



Of Interest In Kentucky

Quarterly Newsletter of the Department of Financial Institutions

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“The mission of the Department of Financial Institutions is to serve the public through effective and efficient regulation that promotes consumer confidence and economic growth.”

Banks facing challenges

New commissioner is ready

These are very challenging times for the bank industry in the United States and the commonwealth. Risks in the financial sector are elevated due to the depressed mortgage market, high energy costs, the declining automobile market and continuous unsettling reports regarding the economy.

Despite these pressures, the Kentucky banking industry remains sound and the national economic slowdown has not had the same impact on Kentucky as other states. The Tier 1 Leverage capital (the core measure of a bank’s financial strength) for all banks in Kentucky was above 10 percent as of June 30, which remains in the “well capitalized” category as prescribed by federal regulation

Although profitability is declining as a result of compressed net interest mar-



Photo by Creative Services
Charles A. Vice became the commissioner of the Department of Financial Institutions effective Aug. 16.

gins, earnings are sufficient to cover loan losses and provide for growth. During the first two quarters of 2008, Kentucky banks have achieved a return on

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Cabinet, offices change

The Office of Financial Institutions has been renamed, and is once again the Department of Financial Institutions (DFI).

On June 16, Gov. Steve Beshear signed an executive order abolishing the Environment and Public Protection Cabinet and creating the Public Protection Cabinet. As a part of that order, the former Office of Financial Institutions became the Department of Financial Institutions.

DFI retains the same mission and services. Our address, Web site and phone number also remain unchanged.

Protection Center helps prevent foreclosure

The Kentucky Homeownership Protection Center is now in operation, providing free assistance to homeowners who are in default or in danger of defaulting on their mortgages.

Homeowners who contact the Protection Center through the Web site

www.ProtectMyKYHome.org or



PROTECT
My Kentucky
HOME

through the toll-free number at (866) 830-7868 will be referred to a counseling agency serving their area.

The counselors help homeowners understand the foreclosure process; determine and resolve the causes of financial problems; locate available resources to help address their needs; provide financial

management guidance; determine options for preventing foreclosure; help homeowners avoid predatory lending practices; and find alternative housing solutions if foreclosure is unavoidable.

The center also has formed a partnership with Legal Aid to counsel qualifying individuals who are unable to recover from their circumstances through counseling.

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KHPC form required

Beginning Jan. 1, 2009, or before, all mortgagees – including mortgage lenders, banks, credit unions and consumer loan companies – shall provide a notification document to Kentucky residential borrowers at the time of closing. To download the form, visit www.kfi.ky.gov/industryinformation/khpc.htm.

The Kentucky Homeownership Protection Center was established by the 2008 Kentucky General Assembly as set forth in HB 552 to address the foreclosure issue in Kentucky. The Protection Center is a joint effort of the Department of Financial Institutions, Kentucky Housing Corporation and many other organizations across the state.

Governor Beshear announced the creation of the Protection Center on Aug. 11. In the first week of the center's operation, 222 Kentucky citizens were assisted with their mortgages and other loan products.



Senior citizens in Bowling Green listen to a presentation on avoiding investment fraud at a Senior Scam Jam event.

500 attend Senior Scam Jams

More than 500 Kentucky senior citizens learned to protect themselves from fraud through the successful Campaign for Wise and Safe Investing. Sponsored by DFI, AARP Kentucky and other agencies, the campaign has taken shape through free public events designed to inform seniors about the various types of fraud and how to avoid falling victim.

The campaign started in September 2007 with a Senior Scam Jam in Louisville. Subsequent events were held in Northern Kentucky, Lexington, Murray

and Bowling Green. At each event, workshops covered mail fraud, home improvement fraud, predatory lending, investment scams and identity theft. Participants received free handouts and materials. The events were funded by a grant from the Investor Protection Trust and the AARP Foundation.

Kentucky's Campaign for Wise and Safe Investing continues with a sixth Senior Scam Jam event on Nov. 18 in Paducah. More details can be found online at <http://kfi.ky.gov/consumerinformation/cwsi.htm>.

Summit, teacher conference spread financial literacy

DFI co-sponsored the Life Fundamental\$ Financial Literacy Summit on June 25-26. About 220 people attended the luncheon meeting, and 125 educators attended both days. The second day included workshops to inform teachers of financial literacy curriculums available, including two offered by DFI.

In July, more than 1,600 Kentucky teachers and administration officials attended the Career & Technical Education Program Conference in Louisville. The July 28-29 program included presentations to help education professionals improve their instruction and benefit from innovation.

Kentucky Jump\$tart exhibited during the conference, and DFI was among the partners involved. At least 420 teachers visited the booth to obtain free financial literacy materials to use in classrooms. In addition, teachers could attend sessions about free curriculums available, including two offered by DFI.

Between the summit and the conference, DFI is filling requests for 14,359 copies of student workbooks called the ABCs of Credit Card Finance and 168 teacher workbooks called the Basics of Saving and Investing: Investor Education 2020.

In Brief...

COS makes applying for state jobs easy

The Personnel Cabinet's online employment system, Career Opportunities (COS), makes applying for state employment easy. To apply for job postings, simply create a COS account online. A visit to the Personnel Cabinet's offices is no longer required.

For instant e-mail notification about vacancies of interest, you can take advantage of the search agent feature. This allows you to identify jobs you would be interested in and COS will notify you when they are open.

To find out about career opportunities, visit www.personnel.ky.gov/employment/. Current state employees can find additional information of interest on the State Employees page at www.personnel.ky.gov/stemp/.

Kentucky banks remain sound

average assets of 1 percent. Profit margins will continue to squeeze until economic activity stabilizes and increases.

The U.S. Treasury's takeover of Fannie Mae and Freddie Mac will help stabilize the mortgage market and provide some liquidity. However, a few banks were impacted by the devaluation of the preferred stock issued by these two government service entities. There were only a few banks in Kentucky affected by the loss in value, and these institutions should be able to absorb the exposure and maintain adequate capital levels.

For the most part, Kentucky banks did not participate in the subprime and Alt-A mortgage market, which bodes well for on balance-sheet credit risk exposure. However, there has been an increase in home foreclosures throughout Kentucky, which may continue into 2009. Home prices are going through a correction period, and all of these factors culminate in

extended absorption rates for existing inventories.

Progressive legislation has provided for an avenue to help home owners during these times. House Bill 552, signed into law April 24, established the

www.ProtectMyKYHome.org Web site, which advocates that borrowers seek relief through communication with the lending institution.

Gov. Steve Beshear's administration is aggressively promoting economic growth, with trips to Japan and the West Coast to recruit high-tech, high-wage bioscience companies and the jobs that come with them.

Yes, these are challenging times. But Kentucky banks did not accept the high risk levels taken by other banks throughout the country. And that bodes well for Kentucky because a sound banking industry is paramount to achieving economic growth in towns and communities throughout the commonwealth, and the Department of Financial Institutions will work with all state-chartered financial institutions to address these challenges.

In Brief... S.A.F.E. Act will require changes

President Bush signed H.R. 3221, which includes the Secure & Fair Enforcement of Mortgage Licensing Act, also known as the S.A.F.E. Mortgage Licensing Act, into law on July 30, 2008. The S.A.F.E. Act is part of the Housing & Eco-

nomics Recovery Act. The act text can be viewed through a "Breaking News" link at www.kfi.ky.gov.

Further changes to Kentucky's mortgage law will be necessary to make Kentucky's laws conform to the new federal guidelines. DFI will post information to our Web site as it becomes available.



Employees pay for a chance to throw a whipped cream "pie" at DFI managers to benefit charity.

DFI gives to charity

DFI is raising the bar to benefit the Kentucky Employees Charitable Campaign (KECC). This year's goal of \$3,300 is more than double last year's. In fact, DFI was the first agency in the Public Protection Cabinet to reach its KECC goal this year, but DFI isn't finished yet.

"I want to say thank you and job well done to all who participated and helped us reach our KECC goal," said Commissioner Charles Vice. "While this is great news, we need to continue and raise as much money as possible for this worthy cause."

Beyond the employee pledge forms, DFI has raised money through events such as a breakfast, luncheons and an ice-cream social. On Sept. 11, DFI joined other agencies in the Capital Center Complex to host a "Fun Fest" event including a grill out, corn hole tournament, vendor booths, cake auction, bake sale, silent auction and pie

throwing. The \$3,100 proceeds were divided among the participating agencies.

"The KECC Fun Fest was a huge success," said Sharon Tomlin, KECC coordinator for DFI. "Thanks to all of you who helped, especially David Coyle and Keith Talley, who took a pie in the face. Not many were willing to do that. We would not have been able to do it without the generous donation of time and effort from so many of you."

There is still a chance to support the six KECC charities – the Christian Appalachian Project, Community Health Charities, Easter Seals Kentucky, Prevent Child Abuse Kentucky, United Way of Kentucky and the WHAS Crusade for Children. DFI has donated a "winter wonderland" basket and an art print to the cabinet's online auction. Other activities through the end of October may include indoor golf, a silent auction and more luncheons.

MORTGAGE LENDERS!
Don't forget the annual renewal date for all entities and individuals is now NOV. 30!

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Meet DFI's new commissioner

Charles Vice was appointed commissioner of DFI effective Aug. 16. Previously, Charles spent 18 years as an FDIC examiner. He was the Lexington FDIC office's expert on subprime lending and capital markets and was in charge of the examination of numerous troubled financial



institutions. For that work, he was named the 2007 FDIC Chicago Region employee of the year. Charles earned a bachelor's degree in finance from the University of Southern Mississippi and graduated in 2004 from the Louisiana State University Graduate School of Banking. He lives in Winchester with his wife, Julia, and their four children, Nicholas, Kyle, Krista and Austin.

In Brief...

Two DFI employees become managers

DFI has recently named two managers – one in banking and one in securities.

Danny Beyer is now the district manager for the Division of Financial Institutions District 1 Field Office in Eddyville. Danny has worked at DFI for 22 years, examining financial institutions in Western Kentucky.

Rebe Conley is now the Licensing and Registration Branch manager in the Securities Division. Rebe has been with DFI for 13 years, and for the last four she has processed broker-dealer agent and investment adviser registration paperwork.

Dearing graduates School of Banking

Mary Dearing, a DFI bank examiner in the Eddyville Field Office, received her diploma on Aug. 22 from the Graduate School of Banking at the University of Wisconsin-Madison.

The school was established in 1945 to provide bankers with an opportunity for advanced study and re-

search in banking, economics and leadership. Instruction takes place during two-week resident sessions for three consecutive summers, along with comprehensive study between sessions. The curriculum focuses on the management of strategic issues.

The Graduate School of Banking enrolls approximately 550 U.S. and international professionals each year. Over 75 esteemed academicians, economists, government officials and industry professionals comprise the School's faculty.

Securities examiner wins scholarship

DFI securities examiner Rebe Conley was one of only two recipients of a national scholarship awarded in September by the American Academy of Certified Public Managers. The Fran Wilkinson Scholarship is awarded annually to those members who have pursued continued professional development while following a career in public management.

Rebe is pursuing a post-baccalaureate certificate in

paralegal studies at Eastern Kentucky University. She anticipates completing the program in Spring 2009.

"A paralegal degree improves my knowledge as a regulator, which enables me to provide better oversight and enforcement of Kentucky laws and regulations pertaining to financial institutions to protect and educate the citizens of the Commonwealth against financial fraud," she said.

Rebe completed the Kentucky Certified Public Managers program in 2004 and is an active member of the Kentucky Society of Certified Public Managers, serving on the board since 2006 as chairperson of the Finance Committee and Election Committee.

Annual report is available online

DFI's 2007 Annual Report can be viewed or downloaded at <http://kfi.ky.gov/aboutus/annualreports.htm>. The report shows a healthy outlook for the finance industry in Kentucky and includes statistical and historical information.

"Of Interest in Kentucky" is published quarterly by the Kentucky Department of Financial Institutions to provide useful information to the institutions that it regulates. This issue was produced by Kelly May. Reader comments and suggestions are welcome and should be addressed to kelly.may@ky.gov, 502-573-

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