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State of New Hampshire

Banking Department

53 Regional Drive, Suite 200  
Concord, New Hampshire 03301

Telephone: (603) 271-3561  
FAX: (603) 271-1090 or (603) 271-0750

GLENN A. PERLOW  
BANK COMMISSIONER

INGRID E. WHITE  
DEPUTY BANK COMMISSIONER

July 7, 2015

Her Excellency, Governor Margaret Wood Hassan  
And the Honorable Executive Council  
State House  
Concord, New Hampshire 03301

**REQUESTED ACTION**

The New Hampshire Banking Department (NHBD) respectfully requests authority to continue its membership and participation in the Conference of State Bank Supervisors (CSBS), Vendor Number 170735, for the period of Governor and Council approved through June 30, 2016, for an amount of \$11,393.00.

Funds to support this request are anticipated to be available in the following account in State FY 2016 upon the availability and continued appropriation of funds in the future operating budget, 100% Other Funds, Bank Exams and Assessment:

| <u>Account</u>                 | <u>Description</u> | <u>FY 2016</u> |
|--------------------------------|--------------------|----------------|
| #010-07200-20460000-026-500251 | Dues               | \$11,393.00    |

**EXPLANATION**

The CSBS assists the 50 state banking departments in many areas of operation, regulation, and education. These include, but are not limited to, pooling multi-state resources, coordinating supervisory issues, tracking federal bank regulatory proposals and rule-making activities, and filing comments on behalf of the state banking departments. In addition, CSBS provides quality education for state examiners and other regulatory personnel within the NHBD. The educational opportunities offered by CSBS are uniquely tailored to the specific needs of the state banking departments and are not replicated by the federal agencies.

The NHBD's involvement has been very positive and has greatly assisted the agency in meeting its stated objectives for the state banking system and New Hampshire consumers.

The following are the standard organization dues and membership questions and answers for Governor and Council approval.

1. How long has this organization been in existence and how long has this agency been a member of this organization?

CSBS was founded in 1902. CSBS is the professional association of state officials responsible for chartering, regulating and supervising the nation's state-chartered banks and state-licensed branches and agencies of foreign banks.

Its mission is to maintain the state system as the charter of choice for financial institutions, protect and advance our nation's dual banking system, and promote efficient and effective supervision. It represents the interests of all state bank supervisors before U.S. Congress and acts as a liaison between state agencies and the other banking regulatory agencies. NHBD has been a member since 1914.

In addition to the services it provides to support the regulation of banks, CSBS supports the regulation of consumer credit companies, especially the mortgage banker, broker and servicer companies licensed by the NHBD. CSBS offers invaluable training to the NHBD Consumer Credit Division (CCD) and supports the positions of regulators with Congress in the consumer finance area.

2. Is there any other organization which provides the same or similar benefits which your agency belongs to?

CSBS is the only organization dedicated to the defense and promotion of the state banking charter.

In the Consumer Credit arena, there are three much smaller and much less influential organizations, American Association of Residential Mortgage Regulators (AARMR), National Association of Consumer Credit Administrators (NACCA) and Money Transmitter Regulators Association (MTRA) that promote states' interests in specific areas of financial industry regulation. Dues to these bodies are minimal and allow us to obtain some training and to easily conference call with other states on specific regulatory problems in industries such as money transmitter organizations and consumer finance/automobile lending companies.

3. How many other states belong to this organization and is your agency the sole New Hampshire state agency that is a member?

CSBS includes all 50 state banking agencies and those of several territories. NHBD is the sole member from the State of New Hampshire due to the purpose of this organization.

4. How is the dues structure established? (Standard fee for all states, based on population, based on other criteria, etc)

CSBS membership is on a fiscal year basis (July 1 – June 30); annual dues are calculated based on the portion of each state banking agency's budget dedicated to the regulation of insured depository institutions (banks only) at 1% and then indexed to an inflation calculation each year. NHBD regulates 16 insured banking institutions with total assets of \$7.5 billion as of the most recent financial reports (March 31, 2015).

5. What benefit does the state receive from participating in this membership?

Membership allows interaction with other state and federal agencies and to have representation in challenging situations. CSBS provides educational/developmental opportunities, organizes communication sessions for the collective group of members, represents the interests of state financial regulators to federal and state policymakers and regulatory agencies, and offers accreditation programs.

6. Are training or educational/research materials included in the membership? If so, is the cost included? Explain in detail.

Educational/research materials include conferences, schools and programs, informational webinars, teleconferences, numerous publications, press releases, and facts/figures. Throughout the year, CSBS holds numerous teleconferences where members/participants phone in from around the country; discussion topics include circumstances that collectively impact the regulatory system and allow participants to share and gain important information. There are some training costs that CSBS membership does not cover – these are more fully described in the following paragraphs.

CSBS offers an online training module at a maximum annual cost to NHBD of \$1,000; since this tool's introduction in 2010, NHBD Banking Division examiners have successfully completed hundreds of online modules. Research materials are provided for each training module free of charge. NHBD participated in online webinars for the fiscal year.

7. Is the membership required to receive any federal grants or required in order to receive or participate in licensing or certification exams? Explain.

The answer to this question is currently "no" relative to NHBD's Banking Division.

CCD regulates non-bank mortgage companies (brokers, bankers and servicers). In 2009 the Federal S.A.F.E. Act passed and required that all mortgage loan originators (MLOs) had to be licensed in the states where they originate mortgages. If a state failed to provide a licensing scheme, the U.S. Department of Housing and Urban Development (HUD) [whose duties have now been taken over by the

Consumer Financial Protection Bureau (CFPB)] would license and regulate that state's MLOs. New Hampshire participates, along with all the other states, in the CSBS developed Nationwide Mortgage Licensing System (NMLS) to license mortgage companies and originators. The states were also required by the S.A.F.E Act to have a system of regulation and examination in place that is to be judged by the CFPB as "adequate" for regulation of this industry. The bench mark to be used is "accreditation" of the agency by CSBS. We need to be members of CSBS in order to keep this required accreditation.

8. Is there any travel included with this membership fee? Explain in detail any travel to include the number of employees involved, the number of trips, destination if known and purposes of membership supported trips.

No; any related travel expenses would constitute additional expenses not covered by the membership dues. NHBD personnel generally attend district meetings (held twice annually, typically at an out-of-state location), and may attend other conferences or training events at various locations nationwide.

9. Which state agency employees are directly involved with this organization? (Indicate if they are members, voting members, committee members, and/or officers of the organization.)

The Commissioner, Deputy Commissioner, Chief Bank Examiner, and Banking Division examiners are directly involved with CSBS. The Director of Consumer Credit and the Licensing Supervisor of the CCD are also directly involved with CSBS. Both CCD examiners and licensing personnel participate in training opportunities from CSBS. The Director of CCD is a member of several working group committees and a Senior CCD Examiner is a member of an examiner committee.

CSBS is governed by a set of corporate bylaws and a Board of Directors, which is composed of 20 supervisors. The individual states are represented on the Board by six elected Officers and District Chairmen from five geographic districts and appointed committee chairs and two at large members. The Board of Directors has supervision, control and direction of the affairs of the Conference, its affiliates, its committees and publications, and shall determine its policies and actively prosecute its objectives.

Regulator members include all 50 state regulatory departments plus those of several territories. Regulators are the voting members of CSBS.

The CSBS Bankers Advisory Board provides the Board of Directors with the industry's perspective and works within the banking industry to promote common goals. The chairman of the Bankers Advisory Board is an ex-officio non-voting member of the Board of Directors.

#### Affiliated Entities:

In 1984, CSBS helped create the Education Foundation of State Bank Supervisors (EFSBS). The membership of EFSBS is the same as CSBS, and the two entities interact extensively. The purposes of EFSBS are to fund and to direct the education and training efforts of the professional development staff of CSBS.

In 2006, the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators formed the State Regulatory Registry, LLC, a limited liability corporation, to oversee the development and operations of a nationwide licensing system and database for the residential mortgage industry. The SRR Board of Managers reports to the CSBS Board of Directors and is responsible for all policy matters governing NMLS.

#### Standing Committees:

CSBS has six standing committees, including the Executive Committee, Nominating Committee, Legislative Committee, Regulatory Committee, Personnel and Compensation Committee, and State Supervisory Processes Committee.

10. Explain in detail any negative impact to the State if the Agency did not belong to this organization.

To effectively fulfill its mission, NHBD must continue to interact and partner with other regulators at the state and federal levels. This is a key and lasting characteristic of the financial institution regulatory system. CSBS facilitates this interaction relative to banks; the National Association of State Credit Union Supervisors (NASCUS) accomplishes a similar mission relative to credit unions. Regulation and supervision is not stagnant – it evolves and changes, often-times to a significant degree. Consistency is imperative.

CCD has gained and must keep accreditation from CSBS so that a federal agency, the CFPB, will not overlay a system of regulation for the mortgage industry on top of state regulation.

Discontinuing NHBD's membership would result in the following, detrimental impacts:

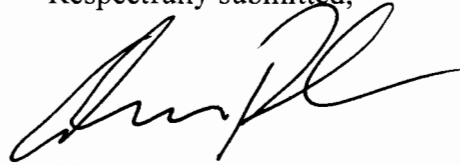
- ability to defend NHBD's interests, particularly on a national scale, would be significantly reduced;
- loss of mechanism for collective communications with our peers (regulators from other states);
- loss of centralized information source regarding current and emerging regulatory issues; and
- loss of training/developmental/information sharing opportunities.

In summary, NHBD would certainly become more isolated and would lose efficiencies and effectiveness in its ability to regulate its chartered and licensed institutions.

A copy of the invoice is attached for your review.

Your consideration of our request is appreciated.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Glenn A. Perlow". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Glenn A. Perlow  
Bank Commissioner

GAP/dma  
Enclosure



SINCE 1902

**REMITTANCE ADDRESS:**

P.O. Box 791272  
Baltimore, MD 21279-1272  
Tel: 202-296-2840 Fax: 202-296-1928

**INVOICE**

|              |          |
|--------------|----------|
| Invoice Date | Member # |
| 5/20/2015    | 5747     |

New Hampshire State Banking  
Department  
53 Regional Drive  
Suite 200  
Concord, NH 03301

| Description   | Amount   | Credit | Balance  |
|---|----------|--------|----------|
| Supervisory Dues for FY 2015-16<br>7/1/2015-6/30/2016                 | \$11,393 |        | \$11,393 |
| Please contact us direct at (202) 728-5718 if you have any questions. |          |        |          |
| <b>Total Due:</b>   |          |        | \$11,393 |