



*97<sup>th</sup> ANNUAL REPORT*

*OF THE*

*OFFICE OF THE STATE BANK*

*COMMISSIONER*

*For Calendar Year 2016*

*Robert A. Glen  
State Bank Commissioner*



State of Delaware  
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The Honorable John C. Carney  
Governor of the State of Delaware  
Tatnall Building  
150 Martin Luther King, Jr. Boulevard South  
Dover, Delaware 19901

Dear Governor Carney:

I have the honor of presenting the 97<sup>th</sup> Annual Report of the State Bank Commissioner for the year ending December 31, 2016.

This annual report includes the highlights for 2016, and an overview of our work in maintaining a strong financial services industry and protecting consumers.

Respectfully submitted,

A handwritten signature in black ink that reads "Robert A. Glen".

Robert A. Glen  
State Bank Commissioner

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# YEAR 2016 ACCOMPLISHMENTS

## **Bank / Trust Company Charters**

- Chartered Charles Schwab Trust Company of Delaware, a limited purpose trust company, which opened effective January 1, 2016.
- Chartered Evercore Trust Company of Delaware, a limited purpose trust company, which opened effective February 11, 2016.

## **Franchise Tax**

- Collected \$92.5 million in bank franchise tax revenues in Fiscal Year 2016 and provided fiscal estimates to the Delaware Economic and Financial Advisory Council (DEFAC).

## **Examinations**

- Conducted 202 examinations, including 45 examinations of banks, trust companies and building and loan associations, and 157 examinations of licensees.

## **Licenses**

- Licensed 730 non-depository institutions, approved 342 applications for new licenses and additional locations for existing licensees, and processed 653 applications for license renewal.
- Licensed 3,790 Mortgage Loan Originators, and received 1,645 new applications and 3,457 renewal applications.

## **Consumer Complaints**

- Resolved 350 written consumer complaints in calendar year 2016.

## **Financial Literacy Education Fund**

- Awarded \$204,000 in Financial Literacy Education Fund grants to 17 non-profit organizations to support financial literacy programs in Delaware.

## **OVERVIEW OF THE OFFICE OF THE STATE BANK COMMISSIONER**

The Office of the State Bank Commissioner was established in 1919. The State Bank Commissioner is appointed by the Governor and confirmed by the Delaware State Senate to serve a four-year term. The Commissioner is responsible for administering and enforcing all the provisions of the State Banking Code, Title 5 of the Delaware Code.

The banking industry has grown to be one of the most important in the State since the passage of the Financial Center Development Act in 1981. Commercial bank employment in Delaware grew from under 5,000 in 1981 to about 28,200 in 2016. The bank franchise tax is collected by our office and provided \$92.5 million to the General Fund for Fiscal Year 2016.

The Office of the State Bank Commissioner serves the public interest by maintaining a strong financial services industry and protecting consumers. As of the end of 2016, we had a total of 13 state-chartered banks and 34 state-chartered limited purpose and non-deposit trust companies in Delaware. We license about 730 non-bank businesses and about 3,790 individual mortgage loan originators to provide financial services to consumers in the state. The public need for information and consumer education also has increased. The principal activities of the Office of the State Bank Commissioner are:

### **Approving Bank and Trust Company Applications**

Applications to form new state-chartered banks and trust companies, as well as to approve mergers and acquisitions and other banking services, are handled by the Office of the State Bank Commissioner. New applications are encouraged in order to provide expanded banking and trust services in Delaware, as well as to promote the development of the banking industry in the State. Charles Schwab Trust Company of Delaware and Evercore Trust Company of Delaware opened as limited purpose trust companies on January 1, 2016 and February 11, 2016, respectively.

### **Examining Financial Institutions**

Examining financial institutions is a major focus of the Office of the State Bank Commissioner. The examination process improves the availability of financial services to all Delawareans and provides for economic stabilization and revitalization of communities. Banks and trust companies are examined to ensure their safe and sound operation, and the provision of trust services in accordance with appropriate standards. In addition, banks, trust companies and non-depository licensees are examined to ensure compliance with state and federal banking laws and consumer protection statutes and regulations.

## **OVERVIEW OF THE OFFICE OF THE STATE BANK COMMISSIONER**

### **Administering the Bank Franchise Tax**

The Delaware Bank Franchise Tax is levied on all banking organizations, trust companies and building and loan associations in the State. Bank franchise taxpayers are exempt from the State corporation income tax, and the bank franchise tax is in lieu of occupational taxes or taxes upon income, capital and assets, other than real estate. The State Bank Commissioner is responsible for collecting the bank franchise tax. The Office of the State Bank Commissioner provides regular revenue and refund estimates to the Delaware Economic Financial Advisory Council (“DEFAC”) for state budgetary purposes, and the State Bank Commissioner traditionally has served as a member of DEFAC. Bank franchise tax collections amounted to \$92.5 million in fiscal year 2016.

### **Licensing Non-Depository Institutions**

The Office licenses and regulates non-bank businesses that provide financial services in Delaware. As of the end of 2016, we had issued licenses to 730 businesses, which had a total of 1,665 licensed offices. Several different types of licenses are issued. Licensed lenders include mortgage lenders, consumer finance companies, and other businesses that lend money to consumers. Businesses engaged in Financing the Sale of Motor Vehicles are licensed to lend money to consumers through retail installment contracts for the purpose of purchasing motor vehicles. Mortgage Loan Brokers are licensed to arrange residential mortgage loans for consumers. Licenses are required for businesses engaged in the Transportation of Money and Valuables for hire. Licenses for Cashing of Checks, Drafts or Money Orders are issued to businesses that cash such items for consumers for a fee in excess of ten cents per item. Companies that sell travelers checks or receive funds for transmission are licensed for the Sale of Checks and Transmission of Money. Businesses that create contracts for funeral goods and services for consumers wanting to make advance arrangements, receiving the payments of money as trust funds until the services are needed, are licensed to offer Preneed Funeral Contracts. A current list of each of these types of licensees is available through our website, [www.banking.delaware.gov](http://www.banking.delaware.gov), as well as a list of licensees as of December 31, 2016.

### **Licensing Individual Mortgage Loan Originators**

In 2016, the Office continued licensing and regulating individual Mortgage Loan Originators in accordance with the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 and the State’s parallel statute, Chapter 24, Title 5 of the Delaware Code. The Non-Depository Institutions and Compliance staff investigates applications for individual licenses and coordinates licensee information through the Nationwide Mortgage Licensing System. As of December 31, 2016, we licensed 3,790 Mortgage Loan Originators.

## **OVERVIEW OF THE OFFICE OF THE STATE BANK COMMISSIONER**

### **Responding to Consumer Questions and Complaints**

The Non-Depository Institutions and Compliance staff of the Office responds to consumers who have questions or complaints about Delaware financial institutions. Our goal is the fair resolution of consumer problems. We handle many different types of inquiries from consumers through the telephone, the mail and the Internet. During 2016, we received 3,308 telephone inquiries and 351 written complaints, and resolved 350 complaints. Some concerned the terms of credit card agreements or transactional disputes consumers had with credit card issuers. Others involved the methods used by financial institutions to assess charges, collect debts from delinquent borrowers, or take possession of secured collateral, such as a car, after default on repayment of a loan. Problems concerning loans, checking accounts, savings accounts, residential mortgages, time deposits and other matters involving consumers and Delaware banks or non-depository financial institutions were handled by the Non-Depository Institutions and Compliance staff. Complaints regarding national banks and federal savings banks were referred to the appropriate federal bank regulator.

### **Administering the Financial Literacy Education Fund**

The Financial Literacy Education Fund (FLEF) was established in 2009 in a law enacted by the General Assembly. Funding is provided by a surcharge on Licensed Lenders who make high-cost title loans and short-term consumer loans in Delaware. The FLEF is administered by the Office of the State Bank Commissioner through grants to support schools or other non-profit organizations that provide financial and economic literacy skills to adults and youth. The FLEF grants review committee includes representatives of the Secretary of Education and the State Bank Commissioner, as well as others outside of State government. In 2016, \$204,000 in FLEF grants were awarded to 17 non-profit organizations.

## THE STATE BANKING CODE AND REGULATIONS

### **The State Banking Code**

**80 Delaware Laws Chapter 225** amended Chapters 1, 21, 22, 23, 27 and 29 of the State Banking Code, Title 5 of the Delaware Code, by facilitating the modernization of practices and procedures at the Office of the State Bank Commissioner. This Act also deleted an obsolete provision relating to the calculation of supervisory assessments on branches of out-of-state banks. This Act enabled the Office to reduce the volume of paper generated, by eliminating outdated requirements relating to the issuance, display and posting of paper licenses. This Act removed unnecessary restrictions on check cashers licensed under Chapter 27 engaging in other licensed activities under other licensing chapters. In addition, the Act removed outdated requirements that the license applications under Chapter 27 and 29 be made under oath.

### **State Bank Commissioner Regulations**

The State Bank Commissioner adopted four amended licensing Regulations in 2016. Regulations 2101, 2201, 2701 and 2901 were amended to conform to 80 Delaware Laws Chapter 225.

## COUNCIL ON BANKING

The Council on Banking is an advisory council of seven persons, each of whom is appointed by the Governor for a term of three years. The Council meets periodically to consider matters relating to the administration of Delaware's banking laws to insure the continued vitality of banking in this State. The Council may study, research, plan and advise on matters it deems appropriate to enable the Office of the State Bank Commissioner to function in the best possible manner. The State Banking Code specifically provides for the Council to consider the rates for examination fees and supervisory assessments that fund the operations of the OSBC.