



**IDAHO**  
DEPARTMENT OF FINANCE

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**NEWS RELEASE**

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**NEW LAWS GOVERN FINANCIAL SERVICES PROVIDERS DOING  
BUSINESS IN IDAHO**

**MOST NEW LAWS DESIGNED TO COMBAT FINANCIAL FRAUD**

**Boise, Idaho** – July 1<sup>st</sup> marks the effective date of several new laws affecting financial services companies doing business in Idaho. The four laws, which are expected to reduce fraud and enhance consumer financial protections, are the Idaho Escrow Act, the Financial Fraud Prevention Act, licensing changes to the Residential Mortgage Practices Act and revisions to the Idaho Money Transmitters Act. “We are very pleased that the Idaho Legislature passed and Governor Kempthorne signed into law these four new laws which will combat fraud, protect consumers and enhance financial services throughout Idaho,” said Gavin Gee, Director of the Department of Finance. “Laws such as the Financial Fraud Prevention Act will also provide additional tools to assist the Department and the over 127,000 businesses and individuals licensed to conduct financial services in Idaho to reduce growing fraud losses and better protect financial service customers,” he said.

Until now, Idaho was one of only a handful of states that provided no regulation of independent escrow companies. Noting the increasing problems in this area, particularly the instances of fraudulent Internet escrow services infiltrating legitimate websites such as e-Bay and Amazon Z-shops, the Idaho legislature took pro-active steps to assure adequate enforcement authority existed to address such problems. The Department will begin licensing those engaged in the escrow business as well as conducting examinations of their books and records to assure the business practices are fair.

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**PROTECTING THE INTEGRITY OF IDAHO FINANCIAL MARKETS FOR 100 YEARS!**

The Financial Fraud Prevention Act gives the state significant new powers to address fraud committed against financial institutions and their customers. Idaho's financial institutions, other industries regulated by the Department of Finance, and their customers are subjected to large losses each year due to fraud. Although the fraud is typically a crime, often it is not prosecuted. This new law will provide another avenue of redress for those injured by financial fraud. The Financial Fraud Prevention Act authorizes the Department to investigate and bring civil enforcement actions against persons who perpetrate fraud against financial institutions, including non-depository institutions, and their customers. The law would also allow referral of actions to criminal law enforcement agencies.

Pursuant to the Idaho Residential Mortgage Practices Act, individual mortgage loan originators must now be licensed by the Department to originate loans. Previously, only the mortgage company or mortgage lender for whom the originator worked was required to be licensed. This change in the law was sought by the mortgage industry during the 2004 legislative session with the expectation that it would help assure that those engaging in this important function were qualified to do so. The Legislature appropriated the resources to the Department of Finance in the 2005 Legislative session to implement the program. Between 7,000 and 10,000 individuals are expected to become licensed under this new provision, which is effective January 1, 2006.

Amendments were also made to the Idaho Money Transmitters Act. This law, which governs those engaged in sending or receiving money within or outside the United States by means such as money orders, wire transfers and other payment instruments, was strengthened. In particular, the new provisions give the Department greater investigative and audit authority, and also coordinates Idaho law with some provisions of federal anti-terrorism laws.

As a regulatory agency, the Department administers laws governing the financial services industry. These businesses include state-chartered financial institutions, regulated lenders, securities issuers, broker-dealers and stockbrokers, residential mortgage brokers and lenders, investment advisers and sales personnel, collection agencies, endowed care cemeteries, and others. By licensing and registering those operating in Idaho's financial marketplace, the Department is able to monitor these entities and individuals, and ensure compliance with Idaho laws. For those operating outside of the licensing/registration requirements, the Department pursues enforcement or other corrective action to ensure compliance with these laws.

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*One hundred years ago, in 1905, the Office of State Bank Commissioner (now the Idaho Department of Finance) was created to administer the Idaho Bank Act and regulate 78 Idaho state chartered banks. Today, 100 years later, the Department of Finance administers 22 laws and charters or licenses and regulates over 127,000 businesses and individuals in the financial services industry conducting business in Idaho. The Department receives no state or federal tax dollars – regulated entities fund its operations. Department of Finance press releases and other information are available on the Internet via the world wide web at <http://finance.idaho.gov> and may be obtained by contacting the Department at (208) 332-8000, or toll-free in Idaho at 1-888-346-3378.*