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NEWS RELEASE

For Immediate Release

February 2, 2004

CONSUMER PROTECTION FOR MANY FINANCIAL SERVICES CUSTOMERS TAKEN AWAY FROM STATES

*STATES TURN TO CONGRESS TO FIGHT SWEEPING NEW FEDERAL PREEMPTION
RULES; STATE FINANCE DEPARTMENT DIRECTOR TO TESTIFY AT U.S. SENATE
BANKING COMMITTEE HEARING ON THURSDAY*

(BOISE) – On January 7, the federal Office of the Comptroller of Currency (OCC) finalized rules that preempt most state consumer protection laws and enforcement that apply to national banks, their operating subsidiaries and agents. The OCC finalized the rules while Congress was in recess, ignoring widespread opposition.

The OCC received some 2600 comment letters on the proposals. Members of Congress, the National Governors Association, National Association of Attorneys General, National Conference of State Legislatures, Conference of State Bank Supervisors, North American Securities Administrators Association, American Association of Residential Mortgage Regulators, major consumer groups and state financial regulators all asked the OCC to hold off final action on the controversial rules until Congress could review the far-reaching proposals prior to adoption. These requests were ignored. National banks and some banking industry trade groups supported the proposal.

“The OCC’s rules do more harm to our nation’s consumers, states’ rights and our dual banking system than any rules I have seen in my 26 years as a state financial services regulator,” said Gavin Gee, Director of the Idaho Department of Finance. “They concentrate the authority to enforce consumer protections in a single federal banking agency in Washington – usurping the states’ ability to protect their own citizenry.” The new rules effectively eliminate the ability of Idaho’s Attorney General and State Department of Finance to protect consumers of national banks or their subsidiaries such as mortgage brokers and lenders. More specifically, the new rules have the following impact in Idaho:

Banks & Savings Banks (208) 332-8005
Credit Unions (208) 332-8003
Securities (208) 332-8004
Money Transmitters (208) 332-8004

PHONE: (208) 332-8000
FAX: (208) 332-8098
Director’s Fax: (208) 332-8097
Securities Fax: (208) 332-8099

Supporting Services (208) 332-8001
Mortgage Companies (208) 332-8002
Finance Companies (208) 332-8002
Collection Agencies (208) 332-8002

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- The Department of Finance will no longer be able to protect Idaho consumers by licensing, examining, regulating and bringing enforcement actions against national bank subsidiary companies – even when those subsidiary companies are state created corporations. Over the last three years, the Department has brought 162 enforcement actions against companies offering residential mortgage loans, returning over \$3.5 million in restitution to Idaho consumers for predatory lending and other abusive practices. Moreover, the Department responds to an average of 1,134 consumer complaints and inquiries per year, including many complaints against national banks and their subsidiary companies. Also, the Department fields numerous consumer inquiries from national bank customers on a regular basis and especially when national banks or their subsidiaries are involved in major corporate transactions such as mergers, acquisitions, branch office closings, relocations or consolidations. “To our knowledge, the OCC maintains no staff in Idaho available to meet with consumers, answer questions or resolve complaints at the local level,” said Gee. “In fact, they are not even listed in the phone books here,” he said.
- Mortgage companies, finance companies and similar businesses that are currently licensed, examined and regulated by the Department of Finance would no longer be under the Department’s authority if they are or become subsidiaries or agents of national banks. Already three such companies have surrendered their state licenses to the Department because of OCC claims of preemption, and many more companies are likely to follow once the rules are in effect later this month.
- The Idaho Attorney General’s Office will no longer be able to protect Idaho consumers by conducting investigations and bringing civil enforcement actions against national banks and their subsidiary companies. For example, under the new rules, the Attorney General’s Office could no longer bring major enforcement cases to address customer privacy violations by large national banks operating in Idaho and similar cases as have been brought in the past.
- The Department of Finance and Idaho Attorney General will no longer be able to protect Idaho consumers by pooling their resources and bringing joint enforcement actions against national banks and their subsidiary companies. The Attorney General and the Department have a long history of excellent coordination and cooperation on complaints, investigations and enforcement actions in major cases such as the recently concluded Household International predatory lending case.

Gee stated, “These rules, which will serve to federalize financial regulation in this country, are a huge mistake. State bank and financial service regulators and state attorneys general are the first line of defense against unscrupulous financial service providers. They are the local ‘cops on the beat’ when it comes to financial fraud. To strip the states of their ability to protect their own residents simply makes no sense and is bad public policy.”

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Recently, both Houses of Congress have either held or scheduled oversight hearings to address the Comptroller's rules. The House Financial Services Committee held hearings on January 28th and the Senate Banking, Housing, and Urban Affairs Committee has scheduled a hearing for February 5, 2004. Gee is scheduled to appear as a witness at the Senate hearing representing the state banking system as immediate past chairman of the Conference of State Bank Supervisors (CSBS) and chairman of the Anti-Predatory Lending Taskforce for CSBS.



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