OFIS Contact Info

Street/Overnight Delivery Address: 611 W. Ottawa Street, 3rd Floor, Lansing, Michigan 48933
Mailing Address: P.O. Box 30220, Lansing, Michigan 48909-7720
www.michigan.gov/OFIS • TOLL FREE (877) 999-6442 LOCAL (517) 373-0220

Other financial regulators:

- www.federalreserve.gov, then select consumer information, then mortgages
- www.hud.gov, then select citizens, then home buyers

Office of Financial and Insurance Services

Update

Presented to the
House Banking and Financial Services Committee

February 20, 2007

Linda A. Watters
Commissioner

Office of Financial and Insurance Services

Created in 1999 by consolidating

- Financial Institutions Bureau
- Insurance Bureau
- Securities Division

Office of Financial Evaluation (OFE)

Richard Lavolette, Chief Deputy Commissioner

- Mortgage Examination and Investigation
- Bank and Trust
- Credit Union
- Enterprise Monitoring
- Supervisory Affairs and Insurance Monitoring

Office of Regulatory Compliance and Consumer Assistance (ORCCA)

Frances Wallace, Chief Deputy Commissioner

- Consumer Services
- Health Plans
- Regulatory Compliance

Who We Regulate

- Blue Cross Blue Shield
- 30 HMOs
- 141 banks
- 169 domestic insurance companies
- 239 credit unions
- 1,303 foreign insurance companies
- 1,484 investment advisors
- 2,178 securities broker-dealers
- 7,521 consumer finance lenders
- 123,486 insurance agents
- 107,991 securities agents

Office of General Counsel

- Created in 2006
- Reports directly to Commissioner
- Consolidates our internal legal staff into one division
- Enhancing enforcement efforts to directly benefit Michigan consumers

Watters v. Wachovia

- U.S. Supreme Court heard case on November 29, 2006.
- Issue is whether state-chartered subsidiaries of national banks are exempt from state regulation.
- Case has huge implications for state regulators across the country.
- OFIS has received a huge show of support from many national and state organizations.

Mortgage Fraud in Michigan

There has been explosive growth in the number of licensed mortgage companies coupled with increased levels of fraud

- OFIS has regulated the mortgage industry since 1981.
- In that time, the number of mortgage companies in Michigan has grown from zero to approximately 3,200.

What OFIS Has Done to Combat Mortgage Fraud

- In July 2006, increased the number of mortgage examiners from six to 13.
- Began offering free informational seminars to mortgage licensees.
- Expanded annual survey to target questionable practices.
- Added staff attorney to handle mortgage-related actions.
- Hired outreach coordinator to provide financial information to consumer groups.

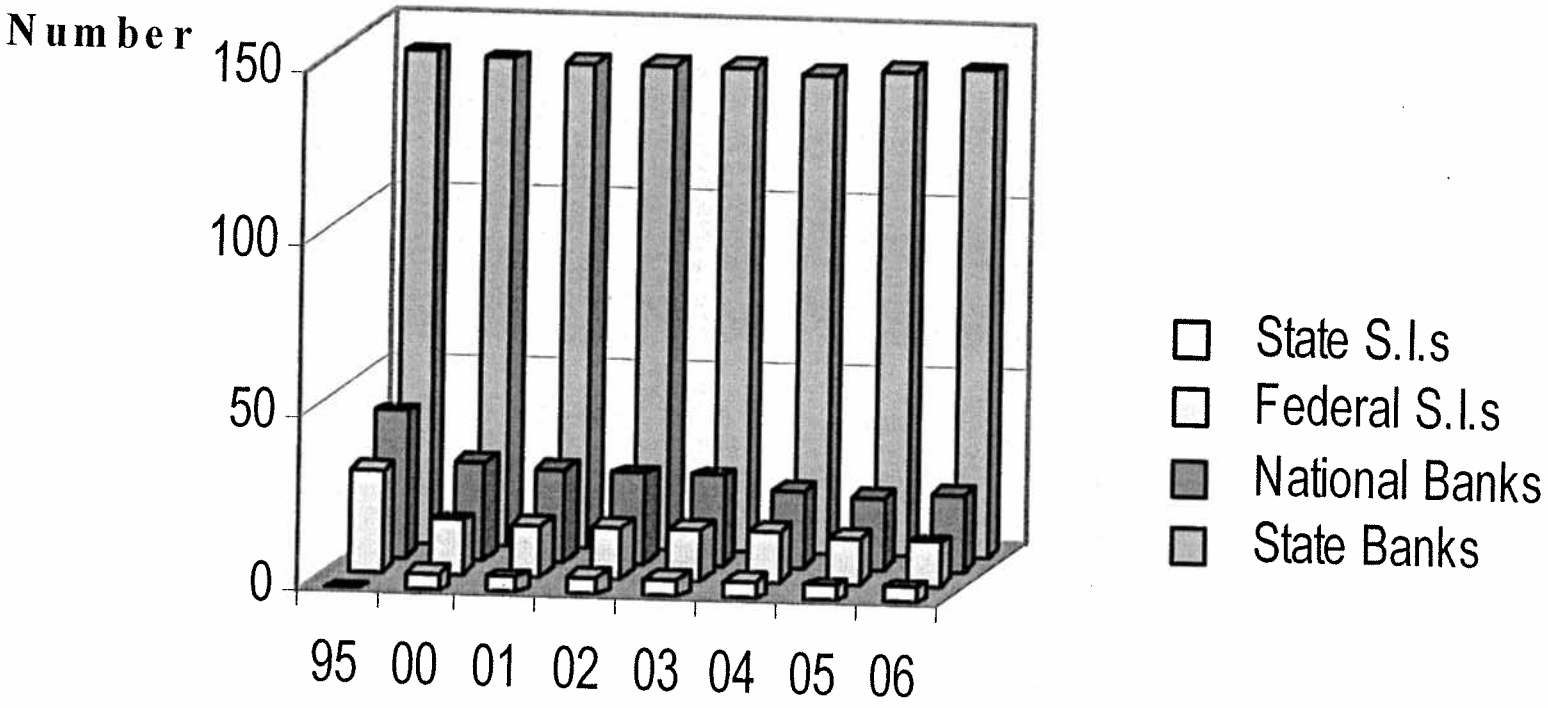
Investor Education and Outreach

- Consumer awareness program developed by OFIS Securities Section to provide Michigan citizens with investment knowledge.
- Funded with Investor Protection Trust grant.
- "Investment Minute" series broadcasting on radio stations throughout Michigan.
- Free "Investor Ed at Your Library" seminars being conducted at libraries around the state.

Corporate Update

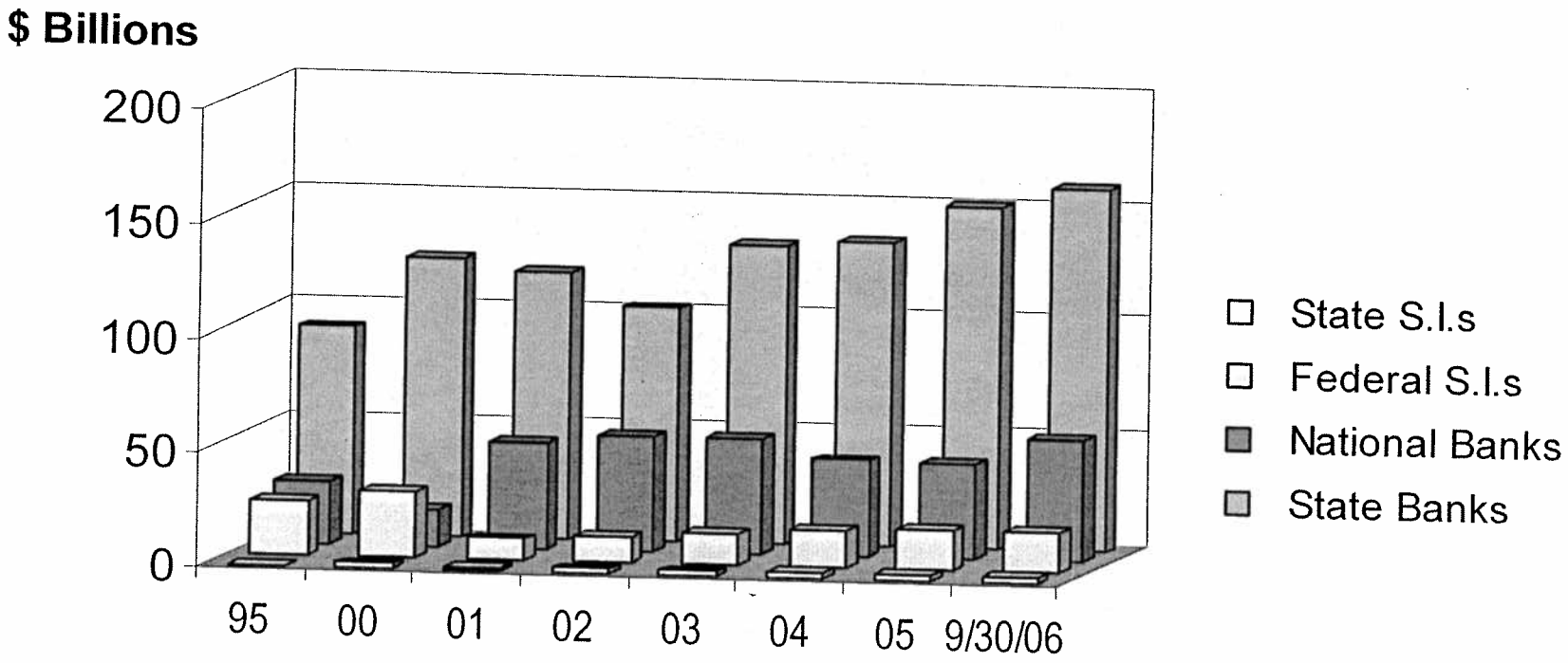
- Bank Numbers/Size
- De Novo Activity
- Mergers/Consolidations

Banks and Savings Institutions Michigan



Sources: FDIC SDI,
OFIS Annual Reports

Bank and Savings Institution Assets
FDIC-Insured; Michigan



Source: FDIC SDI

New State-Chartered Banks

2001	6
2002	4
2003	1
2004	4
2005	4
2006	1

Bank Mergers and Consolidations

2007

- Fidelity Bank, Birmingham, into Community Bank of Dearborn
- Pending: Community Bank, Caro, into Northstar Bank, Bad Axe
  Republic Bank, Lansing, into Citizens Bank, Flint

2006

- The Farwell State Savings Bank into Farmers State Bank of Breckenridge
- Valley Ridge Bank, Kent City, into ChoiceOne Bank, Sparta

Exam Findings and Survey

- Michigan's banks still face challenges.
- Losses have been kept to a minimum, but earnings are beginning to decline.
- Bankers are satisfied with examination process.
- OFIS will continue to fine tune an already very good program.

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QUESTIONS

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