Office of Financial and Insurance Regulation

Ottawa Building, 611 W. Ottawa St. Lansing, Michigan

WHO WE ARE

OFIR is a Type I agency housed in the Michigan Department of Energy, Labor and Economic Growth.

OFIR is an exclusively fee-funded financial service regulator, requiring no public tax dollars for its regulatory and consumer assistance activities.

WHO WE ARE

- OFIR currently has 348 employees, who are responsible for the regulation of

- Blue Cross Blue Shield
- 26 health maintenance organizations
- 174 domestic (Michigan based) insurance companies
- 1,427 foreign insurance companies
- 118 state chartered banks
- 210 state chartered credit unions
- 1,799 investment advisers
- 2,044 securities broker-dealers
- 6,172 consumer finance lenders
- 171,443 insurance agents
- 122,642 securities agents

OFIR MISSION & GOALS

MISSION STATEMENT

- The Michigan Office of Financial and Insurance Regulation (OFIR) grows Michigan by creating a regulatory climate that promotes consumer protection and education and ensures the financial services industries are safe, sound, and entitled to the public trust.

GOALS

- Educate, empower, and protect consumers.
- Ensure institutional solvency, safety and soundness, while maintaining a regulatory environment that fosters a competitive financial services industry.
- Foster public confidence in the industries, institutions, and individuals coming under our purview.
- Ensure that industries, institutions, and individuals comply with applicable laws and rules.
- Work to make health care coverage more accessible and affordable.
- Develop, empower, and retain a 21st century workforce.
- Make home and auto insurance coverage more accessible and affordable

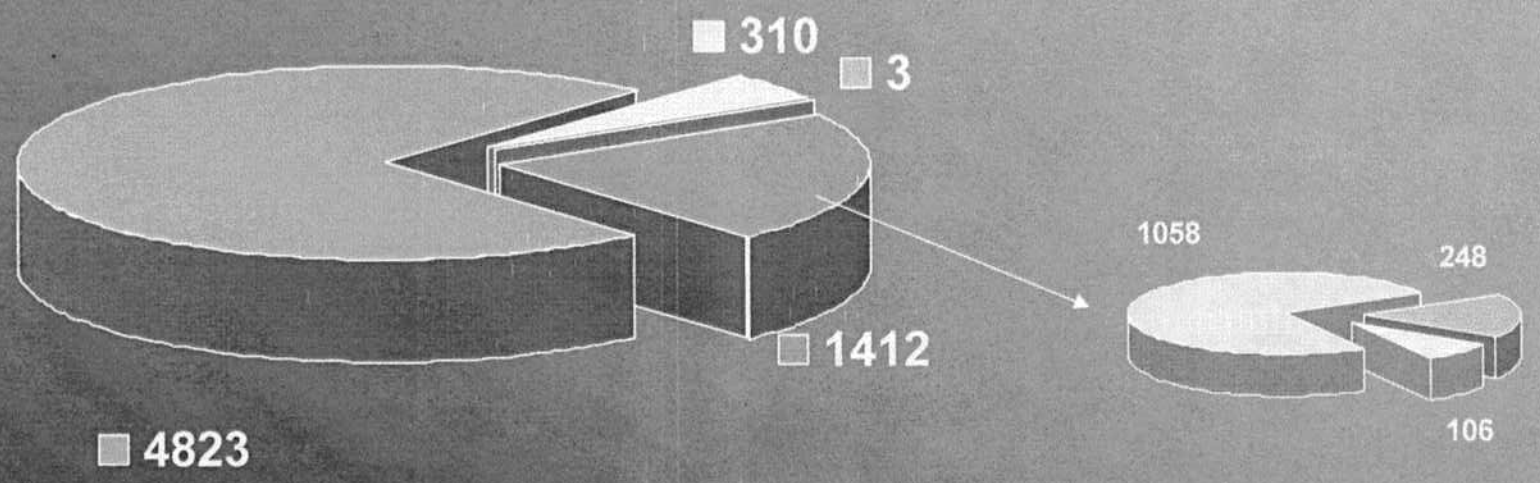
WHO ARE OFIR'S CUSTOMERS

OFIR has a variety of customers, including:

- Michigan citizens
- Michigan legislators and the Governor
- Other state departments and agencies
- Insurance carriers (including Blue Cross Blue Shield of Michigan,
- HMOs, MEWAs, surplus lines insurers, third party administrators,
- and alternative finance delivery systems)
- Financial institutions (banks and credit unions)
- Consumer lenders
- Insurance agents, securities agents, and broker dealers
- Entities making securities offerings under Michigan law
- Federal financial institution regulators and insurers
- National regulatory associations with which OFIR participates

Working for Michigan Consumers

OFIR's Consumer Services Division reviews more than 5,000 complaints per year.
(As of 12/31/2009)



- Financial Institutions
- Insurance
- Securities
- Miscellaneous

- Banks
- Credit Unions
- Non-depository

OFIR is working for you!

OFIR provides consumer assistance, conducts investigations and takes enforcement actions for the benefit of Michigan consumers.

In 2009 OFIR staff helped consumers recover

$33,025,231

- $9,286,100 insurance and securities
- $23,739,131 involved mortgage and banking products

<u>2009 Complaint Volume</u>

- 125,000 consumer calls last year
- 6,548 complaints resolved

CONTACTING OFIR

- **By toll-free phone** — **1-877-999-6442**
- **Lansing local phone** — **1-517-373-0220**
- **On the Internet** — **www.michigan.gov/ofir**
- **In person** — **Ottawa Building, 3rd floor**
  611 W. Ottawa St.
  Lansing, MI 48933
- **By mail** — **OFIR**
  PO Box 30220
  Lansing, MI 48909-7720

The OFIR Communication Center consists of six communication representatives who respond to approximately 12,000 calls per month.

A Quick Tour of OFIR

OFIR is organized into nine divisions:

- Bank and Trust
- Credit Union
- Enterprise Monitoring
- Supervisory Affairs and Insurance Monitoring
- Licensing and Product Review
- Consumer Services
- Health Plans
- Policy
- Office of General Counsel

Bank and Trust Division

Examines and regulates Michigan's state-chartered banks, savings banks, and Business and Industrial Development Companies (BIDCOs), mortgage brokers, lenders, servicers and agents.

Key Statistics for Michigan Banks

As of 12/31/2009

	Assets (billions)	Loans (billions)	Deposits (billions)	Avg. Equity Capital/Total Assets (%)	Return on Assets (%)
All FDIC-Insured Michigan Banks (131)	$51.0	$36.0	$41.0	8.92	-1.16
Insured State-chartered Commercial Banks (114)	$47.5	$33.6	$38.1	8.85	-1.24
All Insured Michigan Savings Associations (15)	$20.7	$14.6	$19.3	6.68	-2.58
Insured State-Chartered Savings Banks (3)	$ 3.0	$ 2.2	$2.9	2.75	-3.60

Source: FDIC online Statistics on Depository Institutions

Bank and Trust Division

- Banks and savings banks have a choice of state or federal charter.
- Those that hold deposits from the public must, by law, insure them with the Federal Deposit Insurance Corporation.
- The Bank and Trust Division (B & T) regulates and supervises Michigan's:
  - 113 FDIC-insured state-chartered banks,
  - 5 uninsured (trust-only) state-chartered banks,
  - 3 state savings banks,
  - 2 BIDCOs
- B & T derives its authority from
  - Act No. 276 of the Public Acts of 1999 (the Michigan Banking Code of 1999, as amended)
  - Act No. 354 of the Public Acts of 1996 (the Savings Bank Act, as amended),
  - Act No. 89 of the Public Acts of 1986 (the Michigan BIDCO Act, as amended),
  - Act No. 307 of the Public Acts of 1980 (the Savings and Loan Act of 1980).

Note: There are at present no state-chartered savings and loan associations operating in the state.

Bank and Trust Division

- OFIR's regulation of state banks is done in partnership with the FDIC and the Federal Reserve.
- Examiners and field supervisors conduct periodic on-site and off-site monitoring of state-chartered BIDCOs, banks and savings banks.
- These entities are assigned to an examiner who serves as that institution's central point of contact with the agency.
- On-site examinations are conducted at 12- or 18-month intervals, depending on the asset size of an institution, its longevity, and the rating from its previous examination.
- Examinations enable bank regulators to rate banks and savings banks on the quality of their capital, assets, management, earnings, liquidity, and sensitivity (CAMELS), with a rating of "1" indicating a sound operation and "5" denoting serious problems that endanger the viability of an organization.
- Funding for B & T is provided exclusively through supervisory and activity fees paid by state-chartered banks, savings banks, and BIDCOs.
- There are no state general fund monies allocated for B & T budget.

Bank and Trust Division Mortgage Examination and Investigation Section

OFIR regulates the mortgage industry by:

- Conducting examinations and investigations of regulated mortgage entities
  - Ensures compliance with laws
  - Protects consumers, as no federal safeguard exists
  - Performed 153 examinations and 937 investigations in 2009
- Conducting investigations of unlicensed mortgage entities and loan originators
- Participating on mortgage fraud task forces with law enforcement agencies
- Taking enforcement action (fine, license suspension or revocation, or prohibition from industry) against companies and individuals that violate laws and abuse borrowers.
- Funding for the Section is provided through license/registration application fees, license investigation fees, enforcement fines, and renewal/activity assessments to the mortgage industry.

Credit Union Division

Regulates, examines, and supervises Michigan state-chartered credit unions

Credit Union Division Industry Overview

- Michigan CUs can choose a state or Federal charter. OFIR only regulates state-chartered CUs – Federal CUs are regulated by the National Credit Union Administration (NCUA).
- All Michigan CUs must be Federally insured by the National Credit Union Administration (NCUA). (As noted above, NCUA also charters and regulates Federal CUs nationwide.)
- Michigan ranks 4th in the nation in number of state-chartered CUs with 210, and 3rd nationally in total state- chartered CU assets with $27.2 billion.
- 63% of all Michigan CUs are state- chartered, with 71% of total Michigan CU assets at year end 2009.
- OFIR regulates CUs ranging in size from under $500 thousand to over $2.5 billion in total assets .
- The average size of a Michigan state-chartered CU is about $130 million.

Credit Union Division Regulatory Overview

- The Michigan CU Act was rewritten and extensively updated in 2003 – notable improvements included streamlining CU membership provisions, expanding CU powers, and strengthening OFIR regulatory authority
- Several large Federal CUs have moved to the state-charter since passage of the new Act.
- OFIR Administers:
  - The Michigan CU Act (Act 215, Public Acts of 2003.
  - The CU Multiple Party Accounts Act (Act 41, Public Acts of 1968)
  - The Beneficiary Accounts in CUs Act (Act 31, Public Acts of 1992)

Credit Union Division Regulatory Overview

- OFIR's Credit Union Division has been accredited by the National Association of State CU Supervisors since 1989, and was the first state CU regulatory agency to be accredited.
- OFIR examines each state-chartered CU every 12 to 18 months, depending on size and risk profile.
- Problem CUs are generally subject to quarterly onsite visitations, depending on risk profile.
- NCUA places substantial reliance on OFIR's examination and supervision programs in managing National CU Share Insurance Fund risk.
- NCUA and OFIR perform joint examinations on larger and problem institutions.
- Annual operating fees paid by Michigan state-chartered CUs fund OFIR CU regulatory activities - no General Fund resources are used.

Michigan Credit Unions Economic Impact

- About 3.2 million Michigan citizens are state-chartered CU members.
- Michigan's CUs have generally weathered the tough economy well, ending 2009 with an aggregate net worth level over 10.5%.
- Michigan state-chartered CU loans exceed $16 billion at year end 2009.
- Of that $16 billion, CUs hold:
  - $9.2 billion in real estate loans to support home ownership.
  - $4.1 billion in auto loans to support Michigan manufacturing.
  - $650 million in loans to small businesses.

Consumer Finance Section

- Licensing and examination of mortgage and consumer finance individuals and companies are conducted by the Consumer Finance Section and the Mortgage Examination and Investigation Section.

- The Consumer Finance Section includes the Consumer Finance Licensing Unit and the Consumer Finance Examination Unit. The Consumer Finance Licensing Unit is responsible for investigation and regulation of all mortgage and consumer finance applications for licensure, registration, renewal, and amendments

- The Consumer Finance Examination Unit is responsible for investigation and examination of all consumer finance licensees and registrants except mortgage related entities, as well as persons conducting unauthorized business under these acts. The Mortgage Examination and Investigation Section specifically conducts examination and investigation pursuant to mortgage activities. The Mortgage Examination and Investigation Section does not conduct licensing or the administration of applications or database maintenance

Consumer Finance Section

- The Consumer Finance Licensing Unit and the Consumer Finance Examination Unit license and register individuals and entities, and perform investigations and examinations under ten consumer finance licensing statutes to ensure that they operate safely, responsibly and in compliance with applicable law.

- Other responsibilities include initiating enforcement actions against licensees and registrants based on the results of examinations and investigations; and analyzing information gathered through mandated filings of annual reports and financial statements by non-depository licensees and registrants.

- The Consumer Finance Examination Unit is responsible for examination pursuant to the consumer finance laws under its authority with the exception of mortgage licensees and registrants. The Consumer Finance Licensing Unit is responsible for licensing and renewal responsibilities under ten consumer finance laws.

Consumer Finance Section

The Consumer Finance Licensing Unit is responsible for licensing and renewal responsibilities under ten consumer finance laws.

Consumer Finance Section

Consumer Financial Services Act

- The Consumer Financial Services Act, 1988 PA 161, as amended (aka Omnibus Act), provides for the licensing and regulation of institutions which provide a variety of financial services, and eliminates the need for an institution to acquire a separate license for each activity. Typically, licensees are very large entities that provide a variety of financial products.
- A "Class I" license authorizes services under the Money Transmission Services Act, the Mortgage Brokers, Lenders, and Servicers Licensing Act, and secondary mortgage servicing under the Secondary Mortgage Loan Act in addition to the authorities provided under a Class II license.
- A "Class II" license only authorizes services under the Regulatory Loan Act, Motor Vehicle Sales Finance Act, Secondary Mortgage Loan Act (exception: secondary mortgage servicing), and Credit Card Act. A Class I license requires a bond or letter of credit of $1,500,000 and a minimum net worth of $100,000 (a minimum net worth of $1,000,000 is required if credit card services are provided). A Class II license requires a bond or letter of credit of $500,000 and a minimum net worth of $50,000 (a minimum net worth of $1,000,000 is required if credit card services are provided).

- Class I licensees: 12
- Class II licensees: 4

Consumer Finance Section

Credit Card Arrangements Act

- The Credit Card Arrangements Act, 1984 PA 379, as amended, authorizes the licensing and regulation of non-depository issuers of credit cards. A minimum net worth of $1,000,000 is required by the act; however, the commissioner may establish a higher net worth requirement if it is necessary to assure a safe and sound operation. There are no bonding requirements.

- Credit card licensees: 2

Debt Management Act

- The Debt Management Act, 1975 PA 148, as amended, authorizes the licensing and regulation of entities that provide debt management services. Debt Management is the planning and management of the financial affairs of a debtor and the receipt of money from the debtor for distribution to a creditor in payment or partial payment of the debtor's obligations. A debt management licensee is required to demonstrate and maintain a minimum net worth of $100,000 up to a maximum of $1,000,000. A surety bond is required in the amount of $25,000 to $125,000 as the amount must equal or exceed the total amount of Michigan clients' funds in the applicant's or licensee's trust account at the time of application for license or renewal. An additional bond or irrevocable letter of credit is required if the licensee's trust account is maintained at a financial institution located outside of this state. The additional bond amount is equal to or exceeding 100% of the average amount of deposits held in the trust account from month to month. The act imposes no net worth requirements on debt management licensees.

- Debt management licensees: 35

Consumer Finance Section

Deferred Presentment Service Transactions Act

- The Deferred Presentment Service Transactions Act, 2005 PA 244, sometimes referred to as the "payday" lending Act, provides for the licensing and regulation of deferred presentment providers, and the implementation and maintenance of a third party deferred transaction database. The Act does not permit a loan; therefore, no interest may be charged. The act pertains to transactions in which a deferred presentment provider accepts and defers presentment of a check in exchange for a fee. Licensees are required to have a minimum net worth ranging from $50,000 to $250,000 and must post a surety bond in an amount of $50,000. Net worth is dependent upon the number of locations licensed for an entity.

- Deferred presentment licensees: 689

Money Transmission Services Act

- The Money Transmission Services Act provides for the licensing and regulation of money transmission in the state of Michigan. Money transmission includes the selling or issuing of payment instruments or stored value devices or receiving money or monetary value for transmission. A money transmission licensee is required to demonstrate and maintain a minimum net worth of $100,000 up to a maximum of $1,000,000.
- A surety bond is required in the amount of $500,000 plus an addition $10,000 for additional locations or authorized delegates up to a maximum bond amount $1,500,000. Net worth and surety bond amounts are determined based on the number of locations and authorized delegates operated by the licensee.

- Money transmitter licensees: 43

Consumer Finance Section

Mortgage Brokers, Lenders, and Servicers Licensing Act

- The Mortgage Brokers, Lenders, and Servicers Licensing Act, 1987 PA 173, as amended, provides for licensing, registration, and regulation of mortgage brokers, mortgage lenders, and mortgage servicers. The act pertains to loans secured by first mortgages or land contracts covering real property located in the state of Michigan, which is used, or was improved to be used, as a dwelling and designed for occupancy by four or fewer families. Licensees are typically required to have a minimum net worth ranging from $25,000 to $100,000 and must generally post a bond or irrevocable letter of credit in amounts ranging from $25,000 to $125,000. Net worth and bonding requirements are dependent upon the type of services being offered.

- 1st mortgage licensees: 555
- 1st mortgage registrants: 128

- Registration for loan officers became effective on April 1, 2009. The act imposes no bond or net worth requirements on mortgage loan officer registrants. Loan officer registration and its corresponding statutory language will be repealed effective July 31, 2010, when the licensing requirement under the Mortgage Loan Originators Licensing Act takes effect.

- Loan officer registrants: 2,945

Consumer Finance Section

Mortgage Loan Originators Licensing Act

- The Mortgage Loan Originator Licensing Act, 2009 PA 75, provides for the licensing and regulation of individuals originating mortgage loans in the state of Michigan. A mortgage loan originator is an individual who for profit or gain takes a residential mortgage loan application and/or offers or negotiates terms of a residential mortgage loan. An individual is required to meet the licensing requirements of a loan originator by July 31, 2010, which is the date that mortgage loan officer requirements are repealed. A surety bond is required in the amount of $10,000 to $50,000 dependent on the amount of mortgage loans originated and closed. The act imposes no net worth requirements on mortgage loan originator licensees.

- mortgage loan originator licensees: N/A - licensure begins July 31, 2010

Consumer Finance Section

Motor Vehicle Sales Finance Act

- The Motor Vehicle Sales Finance Act, 1950 PA 27, as amended, regulates certain installment sales of motor vehicles. It provides for licensing and regulation of both installment sellers, who are motor vehicle dealers originating installment sales contracts, and sales finance companies, the financial institutions that purchase these finance contracts from the motor vehicle dealers. The act requires bonding of sales finance companies ranging from $5,000 to $20,000 for main offices, plus $10,000 for each branch office. Installment sellers do not have a bonding requirement. The act imposes no net worth requirements on installment sellers and sales finance companies.

- Installment seller licensees: 1,641
- Sales finance company licensees: 581

Regulatory Loan Act

- The Regulatory Loan Act, 1939 PA 21, as amended, authorizes the licensing and regulation of entities, which make direct personal loans to consumers. The Regulatory Loan Act was previously referred to as the 'small loan' act due to its limitation on the maximum loan amount; however, pursuant to statutory amendment there is no current maximum loan limit in making a loan under the Regulatory Loan Act. The act prohibits the use of real estate as security for these loans. There is no bonding requirement; however, licensees are required to maintain a minimum net worth of $100,000.

- Direct loan/regulatory loan licensees: 20

Consumer Finance Section

Secondary Mortgage Loan Act

- The Secondary Mortgage Loan Act, 1981 PA 125, as amended, authorizes the licensing, registration, and regulation of entities which make secondary mortgage loans for personal, family, or household purposes. The act also allows for loans secured by other collateral in addition to real property. Licensees are typically required to have a net worth ranging from $25,000 to $100,000 and must generally post a bond or letter of credit in an amount ranging from $25,000 to $125,000, depending on the type of services being offered.

- 2nd mortgage licensees: 5
- 2nd mortgage registrants: 237

- This act also requires the registration of mortgage loan officers; however, registration is not necessary if the individual is currently registered as a mortgage loan officer pursuant to the Mortgage Brokers, Lenders, and Servicers Licensing Act. Loan officer registration and its corresponding statutory language will be repealed effective July 31, 2010, when the licensing requirement under the Mortgage Loan Originators Licensing Act takes effect.

Securities Section

- The Securities Section is responsible for administering the Michigan Uniform Securities Act, PA 551 of 2008, as amended, and the Living Care Disclosure Act, PA 440 of 1976, as amended.
- The Michigan Uniform Securities Act ("the MUSA") provides for the regulation and registration of all aspects of the securities industry that are under state authority.
- All securities sold in Michigan must be registered or exempted from registration under the MUSA. All persons or businesses that offer or sell securities in the state, or advise (for a fee) on what securities should be bought or sold, must be registered under the MUSA as follows:
- **Broker-dealer firms**: these businesses sell or offer to sell securities. Applicants must meet statutory requirements relating to business practices, solvency, and disclosure prior to becoming registered to sell securities in Michigan. Registrants must renew annually.
- **Securities agents:** these are the individuals working for the broker-dealer firms. Applicants are registered through Michigan's participation in the Financial Industry Regulatory Authority (FINRA) WebCRD system. Registrants must renew annually.
- **Investment advisers:** these firms offer investment advice for a fee. Michigan-based advisers with assets under management of less than $25 million fall under state authority. Investment advisers with assets under management of more than $25 million fall under federal authority. State investment advisers must apply for registration and meet specific requirements relating to financial standing, business practices, and disclosure prior to becoming registered. Registrants are required to renew annually.

Securities Section

- **The Living Care Disclosure Act** requires senior citizen facilities offering life care programs to register with the Securities Section. Life care facilities are reviewed for the adequacy of their disclosures, fairness of advertising, and financial viability.
- As of December 31, 2009, 25 living care facilities in Michigan were registered under the Living Care Disclosure Act. This represents an increase from 23 facilities at December 31, 2008.
- Living care facilities are required to renew their registrations on a yearly basis, and submit all advertising, proposed rate changes, and disclosure information to the Securities Section for review prior to implementation.
- As of December 31, 2009, there were 2,004 registered securities broker-dealers; approximately 122,600 registered securities agents; 440 Michigan-based registered investment advisers; and 1,359 federally covered investment advisers. Approximately 170 securities product offering applications and exemptions were reviewed in 2009 for compliance with the Michigan Uniform Securities Act.
- In addition, as of December 31, 2009, the Securities Section maintained the notice filing registrations of approximately 16,790 mutual funds and 1,121 private placement offerings that fall under the jurisdiction of the Securities and Exchange Commission.

Who OFIR doesn't regulate

- Federally chartered banks
  - are regulated by the Office of the Comptroller of the Currency (OCC)
- Federal savings associations (thrift institutions)
  - are regulated by the Office of Thrift Supervision (OTS)
- Bank holding companies
  - are regulated by the Federal Reserve
- Banks chartered by other states
  - are regulated by the domiciliary state bank regulator
- Federally chartered credit unions
  - are regulated by the National Credit Union Administration (NCUA)
- Debt settlement companies
  - referred to Attorney General's Office
- Mortgage modification companies
  - referred to Attorney General's Office

Office of Financial and Insurance Regulation

CONTACT INFORMATION:

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