



The Quarter

Newsletter of the Pennsylvania Department of Banking



pennsylvania
DEPARTMENT OF BANKING

Protect. Regulate. Inform.

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2010 Secretary's Award for Excellence

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As employers prepare for tax season, Pennsylvania's Office of Financial Education is offering a new, free online resource for businesses and organizations that can help their employees take advantage of the Earned Income Tax Credit, or EITC. [Learn more](#)

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Financial Regulatory Reform and the New Financial Marketplace

by **Steve Kaplan**,
Secretary of Banking

As my tenure as Secretary of Banking comes to an end, I believe that Pennsylvania's

financial community should be hopeful about the future.

At first blush, this sentiment may seem counterintuitive because of the trauma experienced by banks as well as nonbank lenders during the recent economic downturn and the ongoing stress associated with a painfully slow recovery. Additionally, implementation of the federal Dodd-Frank reform legislation passed last July appears to pose even more challenge for our financial industries.

However, the core conservative business principles that define Pennsylvania business practices and policies have served our commonwealth well and created a solid foundation on which to build as Pennsylvania recovers from the recession. Borrowing and

lending continue to be fundamental and essential in our economy and I believe that Pennsylvania's financial institutions are going to be the engine of that recovery as well as its beneficiary.

What remains in question is just how business, particularly consumer business, will be done as we recover from the recession and enter a new period of prosperity under a new regulatory regime.

We know from experience that regulation and compliance are givens that businesses can navigate with adherence to sound, strategic business plans. Despite the messages of doom that pundits and poseurs spout about financial regulatory changes and compliance issues, I believe that our business community needs to pay attention to – and not worry about -- these changes.

However, my optimism should not be taken as advice to hunker down, ride out the storm and adhere to business practices that prevailed before our recent troubles. In good times and bad, the most serious challenge for business has always been how to remain profitable in a highly competitive, uncertain marketplace. Businesses should be concerned about changes in consumer tastes and needs, advances in technology and the territorial encroachment of competitors.

In addition, our nation's business schools have churned out a legion of smart, ambitious and creative professionals who are well-compensated to re-imagine business
(continued >)



models, create new financial instruments and develop new practices devoted to customer relationships. Businesses that strive simply to return to pre-recession profit models will find themselves ill-positioned in the post-recession marketplace. Businesses that view these changes as opportunities will do well.

The Dodd-Frank legislation has already added an alphabet soup of acronyms to the regulatory regime that businesses, their lawyers and their compliance officers must learn and assimilate over the next decade or so. However, in my experience, financial regulators want businesses in their oversight to succeed. I have a great deal of confidence that Pennsylvania's financial businesses will thrive in the new regulatory regime because of their core conservatism. They depend on, and work hard on, relationships with their customers and they remain close to their markets. They plan and strategize not just for the next business quarter, but for the next quarter century.

On a personal note, after my own quarter century of toiling in the trenches of the financial industry, I have just spent three-and-a-half years on the other side of the table as a financial regulator. It has been a surprising and rewarding sojourn in an extraordinary time and I have been blessed by many new relationships with financial professionals across Pennsylvania. Thank you for your kindness and support.



COMPLIANCE CORNER

The Department of Banking took 114 enforcement actions during the fourth quarter of 2010. Enforcement highlights include:

- The department issued 24 orders against companies engaged in unlicensed mortgage loan activity, resulting in cumulative fines of \$402,000.
- The department issued orders against 29 companies for other violations, resulting in cumulative fines of \$226,500. Three of these orders were against companies engaged in unlicensed loan modifications and one company engaged in illegal Internet payday lending.
- The department suspended or revoked 61 mortgage licenses and prohibited two individuals from doing business in Pennsylvania.

In addition, on Dec. 14, 2010, the U.S. Attorney for the Eastern District of Pennsylvania announced indictments and civil complaints against four individuals, DeMarco REI, Inc. and OPM Group, LLC in connection with a foreclosure rescue scheme. These actions resulted in an investigation jointly conducted by the Department of Banking, the Federal Bureau of Investigation and the U.S. Postal Service. Read more [here](#).

The department also participates in a mortgage fraud task force in western Pennsylvania, which has resulted in 111 prosecutions and 95 convictions. According to the Syracuse University Transactional Records Access Clearinghouse, western Pennsylvania tied for second in the nation in federal mortgage fraud prosecutions filed in 2009. Read more [here](#).

A comprehensive list of enforcement actions taken against nondepository institutions and individuals by the Department of Banking is available online at www.banking.state.pa.us.





Don DeBastiani

Director - Bureau of Non-Depository
Examinations and MMC Chair

DeBastiani Named Chair of MMC

Don DeBastiani, director of the Bureau of Non-Depository Examinations, was named in October as chair of the Multi-State Mortgage Committee, a panel created by state financial regulators to coordinate examination and supervision of the largest mortgage lenders and brokers under state jurisdiction. Following the announcement, Don was interviewed by **MortgageOrb.com** as part of its "Person of the Week" series. A portion of that interview is included here:

What do you view as the Committee's main objectives in the coming year?

The MMC is still a relatively new body, created in 2008 by state regulators working with the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators. Our mission is to coordinate exams and supervision of mortgage lenders

and brokers operating in more than one state. MMC members have developed good working relationships over the past few years as we collaborated on developing the Nationwide Mortgage Licensing System. With MMC and NMLS, we intend to create a seamless supervisory process that leverages off existing state resources. In the coming year, I look forward to the MMC building on those relationships to increase the efficiency, timeliness and quality of our examinations.

The Multi-State Mortgage Committee is one of the many entities investigating mortgage servicers' foreclosure and loss mitigation practices. What are your expectations for the investigation, and how do you envision the state AGs, state mortgage banking regulators and federal officials coordinating their efforts?

The investigation is still new and we are facing an unprecedented crisis. The state attorneys general should be applauded for stepping up to address this crisis and, through the MMC, tapping into a national pool of financial examination, investigatory and compliance expertise. We intend to get a clear picture of what happened and how it happened, devise some solutions to prevent this crisis from recurring and develop a new collaborative framework for regulators and law enforcement to address interstate issues.

We're a couple years removed from the passage of the SAFE Act. What has that legislation meant to the mortgage banking community? What remains to be done in regard to the SAFE Act?

I think the consensus in the regulatory and business communities is that SAFE has been a success. Implementation of the legislation has created a new, higher standard of professionalism in the mortgage banking community and enabled state regulators to crack down on unlicensed mortgage activity. The next step in the implementation of SAFE is the registration with NMLS of mortgage loan originators who operate in depository institutions. Achieving this goal will enable state and federal regulators to have a more holistic view of the entire mortgage industry.

2010 Secretary's Award for Excellence

Each year, the Department of Banking recognizes employees who demonstrate the highest levels of service, dedication, hard work and expertise through the Secretary's Award for Excellence. This year's recipients were honored in front of their peers at the department's annual meeting in Harrisburg.



Steve Kaplan, Secretary of Banking and
Rob Semanick, IT Staff

Rob Semanick

As a member in the department information technology staff, Rob's work with the BankWeb database alone enabled the department to retire a long-standing vendor contract, resulting in an annual cost savings of \$40,000. Rob also managed to eliminate and replace several old and/or non-supported systems, including FileNet, which threatened the integrity of the department's information systems. In addition, he migrated more than 70,000 scanned image documents into BankWeb and created a cleaner, more user-friendly depository to hold these images. In the midst of financial reform, the regulatory community demands modernity. Rob's doggedness, patience, "can do" spirit and hard work have advanced the technological capability of the Department of Banking.



Steve Kaplan, Secretary of Banking and
Sharon Dick, Licensing Division

Sharon Dick

Sharon played an integral role during a time of historic change and transition, when the department faced the daunting task of implementing the new Pennsylvania Mortgage Licensing Act, which entailed a rapid conversion to the Nationwide Mortgage Licensing System. This transition involved re-licensing existing mortgage licensees, licensing new mortgage originator applicants, merging electronic records, and, at times, manually entering each application into the BankWeb database. With the Licensing Division's challenge to complete a multitude of change in a very narrow window of opportunity, Sharon's efforts allowed for a successful transformation. If attitude makes the difference between accepting mediocrity while completing tasks or actually striving for excellence and enjoying the challenges each day presents, Sharon is the epitome of great attitude.

2010 Nominees

Tim Blase	Charles Martier
Luke Cardone	Rita Myers
Holly Chase	Cheryl O'Hara
Brian Crossland	Janelle Pharris
Jessica Delaney	Kevin Pyle
Crystal Dietrich	Vicki Reider
Cheryl Dondero	Jamie Robenseifner
Carter Frantz	Deb Schwab
Julie Gilbert	Wendy Spicher
Ray Harper	Margie Ward
James Keiser	Paul Wentzel
Becky MacDicken	Linda Zang

Banking Department Closes Two Banks, First Since 2007

On November 19, the Department of Banking closed Allegiance Bank of North America, Bala Cynwyd. According to the FDIC, VIST Bank of Wyomissing, Pa., paid the FDIC a premium of 0.50 percent to assume all Allegiance deposits and agreed to purchase essentially all of the assets. The FDIC and VIST Bank entered into a loss-share transaction on \$86.2 million of Allegiance Bank of North America's assets. VIST Bank will share in the losses on the asset pools covered under the loss-share agreement.

On December 10, the department closed Earthstar Bank, Southampton. According to the FDIC, in addition to assuming all of the deposits of the failed bank, Polonia Bank of Huntingdon Valley, Pa., agreed to purchase most of the failed bank's assets. The FDIC will retain most of the assets for later disposition. The FDIC and Polonia Bank entered into a loss-share transaction on \$45.8 million of Earthstar Bank's assets. Polonia Bank will share in the losses on the asset pools covered under the loss-share agreement.

These closures represent the first banks closed by the Department of Banking since the closure of Metropolitan Savings Bank, Pittsburgh, in 2007. Read more from the FDIC [here](#).

Office of Financial Education Offers Businesses Tax Help for Employees



As employers prepare for tax season, Pennsylvania's Office of Financial Education is offering a new, free online resource for businesses and organizations that can help their employees take advantage of the Earned Income Tax Credit, or EITC.

A new section of the Your Money's Best Friend website -- **Tax Time Resources for Employers** -- offers "one-stop shopping" for information from the IRS, AARP and other nonprofit centers, as well as where to get tax preparation help in Pennsylvania.

"We encourage Pennsylvania employers to take advantage of this excellent free resource," says Mary Rosenkrans, director of the Office of Financial Education. "The best research concludes that financially stable employees are more productive and the EITC is one very effective way to help workers achieve financial stability."

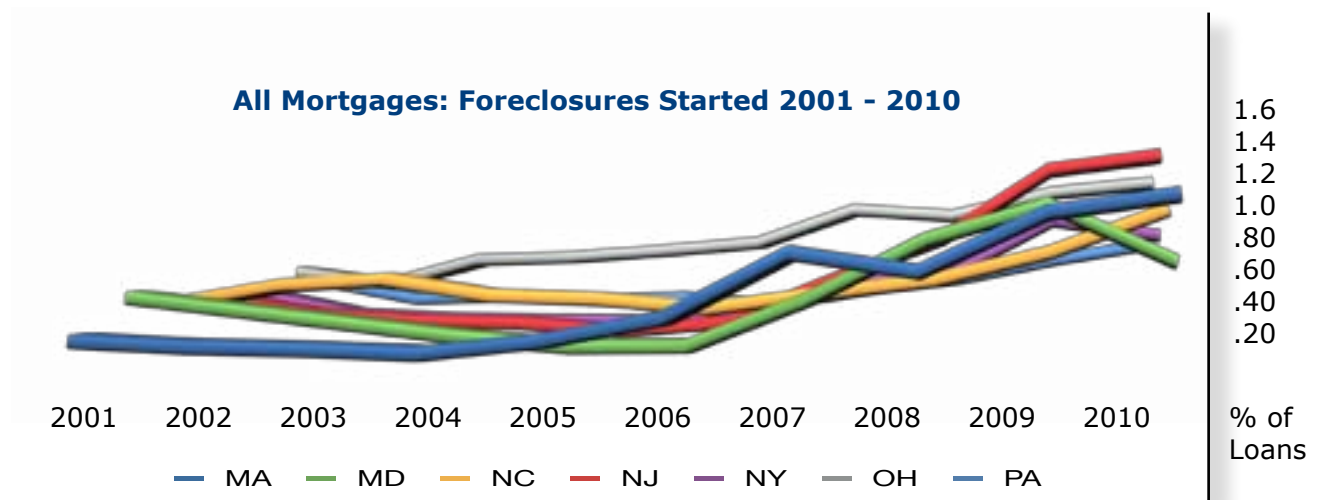
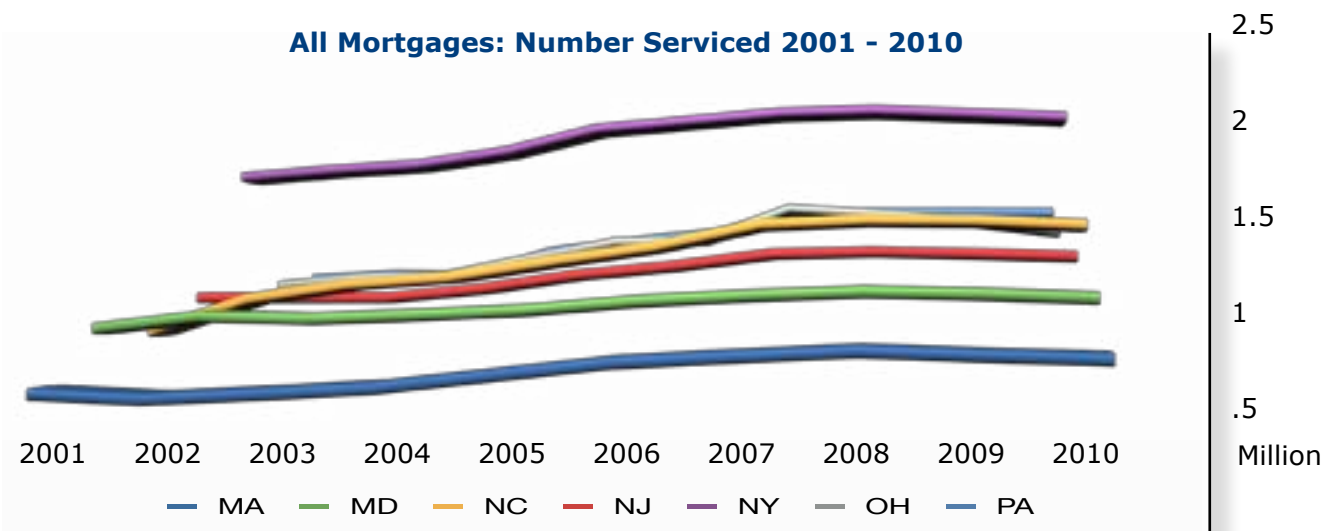
According to the Internal Revenue Service, more than 900,000 Pennsylvania workers took advantage of the EITC in 2009 to help their families, with an average payout of \$2,008.

The IRS estimates that only four out of five families eligible for the EITC actually claim the credit. Based on that estimate, more than 200,000 Pennsylvania families missed out on more than \$400 million in tax reductions or refunds in 2009.

RESEARCH QUARTER

Mortgages Serviced vs. Foreclosures Started

2001-2010



Data Source: National Delinquency Survey (Mortgage Bankers Association)

