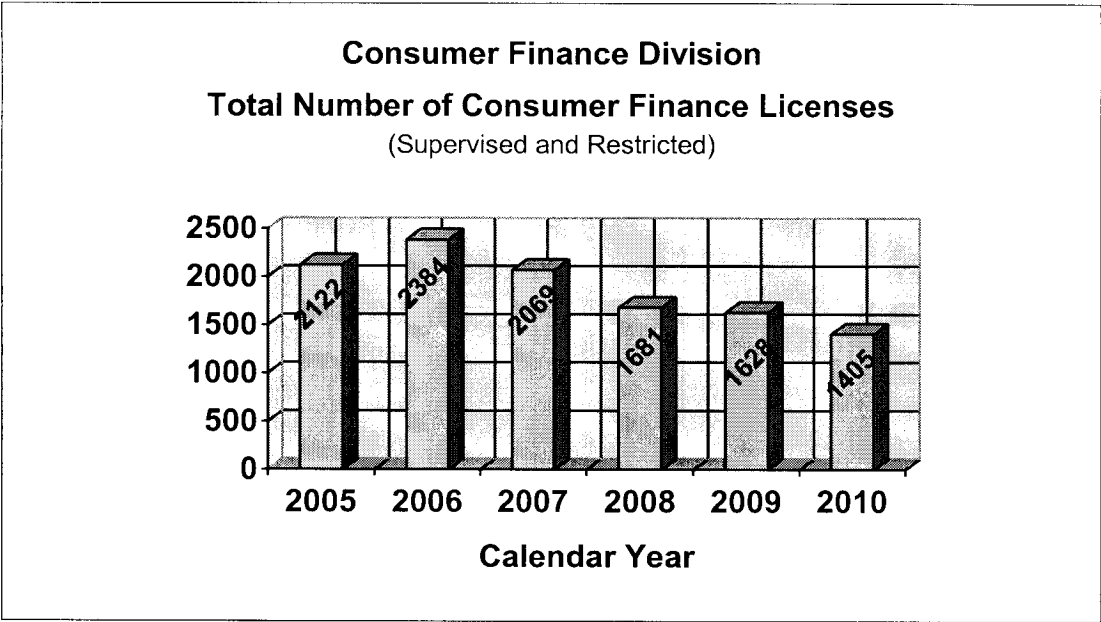


Figure 7.1-7

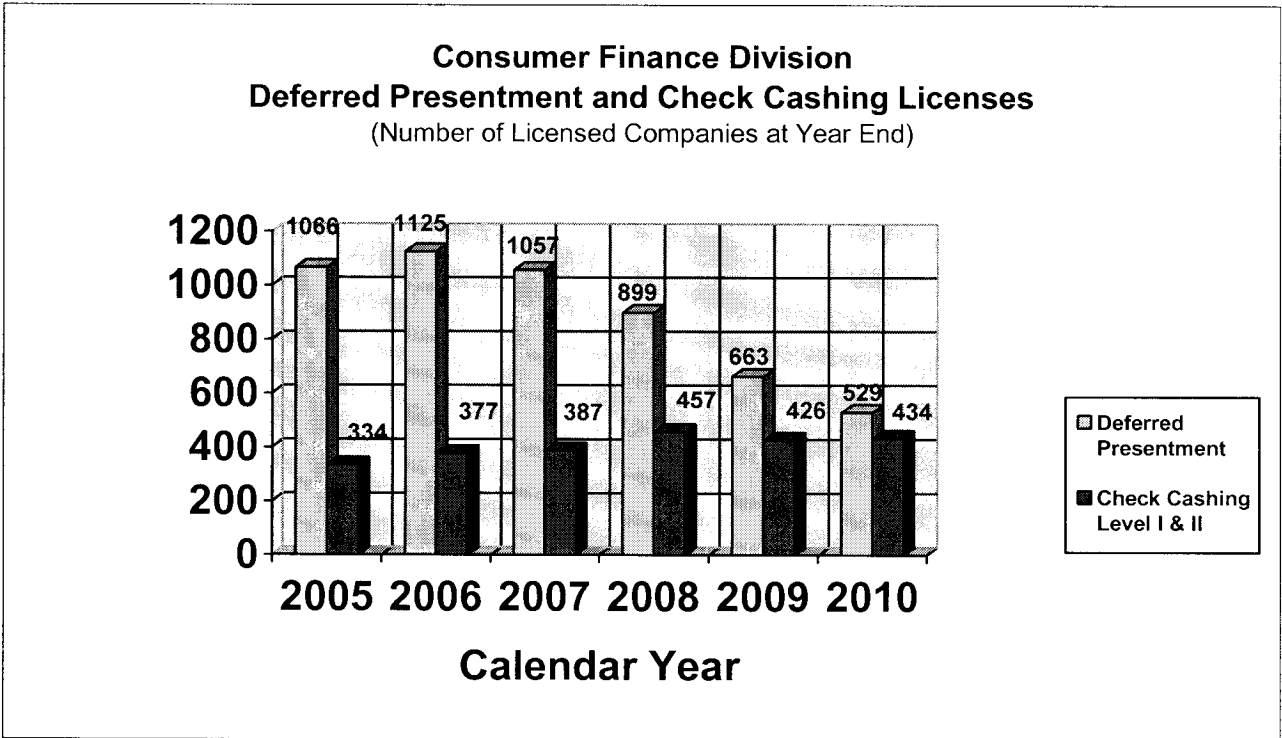


Figure 7.1-8

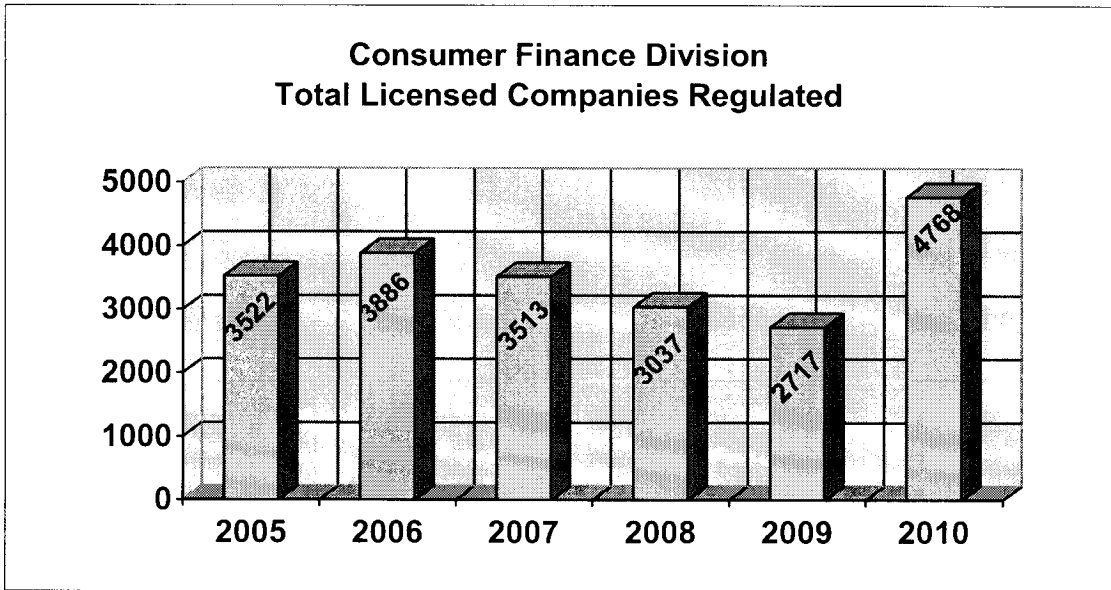


Figure 7.1-9

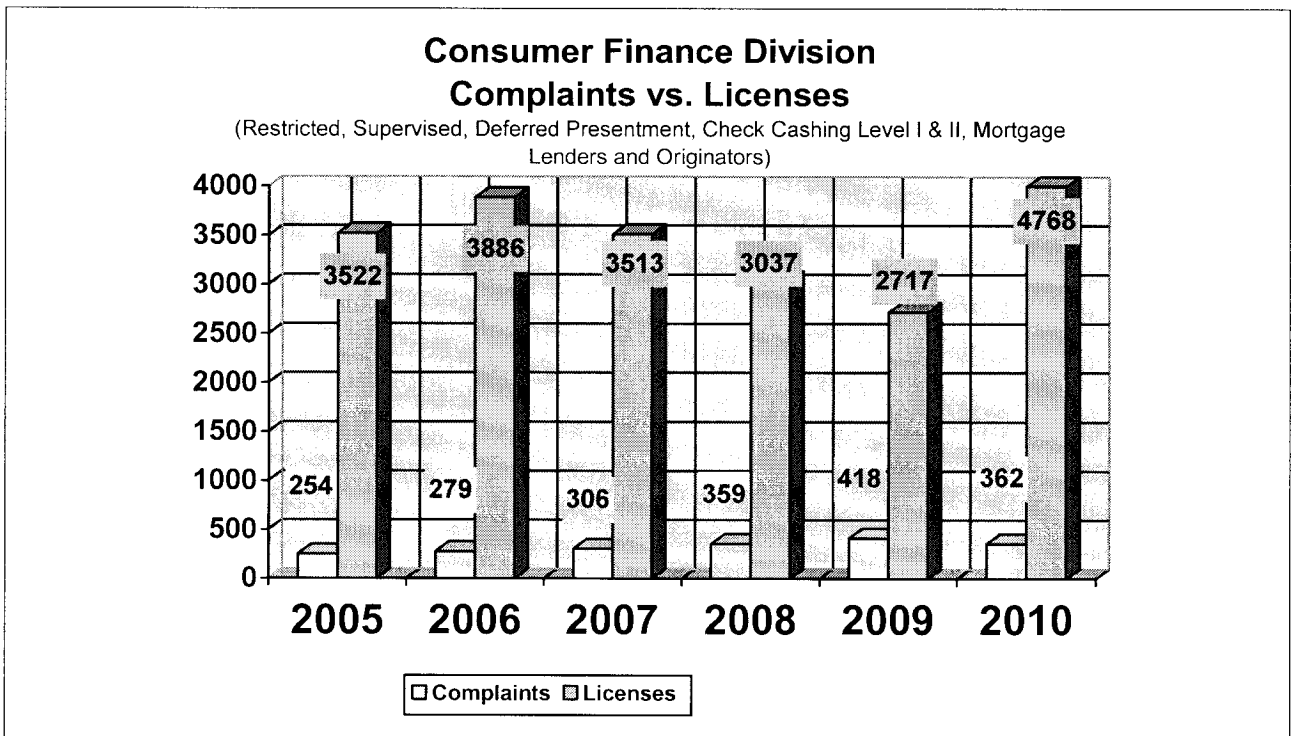


Figure 7.1-10

Consumer Finance Division Licensees Examined within Statutory Time Frames

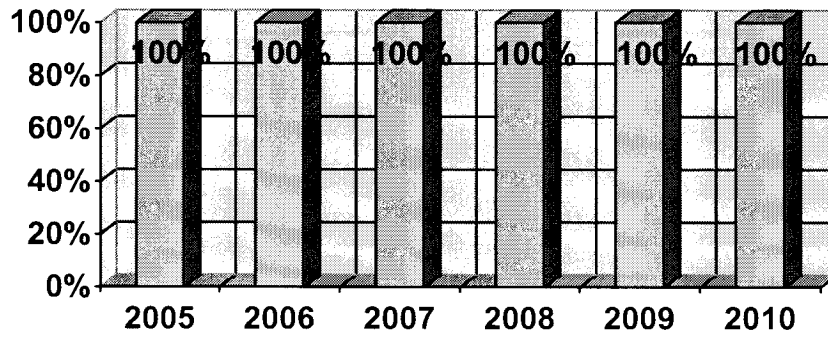


Figure 7.1-11

Consumer Finance Division Percentage of Licensees Requiring Corrective Action

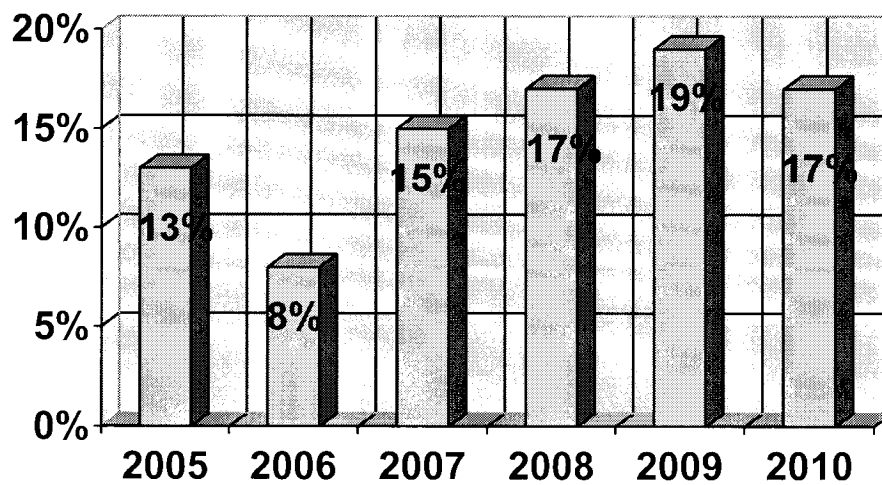


Figure 7.1-12

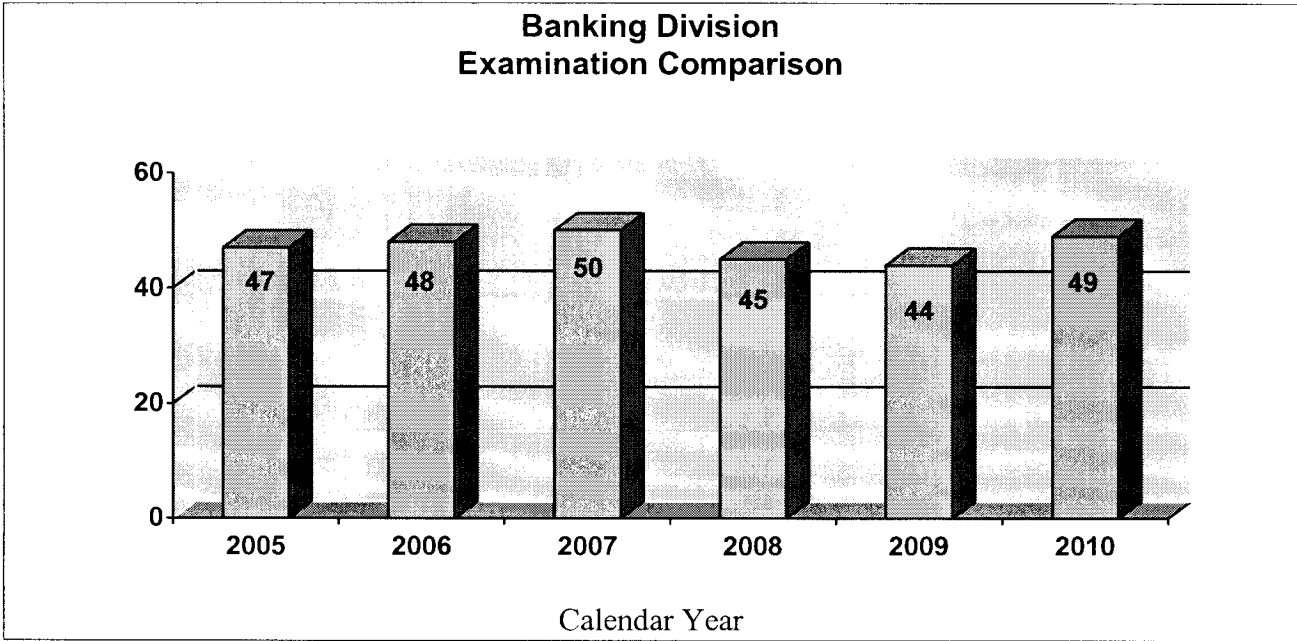


Figure 7.2-1

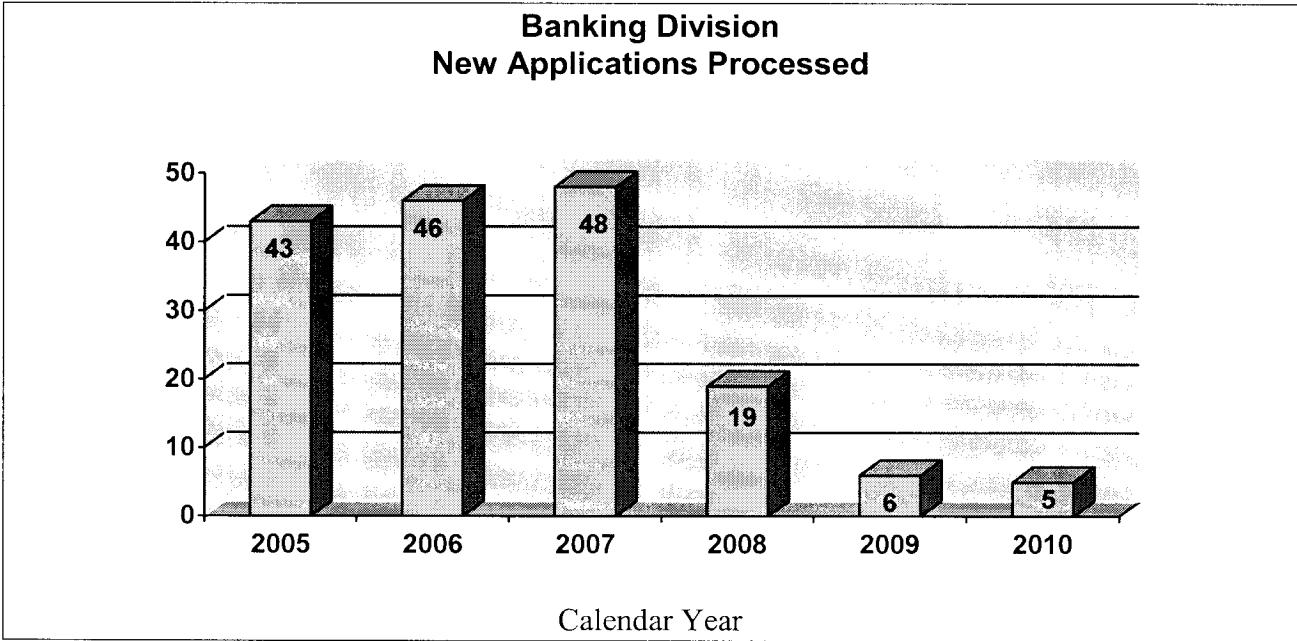


Figure 7.2-2

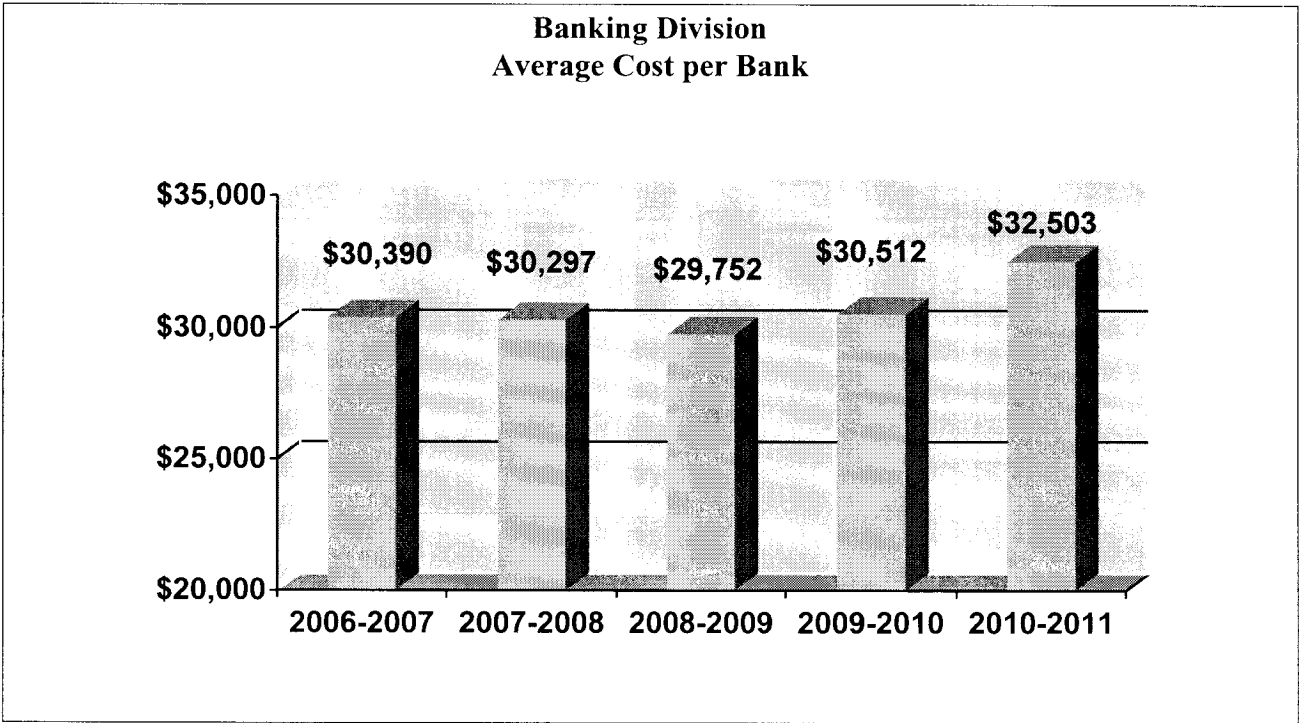


Figure 7.3-1

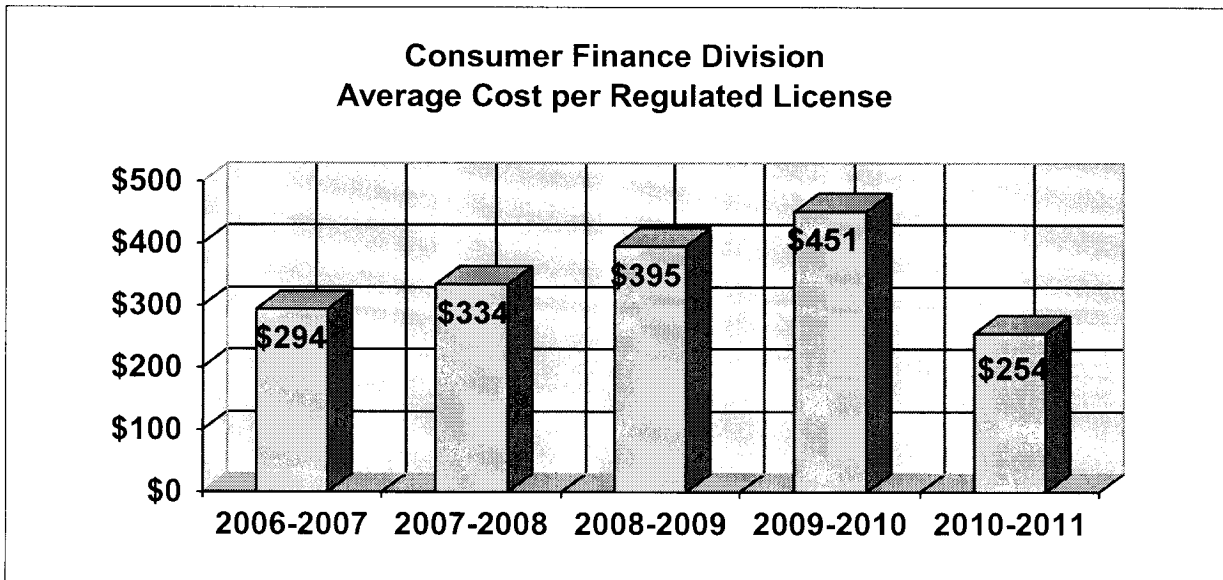


Figure 7.3-2

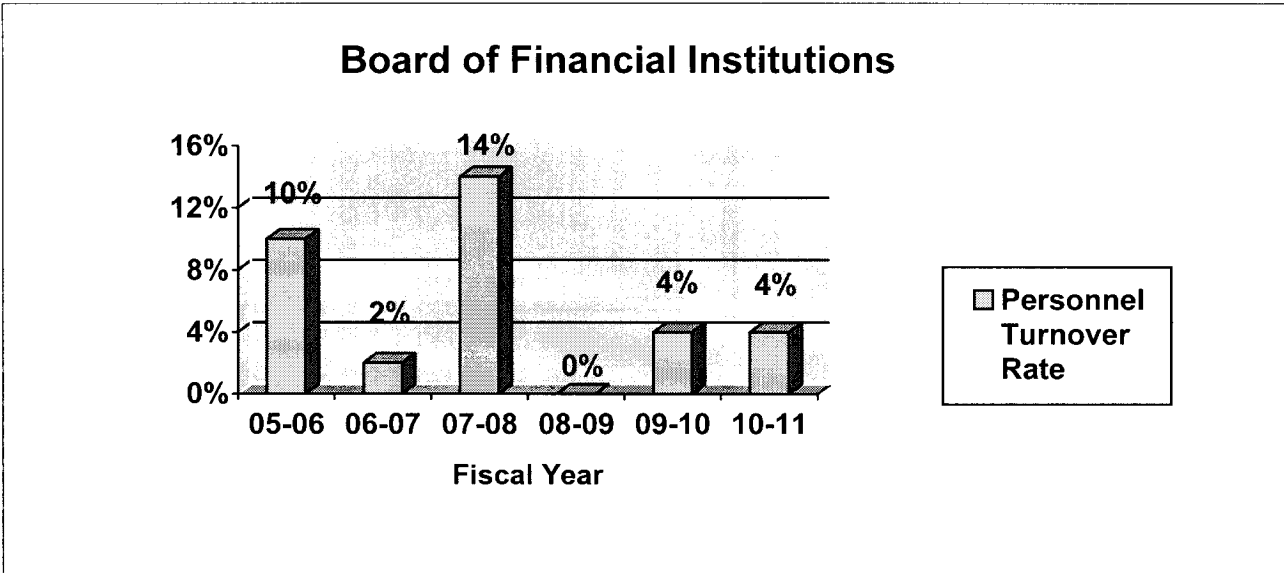


Figure 7.4-1

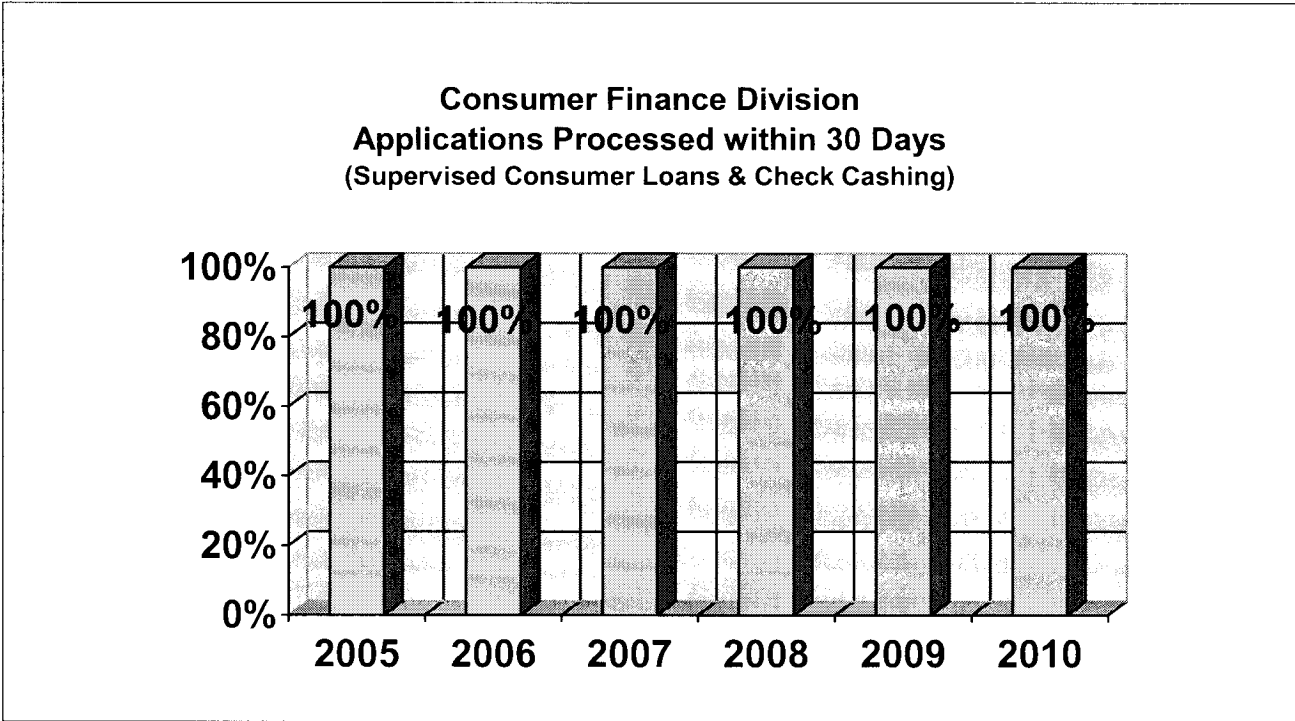


Figure 7.5-1

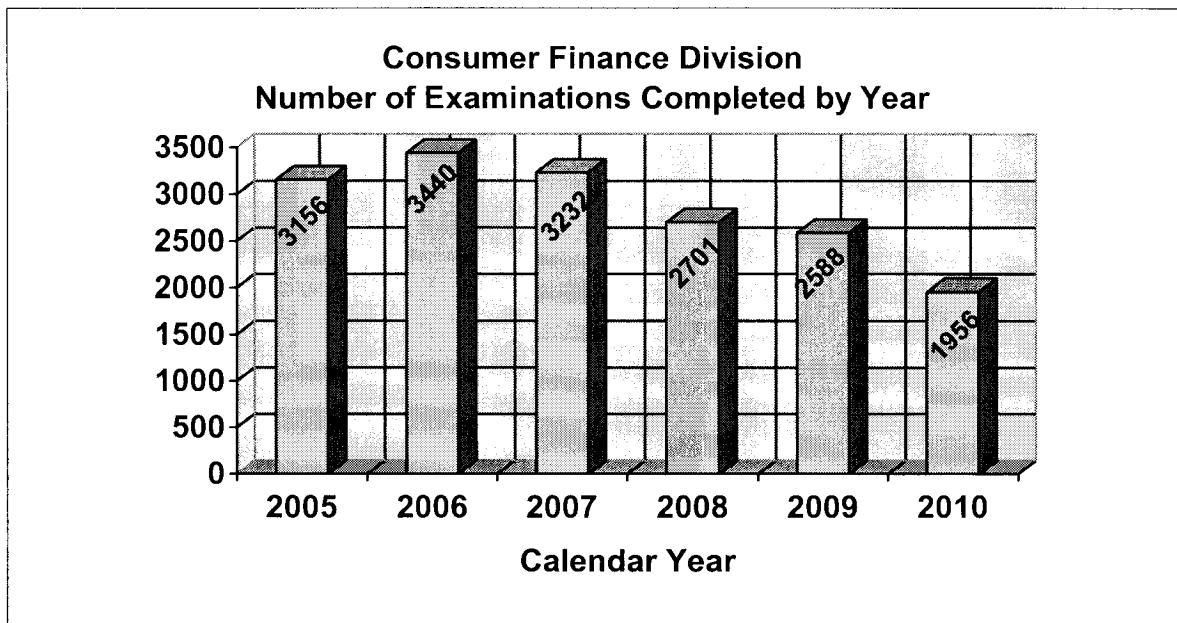


Figure 7.5-2

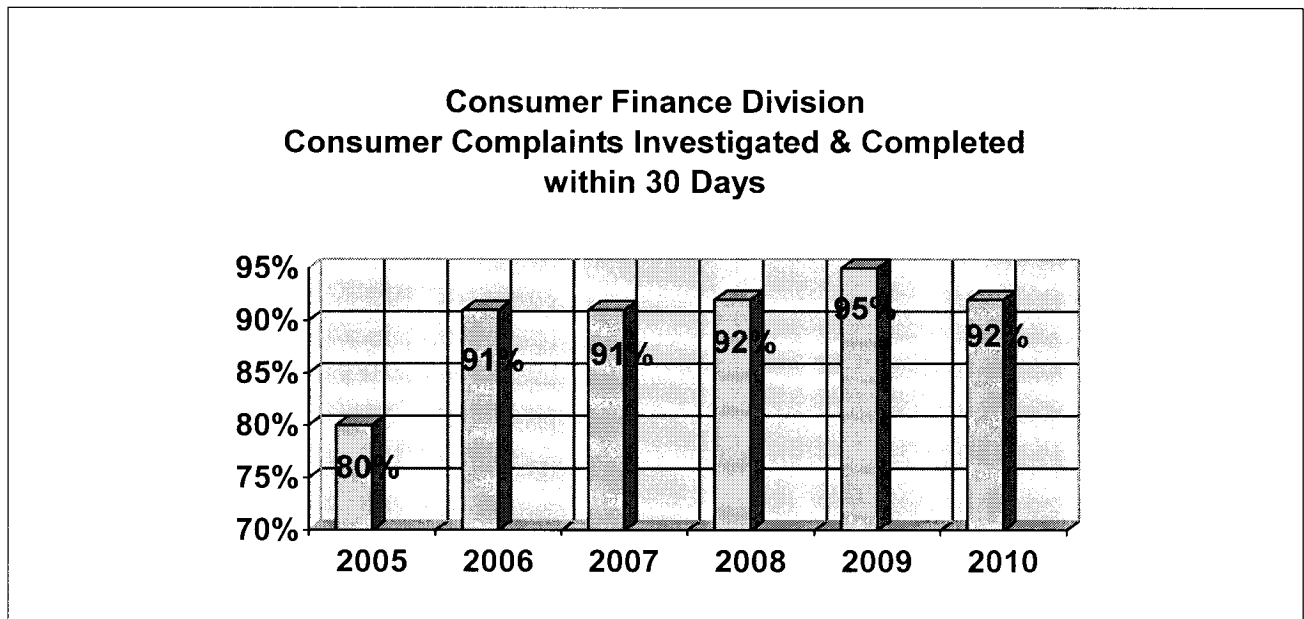


Figure 7.5-3

**Consumer Finance Division
Community Health Charities Fund Drive**
(Percentage of Employees Contributing)

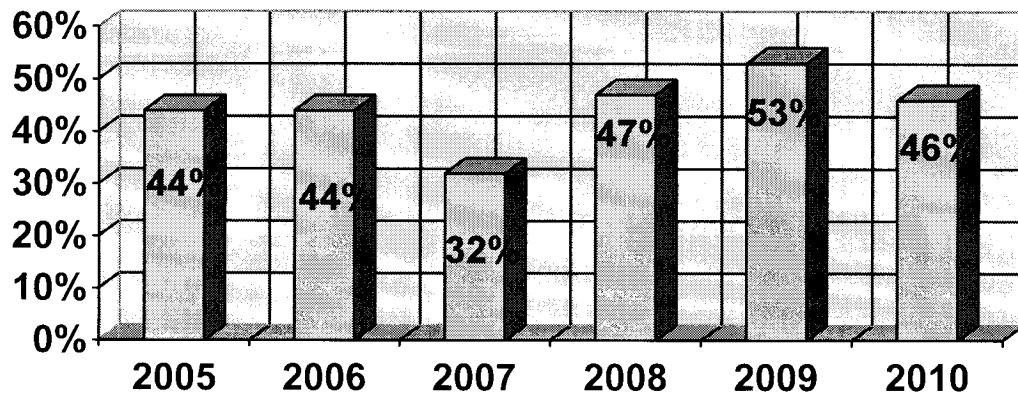


Figure 7.6-1