

ADMINISTRATIVE AND LEGAL DIVISION

HEADQUARTERS PERSONNEL - NASHVILLE

COMMISSIONER'S OFFICE

Greg Gonzales, Commissioner
 Cullen Earnest, Legislative Liaison
 Nicole Lacey, Communications Director
 Debbie Curry, Commissioner's Assistant

ADMINISTRATIVE AND LEGAL DIVISION

Tina Miller, General Counsel
 Marsha Anderson, Attorney
 David Axford, Attorney
 Joseph Schmidt, Attorney
 Derek Church, Attorney
 Paula Cagle, CPS, Legal Assistant
 Kelley Cole, Secretary
 Tommie Pendergrass, CPA, Fiscal Director
 Bill Lutche, Human Resources Director
 Samantha Hudgens, Human Resources Technician
 Mary Jane Friedmann, Accountant 2
 Sharon Barnard, Accountant 1
 Barbara Jones, Administrative Services Assistant
 Steve Asper, Information Systems Director
 Bob Eddy, Information Systems Consultant
 Paul Maier, Information Systems Analyst
 Charles Ingram, Information Resource Support Specialist
 Diana Cavender, CPA, Internal Auditor
 Laura Huffines, Administrative Secretary



The **Administrative Division** administers the Department's budget and oversees fiscal services, human resources, training and development, and information systems. Over the past year, this division has been training to implement the Edison System. The Edison System is a suite of fully integrated software applications that will replace the State's existing administrative business processes such as financial management, procurement, personnel, and payroll administration. Initial implementation is scheduled to begin in July of 2008.

The Department continues to work with both the Department of Human Resources and the Department of Finance and Administration to develop and improve career path with salary progression for our examiners.

Training is another integral part of developing and maintaining a qualified examiner staff. To ensure value, the Department's training needs are annually assessed and budgeted. The majority of the structured training curriculum is acquired through external training sources such as Federal Deposit Insurance Corporation, the National Credit Union Administration, the Board of Governors of the Federal Reserve System, the Educational Foundation of the Conference of State Bank Supervisors, the National Association of the State Credit Union Supervisors, the Federal Financial Institutions Examination Council, the National Association of Consumer Credit Administrators, and the Money Transmitters Regulators Association as well as other sources.

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The Legal Division provides legal advice and representation for the Department. This Section consists of a General Counsel, five staff attorney positions, a Legal Assistant and an Administrative Assistant.

The Department's lawyers advise the Commissioner and departmental personnel in all legal matters affecting the Department. They work with regulated entities and the general public in addressing legal issues. They also work closely with the Governor's Office and the Tennessee General Assembly on legislative issues affecting financial institutions. The Legal Section assists in the coordination of enforcement initiatives with other federal and state regulators as well as with various law enforcement agencies. Also, they represent the Department in all administrative enforcement actions initiated by the various divisions in the Department.

The Legal Section was heavily involved in the 2007 Legislative session by tracking bills, working closely with the Governor's Office, the General Assembly, and other groups sponsoring legislation which impacted the Department. This Section provided assistance to operating divisions on issues involving title pledge lenders, mortgage loan originator registration, predatory lending, bank and trust company operations including interstate transactions, bank and credit union applications, money transmission, Bank Secrecy Act compliance, check cashing, deferred presentment, mortgage companies, and credit union fields of membership, as well as several other issues.

2007 LEGISLATION

Public Chapter 5

Amends T.C.A. § 45-2-1402

Effective Date: 5/7/07

Public Chapter 5 amends T.C.A. Title 45, Chapter 2, Part 14 by prohibiting a bank or out of state bank from establishing or maintaining a bank branch in this state on the same premises of an affiliate if the affiliate conducts commercial activities. The term "affiliate" is defined as any company that controls, is controlled by or is under common control with another company. The term "commercial activities" is defined as any activity in which a financial holding company, a national bank, or a national bank subsidiary may not engage in under federal law.

Public Chapter 6

Amends T.C.A. §§ 45-2-1901(3), 45-2-1902(a) and 45-2-1902(d)(1)

Effective Date: 3/28/07

Public Chapter 6 amends the Credit Card State Bank Act to permit licensed money transmitters who have been located in Tennessee for a minimum of five years with a net worth of \$25 million as of January 1, 2007 to file an application to form a credit card bank. While Public Chapter 6 gives certain money transmitters the ability to file an application to form a credit card bank, the applicant would still have to meet the rigorous standards required to organize a bank.

Public Chapter 29

Amends T.C.A. §§ 45-2-213(b) and 45-2-1603

Effective Date: 4/20/07

Public Chapter 29 amends T.C.A. § 45-2-213(b) to clarify that a bank application for a certificate of authority shall be deemed filed if it is not returned by the commissioner to the incorporators within twenty (20) business days instead of ten (10) business days.

Public Chapter 29 amends T.C.A. § 45-2-1603(a)(5) to clarify that the Department can share examination information with certain identified law enforcement agencies concerning "suspected" criminal violations so a determination can be made if a crime has occurred.

Public Chapter 29 amends T.C.A. § 45-2-1603(c) to remove a bank's bonding company as a party that may receive examination information.

Public Chapter 80

Amends T.C.A. §§ 45-18-103 and 45-18-104

Effective Date: 10/1/07

Public Chapter 80 amends the Check Cashing Act of 1997 by removing the licensing exemptions for Money Transmitters and Industrial Loan and Thrift Companies from the Act. Money Transmitters and Industrial Loan and Thrift Companies who are in the business of cashing payment instruments for compensation are now subject to regulation and licensing under the Check Cashing Act of 1997. Any bank, trust company, credit union, building and loan association, savings bank or mutual bank organized under the laws of any state or the United States; persons who offer a check cashing service without receiving, directly or indirectly, any consideration or fee; and persons engaged in the cashing of payment instruments which is incidental to the sale of goods or services whose compensation for cashing payment instruments at each site does

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not exceed 5 percent of the gross receipts from the retail sale of goods or services by such person during its most recently completed fiscal year remain exempt from licensing requirements under the Check Cashing Act. Public Chapter 80 became effective October 1, 2007. Public Chapter 80 provides a grace period for any money transmitter or industrial loan and thrift company engaging in the business of cashing payment instruments for compensation on October 1, 2007 to continue their check cashing business without a license until the commissioner acts upon their application, as long as their licensure application is filed by December 31, 2007.

Public Chapter 144

Amends T.C.A. Title 35

Effective Date: 7/1/07

Public Chapter 144 amends T.C.A. Title 35 to create a new chapter known as the Tennessee Investment Services Act of 2007. It establishes a new trust instrument to be known as an Investment Services Trust (a/k/a Spendthrift Trust). The Investment Services Trust would allow a person to set aside a portion of his or her assets in an irrevocable trust for such person's benefit, but would be protected from future creditors. The Trust would not be protected from creditors who exist at the time of the creation of the Trust or who become creditors and bring suit within four years after creation of the Trust.

Public Chapter 144 also extends the acceptable time of vesting in the Uniform Rule Against Perpetuities from 90 to 360 years.

Public Chapter 186

Amends T.C.A. Title 35, Chapter 10

Effective Date: 7/1/07

Public Chapter 186 repeals the Uniform Management of Institutional Funds Act (UMIFA) set forth in T.C.A. Title 35, Chapter 10, Part 1 and adds a new Part 2 to Title 35, Chapter 10, to be known as the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

In essence, the UPMIFA provides statutory guidelines for the management, investment and expenditures of endowment funds held by charitable institutions. This uniform law was drafted by the National Conference of Commissioners on Uniform State Laws (NCCUSL) and replaces the Uniform Management Of Institutional Funds Act (UMIFA) adopted in 1973. Since certain portions of UMIFA had become out of date, UPMIFA was drafted to bring the law governing charitable institutions in line with modern investment and expenditure practices.

Rulemaking

No new rules or amendments were filed in 2007.



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2007 FISCAL NUMBERS AT A GLANCE

The Department of Financial Institutions receives no federal or state taxpayer funds and is fully funded by the fees assessed to the financial institutions regulated and supervised by the department.

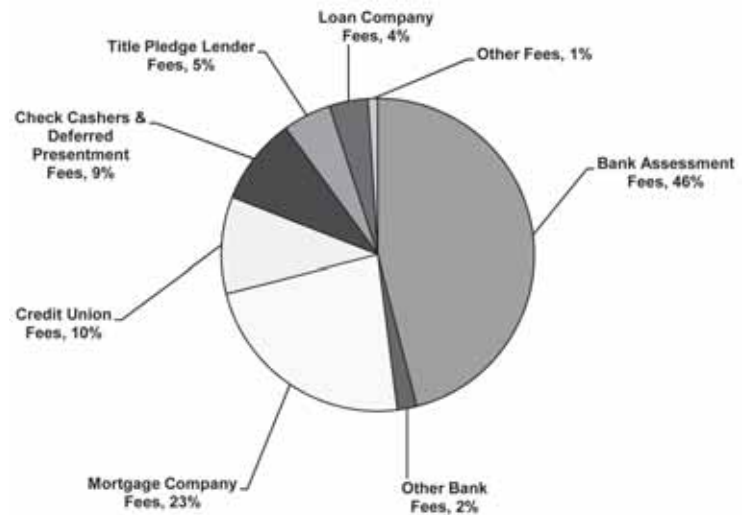
At the end of Fiscal Year 2007, a rebate of \$2,263,790.52 was distributed to state banks in accordance with Tennessee Code Annotated Section 45-1-118(d)(2) while \$2,724,270.77 was reverted to the State's general fund from surplus funds not associated with the bank assessment fees.

EXPENDITURE AND FUNDING SOURCES

FY 2006 - 2007

REVENUES	
Appropriations-Bank Assessment Fee	\$8,128,700.00
Other Banking Fees	\$349,584.72
BIDCO's & Trust Company Fees	\$82,814.10
Credit Union Fees	\$1,807,251.32
Money Order Fees	\$177,538.00
Loan Company Fees	\$636,575.00
Insurance Premium Finance Company Fees	\$31,000.00
Mortgage Company Fees	\$4,043,425.00
Check Cashers Fees	\$476,100.00
Deferred Presentment Fees	\$1,120,000.00
Title Pledge Lender Fees	\$795,700.00
Miscellaneous	\$1,519.35
TOTAL REVENUES	\$17,650,207.49

Funding Sources

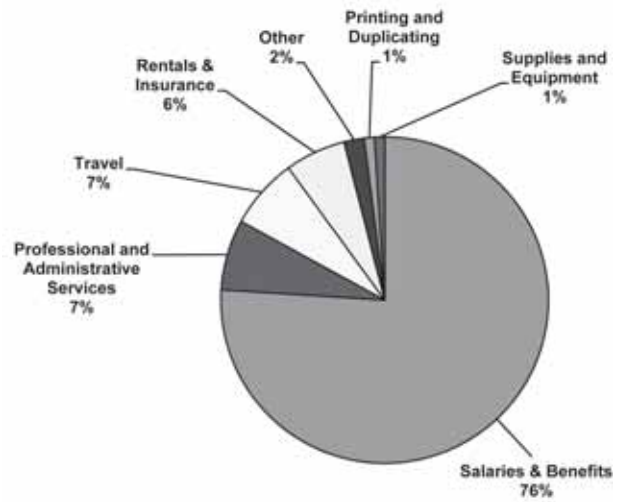


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EXPENDITURES	
Personal Services	\$7,090,058.98
Employee Benefits	\$2,561,848.28
TOTAL PAYROLL	\$9,651,907.26
Travel	\$858,334.32
Printing Duplicating and Film Processing	\$96,165.37
Communication & Shipping Costs	\$63,654.19
Maintenance, Repair & Services	\$5,130.41
Professional and Administrative Services	\$867,089.59
Supplies	\$155,370.42
Rentals & Insurance	\$819,949.92
Awards & Indemnities	\$2,569.77
Grants & Subsidies	\$127,665.75
Unclassified	\$3,200.00
Equipment	\$11,109.20
TOTAL OPERATIONAL	\$3,010,238.94
TOTAL EXPENDITURES	\$12,662,146.20

EXCESS OF REVENUE OVER EXPENDITURES	
	\$4,988,061.29
Rebated to Banks	\$2,263,790.52
Reverted to the State's General Fund	\$2,724,270.77

Expenditure Sources



2007 TECHNOLOGICAL ADVANCEMENTS

The Department began the implementation of Entrust full-disk encryption on all Department laptops completing more than 80 percent of the project by the end of December. The remaining laptops and all Department desktop computers are scheduled to have Entrust loaded by the end of April 2008. The initial targets for implementation were the banking and compliance field examiners. The execution of this project has and will build on the progressive information security plan that began implementation in 2005 with a goal of continually minimizing the risk of loss or exposure of sensitive personal and commercial financial data, better ensure data integrity and authenticity, and facilitate compliance with state and federal laws requiring the protection of such data.