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NEWS RELEASE

FOR IMMEDIATE RELEASE

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DEPARTMENT OF FINANCE ANNOUNCES CHANGES TO ITS LAWS

Important Amendments Impact Securities, Mortgage and Banking Industries

BOISE, IDAHO - Gavin Gee, Director of the Idaho Department of Finance, announced that amendments to the Idaho Securities Act, Residential Mortgage Practices Act, and Bank Act will significantly affect how members of those industries conduct business in Idaho. Most of the changes to the Residential Mortgage Practices Act and Bank Act are effective today, while the new Uniform Securities Act takes effect September 1, 2004. Gee stated: "All of these changes were enacted as a cooperative effort between the Department and the industries we regulate. We believe the changes will benefit these industries and promote additional financial services business in Idaho, while maintaining our commitment to protect consumers."

Uniform Securities Act

Beginning September 1, 2004, Idaho will have a new law governing investment professionals and securities activities. The Uniform Securities Act 2004 (USA), based on a model law, was enacted to modernize Idaho's securities laws and provide better coordination between state and federal law. It updates the three key areas of state securities regulation: registration and notice filing of securities offerings, registration of securities professionals, and fraud enforcement.

The USA tracks the definition of "security" in federal law, with some additional explicit language to make clear that it applies to uncertificated as well as certificated securities, to interests in limited partnerships and limited liability companies, and to investments in viatical settlements of insurance contracts. The USA also codifies a generally accepted definition of an "investment contract", a term included in the federal and state

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definition of "security". Following federal law, interests in pension plans subject to ERISA are excluded from the definition of "security", as are insurance contracts (such as variable annuities) which are also regulated under other law.

The USA contains a new provision that authorizes the Department to develop and implement programs for investor education, with particular emphasis on the prevention and detection of securities fraud, in recognition of the increasing importance of financial literacy.

State enforcement powers are enhanced to act against anyone engaged in fraudulent practices in securities transactions and criminal penalties are enhanced for securities fraud committed against the elderly and vulnerable adults. The new act also increases penalties for securities fraud where the violator knowingly accepts money representing equity in a person's home or that is withdrawn from a retirement account. The antifraud provisions in the USA apply equally to state registered entities and persons, to federal covered investment advisers, and to anyone in connection with transactions in any securities, including federal covered securities.

Idaho Residential Mortgage Practices Act

The Idaho Legislature also adopted substantial revisions to the Idaho Residential Mortgage Practices Act, most of which go into effect on July 1, 2004.

Effective July 1, 2004 the home office surety bond requirement for Idaho mortgage brokers/lenders increases from \$10,000 to \$25,000, the license application fee increases from \$200 to \$350, and the annual license renewal fee increases from \$100 to \$150. The former \$10,000 net worth requirement of license applicants was repealed.

After July 1, 2004 mortgage brokers/lenders in Idaho will be required to conspicuously display their license certificates at all business locations; record retention requirements for mortgage brokers/lenders have been decreased from 5 to 3 years; mortgage brokers/lenders have increased responsibility over the mortgage-related conduct of their loan originators; and, mortgage brokers/lenders are required to notify the Department within 3 days of closing a licensed business location.

The 2004 amendments also provide expanded exemptions to employees and agents of banks, credit unions, industrial loan companies, and wholly owned bank subsidiaries. An exemption was also adopted for employees and agents of bank affiliate licensees in instances where the licensee is wholly owned by the holding company system that owns the bank.

Finally, and perhaps most significantly, the 2004 changes include licensing requirements for mortgage loan originators. However, these provisions will not go into effect any earlier than January 2006, and then only if there has been a legislative appropriation in 2005 to adequately fund implementation.

Idaho Bank Act

The Idaho Bank Act was amended to revise the limitations on the amounts a bank may loan for real estate, construction, and to one person.

The amendments eliminate the limitation on real estate loans, except for the requirement that they be consistent with safe and sound banking practices. The limitation on construction loans was also eliminated; however, all banks remain governed by certain FDIC rules on these loans. Regarding loans to one person, the amendments maintain the current percentage limit, 20% of capital, but have it apply to “capital structure” in order to be consistent with federal regulations. The remainder of the federal regulations governing limits on loans to one person was also adopted to allow Idaho’s Bank Act to provide consistent clarification on issues relating to the limits. For example, the Act now clarifies what items are excluded from the term “loans”; combination rules; treatment of loans to corporations and partnerships; timing of the calculation; and, what happens when a loan is within limits when made, but becomes nonconforming due to other subsequent factors.

The old limits were established in 1979 and had not been amended since then. These revisions are intended to make the loan limitations on Idaho state-chartered banks more consistent with those applicable to national banks and banks in other states, and to provide clarification to Idaho’s banks on the issues related to loan limits. Although the current limits for all Idaho banks will increase, the banks continue to be monitored closely by the Department for safety and soundness, and the Act continues to affirm the Director’s authority to order the reduction of any loan that he believes to be excessive. The Act also allows the Director to approve loans in excess of the limits upon application by a bank.

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Department of Finance press releases and other information are available on the Internet via the world wide web at <http://idahofinance.com> and may be obtained by contacting the Department at (208) 332-8000, or toll-free in Idaho at 1-888-346-3378.