



DEPARTMENT OF FINANCIAL INSTITUTIONS

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Greg Gonzales, Commissioner

Financial institutions are symbols of security for most individuals. Their role in business and industry is crucial to the growth of the country's economy and to personal well-being.

In Tennessee, banking is big business. At year-end 2006, the Department of Financial Institutions regulated 160 state-chartered banks, eight trust companies, three business and industrial development corporations (BIDCOs), 118 credit unions, 849 industrial loan and thrift offices, 75 insurance premium finance companies, 1,591 mortgage companies, 573 check cashers, 1,484 deferred presentment services companies, 703 title pledge lenders and 57 money transmitters. The department also registers thousands of mortgage loan originators.

The department has legal responsibility for assuring the Tennessee banking system operates on a safe and sound basis. In its supervisory role, the department periodically examines the financial condition of each financial institution it regulates. The Bank Division is accredited by the Conference of State Bank Supervisors (CSBS) and the Credit Union Division is accredited by the National Association of State Credit Union Supervisors (NASCUS). The department, through the Compliance Division, is a member of the Money Transmitter Regulators Association (MTRA), National Association of Consumer Credit Administrators (NACCA) and the American Association of Residential Mortgage Regulators (AARMR). In addition, the department handles consumer complaints involving financial institutions through its Consumer Resources Division.

The department is the administration's primary source for new bank-related legislation and also adopts and changes its own administrative regulations to conform to the ever-changing needs of consumers and the industry.

In addition, the department has begun taking an even more active role in consumer affairs by promoting financial literacy programs in an effort to be more proactive as consumer advocates for Tennessee citizens.

History

Created in 1913, the Banking Department was headed by the Superintendent of Banks. Ten years later, supervision of state-chartered credit unions was added to its responsibilities. Over the next 70 years, the department saw more changes, one of which was a final name change to the Tennessee Department of Financial Institutions.

In addition to depository institutions (banks and credit unions) regulatory responsibilities were increased to include nondepository institutions – trust companies, BIDCOs, industrial loan and thrift offices, insurance premium finance companies, mortgage companies, check cashers, deferred presentment services companies and money transmitters. The department's primary mission still remains the same after 90 years which is to ensure that all financial institutions in Tennessee operate in a safe and sound manner and comply with applicable law.

Services

The department is organized in accordance with Tennessee Code Annotated §45-1-115 and has five divisions and 171 funded positions. Services are provided at no direct cost to the taxpayer because the department is funded entirely by fees received from the financial institutions it regulates.

Bank. This Division has the legal responsibility for assuring the Tennessee state-chartered banking system operates on a safe and sound basis. In its supervisory role, the Bank Division periodically examines the financial soundness of all state-chartered banks, savings banks and nondepository independent trust companies. Bank examiners perform evaluations of each institution's assets, liabilities, income and expenses; monitor compliance with governing laws and regulations; and rate the effectiveness of the institution's management. The adequacy of capital is assessed to assure the protection of depositors. In addition, examiners review the information technology functions of state-chartered financial institutions for compliance with generally accepted information technology practices and for adherence to departmental regulations. Bank Division staff also examines Business and Industrial Development Corporations (BIDCOs) for compliance with governing statutes and evaluates applications for new institutions, branches, expanded financial activities and corporate reorganizations.

Credit Union. This Division is responsible for the supervision and examination of each state-chartered credit union and one corporate credit union. Examiners perform safety and soundness examinations of each state-chartered credit union and Volunteer Corporate Credit Union to determine compliance with governing laws and regulations. Credit union examiners perform evaluations of each credit union's assets, liabilities, income and expenses in order to assess the solvency of the credit union.

Compliance. This Division is responsible for the licensing and regulatory supervision of the following types of financial institutions operating in Tennessee: industrial loan and thrift companies; insurance premium finance companies; residential mortgage lenders, brokers, and servicers; check cashing; deferred presentment service companies; title pledge lenders; and money transmitters. The Compliance Division also registers thousands of mortgage loan originators. With the development of a comprehensive examination program, all of the above industries are subject to periodic examinations by the Division's field examiners. The Compliance Division's examinations are designed to test and enforce compliance with Tennessee laws, as well as federal regulations.

Consumer Resources. This Division coordinates the handling of consumer complaints, fosters community outreach and encourages financial literacy in Tennessee. With the creation of this Division in March 2004, the Department of Financial Institutions is poised to develop and reinforce programs aimed at increasing the financial literacy of adults and youth statewide. The department believes financial literacy is necessary to assist Tennesseans in making good financial decisions on a daily basis which includes helping citizens avoid predatory lending practices. The Division serves as a conduit to ensure that citizens have access to financial education programs that help them obtain practical knowledge needed to make informed financial choices.

Legal/Administrative and Support Services. The Legal Section provides legal advice and representation for the department. The department's lawyers advise the Commissioner and departmental personnel in all legal matters affecting the department. They work with regulated entities and the general public in

addressing legal issues. They also work closely with the Governor's Office and the Tennessee General Assembly on legislative issues affecting financial institutions. The Legal Section assists in the coordination of enforcement initiatives with other federal and state regulators as well as with various law enforcement agencies. The Administrative and Support Services Section administers the department's budget and oversees fiscal services, human resources, training and development, and information systems.

Commissioner Greg Gonzales

Tennessee Department of Financial Institutions

Greg Gonzales was sworn in as the 18th Commissioner of the Tennessee Department of Financial Institutions on January 20, 2007, by Governor Phil Bredesen, and has served in the department since 1986. In this position, Commissioner Gonzales serves as Tennessee's chief regulatory officer of all state-chartered depository and licensed nondepository financial institutions. The department supervises approximately 6,000 financial institutions doing business in Tennessee. Prior to being named Commissioner, Gonzales served as Acting Commissioner beginning in December 2005. He previously served as Assistant Commissioner and General Counsel. In the Assistant Commissioner role, he was responsible for coordinating the provision of legal advice to the Commissioner and the department. Commissioner Gonzales has also directed the budget, human resources and legislative analysis functions for the department. In addition, he serves on committees of the Conference of State Bank Supervisors and the National Association of State Credit Union Supervisors. Commissioner Gonzales is a member of the Board of Directors of the Money Transmitter Regulators Association (MTRA), an organization of a majority of the states that regulate funds transfer companies. He chaired the MTRA Legislative Committee which drafted a national model legislative outline and later chaired the Cooperative Agreement Committee which produced the Money Transmitter Regulators Nationwide Cooperative Agreement that has been executed by a majority of states. A native of Baxter, Tenn., Commissioner Gonzales graduated Cum Laude in Cursu Honorum with a bachelor's degree from Tennessee Technological University in 1980. Commissioner Gonzales served as a research assistant in 1980 to Sir Patrick Cormack, a Conservative Party member of the British Parliament. He earned a law degree from the University of Tennessee in 1984. Commissioner Gonzales is married to the former Lori Layne and they have a daughter, Annie.

