

2008 Annual Report

**Tennessee Department of Financial Institutions
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2008 TDFI ANNUAL REPORT

February 27, 2009



Dear Governor Bredesen and Citizens of the State of Tennessee:

I am pleased to present to you and our fellow Tennesseans this 34th Annual Report of the Department of Financial Institutions for fiscal year 2008.

The Department regulates banks, credit unions, trust companies, business and industrial development corporations, industrial loan and thrift companies, insurance premium finance companies, mortgage lenders, brokers, servicers and originators; title pledge lenders, check cashers, deferred presentment services companies and money transmitters.

We play a vital role in regulating and supporting the financial services industry and ensuring that Tennessee financial institutions remain fiscally strong and comply with governing authority.

The Department's mission is to ensure a safe and sound system of state-chartered institutions for Tennessee citizens. The condition of the Tennessee banking system remains sound despite challenging economic times. Depository institutions remain well-capitalized, profitable as a whole and innovative in their diverse offerings of products and services. Although we continue to see some consolidation and expect that to accelerate, total net assets continue to increase and the complexity and breadth of operations continue to grow. The formation of de novo state banks has stopped at this time. There were no applications for a state bank charter filed in 2008. One federally chartered savings bank did convert to a state bank in 2008.

The Department recommends legislation to implement the recently passed federal "Secure and Fair Enforcement for Mortgage Licensing Act of 2008" (SAFE Act), through amendments of the Residential Lending, Brokerage and Servicing Act of 1988 (Mortgage Act) and the Industrial Loan and Thrift Companies Act (Thrift Act). Under the SAFE Act, a state's failure to enact law implementing the SAFE Act's requirements will cause the U.S. Department of Housing and Urban Development to implement and administer its own mortgage loan originator licensing system in such state.

In 2008, a great deal of media attention was placed on systemic issues in the banking industry and efforts by Congress to stabilize the financial services industry. When IndyMac, a California federal savings bank, failed in July 2008, our department received a number of calls from Tennessee citizens asking if Tennessee banks were failing. In response, the department initiated outreach events across the state to respond to public concern about the state of the Tennessee banking system.

Our experience indicates to us that financial literacy is one of the keys to dealing with the economic issues facing us today. The Department initiated a number of activities in 2008. Public service announcements, workshops, consumer alerts, panel discussions and an effort to reach Tennessee teachers and students were all part of this effort. We are partnering with THDA to assist in the provision of counseling and a direct outreach to those borrowers holding adjustable rate mortgages. The Department is also partnering with the SmartTennessee program out of the University of Memphis to reach schools throughout Tennessee.

Throughout this report you will find additional information related to the work of this agency, as well as the condition of the entities the Department regulates. As you peruse this report, you will notice that Tennessee remains a premier state for banking and financial services companies. On behalf of the employees of the Department, this report is respectfully submitted.

Sincerely,

A handwritten signature in black ink that reads "Greg Gonzales". The signature is fluid and cursive, with the first name "Greg" being larger and more prominent than the last name "Gonzales".

Greg Gonzales