



## **DEPARTMENT OF FINANCIAL INSTITUTIONS**

*Nashville City Center, 511 Union Street, Fourth Floor*

*Nashville, TN 37219*

*(615) 741-2236*

*<http://www.tennessee.gov/financialinst>*

**Kevin P. Lavender, 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 2004, the Department of Financial Institutions regulated 161 state-chartered banks, eight trust companies, three business and industrial development corporations (BIDCOs), 124 credit unions, 717 industrial loan and thrift offices, 65 insurance premium finance companies, 1,398 mortgage companies, 871 mortgage branches, 439 check cashers, 1,265 deferred presentment services companies, and 44 money transmitters.

The department has legal responsibility for assuring the Tennessee banking system runs on a safe and sound basis. In its supervisory role, the department periodically examines the financial soundness of each financial institution it regulates. In order to maintain a supervisory role, the Bank, Credit Union, and Compliance Divisions are either accredited or members of national associations. 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). In addition, the Compliance Division is a member of the 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. It also adopts and changes its own administrative regulations to conform to the ever-changing needs of consumers and the industry.

This 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) oversight, regulation 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 144 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 runs 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 & thrift companies, insurance premium finance companies, residential mortgage lenders, brokers and servicers, check cashing, deferred presentment service companies, and money transmitters. 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. These laws were written in order to protect the consumer by limiting the amount of interest, loan charges and insurance charges that can be assessed to them.

**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 better 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. The Division concentrates on these main areas: basic savings, credit management and home ownership. One of the Division's roles is to assist in creating a solid foundation of financial literacy that will lead to future sound money management decisions.

**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 Kevin P. Lavender**

Tennessee Department of Financial Institutions

**Kevin P. Lavender** was sworn in as the 17th Commissioner of the Tennessee Department of Financial Institutions on January 18, 2003 by Governor Phil Bredesen. In this position, Lavender serves as Tennessee's chief regulatory officer of all state-chartered depository and nondepository financial institutions. As of December 31, 2004, the Department regulated 161 banks, 124 credit unions and more than 4,000 nondepository financial institutions. In addition to his role as Commissioner, Lavender is an at-large member of the Board of Directors for the Conference of State Bank Supervisors (CSBS), which coordinates and represents legislative concerns of all 50 states and four U.S. territories' banking departments. He served as chairman of the CSBS National Regulatory Committee from May 2003-June 2005. Prior to being named Commissioner, Lavender was cofounder and Executive Vice President of Administration and Banking for MediSphere Health Partners, Inc. A native of Ft. Hood, Texas, Lavender also served as Group Vice President in charge of healthcare lending for SunTrust Banks, Inc. During his 10-year tenure, Lavender focused exclusively on corporate healthcare lending. In addition to his work in the financial arena, Lavender is committed to serving his community. A resident of Nashville for nearly 18 years, Lavender is active in the community and serves on the following boards: Meharry Medical College, Harpeth Hall School, the Country Music Hall of Fame and Museum, the African-American History Foundation of Nashville, and AmSurg. Lavender received his Bachelor of Business Administration degree in International Finance from the University of Georgia. He and his wife, May, are the parents of two daughters: Jessica and Jordan.

