

2013

108TH ANNUAL REPORT

C.L. 'Butch' Otter
Governor

Gavin M. Gee
Director



IDAHO
DEPARTMENT OF FINANCE

Protecting the Integrity of Idaho Financial Markets Since 1905





IDAHO
DEPARTMENT OF FINANCE

July 1, 2013

THE HONORABLE C. L. "BUTCH" OTTER
GOVERNOR, STATE OF IDAHO

Dear Governor Otter:

I am pleased to submit herewith the 108th Annual Report of the Department of Finance for fiscal year 2013, July 1, 2012 through June 30, 2013.

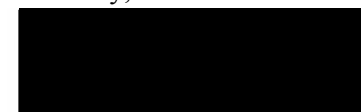
The Department's mission is to aggressively promote access to vigorous, healthy and comprehensive financial services for Idahoans. This is accomplished through prudent and efficient oversight of financial institutions, investment opportunities and credit transactions. Department-wide, financial services sector licensing and registrations increased about 1.4 percent over last fiscal year. This resulted in the Department being able to transfer \$5.9 million to the State's General Fund. In addition, more than \$2.5 million in restitution/rescission was ordered to be paid to consumers and investors as the result of enforcement and other actions by the Department's Securities Bureau.

The banking and credit union industries in Idaho continue to improve after the difficulties encountered during the financial crisis. While four Idaho banks were placed under formal enforcement orders during the crisis, two of those orders have been lifted. We are pleased that again this fiscal year, Idaho had no bank or credit union failures. Nationwide, 36 banks failed during fiscal year 2013, a significant decline from 75 in the previous year. In further support of Idaho community banks, the Department participated in a national community banking research and policy initiative and conference sponsored by the Federal Reserve System and the Conference of State Bank Supervisors (CSBS). The initiative, which is ongoing, focuses on the challenges and opportunities for community banks currently and in the years ahead.

We are proud to report that the Department's Consumer Finance Bureau Mortgage Section was among the first regulators to achieve accreditation, recognizing the Bureau's ability to meet the unique financial needs of local economies and citizens. This follows other good mortgage-related news. Idaho is one of only five states that saw housing prices climb by more than 12 percent from the first quarter of 2012 to the first quarter of 2013, with an increase of 15.1 percent.

This Annual Report contains many highlights of Department initiatives for both the industries we oversee and consumers. We have continued our efforts to promote economic development, reduce regulatory burden, improve financial literacy, and protect financial service consumers in the state. I express my sincere appreciation for the support we have received from you, your staff, the Legislature, the industries we regulate and their associations, and our national associations, and for the dedication and hard work of our superb employees.

Sincerely,



GAVIN M. GEE, Director
Idaho Department of Finance

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About The Cover:

The cover reflects a few of the many changes consumers and regulators are experiencing involving “money”. These include the new \$100.00 bill with its added color, a “raised printing” feel and several new security features to address counterfeiting. The coin image is a physical representation of a “bitcoin”, one of several “virtual currencies” now available in much of the cyber world as an alternative to more traditional banking payment systems. Bitcoins and other virtual currencies have raised regulatory concerns because of their volatility in value, use in money laundering, and lack of backing by any government or government agency.

FOREWORD

The Department of Finance is a regulatory agency charged with the supervision and oversight of state-chartered financial institutions, regulated lenders, securities issuers, broker-dealers and stockbrokers, residential mortgage brokers, lenders, and loan originators, investment advisers and sales personnel, collection agencies, endowed care cemeteries, and others. The Department administers nine distinct programs. Two of these programs relate to the Department's internal operations, while the other seven involve the administration and enforcement of the following twenty-three regulatory statutes:

<i>Idaho Bank Act</i>	<i>Idaho Credit Code</i>
<i>Idaho Bank Holding Company Act</i>	<i>Idaho Mortgage Company Act</i>
<i>Idaho Interstate Banking Act</i>	<i>Idaho Collection Agency Act</i>
<i>Idaho Interstate Branching Act</i>	<i>Idaho Uniform Securities Act</i>
<i>Idaho International Banking Act</i>	<i>Idaho Residential Mortgage Practices Act</i>
<i>Idaho Trust Institutions Act</i>	<i>Business Combination Act</i>
<i>Idaho Savings Bank Act</i>	<i>Control Share Acquisition Act</i>
<i>Business and Industrial Development Corporation Act (BIDCO)</i>	<i>Idaho Commodity Code</i>
<i>Idaho Credit Union Act</i>	<i>Endowment Care Cemetery Act</i>
<i>Idaho Money Transmitters Act</i>	<i>Continuing Care Disclosure Act</i>
<i>Idaho Financial Fraud Prevention Act</i>	<i>Idaho Escrow Act</i>
	<i>Idaho Loan Broker Act</i>

MISSION STATEMENT

The mission of the Idaho Department of Finance is to aggressively promote access to vigorous, healthy and comprehensive financial services for Idaho citizens. This is accomplished through prudent and efficient oversight of financial institutions, investment opportunities, and credit transactions. Through administration of laws enacted by the Idaho Legislature, legitimate financial transactions are encouraged, while fraud, unsafe practices, and unlawful conduct are detected and appropriate enforcement action is taken.

The Department is funded entirely by fees levied by law on the industries subject to its supervision. A list of prior Commissioners/Directors of the Department of Finance is shown in Exhibit I, and a summary of income and expenses and personnel status is shown in Exhibit II. Exhibit VII provides a list of the Department's staff.

DEPARTMENT HIGHLIGHTS AND CURRENT ISSUES

The Department, originally known as the Idaho office of “State Bank Commissioner,” was created March 6, 1905. At that time, the Department administered only one law, the *Idaho Bank Act*, and regulated only the banking industry. Today, the Department oversees more than 152,000 entities in 15 different financial service industries with billions of dollars in combined assets. The Department delivers services through three operating bureaus: Financial Institutions, Securities, and Consumer Finance. Each bureau delivers services in both a regulatory capacity and as a consumer protection and education advocate.

REGULATORY AND EDUCATIONAL INITIATIVES

Significant changes in the regulatory and competitive structures of the financial services industry continue to occur. These changes require adaptation by both industry and regulators. The Department and its staff endeavor to improve the quality of its regulation and reduce regulatory burdens, while also expanding educational opportunities for both industry and consumers.

Legislation and Rulemaking – During the 2013 Idaho legislative session, lawmakers passed Department-sponsored legislation, including:

- H.B. 7 – authorizing the director to offer non-mortgage licensees the option to use the Nationwide Mortgage Licensing System (NMLS) for license application and maintenance;
- H.B. 8 – requiring a license for those advertising or soliciting to make consumer loans in Idaho and applies prohibited practices to persons who engage in payday or title lending in Idaho without a license;
- H.B. 9 - legislation necessary to meet the requirements of the Dodd-Frank Act that places caps on derivatives transactions for Idaho banks; and
- H.B. 10 – amendments to the Idaho Residential Mortgage Practices Act to promote uniform and efficient licensing processes in the evaluation of a license applicant and allowing the director to reinstate licenses for a period of 60 days following license expiration for failure to renew.
- The legislature also approved a pending administrative rule that corrects citations to federal statutes and regulations and incorporates by reference the CSBS/AARMR Policy Guidebook for users of the NMLS.

Community Banking Initiative - In support of Idaho community banks, the Department participated in a national community banking research and policy conference sponsored by the Federal Reserve System and the Conference of State Bank Supervisors (CSBS). The conference, Community Banking in the 21st Century, was held in October 2013 at the Federal Reserve Bank of St. Louis. The conference brought together academics, policymakers, bank supervisors, and community bankers to focus on the challenges and opportunities that community bankers face in

the 21st Century. In preparation, state bank regulators were asked to conduct town hall meetings with bankers to gather their candid views on the community banking industry; the Department held three meetings in June 2013. A report, *Community Banking in the 21st Century: Opportunities, Challenges and Perspectives*, was issued following the conference. This is an ongoing initiative that the Department will be working on with industry, and state and federal policy makers, in the coming year.

Regulatory Burdens and Related Costs – The Department continues its commitment to provide reasonable regulatory oversight without imposing excessive costs on industry. Idaho’s overall regulatory fees are among the lowest of any state in the country. Moreover, annual assessments charged to banks and credit unions have been discounted from the statutory maximum amounts. This discount has resulted in significant savings for state-chartered financial institutions.

In addition to reducing fees, the Department has implemented ways to reduce other regulatory burdens without reducing the effectiveness of its regulatory oversight. For example, the Department continues to use its examination resources more effectively by reducing the number of staff hours spent in institutions that are healthy and that routinely gain high marks for financial and operational integrity.

The Department expanded its use of the NMLS system to include money transmitters that conduct business in Idaho effective September 2012. Use of the system is optional and the Department was pleased that 59 percent of money transmitter companies chose to use NMLS for renewals as of December 31, 2012.

The Conference of State Bank Supervisors (CSBS) and the Consumer Financial Protection Bureau signed a “supervisory coordination framework” to assist both parties to provide seamless and cooperative supervision over providers regulated jointly by the CFPB and the states.

The Idaho Mortgage Recovery Fund (IMRF) reached its statutory milestone of \$1.5 million during the fiscal year. With legislative appropriation, the IMRF can be used by the Department for mortgage related education activities. With the health of the IMRF, it is likely that the Department will be able to suspend charging or significantly reduce the amount of IMRF fees during the 2013 mortgage renewal process.

Industry and Regulatory Cooperation and Education – The Department makes significant efforts to coordinate its activities with both industry and other regulatory agencies. Such coordination and cooperation is increasingly important in an interstate, international and electronic commercial world. To this end, the Department meets regularly with industry trade associations and other state and federal regulators. The Department also continues its efforts to assist industry in understanding and complying with regulatory requirements. Program highlights this year include:

- The Department sponsored three community bank town hall meetings as part of a joint effort by the Conference of State Bank Supervisors (CSBS) and the Federal Reserve System. The meetings were designed to compile information on the vital role community banking plays. The meetings were well-received with every Idaho community bank CEO attending one of the meetings.
- Western state credit union regulators, including the Department, held a very productive meeting with the Regional Director of the National Credit Union Administration and her staff to discuss pressing issues facing credit unions.
- The Director spoke at the Idaho Community Bankers Association's 2013 Management and Directors Leadership Conference.
- The Department co-sponsored with the FDIC compliance examination process and consumer protection hot topics/best practices workshops in Boise and Coeur d'Alene.
- The Department co-sponsored a continuing education presentation in Boise for mortgage loan originators. Department staff provided the presentation. Other sponsors of the program were the Idaho Association of Mortgage Professionals, the Idaho Mortgage Lenders Association, and the National Association of Professional Mortgage Women.
- Department staff gave a presentation covering foreclosure and loan modification scams to approximately 50 real estate agents from Keller Williams Realty in Boise.
- A seminar on Identity Theft was sponsored by Idaho Legal Aid with the purpose of better understanding and addressing the needs of senior victims of this crime. Department staff participated in a panel discussion at this event.
- The CORE-sponsored Treasure Valley Angel Fund reached its funding goal in 2012 providing Idaho with its second angel investment fund. The Department worked with the CORE to allow for the creation of this fund and worked in collaboration with the Governor's Office and the Idaho Department of Commerce in furtherance of the Governor's Project 60.
- A Consumer Finance Bureau examiner taught a class for the Mortgage Fraud and Vacant Property Crimes Course offered by the National White Collar Crime Center. Attendees learned about mortgage fraud as well as the new resources available such as the NMLS.
- The Department's Consumer Finance Bureau publishes a bi-annual industry newsletter entitled "The Idaho Compliance Connection" as a tool to inform collection agencies, mortgage brokers, mortgage lenders, mortgage loan originators, regulated lenders, and payday lenders about statutory and regulatory requirements and changes.
- The Department provided training and participated in educational sessions with numerous other industry and regulatory groups. These groups included the Commercial Collection Agency Association, Idaho Coalition on Identity Theft, Ada Community Libraries Employees, Idaho Financial Services Association, Mortgage Industry Advisory Board, Idaho Association of Mortgage Professionals, Idaho Mortgage Lenders Association, National Association of Professional Mortgage Women, Idaho Housing Alliance, Idaho Housing and Finance Association Conference on Housing and Economic Development, Mountain West Bank Economic Symposium, National Association of

Consumer Credit Administrators, Better Business Bureau, Idaho Bankers Association, Idaho Credit Union League, National Association of State Credit Union Supervisors, Idaho Collectors Association, North American Collection Agency Regulatory Association, American Association of Residential Mortgage Regulators, Nationwide Mortgage Licensing System, Northwest Securities Institute, National White Collar Crime Center, North American Securities Administrators Association, the State Regulatory Registry, the Western Regional Roundtable hosted by the FDIC, the annual Eide Bailly Training Seminar for Bankers, and the Department's fourth annual CEO Roundtable with senior officials from the FDIC and many Idaho bank CEOs.

- The Department co-sponsored, with CSBS and the Colorado Graduate School of Banking, the Eleventh Annual Bank Directors Training Seminar in Coeur d'Alene. Approximately 35 bank directors and 5 banking department commissioners from Montana, Utah, Washington, Wyoming, and Idaho participated in the popular training program.

Consumer Educational Efforts – The Department has a long tradition of providing educational resources to Idahoans. The Department maintains an active speakers bureau and provides educational presentation materials on a variety of topics including investment fraud and consumer credit issues. Among the Department's efforts this year:

- The Department partnered with the Idaho Commission for Libraries to promote the Stash Your Cash outreach effort.
- The Department participated in America Saves Week, February 25 – March 2, 2013. The Department sponsored workshops during the week and hosted several retirement planning sessions for Department employees.
- The Department developed a “Train the Trainer” educational program to address the controversial issues associated with payday/title/Internet and tribal lending. The program is designed for consumer advocacy groups that work with consumers experiencing financial difficulties.
- Along with city, state, federal and non-profit agencies, the Department conducted a foreclosure intervention workshop offering consumers one-on-one counseling with HUD-approved counseling agencies and financial institutions. Borrowers expressed their gratitude to organizers for conducting the conference as substantial progress was made for several borrowers seeking mortgage modifications.
- During the fiscal year Department staff members made presentations at numerous high schools around the state; the University of Idaho School of Law; Idaho State Treasurer's Smart Women, Smart Money Financial Conference; the Business Professionals of America; DECA (a student marketing and finance group); the Meridian Kiwanis Club; and three Senior Scam Jams.

Financial Literacy Month - April 2013 – Joining state securities regulators and a broad-based coalition of consumer groups and industry members, including the Idaho Financial Literacy Coalition (IFLC), Get Smart Idaho (IFLC's northern Idaho affiliate), Idaho public libraries, the

Better Business Bureau, and AARP, the Department participated in the 15th Annual Financial Literacy Month activities during the month of April.

Governor C. L. “Butch” Otter kicked off the celebration by signing a proclamation declaring April to be “Financial Literacy Month” in Idaho. During the ceremony, the Governor announced the Financial Literacy Month Proclamation and the winners of the Piggy Bank Beauty Contest. The contest is a part of Financial Literacy Month and each winner received a \$100 U.S. Savings Bond.

The Department issued four informational press releases in April and staff members presented a variety of seminars to various groups tailoring the message to the needs of each community. A calendar of events reflecting the happenings during the month of April was posted to the Department’s website. Through its presentations, the Department reached 672 Idahoans from all walks of life. This year’s Scam Jam in Nampa was attended by more than 375 people and offered several bilingual sessions. Director Gee was the keynote speaker at the Scam Jam, and other Department staff made presentations and assisted in making the event a huge success.

Notable Trends –

- Mobile banking is here to stay! A recent Federal Reserve study noted 87 percent of the U.S. population has a mobile phone and 52 percent of those phones are internet-enabled smartphones. Financial institutions are in the midst of adjusting to this transition from brick and mortar branches to mobile banking. Mobile security is a major concern of both financial institutions and consumers, although the study showed consumers are often lax about security measures on their individual devices.
- Similarly, online-only banks are gaining market share, although overall their share is quite small at 4.2 percent of deposits. Online-only bank deposits rose 32 percent between 2010 and 2012 and are up 400 percent since 2004.
- Virtual currencies have drawn significant attention from both consumers and regulators during the past fiscal year. Regulators, including the Department, are looking at whether virtual currency companies like Bitcoin need to be licensed as money transmitters. State laws are also being reviewed for their effectiveness in regulating virtual currencies, particularly in the area of money laundering.
- Equifax reported that consumer credit hit its highest level since 2008, with borrowers taking out \$141 billion in new loans in the first two months of 2013.
- The Dow Jones Industrial Average closed above 15,000 for the first time ever in May, 2013.
- Student loan defaults increased significantly during 2012. “Severe derogatory or charged-off balances on student loan debt rose 36 percent in the past year, to \$3 billion”, according to a National Consumer Credit Trends report issued in March 2013. The increase is attributed largely to economic factors, and weakness in the labor market in particular.

- Twenty-five percent of baby boomers, those people ages 46 to 64, report they have no retirement savings, as do 22 percent of those aged 65 and older. A similar figure is reported for these groups when it comes to personal savings. Add to this that fewer employers offer lifelong pensions, and the result is those in the workforce must work longer. This creates a bottleneck in jobs that then affects the life-time earning potential of younger workers because their entry into the workforce is delayed.

INDUSTRY RESULTS IN IDAHO

Banking in Idaho –Idaho-based financial institutions continued to show improved performance and financial condition over the past year. The average aggregate Return on Assets increased from 0.51 percent as of June 30, 2012, to 0.68 percent as of June 30, 2013, the percentage of noncurrent loans to total loans decreased from 3.79 percent to 2.31 percent, and charged-off loans declined from 0.90 percent to 0.18 percent. The average core capital ratio for Idaho-based institutions declined modestly from 12.03 percent to 11.95 percent, yet exceeds the national average for all institutions of 9.34 percent. These indicators provide evidence of recovery in Idaho’s banking industry.

The FDIC reported that the number of “problem” institutions nationwide declined for a ninth consecutive quarter, from 612 to 553 as of June 30, 2013, the lowest number of “problem” institutions since year-end 2008. “Problem” institutions are those financial institutions that are under formal enforcement actions. Enforcement actions are agreements between the regulators and banks that assist institutions in regaining a healthy condition.

At fiscal year-end 2013, four state-chartered institutions remain under formal enforcement actions. The Department and the FDIC entered into Consent Orders with Idaho First Bank on February 10, 2010, Syringa Bank on August 19, 2010, and Bank of Idaho on March 18, 2011. Idaho Banking Company entered into a Written Agreement with the Department and the Federal Reserve Board on March 10, 2010. Idaho First Bank was released from its Consent Order on August 29, 2013, and Bank of Idaho was released from its Consent Order on September 6, 2013.

Credit Unions in Idaho – Calendar year 2012 provided Idaho state-chartered credit unions with continued positive momentum, in terms of increases in total assets, shares (deposits), and net worth. Total assets of Idaho state-chartered credit unions increased by \$416.0 million, or 17 percent, to \$2.9 billion. Total shares and deposits increased by \$346.7 million, or 16 percent, to \$2.5 billion, and total net worth increased by \$43.6 million, or 19 percent, to \$271.9 million.

It appears Idaho’s state-chartered credit unions may have turned the corner in recovering from the recent economic downturn; this can be seen with the 61 percent reduction in real estate loan foreclosures in 2012 as compared to 2011, a 15 percent reduction in net loan charge-offs, and the 8 percent reduction in member bankruptcy filings. Consumer confidence also appears to have improved when noting the moderate increases in both the average share balance and average loan

balance per member, indicating members are saving and borrowing more. However, the recent economic downturn has left various challenges for Idaho's credit unions, such as the total reportable delinquent loan increase of \$4.3 million, or 40 percent, year-over-year. The increased competitiveness of the overall financial institution industry, coupled with a generally low interest rate environment, has also reduced the Net Interest Margin to Average Assets Ratio by 20 basis points to 3.21 percent as of December 31, 2012.

Consumer Finance – By the end of fiscal year 2013 the Department observed a continuing decline in the rate of residential mortgage loans that were either seriously delinquent or in foreclosure. These rates fell from 4.96 percent, reported at the end of fiscal year 2012, to 3.84 percent as of June 30, 2013. This year, the Department had regulatory oversight responsibility for 538 licensed regulated lender and title lender office locations, 212 licensed payday lender office locations, 595 licensed mortgage broker/lender office locations, and 2,140 individual mortgage loan originator licensees. In addition, the Consumer Finance Bureau had regulatory oversight responsibility for 622 licensed collection agencies, 162 debt buyers, 7 credit repair organizations, and 55 credit/debt counselor agencies. The number of collection agency solicitors/collectors registered in Idaho was 43,781 at fiscal year-end.

Securities – The Securities Bureau processed more than 108,000 submissions in fiscal year 2013, up nearly 1.4 percent from the prior fiscal year. The Bureau's oversight also extends to more than 96,800 individuals who currently hold Idaho registrations as broker-dealer agents, investment adviser representatives and issuer agents. This represents a 1.5 percent increase over the prior fiscal year. Through civil and administrative sanctions, the Bureau obtained orders for approximately \$2.5 million in restitution and rescission for Idaho investors. The potential financial impact of securities cases under investigation or in the process of resolution during the fiscal year exceeded \$58 million.

FINANCIAL INSTITUTIONS BUREAU

Idaho Bank Act
Idaho Bank Holding Company Act
Idaho Credit Union Act
Idaho Financial Fraud Prevention Act
Idaho International Banking Act
Idaho Interstate Banking Act
Idaho Interstate Branching Act
Idaho Savings Bank Act
Idaho Trust Institutions Act
Business and Industrial Development Corporation Act

The Financial Institutions Bureau is responsible for promoting the safety and soundness of state-chartered commercial banks, savings banks, credit unions, bank holding companies, trust companies, and business and industrial development corporations operating in Idaho. The Bureau assesses the condition of these institutions so that the public can have confidence in the financial system, and so that the interests of depositors, creditors, and shareholders are protected. The Bureau is responsible for enforcement of the Idaho Bank Act, Idaho Bank Holding Company Act, Idaho Financial Fraud Prevention Act, Idaho Interstate Branching Act, Idaho Interstate Banking Act, Idaho International Banking Act, Idaho Savings Bank Act, Idaho Trust Institutions Act, Idaho Credit Union Act, and the Business and Industrial Development Corporation Act. The Bureau provides high quality supervision of state-chartered institutions directed at identifying material problems, or emerging problems, in individual institutions or the financial services industry, and ensuring that such problems are appropriately corrected. The Bureau monitors and evaluates the financial health of state-chartered institutions, along with the various risks facing these institutions, through the on-site regulatory examination process and off-site monitoring program. The Bureau also investigates complaints against state-chartered financial institutions filed with the Department.

The Bureau works closely with federal and other state regulators to provide regulated industries seamless supervision, minimal disruption and costs, and effective use of resources. The Department continues its joint compliance examination program entered into with the FDIC ten years ago. Idaho is one of few states that have a formal agreement with the FDIC on conducting joint compliance examinations. The joint compliance examinations, in addition to joint risk management examinations, result in more efficient and less burdensome bank examinations.

The Department is strongly committed to providing effective regulation without excessive costs. Our fees remain among the lowest in the nation. This results in significant savings for state-chartered banks. We do not charge examination fees and process most applications for nominal, or no fees. Idaho financial institutions incur significantly less in regulatory costs than do their federal counterparts.

Recent challenges in the state and national economies affected our citizens and the institutions we regulate. The Bureau responded through the prudent and efficient oversight of financial institutions, by the administration of laws enacted by the Idaho Legislature, and by applying appropriate enforcement actions where necessary.

National Accreditation - The Conference of State Bank Supervisors (CSBS) and the National Association of State Credit Union Supervisors (NASCUS) have established accreditation standards for both bank and credit union supervision and regulation. The accreditation process requires a comprehensive review of all factors needed to have a fully functional regulatory organization. The bank and credit union sections were initially accredited in 1990. Every year the accreditation committee requires updated information to maintain accredited status; a full-scale re-accreditation occurs on-site every five years and took place in 2010. The Department's banking and credit union programs have been continuously accredited by CSBS and NASCUS since 1990.

Education and Examiner Training - Continuing education and training are important elements to maintain accreditation, and maintain the confidence of those we regulate. The Department continues to support educational opportunities for its examiners. During fiscal year 2013, examiners attended training sessions provided or sponsored by the Federal Deposit Insurance Corporation, the Federal Reserve System, the Conference of State Bank Supervisors, the National Credit Union Administration, and the National Association of State Credit Union Supervisors. The nine examiners assigned to the banking section attended 14 weeks of off-site training during the fiscal year, and the five credit union examiners attended 17 weeks of training.

Legislation and Regulation – Fiscal year 2013 proved to be an eventful year for legislation and regulation. This was primarily driven by the Dodd–Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) that was signed into law on July 21, 2010. The stated aim of the legislation was to: “Promote the financial stability of the United States by improving accountability and transparency in the financial system, to end ‘too big to fail’, to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.”

A major difference from preceding financial industry legislation was that Dodd-Frank did not prohibit or require much action from industry, but rather required regulators to take specific actions. In turn, these actions would drive industry compliance actions. Analyses of Dodd-Frank estimate that the Act will require the promulgation of hundreds of separate rules, in addition to having created an independent federal agency – the Consumer Financial Protection Bureau (CFPB).

The CFPB, inaugurated on July 21, 2011, holds primary federal responsibility for regulating consumer protection with regard to financial products and services in the United States. During fiscal year 2013 the CFPB was responsible for some important regulatory changes, including:

- Final rule amending Regulation E, changing the requirements regarding remittance transfers that consumers schedule.
- New mortgage disclosure requirements, which include disclosures on cancellation of escrow accounts, consumers' liability of debt payment after foreclosure, and the creditor's policy for accepting partial payment.
- Final rule to amend Regulation Z, which requires consideration of an independent ability to pay for credit applicants who are under the age of 21.
- Final rule implementing Dodd-Frank Act sections that address servicers' obligations to correct errors asserted by mortgage loan borrowers.
- Final rule establishing ability-to-repay and qualified mortgage standards under the Truth in Lending Act (TILA).
- Final rule implementing Dodd-Frank Act sections that address initial rate adjustment notices for adjustable-rate mortgages, periodic statements for residential mortgage loans, prompt crediting of mortgage payments, and responses to requests for payoff amounts.
- Final mortgage rules focused on loss mitigation procedures under the servicing provisions of Regulation X, application of the loan originator compensation rules to bank tellers and similar staff, and the prohibition on creditor-financed credit insurance.
- Final rule that amends TILA and Homeownership Counseling Amendments to the Real Estate Settlement Procedures Act (Regulation X), which expand the types of mortgage loans that are subject to the protections of the Home Ownership and Equity Protection Act (HOEPA), revising and expanding the tests for coverage under HOEPA, and imposing additional restrictions on mortgages that are covered by HOEPA; final rule also amends Regulation Z and Regulation X by imposing certain other requirements related to homeownership counseling.
- Final rule amending Regulation E, which implements a requirement that a fee notice be posted on or at automated teller machines, leaving in place the requirement for a specific fee disclosure to appear on the screen of that machine or on paper issued from the machine.
- Final rule implementing restrictions imposed by the Dodd-Frank Act concerning loan originator compensation; qualifications of, and registration or licensing of loan originators; and compliance procedures for depository institutions.
- Final rule regarding the prohibition on creditors financing credit insurance premiums in connection with certain consumer credit transactions secured by a dwelling.
- Amended Regulation Z to limit the total amount of fees a credit card issuer may require a consumer to pay with respect to an account, to 25 percent of the credit limit in effect when the account is opened.
- Amended Regulation Z to prohibit a creditor from making a mortgage loan unless the creditor determines that the consumer will have the ability to repay the loan.

The other federal regulatory entities were also quite busy. Among the more important regulations promulgated during fiscal year 2013 were the following:

- Federal Reserve Board (FRB)-Final rule on debit card interchange fees
- Federal Financial Institutions Examination Council (FFIEC)-Guidance for the Supervision of Technology Service Providers
- FFIEC -Interagency Statement to outline expectations related to Section 612 of the Dodd-Frank Act, which imposes restrictions on conversions of national banks or federal savings associations to state-chartered institutions and conversions of certain state-chartered banks or savings associations to national banks or federal savings associations.
- Federal Deposit Insurance Corporation (FDIC)/Office of the Comptroller of the Currency (OCC) - Final rule (OCC final rule) that removes references to credit ratings in regulations pertaining to investment securities. And, clarifying that under part 362 of the FDIC's regulations, insured state banks are generally prohibited from engaging in an investment activity that is not permissible for a national bank under OCC regulations.
- FFIEC - Final rule that revises the existing capital rules to incorporate certain revisions to the Basel capital framework, including Basel III and other elements. The rule strengthens the definition of regulatory capital, increases risk-based capital requirements, and makes selected changes to the calculation of risk-weighted assets.
- FDIC – Ended unlimited coverage for noninterest-bearing transaction accounts (TAG program).
- OCC/FDIC/FRB - Final rule for large bank stress testing.
- OCC/FDIC/FRB - Final rule on appraisals for higher-priced mortgage loans.

Regulations and legislation driven by the requirements of Dodd-Frank were not limited to the federal agencies. The most important banking-related legislation proposed by this Department in fiscal year 2013 was an amendment to the Idaho Bank Act §26-705, Loans to One Person. The amendment added financial derivatives to those instruments covered by this provision. The amendment was necessary because without it, Dodd-Frank would prohibit Idaho state-chartered banks from engaging in certain financial transactions, which would place them at a significant competitive disadvantage compared to their federally-chartered counterparts, and the citizens of Idaho would be deprived of access to some important products – especially related to home mortgages.

BANKING SECTION

The Banking Section is responsible for supervising Idaho's state-chartered commercial banks, savings banks, and bank holding companies for the benefit of depositors and shareholders, to maintain public confidence in the banking system, to promote fair competition, and to encourage the continuation, maintenance, and preservation of the dual banking system. The Banking Section also licenses and supervises financial institution trust departments, and business and industrial development corporations (BIDCOs). The Banking Section directly supervises fourteen commercial banks (four with trust powers) and one BIDCO as of June 30, 2013.

The section also has regulatory oversight responsibilities, as the host state supervisor, for ten state-chartered banks operating in Idaho and chartered by other states. As of June 30, 2013, these institutions held \$2.8 billion of Idaho deposits and operated 96 offices throughout the state: AmericanWest Bank (8 branches), Banner Bank (8 branches), Inland Northwest Bank (4 branches), Sterling Savings Bank (17 branches), and Washington Trust Bank (13 branches) are chartered by the State of Washington; Bank of the West (6 branches) is chartered by the State of California; Bank of the Cascades (13 branches) is chartered by the State of Oregon; Glacier Bank (25 branches) is chartered by the State of Montana; and Lewiston State Bank (1 branch) is chartered by the State of Utah. As a host state supervisor, the Banking Section also has indirect supervision over twelve bank or financial holding companies with banking operations in Idaho.

In fiscal year 2013, the Banking Section completed 14 risk management examinations, 7 consumer compliance examination, and 2 trust examinations. In conjunction with the risk management examinations, the Banking Section performed information technology examinations and Bank Secrecy Act examinations. The Banking Section participated in 5 risk management visitations, and 1 targeted asset review.

Branch Activities

During fiscal year 2013, there were 2 branch relocations and several branch closures. Idaho Trust Bank relocated its Coeur d'Alene branch and Panhandle State Bank relocated its Spokane, Washington, branch. Home Federal Bank closed 4 branches, 2 in Bend, Oregon, and 2 in Southwest Oregon. In addition, Bank of the West closed its Weiser, Idaho, branch while Mountain West Bank and Idaho Independent Bank closed branches located in Garden City and Eagle, respectively.

Bank Acquisitions

During fiscal 2013, 2 Idaho banks acquired out-of-state institutions. The Bank of Commerce acquired State Bank & Trust, of Dillon, Montana, and Northwest Bank (formerly Western Capital Bank) acquired Northwest Bank, of Portland, Oregon.

IDAHO BANKING INDUSTRY REVIEW

Performance and Condition of Idaho Financial Institutions

As of June 30, 2013, there were 16 financial institutions (14 state-chartered banks, 1 national bank, and 1 federal savings bank) based in Idaho with combined assets of \$6.5 billion, net loans and leases of \$3.6 billion, and deposits of \$5.4 billion¹. Institutions headquartered in Idaho generally outperformed the national averages for all institutions during 2012, ending the year with higher average core capital (leverage ratio) of 11.60 percent versus 9.15 percent, higher net interest margins of 3.96 percent versus 3.42 percent, lower non-current loans of 2.73 percent versus 3.60 percent and fewer charged off loans of 0.77 percent versus 1.10 percent. Moreover, 75 percent of Idaho-based institutions were profitable for 2012, compared to 56 percent at year-end 2011, and 88 percent of Idaho institutions reported higher earnings during the year. Additionally, over 81 percent of Idaho's institutions are "well-capitalized" under state and federal capital standards.

Overall, the outlook for Idaho banks is positive but the banking environment remains uncertain. These banks will continue to face compressed margins in the current low interest rate environment. Furthermore, banks have yet to determine the cost effects of new legislation and regulation.

Deposits in Idaho

There were 35 commercial banks and savings institutions operating 531 offices for deposits in Idaho as of June 30, 2013. Total deposits in Idaho increased 4 percent during the year, to \$20.2 billion. Institutions headquartered outside of the state slightly increased their market share of Idaho deposits from 76 percent as of June 30, 2012, to 77 percent, or \$15.6 billion in deposits. Therefore, the 16 institutions based in Idaho held 23 percent of the deposits.

Capital Levels Increase at Idaho-Chartered Banks²

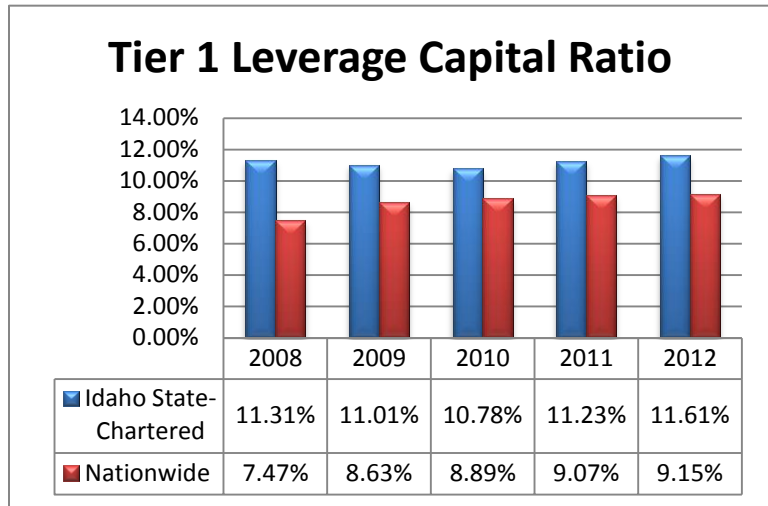
Idaho state-chartered banks reported an increase in the average Tier 1 Leverage Capital ratio from 11.23 percent as of December 31, 2011, to 11.61 percent as of December 31, 2012. This ratio greatly exceeded the 9.15 percent average of all banks in the nation. Total equity capital of state-chartered banks decreased 17 percent in 2012 when compared to year-end 2011. However, when comparing the 14 state-chartered institutions that are included in both year-ends, total equity increased 8 percent in 2012 from \$642 million to \$695 million. Other key capital measurements improved during the past year with the average Tier 1 Risk-Based Capital ratio increasing from 17.57 percent to 18.39 percent, and the average Total Risk-Based Capital ratio increasing from 18.82 percent to 19.60 percent, comparing favorably to the national average of all banks of 13.07 percent and 15.09 percent, respectively.

¹ Source: FDIC Statistics on Depository Institutions

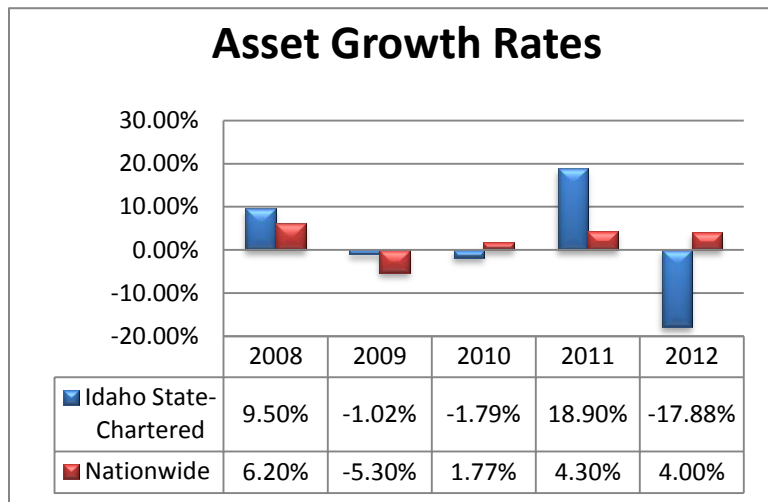
² As of December 31, 2012, there were 14 Idaho state-chartered institutions, while as of December 31, 2011, there were 16 Idaho state-chartered institutions.

Asset Growth in Idaho-Chartered Banks

In 2012, Idaho state-chartered banks reported total assets of \$5.7 billion, which represents an 18 percent decrease in assets from the \$7.0 billion reported in 2011. When comparing current state-chartered institutions during the same period, total assets increased by 4 percent from \$5.5 billion as of December 31, 2011. Meanwhile, banks nationwide also increased assets by 4 percent.



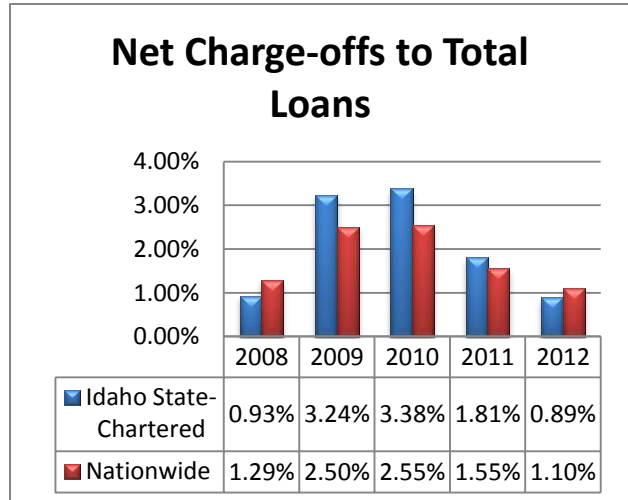
In 2012, the largest increases to asset size at current Idaho-chartered banks occurred in their investment portfolios. While banks nationwide had slightly higher loan growth, they continued to increase their cash and due from depository institutions and interest-bearing accounts. Total loans and leases held by the 14 current Idaho-chartered banks were \$3.1 billion as of year-end 2012, an increase of \$55.0 million or 2 percent, compared to a 3 percent increase reported for all banks nationally. During the year, agriculture loans held by these state-chartered institutions increased by 14 percent from \$288 million to \$328 million.



Overall, total deposits in Idaho state-chartered banks decreased from \$5.6 billion as of December 31, 2011, to \$4.8 billion as of December 31, 2012, or by 14 percent. Yet, current state-chartered institutions reported an increase of 5 percent in total deposits from the \$4.6 billion during the same period. Deposits at banks nationwide increased from \$10.2 trillion to \$10.8 trillion, or 6 percent.

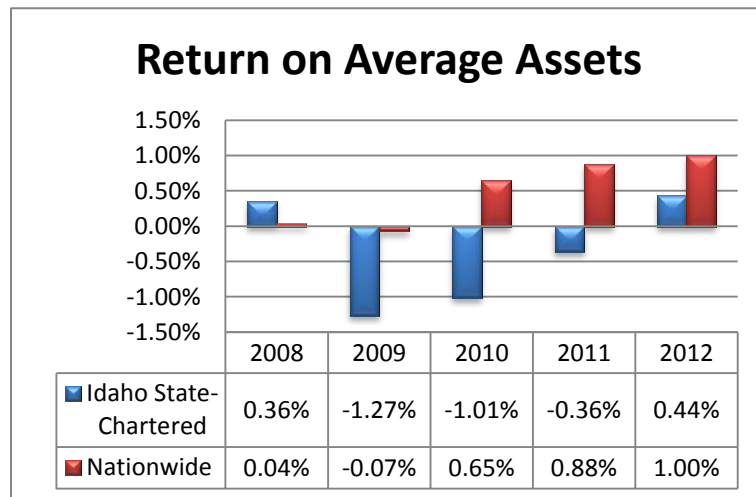
Asset Quality and Earnings in Idaho-Chartered Banks

Overall, Idaho state-chartered banks experienced improved asset quality in 2012. The amount of net charge-offs decreased substantially from \$74.9 million to \$27.4 million, or a 63 percent decline. Additionally, the ratio of net charge-offs to total loans and leases for Idaho state-chartered banks decreased from 1.81 percent in 2011 to 0.89 percent in 2012. Nationwide, banks also experienced a decline in net charge-offs of 27 percent and the ratio of net charge-offs to total loans and leases decreased to 1.10 percent.



Noncurrent loans to total loans for Idaho state-chartered banks decreased in 2012 from 4.35 percent to 2.69 percent, and were lower than the national rate of 3.60 percent. Idaho state-chartered banks reported a ratio of reserves for possible loan losses to loans near that of banks nationwide at 2.19 percent compared to 2.11 percent.

Idaho state-chartered banks reported income of \$24.4 million in 2012, an improvement of 195 percent compared to losses of \$25.7 million in 2011. Net interest income decreased 23 percent during 2012 to \$202.7 million, due to lower interest income. The net interest margin for state-chartered institutions contracted slightly from 4.15 percent to 4.03 percent at year-end 2012. The



increase in non-interest income was nominal, while non-interest expense decreased by 44 basis points. Lower provision expense contributed to the improvement in earnings at state-chartered institutions. Provisions for loan and lease losses decreased 74 percent from \$68.0 million at year-end 2011 to \$17.8 million at year-end 2012. All of these factors contributed to the overall improvement in the year-end return

on average assets (ROAA) for Idaho-chartered institutions. ROAA for Idaho state-chartered banks increased 80 basis points from -0.36 percent in December 2011 to 0.44 percent in December 2012, while the ROAA for banks nationwide increased from 0.88 percent to 1.00 percent over the same period.

**Commercial Banks Based in Idaho
Aggregate Condition and Performance**

IDAHO BANKS	6/30/2013	6/30/2012	\$/# Change	% Change	12/31/2012	12/31/2011	\$/# Change	% Change
<i>(dollar figures in millions)</i>								
Number of institutions reporting	16	16	0	0	16	18	-2	-11.11
Total employees (full-time equivalent)	1,939	1,927	12	0.62	1,947	2,360	-413	-17.50
AGGREGATE CONDITION AND INCOME DATA								
Net income (year-to-date)	21,688	14,009	7,679	54.81	263,009	345,353	-82,344	-23.84
Total assets	6,475,417	6,278,569	196,848	3.14	6,653,639	7,841,162	-1,187,623	-15.15
Earning assets	5,918,880	5,707,078	211,802	3.71	6,034,245	7,116,627	-1,082,382	-15.21
Net loans & leases	3,617,661	3,508,214	109,447	3.12	3,584,097	4,363,858	-779,761	-17.87
Other real estate owned	65,843	79,130	-13,287	-16.79	73,578	111,645	-38,067	-34.10
Total deposits	5,379,952	5,203,081	176,871	3.40	5,596,298	6,332,319	-736,021	-11.62
Equity capital	800,148	792,565	7,583	0.96	802,733	941,975	-139,242	-14.78
PERFORMANCE RATIOS (YTD, %)								
			BP Change				BP Change	
Yield on earning assets	4.18	4.55	-37		4.50	4.84	-34	
Cost of funding earning assets	0.40	0.58	-18		0.54	0.74	-20	
Net interest margin	3.77	3.97	-20		3.96	4.10	-14	
Noninterest income to average assets	0.43	0.36	7		0.78	0.73	5	
Noninterest expense to average assets	1.70	1.76	-6		3.56	3.96	-40	
Net charge-offs to loans & leases	0.18	0.90	-72		0.77	1.68	-91	
Credit-loss prov. to net charge-offs	60.17	56.22	395		67.17	87.84	-2,067	
Net operating income to assets	0.66	0.44	22		0.42	-0.29	71	
Retained earnings to average equity	4.73	3.90	83		2.14	-2.94	508	
Pre tax return on assets	0.85	0.60	25		0.59	-0.38	97	
Return on assets	0.68	0.51	17		0.47	-0.27	74	
Return on equity	5.53	4.15	138		3.84	-2.31	615	
CONDITION RATIOS (%)								
Loss allowance to loans	2.09	2.25	-16		2.15	2.88	-73	
Loss allowance to noncurrent loans	90.66	59.28	3,138		78.66	67.07	1,159	
Noncurrent assets plus OREO to assets	2.33	3.43	-110		2.61	3.88	-127	
Noncurrent loans to loans	2.31	3.79	-148		2.73	4.29	-156	
Net loans and leases to deposits	67.24	67.43	-19		64.04	68.91	-487	
Net loans and leases to core deposits	70.71	71.76	-105		67.47	74.94	-747	
Equity capital to assets	12.36	12.62	-26		12.06	12.01	5	
Core capital (leverage) ratio	11.95	12.03	-8		11.60	11.26	34	
Tier 1 risk-based capital ratio	18.75	19.02	-27		18.60	17.68	92	
Total risk-based capital ratio	19.97	20.24	-27		19.82	18.92	90	

TRUST DEPARTMENTS AND TRUST COMPANIES

The Banking Section is responsible for enforcing the *Idaho Trust Institutions Act* and currently supervises the trust departments of four state-chartered banks. These trust departments primarily administer personal trusts, agency accounts, safekeeping, and non-complex employee benefit accounts. The employee benefit accounts are mostly self-directed IRAs and 401(k) accounts.

Total trust assets under supervision increased by 19.5 percent during the year to \$549.8 million as of December 31, 2012, consisting of \$406.0 million in managed assets and \$143.8 million in non-managed assets.

The Department has approved three out-of-state trust companies to operate in Idaho. Two of these companies—First Capital Surety and Trust Company (Sioux Falls, South Dakota), and U.S. Trust Company of Delaware (Wilmington, Delaware) —have no offices in Idaho. Bell State Bank & Trust (formerly State Bank & Trust) of Fargo, North Dakota, operates a representative trust office in Boise. These out-of-state trust companies are supervised in accordance with the terms of the Nationwide Cooperative Agreement for Supervision and Examination of Multi-State Trust Institutions, with the home state regulator as the single point of contact.

Trust Departments and Trust Companies

Activity	12/31/2012 (\$ in 000's)	12/31/2011 (\$ in 000's)	\$/# Change	% Change
Fiduciary powers granted	7	7	0	0.00%
Fiduciary powers exercised	4	4	0	0.00%
Fiduciary or related activity	4	4	0	0.00%
Number of fiduciary and related asset accounts	1,973	1,954	19	0.97%
Number of managed accounts	1,123	1,067	56	5.25%
Number of non-managed accounts	850	887	-37	-4.17%
Total fiduciary and related assets (\$)	549,840	459,971	89,869	19.54%
Managed assets (\$)	406,084	300,188	105,896	35.28%
Non-managed assets (\$)	143,756	159,783	-16,027	-10.03%

BUSINESS AND INDUSTRIAL DEVELOPMENT CORPORATIONS

On July 1, 1989, the Business and Industrial Development Corporation Act became effective, authorizing an alternative form of financial institution. The Act authorizes the formation of business and industrial development corporations (BIDCOs) to provide financing and management assistance to new or expanding companies.

BIDCOs are licensed to increase the level and quality of financial services available to the small business community in Idaho by working closely with the Small Business Administration, other federal financial assistance programs, local economic development organizations, and traditional commercial lenders. This financial assistance has led to the creation or retention of an estimated 1,399 permanent jobs in the state. The Idaho Company, located in Idaho Falls, is the only licensed BIDCO currently operating in Idaho.

Business and Industrial Development Corporations		
Activity for Calendar Year 2012	Number	Dollar Amount
Number and dollar amount of financing assistance provided to business firms:	1	\$3,100
Number and dollar amount of financing assistance provided to minority-owned and woman-owned business firms:	0	\$0
Estimated number of jobs created or retained through financing assistance:	0	NA
Activity Since Inception	Number	Dollar Amount
Number and dollar amount of financing assistance provided to business firms:	302	\$26,209,484
Number and dollar amount of financing assistance provided to minority-owned and woman-owned business firms:	30	\$2,057,916
Estimated number of jobs created:	1,025	NA
Estimated number of jobs retained:	374	NA

CREDIT UNION SECTION

The Credit Union Section is responsible for supervising all Idaho state-chartered credit unions and ensuring compliance with the Idaho Credit Union Act and applicable federal regulations. As of June 30, 2013, there were 32 credit unions under the Credit Union Section's direct supervision. The Section has additional responsibilities, as the host-state supervisor, for five state-chartered credit unions operating in Idaho and chartered by other states. Washington-chartered Global Credit Union has branches in Coeur d'Alene and Post Falls; Horizon Credit Union has branches in Coeur d'Alene, Ponderay, Post Falls, and Sandpoint; Numerica Credit Union has branches in Coeur d'Alene and Hayden; and Spokane Teachers Credit Union has branches in Dalton Gardens, Ponderay, and Post Falls. California-chartered Silverado Credit Union operates one branch in Nampa.

The Credit Union Section is an active participant in the National Association of State Credit Union Supervisors (NASCUS). NASCUS actively coordinates with all state credit union regulatory agencies and the National Credit Union Administration (NCUA) on a variety of credit union regulatory issues. In November 2010, the Credit Union Section was successfully reaccredited by NASCUS for another 5-year term.

In fiscal year 2013, the Credit Union Section completed 31 examinations, 11 follow-up visitations, participated in one examination of a Washington-state chartered credit union, and participated in an examination of American Share Insurance Corporation (ASI). Within the 42 total contacts of Idaho credit unions, the Credit Union Section conducted 20 joint examinations and 8 joint visitations with examiners from either ASI or the NCUA, depending on whether the institution is federally or non-federally insured.

Branching Activity

During fiscal year 2013, Idaho Central Credit Union (ICCU) opened three new branches in Idaho. With a branch charter effective date of July 23, 2012, ICCU opened a new branch at 4821 Cleveland Blvd., Caldwell. Effective March 25, 2013, a new ICCU branch was opened at 768 E. State Street, Eagle, while a third ICCU branch was opened at 3339 E. Ustick Road, Meridian, effective May 13, 2013.

Mergers and Conversions

During fiscal year 2013, four Idaho-chartered credit unions undertook and completed successful mergers. With an effective date of October 31, 2012, Tribune Credit Union merged into Clearwater Credit Union; Lewiston Catholic Credit Union also merged into Clearwater Credit Union as of April 1, 2013. On May 1, 2013, Shell-Fir Credit Union merged into Idaho State University Federal Credit Union. On June 1, 2013, Idaho Advantage Credit Union merged into Connections Credit Union (formerly Potelco United Credit Union).

Performance and Condition of Idaho Credit Unions

During calendar year 2012, Idaho state-chartered credit unions experienced asset growth of 17.00 percent, loan growth of 16.13 percent, and net worth growth of 19.12 percent. Idaho state-chartered credit union growth figures compare favorably to the nationwide credit union averages of 6.24 percent for asset growth, loan growth of 4.50 percent, and net worth growth of 8.49 percent; national credit union figures are inclusive of all credit unions in the country. Idaho credit unions strived to manage operations and performance in an increasingly competitive financial environment. As a group, Idaho credit unions continue to provide financial security to their membership, offering needed products and providing basic financial services. The information used to compile the dollar figures and ratios presented in the following charts and narrative comments is derived from the consolidated Call Reports filed by Idaho's state-chartered credit unions for the period ending December 31, 2012.

Assets

Idaho state-chartered credit unions added \$416 million in total assets to their balance sheets in 2012, providing for a 17 percent growth rate. Total assets as of December 31, 2012 for Idaho state-chartered credit unions were \$2.86 billion.

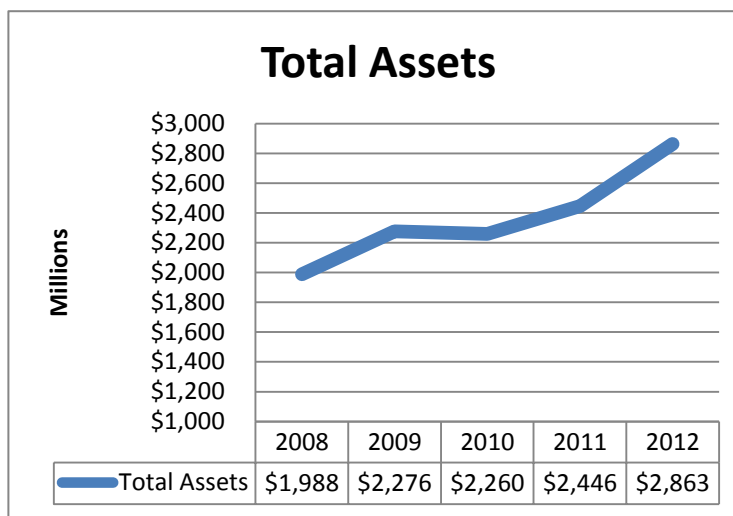
Loans

In 2012, Idaho's state-chartered credit unions continued to grow their loan portfolio at a rate significantly greater than the national average. Loan growth for the year was 16.13 percent compared to 9.47 percent for 2011. Total loans for state-chartered credit unions equal \$2.2 billion, which is a year-over-year increase of \$298.1 million. New and used vehicle loans comprise the largest segment of the Idaho state-chartered credit union loan portfolio at 46.94 percent, while first-position real estate loans represent 33.54 percent of total loans, other real estate loans are 6.11 percent, total unsecured credit are 6.01 percent, and all other loans are 7.40 percent. Loan growth was strongest in the new vehicle category at 24.80 percent followed by first-position real estate loans at 19.72 percent and unsecured credit cards at 17.31 percent.

Credit unions are increasingly utilizing indirect lending relationships to generate new loans; total outstanding indirect loans increased by \$106.9 million, or 21.70 percent, in 2012 and indirect loans represent 27.95 percent of total loans at Idaho state-chartered credit unions as of December 31, 2012.

The loan portfolio composition for all credit unions in the country is as follows:

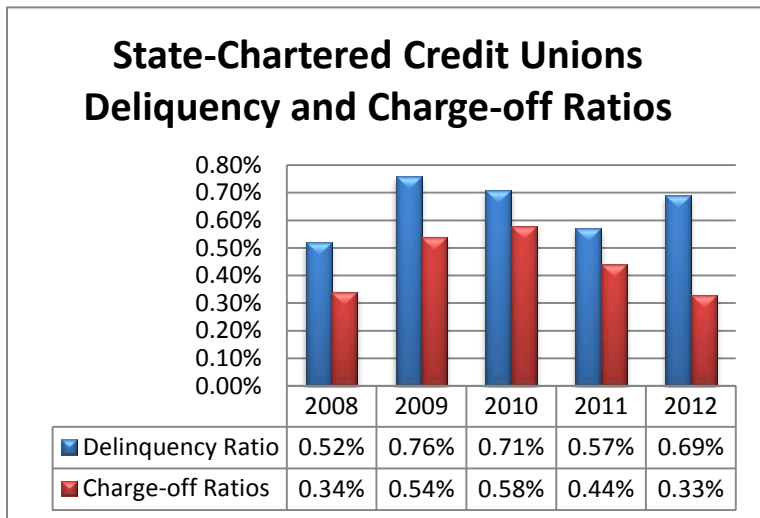
new and used vehicle loans at 29.79 percent, first position real estate loans at 41.31



percent, other real estate loans at 12.38 percent, total unsecured credit at 11.08 percent, and total other loans at 5.44 percent. Indirect loans represent 13.00 percent of total credit union loans nationwide while national indirect lending grew at 10.66 percent in 2012.

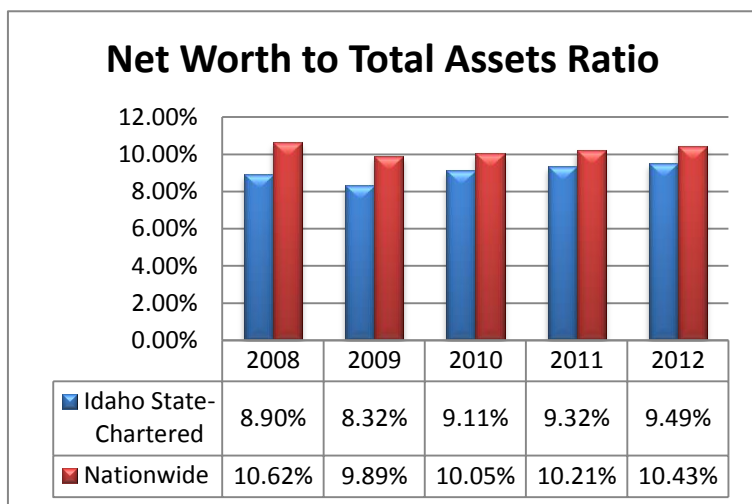
Delinquency and Charge-offs

Diverging from a multi-year trend, loan delinquency increased in 2012, rising 12 basis points to 0.69 percent as of year-end 2012. The Net Charge-Offs to Average Loans Ratio continued its decline and was at the lowest level within the past five years at 0.33 percent. Total reportable delinquency for Idaho’s state-chartered credit unions increased by \$4.3 million, or 40 percent, from December 2011 to December 2012. In this same period, total net charge-offs decreased by \$1.1 million, or 14 percent. These figures provide both good news and bad news for Idaho state-chartered credit unions, as reduced charge-offs indicate either that loans are performing as agreed or financial institutions are working with borrowers who may be experiencing financial difficulty; however, increased delinquency figures may signal potential increased asset quality concerns in 2013. Nationally, credit unions are reporting year-over-year decreases for both the Delinquent Loans to Total Loans Ratio, from 1.61 percent to 1.16 percent, and the Net Charge-Off Ratio, from 0.91 percent to 0.73 percent.



Net Worth

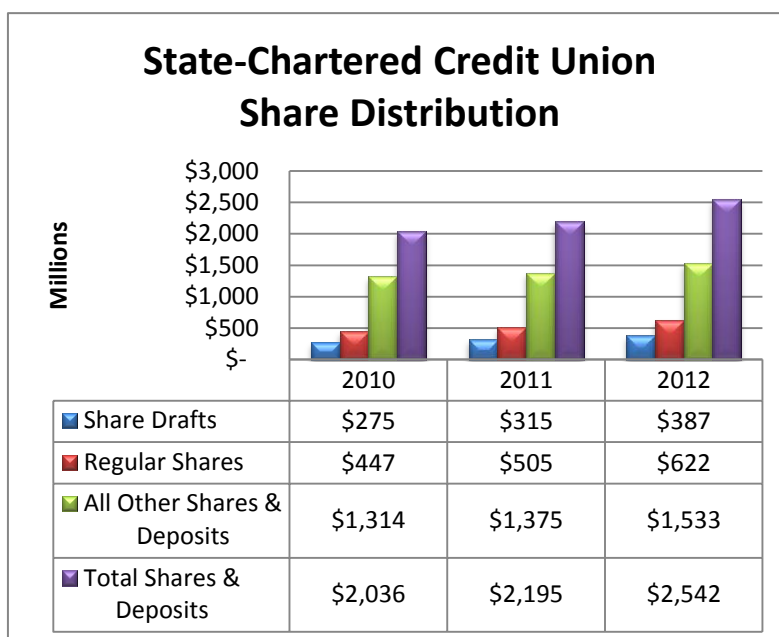
The Net Worth to Total Assets Ratio (Net Worth Ratio) increased from 9.32 percent to 9.49 percent in 2012. Total equity in dollars increased by \$43.6 million, or 19.12 percent, to \$271.9 million. The increase in the Net Worth Ratio is due to net worth growth outpacing total asset growth in 2012. Idaho state-chartered credit unions continue to trail the national credit union Net Worth Ratio average of 10.43 percent as of December 31, 2012.



Operating Results

Idaho state-chartered credit unions reported \$36.6 million in net income for 2012, an increase of \$12.2 million from the 2011 earnings of \$24.4 million. The 1.38 percent Return on Average Assets Ratio (ROAA) for Idaho state-chartered credit unions compares favorably to the ROAA ratio of 0.85 percent reported by all credit unions nationally. However, the low interest rate environment, coupled with an increasingly competitive marketplace for loan financing, has placed increased compression on financial institutions' operating margins. The yield on average loans declined by 46 basis points to 4.85 percent while the yield on average investments fell by 33 basis points to 0.77 percent. These declines, despite a reduction in the Cost of Funds to Average Assets (COF) Ratio of 20 basis points to 0.58 percent, have contributed to the decline in the Net Interest Margin to Average Assets (NIM) Ratio from 3.41 percent to 3.21 percent year-over-year. This NIM Ratio captures interest earned on loans and investments while subtracting interest paid on borrowed money and subtracting dividends paid on share accounts. Nationally, credit unions are reporting a NIM Ratio of 2.92 percent and a COF Ratio of 0.73 percent.

Loan interest income for 2012 of \$96.8 million continued to constitute the largest portion of Idaho state-chartered credit unions' income. Investment income declined by \$1 million, or 21 percent, while total investments remained virtually unchanged at \$278.1 million. Additionally, fee income for Idaho state-chartered credit unions increased by 23 percent in 2012. Total interest expense, including dividend expense and interest paid on deposits, declined by \$2.9 million, or 16 percent in 2012.



Shares

In 2012, total shares and deposits increased by 16 percent to \$2.5 billion. Total share drafts increased by 23 percent to \$387 million while total regular shares increased by 23 percent to \$622 million. Regular shares account for 24.48 percent of total shares, a slight increase from the 23 percent level noted as of year-end 2011. Although certificates of deposit (CDs) continue to represent the largest portion of total shares and deposits at 30.18 percent, but are a smaller portion of total shares as compared to the prior year's level of 31.98 percent. Money market shares grew by 8 percent to \$530 million while IRA/KEOGH accounts grew by 12 percent to \$181 million as of December 31, 2012.

Membership

Membership levels continue to increase at Idaho state-chartered credit unions. Membership growth of 40,083 individuals in 2012 provides an annual membership growth rate of 13 percent. Membership as of December 31, 2012, totaled 340,272 individuals. Idaho state-chartered credit union membership growth continues to outpace the national average, which was 2 percent for all credit unions nationally.

Liquidity

Cash and cash equivalents increased by \$102.1 million, or 53 percent, and totaled \$293.1 million as of December 31, 2012. Total investments also slightly increased by \$5 million, or 2 percent, from 2011. The Cash and Short Term Investments to Total Assets Ratio (Liquidity Ratio) of 13.82 percent represents an increase from the 11.78 percent Liquidity Ratio noted as of year-end 2011. Loans comprise 84.43 percent of total shares and 74.96 percent of total assets. Total borrowing lines of \$348.6 million are available to Idaho state-chartered credit unions.

CONSUMER FINANCE BUREAU

Idaho Collection Agency Act

Idaho Credit Code

Idaho Loan Broker Statute

Idaho Mortgage Company Act

Idaho Residential Mortgage Practices Act

The Consumer Finance Bureau is the regulatory and licensing authority for regulated consumer lenders under the *Idaho Credit Code*. Regulated lenders include consumer finance companies, financial institutions, payday lenders, title lenders, and creditors who take assignments and undertake collection of payments from debtors arising from regulated consumer loans. Provisions of the *Idaho Credit Code* also apply to retail sellers of goods and services who extend credit to their customers.

The Bureau is committed to providing reasonable regulation of mortgage brokers, mortgage lenders, mortgage loan originators, and mortgage service providers operating in Idaho under the *Idaho Residential Mortgage Practices Act* and the *Idaho Mortgage Company Act*.

The Bureau is responsible for the licensing and enforcement provisions of the *Idaho Collection Agency Act*. Collection agencies that engage in collection activities with Idaho residents are required to obtain a license under and comply with the provisions of the Act. Entities that engage in credit counseling, debt counseling, or credit repair within the state of Idaho are also required to obtain a license and comply with the provisions of the Act.

The Bureau administers and enforces Idaho's Loan Broker statute that prohibits loan brokers operating in Idaho from receiving any fee, interest, or other charge prior to a loan or extension of credit, or written commitment to loan or extend credit, being made by an authorized lender.

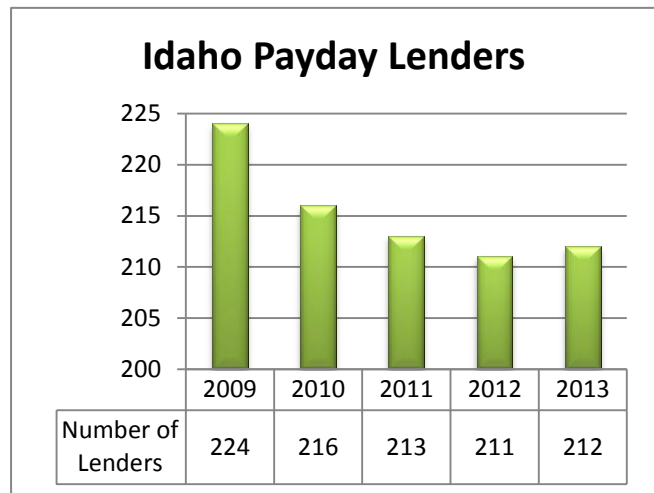
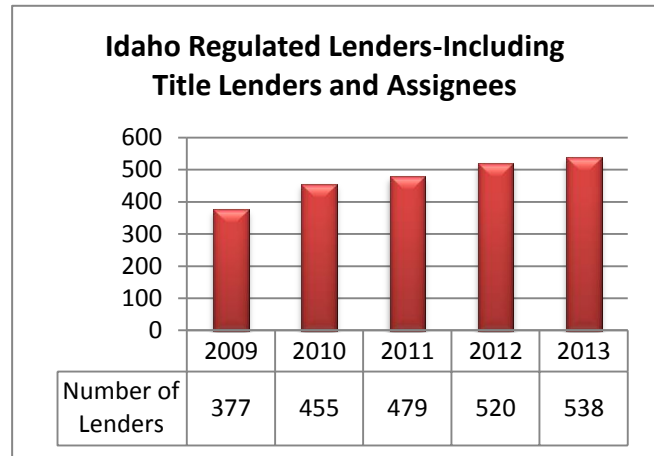
Compliance with the above laws is accomplished by onsite examinations of licensees and by investigations of complaints filed with the Consumer Finance Bureau. The goal of the Bureau is to assure the availability and quality of consumer financial services and ethical debt collection practices. The Consumer Finance Bureau currently has a 23 member staff.

IDAHO CREDIT CODE

The *Idaho Credit Code* (ICC) is a state law that regulates specific terms and conditions of consumer credit in Idaho. A consumer credit transaction is a credit sale or loan in which the credit or loan is extended by a person who is regularly engaged in the offering of credit or financing to borrowers who will use it for personal, family or household purposes, and in which a finance charge is imposed or the debt is payable in installments.

The ICC does not apply to first mortgages but does apply to subordinate lien mortgages. Most other consumer credit transactions such as automobile loans and extensions of credit through credit cards are subject to the ICC. The ICC also applies to payday loan transactions and short-term equity loans on titled vehicles. The ICC includes specific lending procedures and consumer protection provisions for the payday and title lending industries in Idaho, as well as separate licensing requirements for payday lenders. The ICC also includes other generally applicable consumer protection provisions, such as a consumer’s right to be informed about the costs of a loan before it is made, the right to cancel a payday or title loan by the next business day after it is extended, and the right to cancel certain home solicitation sales and real estate transactions.

Licensing/Lending Activity – Under the ICC, creditors engaged in the business of making regulated consumer loans, or taking assignment of and undertaking direct collection of payments from debtors arising from regulated consumer loans, must obtain a regulated lender license. Regulated lenders must file for license renewal and submit composite annual reports on or before May 31 of each year.



During fiscal year 2013, lending activity by state licensed regulated lenders ranged from sole-proprietors located in Idaho to national finance companies with several million dollars in outstanding Idaho loans. The composition of regulated lenders consists of finance companies, including second mortgage lenders, consumer loan assignees, and payday/title lenders. As of

June 30, 2013, Idaho had 538 licensed regulated lender offices, which includes title lenders, consumer loan assignees, consumer finance companies, and 212 licensed payday lender offices.

Compliance/Enforcement – In addition to answering consumer inquiries and complaints, staff members of the Department’s Consumer Finance Bureau conduct routine and “for-cause” on-site examinations of regulated lenders. The Bureau is committed to regularly examining offices of payday and title lenders situated in Idaho to ensure that their business practices comply with the ICC. During fiscal year 2013, the Bureau’s field examiners conducted 74 examinations of payday lender offices, 29 examinations of title loan offices, and 74 examinations of other regulated consumer lender offices. Many licensees examined by the Bureau hold both a regulated lender license and a payday lender license. Therefore, Bureau examiners often have the ability to examine an entity’s payday lending activity and other regulated lending activity, including title loans, during a single examination. The Bureau also received and acted upon 42 complaints from Idaho consumers regarding entities operating as regulated lenders or title lenders, and 74 complaints against payday lenders. During the fiscal year, the Bureau ordered nine unlicensed payday lenders to cease and desist from offering payday loans to Idaho consumers and entered into one consent order with an unlicensed payday lender. Details of these actions are included in Exhibit VI.

IDAHO COLLECTION AGENCY ACT

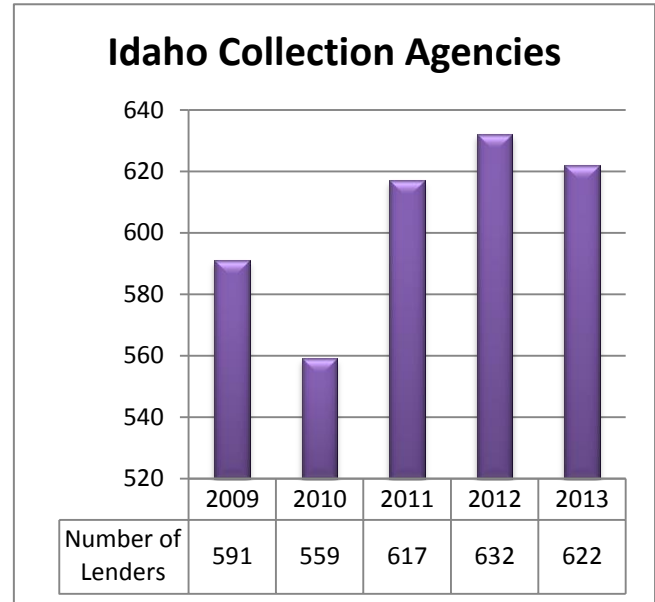
The Consumer Finance Bureau oversees collection agencies that collect from Idaho residents under the authority of the *Idaho Collection Agency Act* (Act). Consumers have an obligation to pay their debts. However, collection agencies must deal openly, fairly, honestly and without deception when collecting debts. This includes complying with the federal Fair Debt Collection Practices Act.

Licensing – Under the Act, the following activities cannot be conducted in Idaho by non-exempt entities without first obtaining an Idaho collection agency license:

- Operating as a collection agency, debt counselor, credit counselor, or credit repair organization;
- Engaging, either directly or indirectly, in the business of collecting or receiving payment for another of any account, bill, claim, or other indebtedness;
- Soliciting or advertising to collect or receive payment for another of any account, bill, claim, or other indebtedness;
- Selling or distributing any system of collection letters in which the name of any person other than the creditor to whom the debt is owed appears;

- Engaging in any activity which indicates that a third party may be involved in effecting collections;
- Engaging in the business of credit or debt counseling, or credit repair; or
- Engaging in, or offering to engage in, the business of collecting any form of indebtedness for that person's own account if the indebtedness was acquired from another person and if the indebtedness was either delinquent or in default at the time it was acquired.

No matter where located, all entities engaged in any of the activities listed above in Idaho are required to obtain a Collection Agency license, which license must be renewed annually on or before March 15 of each year.



As of June 30, 2013, Idaho had 622 Idaho collection agency licensees. These agencies had a combined total of 43,781 individual solicitors/collectors registered with the Department. Additionally, by fiscal year end the Department had licensed 48 credit/debt counselors, 7 credit repair organizations, and 162 debt buyers.

Compliance/Enforcement – In addition to answering consumer inquiries and complaints, Bureau examiners regularly conduct on-site compliance examinations of licensed collection agencies. During the past fiscal year, Bureau examiners conducted 39 examinations of collection agency and debt buyer licensees, 3 examinations of credit/debt counselor licensees, and 1 examination of a credit repair organization. The Department received 209 complaints against collection agencies and debt buyers and 23 complaints against credit/debt counselors. The Department entered into administrative consent orders with 12 companies to resolve allegations of violations of the Act. Furthermore, the Department revoked the license of two collection agencies for failure to meet the licensing requirements of the Act and ordered seven companies to cease and desist from conducting unlicensed collection, credit counseling, or credit repair activities in Idaho. Details of these actions are included in Exhibit VI.

IDAHO RESIDENTIAL MORTGAGE PRACTICES ACT AND IDAHO MORTGAGE COMPANY ACT

Under the *Idaho Residential Mortgage Practices Act* (Act), all non-exempt office locations from which mortgage brokering or mortgage lending activities are conducted are required to be licensed with the Department. The provisions of the Act also extend to individuals who originate residential mortgage loans for mortgage broker and lender licensees. The purpose of the Act is to ensure that companies and individuals offering mortgage services meet minimum standards and that consumers are protected from unfair practices.

Mortgage brokers are companies in the business of:

- (i) assisting borrowers in obtaining mortgage loans from banks or other lenders; or
- (ii) assisting others to obtain an adjustment or compromise of an existing residential mortgage loan.

Mortgage lenders fund mortgage loans and may also perform the mortgage brokering activities mentioned above. Loan originators assist in the preparation of applications for new residential mortgage loans and for modifications of existing residential mortgage loans. The Act applies to those making first mortgage loans as well as to those making subordinated lien loans secured by a dwelling, as defined in section 103(v) of the Truth in Lending Act (15 USC Section 1601 *et seq.*), located in Idaho, or on residential real estate.

In addition, the Department has authority under the *Idaho Mortgage Company Act* to ensure that mortgage companies are properly handling borrower reserves, impound and escrow accounts, as well as properly applying borrower payments.

Licensing – The Act requires that mortgage brokers and mortgage lenders obtain a license for each location from which they conduct mortgage brokering/lending activities in Idaho. Licensees are not required to have a physical office location in Idaho. In fact, the Department has license holders nationwide. During fiscal year 2013 the Department issued

137 mortgage broker/lender licenses and as of June 30, 2013, the Department had 595 active mortgage broker/lender licenses in effect. The Department also had 2,140 mortgage loan originator licenses in effect as of that date.



Compliance – The Bureau conducts on-site examinations, and investigations when warranted, of mortgage brokers, lenders, and mortgage loan originators to verify that business is conducted in compliance with the Act. During fiscal year 2013 the Department conducted examinations of 76 mortgage broker/lender licensees as well as examinations of 672 mortgage loan originators for compliance with the Act. The Bureau also handles customer complaints and inquiries. During fiscal year 2013 the Department received and processed 24 complaints against mortgage service providers.

Mortgage Loan Delinquencies – In fiscal year 2013, the Department observed a decrease over the previous year in the rates of residential loans in Idaho reported as seriously delinquent or in foreclosure. At the end of the second quarter of fiscal 2013 (December 31, 2012) the number of residential mortgage loans in Idaho that were in foreclosure or reported over 90 days delinquent had fallen to 4.48 percent from 5.22 percent one year earlier. This positive trend in reduced delinquencies and foreclosures in Idaho continued, and by the end of fiscal year 2013 Idaho's rates had dropped to 3.84 percent from 4.96 percent one year earlier. At fiscal year-end, Idaho compared favorably to the national percentage of residential mortgage loans that were seriously delinquent or in foreclosure, which stood at 5.88 percent.

Enforcement – In fiscal year 2013 the Department ordered the denial of one mortgage loan originator license application. Additionally, the Department entered into an administrative consent order with one mortgage broker/lender to address violations of the Act. Furthermore, the Department ordered one entity offering mortgage related services to Idaho consumers to cease and desist from violations of the Idaho Financial Fraud Prevention Act. Details of these actions are included in Exhibit VI.

IDAHO LOAN BROKER STATUTE

Idaho's Loan Broker statute, Idaho Code § 26-2501 *et seq.*, prohibits anyone who acts as a loan broker in Idaho from receiving any fee, interest, or other charge prior to a loan or extension of credit being made to a borrower by an authorized lender, or prior to a written commitment of the same being made to a borrower by an authorized lender. During fiscal 2013 the Department received numerous inquiries from consumers contemplating paying upfront fees to loan brokers. In response to these inquiries, and in financial literacy trainings throughout the state, Bureau staff members regularly warn Idaho consumers of the perils of falling prey to advance fee loan scams. Perpetrators of advance fee loan scams commonly operate from outside of the United States but use local sounding addresses. Victims are commonly asked to wire money to foreign locations as a part of the scam.

REGULATORY AND EDUCATIONAL INITIATIVES

Mortgage Advisory Board – Pursuant to the provisions of the Idaho Residential Mortgage Practices Act, the Director appoints Idaho mortgage industry members to a Mortgage Advisory Board annually. The Mortgage Advisory Board meets throughout the year with the Department Director and Bureau staff members and provides valuable input on mortgage regulatory issues, market conditions, and industry initiatives. Through fiscal year 2013, the members of the Mortgage Advisory Board, who also represent mortgage industry associations in Idaho, provided the Department with vital support in preparing and obtaining needed amendments to the Idaho Residential Mortgage Practices Act, described below. The current members of the Mortgage Advisory Board are Chuck Anderson, Ty Porter, Allison Gillespie, Michelle Guth, and Jessika Ondrick.

Regulatory Initiatives – During the 2013 Idaho Legislature, the Department proposed and obtained amendments to Idaho’s mortgage and consumer lending laws. The legislature approved language allowing consumer lenders and collection agencies the option of using a nationwide online licensing system for maintaining their Idaho license records. The online system provides licensees the benefit of creating a single licensing record for use across state jurisdictions, using an online technology platform for submitting licensing information and maintaining license records, and allowing access 24/7 from any location with internet access. The 2013 Idaho Legislature also approved statutory amendments providing a 60-day license reinstatement period for mortgage and consumer lender licensees who fail to renew their licenses on time. This will help licensees get back in business more quickly in the event that they fail to renew their licenses on time.

The Department continues to be regularly involved in the efforts of the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) to develop licensing and regulatory processes that meet the requirements of Idaho’s adoption of requirements of the federal Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act). This includes participation by Bureau staff members on various committees to develop procedural standards for licensing, including licensee testing, and continuing education implemented through the Nationwide Mortgage Licensing System (NMLS). Throughout fiscal year 2013 Bureau staff members were in communication with the federal Consumer Financial Protection Bureau (CFPB), the federal agency with oversight responsibility to ensure the effective administration of the SAFE Act in Idaho.

Mortgage Recovery Fund – Idaho law establishes a mortgage recovery fund to provide reimbursement to persons damaged as a result of violations of the Idaho Residential Mortgage Practices Act. Mortgage licensees pay into the fund as a part of their initial license application and at the time of their annual license renewals. On an annual basis, the Department may apply up to \$50,000 of moneys accumulated in the mortgage recovery fund in excess of \$1,500,000 to: (i) fund the department’s expenses in administering the mortgage recovery fund; (ii) develop and

implement consumer education concerning the residential mortgage industry; (iii) contract for research projects for the state concerning the residential mortgage industry; (iv) fund the training expenses of department staff members and its attorneys concerning the residential mortgage industry; and (v) publish and distribute educational materials to licensees and applicants for licensure under the Idaho Residential Mortgage Practices Act. At the end of fiscal year 2013 the mortgage recovery fund balance was \$1,572,410.20. As a consequence of attaining a fund balance in excess of \$1,500,000 by the end of fiscal year 2013, the Department notified its mortgage licensees, pursuant to Idaho Code § 26-31-110(2), of a mortgage recovery fund “fee holiday” for the 2013 mortgage license renewal process.

SECURITIES BUREAU

Business Combination Act
Continuing Care Disclosure Act
Control Share Acquisition Act
Endowment Care Cemetery Act
Idaho Commodity Code
Idaho Escrow Act
Idaho Financial Fraud Prevention Act
Idaho Money Transmitters Act
Uniform Securities Act

The Securities Bureau administers and enforces several consumer and business protection statutes. Through the authority of the *Uniform Securities Act* and the *Idaho Commodity Code*, the Bureau regulates the sale of investment securities and those individuals and entities that offer investment opportunities to the public. The Bureau's objectives in administering and enforcing these statutes include promoting the integrity and vitality of state and federal financial markets, protecting the investing public from fraudulent investment schemes, and assisting legitimate businesses in their efforts to raise capital in Idaho. Through the *Idaho Escrow Act*, the Bureau provides oversight to independent escrow companies, as well as those providing 1031 exchange accommodation services.

In addition, the Bureau has limited duties under Idaho's *Control Share Acquisition Act*, *Business Combination Act*, the *Continuing Care Disclosure Act*, and the *Idaho Financial Fraud Prevention Act*. Also, the Bureau ensures that endowed care cemeteries properly handle the funds and trust placed with them through administration of the *Endowment Care Cemetery Act*. Finally, the Securities Bureau is responsible for the licensing and enforcement provisions of the *Idaho Money Transmitters Act*. A money transmitter includes any business engaged in receiving money for transmission by any and all means and any business that issues payment instruments to purchasers (e.g., money orders).

Where individuals or entities violate these statutes, appropriate remedies are sought using statutory and administrative enforcement authority. The Bureau also provides assistance in criminal prosecutions when necessary.

UNIFORM SECURITIES ACT

The *Uniform Securities Act* (Act) seeks to preserve and promote legitimate securities markets by assisting companies in their attempts to raise capital and prevent investment fraud. While the Act is designed to protect investors from fraud, it does not protect investors from the possibility of investment loss resulting from securities price movements, market changes or business failures. The Act requires that persons who solicit investments provide complete disclosure of all the important aspects of the investment being promoted. With this information, investors are empowered to make reasoned investment decisions.

Idaho Registered Broker-Dealers and Investment Advisors

Securities Issuer Filings – Generally, any public offering of newly issued securities must be reviewed and registered with the Securities Bureau before it is offered to public investors. The review is designed to determine whether the offering materials provide full, fair and accurate disclosure of all material information and whether the offering materials contain fraudulent terms or the offering is structured unfairly. The accompanying chart includes data for all issuer filings made with the Bureau, including private placements.

Registration of Firms and Agents – The Bureau registers and provides oversight for most broker-dealers, securities sales agents and investment advisory representatives doing business in or from Idaho. Additionally, the Bureau registers and is the sole regulator for investment advisory (IA) firms that are located in Idaho and have assets under management of up to \$100 million. Every application for registration is examined either electronically or manually prior to approval. In this fiscal year the Bureau assumed oversight of 13 IAs with assets under management of less than \$100 million which previously had been under federal supervision. As noted in the accompanying charts, the Bureau had oversight responsibility for 1,530 broker-dealer firms and state registered investment adviser firms during FY 2013. This oversight also extends to more than 97,000 individuals who currently hold Idaho registrations as broker-dealer agents, investment adviser representatives and issuer agents. While the aggregate number of broker-dealer and investment advisory firms has been somewhat static in recent years, the number of agents has continued to climb to an all-time high this fiscal year of 96,802.

Compliance – In an effort to assure that the securities industry is complying with the Uniform Securities Act, registration amendments are regularly reviewed to consider changes in the applicant's business, ownership and new disciplinary information. Bureau staff also investigates investor complaints, reviews advertising, and analyzes financial data on broker-dealer and investment adviser firms. Finally, periodic on-site examinations of broker-dealer and investment adviser offices are conducted to verify compliance with the Act and to educate industry professionals. When a violation is discovered, the Department determines whether sanctions are appropriate or whether other corrective action can address the issue. The Bureau may seek fines, deny, suspend or revoke licenses or initiate administrative or court action.

Enforcement – As an enforcement agency, one of the Bureau’s missions is to protect Idaho investors from fraudulent investment schemes. Bureau professionals investigate complaints of possible violations of the Act, negotiate administrative sanctions, assist in bringing civil lawsuits and assist in criminal prosecutions to enforce the law. The potential financial impact of securities cases under investigation or in the process of resolution during the fiscal year approached \$58 million. During FY 2013, the Securities Bureau initiated or completed 24 enforcement actions involving 33 respondents or defendants. Details of the administrative and civil court actions filed or completed by the Bureau during fiscal 2013 are provided in Exhibit V.

Rescission, Refunds and Penalties – As a result of the Bureau’s regulatory enforcement efforts, Idaho residents were offered, or awarded in judgments by the courts, nearly \$2.5 million in refunds on their securities investments due to the administrative and civil enforcement actions described earlier. This also includes voluntary rescission offers made in accordance with the Act. Unfortunately, only a small portion of this amount is collectible by the Department. For this reason, the Department encourages victims of investment fraud to pursue their own remedies and not rely on the Department to recover any lost funds. The Bureau assessed total fines and penalties of more than \$279,000 in fiscal year 2013. Much of this amount is also uncollectible.

IDAHO MONEY TRANSMITTERS

The Department of Finance is charged with the responsibility of administering and enforcing the *Idaho Money Transmitters Act*. A “money transmitter” is defined as any business engaged in receiving money for transmission, or transmitting money within the United States or to locations outside the United States, by any and all means including, but not limited to, payment instruments, wire transfers, and facsimile or electronic transfers. At fiscal year end, the Department had 70 licensees under this statute, an increase of 7.7 percent over the prior fiscal year.

IDAHO ESCROW ACT

In fiscal year 2013, the Department transferred the administration of the Idaho Escrow Act from the Consumer Finance Bureau to the Department’s Securities Bureau. The *Idaho Escrow Act* assigns the Department regulatory oversight responsibilities for independent Idaho escrow agencies. Idaho escrow agencies, as defined in the Idaho Escrow Act, are required to obtain a license prior to engaging in escrow activities in Idaho. This includes exchange accommodators who facilitate “1031” exchanges, pursuant to 26 USC §1031. As of June 30, 2013, the Department had issued 38 licenses to entities engaged in escrow activities in the state of Idaho.

ENDOWMENT CARE CEMETERIES

The purpose of the *Endowment Care Cemetery Act* is to ensure that sound business practices essential to the continued furnishing of endowed or perpetual care cemeteries are followed. A “perpetual” or “endowed care cemetery” is a cemetery where lots are sold under the representation that the cemetery and lots will receive perpetual maintenance and oversight. This “endowed care” is provided free of further cost to the purchaser after payment of the original purchase price for a lot or burial space. An endowed or perpetual care cemetery is required to establish an irrevocable trust fund in the sum of at least \$50,000 for the care of the cemetery. The income from the trust fund may only be used for the general care, maintenance, and embellishment of the cemetery. All “endowed care” or “perpetual care” cemeteries in Idaho are required to be registered with the Securities Bureau.

There are 12 endowed care cemeteries licensed in Idaho. Each of these cemeteries is required to submit a renewal fee and form every year, along with a financial statement for its trust account. The Securities Bureau conducts periodic audits of endowed care cemeteries to verify that the trust funds are being handled properly.

SUPPORTING SERVICES BUREAU

This Bureau provides enterprise operational support to the Director and the chiefs of the other Bureaus in carrying out their program responsibilities. This support is provided through the development and maintenance of the accounting system and records for the Department; maintenance of personnel records; preparation and submission of the Department's budget; providing financial, management and statistical reports; coordination of the Department's business services; maintenance of the Departments vehicles, and maintenance of the Department's information technology systems.

The Supporting Services Bureau completed several large projects during fiscal year 2013 including: IT and fiscal or budgetary support for national accreditations, replacement of key equipment, updating the strategic plan, the strategic IT plan, and overseeing increased design and transition into a comprehensive records management system. Databases for Mortgage Loan Originators, Mortgage Loan Originator Continuing Education, and CFB Case Management, all received major upgrades. We also worked with Access Idaho and the Nationwide Mortgage Licensing System (NMLS) to automate licensing of collection agencies, as well as solicitors and collectors. Many systems received significant synchronization capabilities and other upgrades.

The following information regarding the Department is included in the following exhibits:

Exhibit II	Summary of Income and Expenses
Exhibit VII	Department of Finance Staff

**DEPARTMENT OF FINANCE DIRECTORS/COMMISSIONERS
SINCE DATE OF ITS CREATION BY ACT OF LEGISLATURE IN 1905**

<u>Director/Commissioner</u>	<u>Term of Office</u>
C. C. Loveland	March 6, 1905 to June 1, 1907
W. S. Chaney	June 1, 1907 to March 6, 1909
William G. Cruse	March 6, 1909 to June 2, 1911
V. W. Platt	June 2, 1911 to February 1, 1913
A. E. Reid	February 1, 1913 to February 6, 1915
G. R. Hitt	February 6, 1915 to January 25, 1919
Jay Givson	January 25, 1919 to September 10, 1920
J. G. Fralick	September 10, 1920 to February 7, 1923
E. W. Potter	February 7, 1923 to February 1, 1931
Ben Diefendorf	February 1, 1931 to January 13, 1937
George W. Wedgwood	January 13, 1937 to January 1, 1939
G. L. Jenkins	January 1, 1939 to January 6, 1941
George W. Wedgwood	January 6, 1941 to January 4, 1943
G. L. Jenkins	January 4, 1943 to January 2, 1945
J. B. Newport	January 4, 1945 to December 28, 1946
William J. Sewell	December 28, 1946 to January 6, 1947
E. F. Haworth	January 6, 1947 to August 15, 1952
Austin Schauweiler	August 15, 1952 to May 14, 1954
R. U. Spaulding	June 17, 1954 to April 14, 1961
J. L. McCarthy	June 1, 1961 to July 9, 1965
Tom D. McEldowney (Acting)	August 10, 1965 to January 31, 1967
John D. Silva	February 1, 1967 to January 4, 1971
Tom D. McEldowney (Acting)	January 4, 1971 to August 29, 1971
Tom D. McEldowney	August 30, 1971 to March 31, 1987
Belton J. Patty	April 1, 1987 to January 1, 1995
Gavin M. Gee (Acting)	January 2, 1995 to March 13, 1996
Gavin M. Gee	March 13, 1996 to Present

SUMMARY OF INCOME AND EXPENSES

July 1, 2012 through June 30, 2013

INCOME BY SOURCE

Dedicated Account-----	\$12,679,217
TOTAL INCOME COLLECTED-----	\$12,679,217

APPROPRIATION

Dedicated Account-----	\$6,349,800
TOTAL APPROPRIATION-----	\$6,349,800

EXPENDITURES

Personnel Costs-----	\$4,697,881
Operating Expenditures-----	\$1,422,986
Capital Outlay-----	\$106,333
TOTAL EXPENDITURES-----	\$6,227,200
BALANCE OF APPROPRIATION-----	\$122,600

EXPENDITURES BY MAJOR CLASSES

Salaries & Wages-----	\$3,453,472
Personnel Benefits-----	\$1,244,409
Communication Services-----	\$57,364
Employee Development & Other Services-----	\$89,356
Professional Services-----	\$396,467
Repairs & Maintenance Service-----	\$52,289
Administrative Services-----	\$2,033
DP Services-----	\$130,245
Employee Travel-----	\$289,624
Materials & Supplies-----	\$53,220
Insurance-----	\$2,232
Rentals & Operating Leases-----	\$328,054
Miscellaneous Operating Expenditures-----	\$22,102
Capital Outlay-----	\$106,333
	\$6,227,200

TRANSFERRED TO GENERAL FUND ----- \$5,934,940

PERSONNEL STATUS June 30	POSITIONS AUTHORIZED	POSITIONS APPROPRIATED	POSITIONS FILLED
Full-Time Employees	64	64	61

FUND SOURCE B

Security Investor Fund (Securities Fines Only)-----	\$50,000.00
-	
	<u>\$50,000.00</u>

EXPENDITURES

Personnel Costs-----	\$0
Operating Expenditures-----	\$49,972
Capital Outlay-----	\$0
	<u>\$49,972</u>
	<u>\$28</u>

FUND SOURCE C

Mortgage Recovery Fund-----	<u>\$1,572,410</u>
TOTAL COLLECTED -----	<u><u>\$1,572,410</u></u>

STATE OF IDAHO
STATE-CHARTERED BANKS AND SAVINGS BANKS*
COMPARATIVE STATEMENT
Close of Business 12/31/12 and 12/31/11
(000's Omitted)

	2012	2011	\$ Change
Cash and balances due from depository institutions			
Noninterest-bearing balances and currency and coin	172,335	149,881	22,454
Interest-bearing balances	606,702	616,026	(9,324)
Securities:			
Held-to-maturity securities	128,693	106,060	22,633
Available-for-sale securities	1,327,708	1,599,806	(272,098)
Federal funds sold and securities purchased under agreements to resell			
Federal funds sold	47,774	162,620	(114,846)
Securities purchased under agreements to resell			
Loans and lease financing receivables			
Loans and leases held for sale	44,205	77,693	(33,488)
Loans and leases, net of unearned income	3,100,277	3,885,833	(785,556)
LESS: Allowance for loan and lease losses	68,732	119,847	(51,115)
Loans and leases, net of unearned income and allowance	3,031,545	3,765,986	(734,441)
Trading assets	3,054	2,864	190
Premises and fixed assets (including capitalized leases)	142,884	185,270	(42,386)
Other real estate owned	69,740	104,869	(35,129)
Investments in unconsolidated subsidiaries and associated companies	0	86	(86)
Intangible assets:			
Goodwill	377	9,930	(9,553)
Other intangible assets	2,986	3,461	(475)
Other assets	166,561	210,977	(44,416)
Total assets	5,744,564	6,995,529	(1,250,965)
Deposits:			
In domestic offices:			
Noninterest-bearing	4,811,098	5,612,601	(801,503)
Interest-bearing	1,353,179	1,396,137	(42,958)
Interest-bearing	3,457,918	4,216,463	(758,545)
Federal funds purchased and securities sold under agreements to repurchase			
Federal funds purchased	0	19,450	(19,450)
Securities sold under agreements to repurchase	171,251	228,849	(57,598)
Trading liabilities	3,054	2,864	190
Other borrowed money	30,677	243,094	(212,417)
Bank's liability on acceptances executed and outstanding			
Subordinated notes and debentures			
Other liabilities	33,919	45,976	(12,057)
Total liabilities	5,049,999	6,155,834	(1,105,835)
Minority interest in consolidated subsidiaries			
Perpetual preferred stock and related surplus			
Common stock	92,753	116,665	(23,912)
Surplus (exclude all surplus related to preferred stock)	487,634	595,715	(108,081)
Retained earnings and Other Equity Capital Components	114,178	127,315	(13,137)
Total equity capital	694,565	839,695	(145,130)
Total liabilities, minority interest, and equity capital	5,744,564	6,995,529	(1,250,965)

* Includes only state-chartered banks headquartered in Idaho as of 12/31/2012 and 12/31/2011
Source: Federal Deposit Insurance Corporation

DECEMBER 31, 2012
BANK OF IDAHO
IDAHO FALLS, IDAHO
Charter No. 240
Charter Issued September 13, 1985
Incorporated July 17, 1985

OFFICERS:

President & CEO: Park L. Price
Chief Financial Officer: Jeff R. Manser
Chief Credit Officer: Cam Payne

DIRECTORS:

Emma L. Atchley; Steven E. Carr;
Mario Hernandez; Harold L. Latin
Kenlon P. Johnson; Park L. Price
John Rigby; John Spicer

Cash and balances due from depository institutions	(000's omitted)
Noninterest-bearing balances and currency and coin.	7,557
Interest-bearing balances	15,351
Securities:	
Held-to-maturity securities	180
Available-for-sale securities	55,616
Federal funds sold and securities purchased under agreements to resell	
Federal funds sold	0
Securities purchased under agreements to resell	0
Loans and lease financing receivables	
Loans and leases held for sale	11,620
Loans and leases, net of unearned income	137,826
LESS: Allowance for loan and lease losses	3,552
Loans and leases, net of unearned income and allowance	134,274
Trading assets	0
Premises and fixed assets (including capitalized leases)	4,483
Other real estate owned	6,300
Intangible assets:	
Goodwill	0
Other intangible assets	0
Other assets	2,760
Total assets	238,141
Deposits:	
In domestic offices:	216,258
Noninterest-bearing	70,560
Interest-bearing	145,698
Federal funds purchased and securities sold under agreements to repurchase	
Federal funds purchased	0
Securities sold under agreements to repurchase	1,780
Trading liabilities	0
Other borrowed money	0
Subordinated notes and debentures	0
Other liabilities	2,482
Total liabilities	220,520
Minority interest in consolidated subsidiaries	0
Perpetual preferred stock and related surplus	0
Common stock	1,402
Surplus (exclude all surplus related to preferred stock)	9,981
Retained earnings	5,292
Accumulated other comprehensive income	946
Other equity capital components	0
Total equity capital	17,621
Total liabilities, minority interest, and equity capital	238,141

DECEMBER 31, 2012
bankcda
COEUR D'ALENE, IDAHO
Charter No. 258
Charter Issued May 3, 2001
Incorporated October 16, 2000

OFFICERS:

President & CEO: Wesley R. Veach
Cashier: Kim Nordstrom
Chief Credit Officer: Shelly Romine

DIRECTORS:

Richard C. Emery; Joseph Haley;
C. Richard Nordstrom; John C. Shovic;
Craig S. Tedmon; Wesley R. Veach

Cash and balances due from depository institutions	(000's omitted)
Noninterest-bearing balances and currency and coin.	2,759
Interest-bearing balances	10,452
Securities:	
Held-to-maturity securities	0
Available-for-sale securities	3,905
Federal funds sold and securities purchased under agreements to resell	
Federal funds sold	150
Securities purchased under agreements to resell	0
Loans and lease financing receivables	
Loans and leases held for sale	0
Loans and leases, net of unearned income	49,126
LESS: Allowance for loan and lease losses	1,070
Loans and leases, net of unearned income and allowance	48,056
Trading assets	0
Premises and fixed assets (including capitalized leases)	653
Other real estate owned	1,360
Intangible assets:	
Goodwill	0
Other intangible assets	0
Other assets	3,424
Total assets	<u><u>70,759</u></u>
Deposits:	
In domestic offices:	57,284
Noninterest-bearing	15,974
Interest-bearing	41,310
Federal funds purchased and securities sold under agreements to repurchase	
Federal funds purchased	0
Securities sold under agreements to repurchase	0
Trading liabilities	0
Other borrowed money	3,298
Subordinated notes and debentures	0
Other liabilities	549
Total liabilities	<u>61,131</u>
Minority interest in consolidated subsidiaries	0
Perpetual preferred stock and related surplus	0
Common stock	6,488
Surplus (exclude all surplus related to preferred stock)	1,789
Retained earnings	1,327
Accumulated other comprehensive income	24
Other equity capital components	0
Total equity capital	<u>9,628</u>
Total liabilities, minority interest, and equity capital	<u><u>70,759</u></u>

DECEMBER 31, 2012
COMMUNITY 1ST BANK
POST FALLS, IDAHO
Charter No. 261
Charter Issued May 21, 2007
Incorporated May 10, 2007

OFFICERS:

Chief Executive Officer: David P. Bobbitt
 President & Chief Operations Officer: Jerry C. Lyon
 Chief Financial Officer: Nicole M. Montgomery

DIRECTORS:

William R. Basom; David P. Bobbitt;
 William Booth; David B. Holloway;
 Cyndie J. Lempesis; Jerry C. Lyon;
 Gary T. Schneidmiller; Jack P. Tibesar

Cash and balances due from depository institutions	(000's omitted)
Noninterest-bearing balances and currency and coin.	699
Interest-bearing balances	14,064
Securities:	
Held-to-maturity securities	1,870
Available-for-sale securities	6,645
Federal funds sold and securities purchased under agreements to resell	
Federal funds sold	201
Securities purchased under agreements to resell	0
Loans and lease financing receivables	
Loans and leases held for sale	0
Loans and leases, net of unearned income	49,204
LESS: Allowance for loan and lease losses	972
Loans and leases, net of unearned income and allowance	48,232
Trading assets	0
Premises and fixed assets (including capitalized leases)	1,071
Other real estate owned	752
Intangible assets:	
Goodwill	0
Other intangible assets	0
Other assets	481
Total assets	74,015
Deposits:	
In domestic offices:	64,241
Noninterest-bearing	9,202
Interest-bearing	55,039
Federal funds purchased and securities sold under agreements to repurchase	
Federal funds purchased	0
Securities sold under agreements to repurchase	0
Trading liabilities	0
Other borrowed money	0
Subordinated notes and debentures	0
Other liabilities	198
Total liabilities	64,439
Minority interest in consolidated subsidiaries	0
Perpetual preferred stock and related surplus	0
Common stock	5,250
Surplus (exclude all surplus related to preferred stock)	5,321
Retained earnings	(1,062)
Accumulated other comprehensive income	67
Other equity capital components	0
Total equity capital	9,576
Total liabilities, minority interest, and equity capital	74,015

DECEMBER 31, 2012
D. L. EVANS BANK
BURLEY, IDAHO
Charter No. 26
Charter Issued August 29, 1904
Incorporated August 23, 1904

OFFICERS:

Chief Executive Officer: John V. Evans, Jr.
President: John V. Evans, Sr.
Chief Financial Officer: Brenda Sanford
Chief Credit Officer: H. Scott Horsley

DIRECTORS:

David L. Evans, IV; Don S. Evans, Sr.; Don S. Evans, Jr.;
John V. Evans, Sr.; John V. Evans, Jr.; Larry L. Evans;
M. DeLell Evans; Paula D. Evans; Martha Gilgen; Glen R.
Kunau; Lex H. Kunau; James J. Lynch; Susan D. Evans-Scarlett

Cash and balances due from depository institutions	(000's omitted)
Noninterest-bearing balances and currency and coin.	21,872
Interest-bearing balances	86,707
Securities:	
Held-to-maturity securities	0
Available-for-sale securities	269,751
Federal funds sold and securities purchased under agreements to resell	
Federal funds sold	691
Securities purchased under agreements to resell	0
Loans and lease financing receivables	
Loans and leases held for sale	13,845
Loans and leases, net of unearned income	560,695
LESS: Allowance for loan and lease losses	13,864
Loans and leases, net of unearned income and allowance	546,831
Trading assets	0
Premises and fixed assets (including capitalized leases)	29,059
Other real estate owned	14,433
Intangible assets:	
Goodwill	0
Other intangible assets	0
Other assets	11,413
Total assets	994,602
Deposits:	
In domestic offices:	816,979
Noninterest-bearing	217,497
Interest-bearing	599,482
Federal funds purchased and securities sold under agreements to repurchase	
Federal funds purchased	0
Securities sold under agreements to repurchase	73,321
Trading liabilities	0
Other borrowed money	0
Subordinated notes and debentures	0
Other liabilities	4,118
Total liabilities	894,418
Minority interest in consolidated subsidiaries	0
Perpetual preferred stock and related surplus	0
Common stock	901
Surplus (exclude all surplus related to preferred stock)	65,525
Retained earnings	28,864
Accumulated other comprehensive income	4,894
Other equity capital components	0
Total equity capital	100,184
Total liabilities, minority interest, and equity capital	994,602

DECEMBER 31, 2012
HOME FEDERAL BANK
NAMPA, IDAHO
Charter No. 264
Charter Issued May 31, 2011
Incorporated January 1, 1920

OFFICERS:

President & CEO: Len E. Williams
Chief Financial Officer: Eric S. Nadeau
Chief Credit Officer: Cindy Bateman

DIRECTORS:

N. Charles Hedemark; Bradley J. Little;
Richard J. Navarro; James R. Stamey;
Daniel L. Stevens; Robert A. Tintzman; Len E. Williams

Cash and balances due from depository institutions	(000's omitted)
Noninterest-bearing balances and currency and coin.	21,756
Interest-bearing balances	93,576
Securities:	
Held-to-maturity securities	0
Available-for-sale securities	410,411
Federal funds sold and securities purchased under agreements to resell	
Federal funds sold	0
Securities purchased under agreements to resell	0
Loans and lease financing receivables	
Loans and leases held for sale	0
Loans and leases, net of unearned income	422,368
LESS: Allowance for loan and lease losses	12,528
Loans and leases, net of unearned income and allowance	409,840
Trading assets	0
Premises and fixed assets (including capitalized leases)	26,836
Other real estate owned	10,289
Investments in unconsolidated subsidiaries and associated companies	0
Intangible assets:	
Goodwill	0
Other intangible assets	2,523
Other assets	58,454
Total assets	<u>1,033,685</u>
Deposits:	
In domestic offices:	860,832
Noninterest-bearing	151,661
Interest-bearing	709,171
Federal funds purchased and securities sold under agreements to repurchase	
Federal funds purchased	0
Securities sold under agreements to repurchase	4,775
Trading liabilities	0
Other borrowed money	0
Subordinated notes and debentures	0
Other liabilities	11,357
Total liabilities	<u>876,964</u>
Minority interest in consolidated subsidiaries	0
Perpetual preferred stock and related surplus	0
Common stock	1
Surplus (exclude all surplus related to preferred stock)	87,189
Retained earnings	61,611
Accumulated other comprehensive income	7,920
Other equity capital components	0
Total equity capital	<u>156,721</u>
Total liabilities, minority interest, and equity capital	<u><u>1,033,685</u></u>

DECEMBER 31, 2012
IDAHO BANKING COMPANY
BOISE, IDAHO
Charter No. 250
Charter Issued October 3, 1996
Incorporated May 14, 1996

OFFICERS:

President & CEO: James Latta
Chief Financial Officer: Bruce Barfuss

DIRECTORS:

V. Dale Babbitt; M. Dean Buffington;
B. Randy Harris; James C. Latta;
John S. Simko

Cash and balances due from depository institutions	(000's omitted)
Noninterest-bearing balances and currency and coin.	617
Interest-bearing balances	17,159
Securities:	
Held-to-maturity securities	0
Available-for-sale securities	2,907
Federal funds sold and securities purchased under agreements to resell	
Federal funds sold	0
Securities purchased under agreements to resell	0
Loans and lease financing receivables	
Loans and leases held for sale	0
Loans and leases, net of unearned income	74,480
LESS: Allowance for loan and lease losses	4,804
Loans and leases, net of unearned income and allowance	69,676
Trading assets	0
Premises and fixed assets (including capitalized leases)	3,317
Other real estate owned	7,568
Intangible assets:	
Goodwill	0
Other intangible assets	0
Other assets	4,577
Total assets	<u>105,821</u>
Deposits:	
In domestic offices:	98,852
Noninterest-bearing	28,790
Interest-bearing	70,062
Federal funds purchased and securities sold under agreements to repurchase	
Federal funds purchased	0
Securities sold under agreements to repurchase	94
Trading liabilities	0
Other borrowed money	3,000
Subordinated notes and debentures	0
Other liabilities	407
Total liabilities	<u>102,353</u>
Minority interest in consolidated subsidiaries	0
Perpetual preferred stock and related surplus	0
Common stock	4,299
Surplus (exclude all surplus related to preferred stock)	21,406
Retained earnings	(22,257)
Accumulated other comprehensive income	20
Other equity capital components	0
Total equity capital	<u>3,468</u>
Total liabilities, minority interest, and equity capital	<u><u>105,821</u></u>

DECEMBER 31, 2012
IDAHO FIRST BANK
MCCALL, IDAHO
Charter No. 259
Charter Issued September 3, 2005
Incorporated March 3, 2005

OFFICERS:

President & CEO: Greg P. Lovell
Chief Financial Officer: Don D. Madsen
Chief Lending Officer: Gerald Jutting

DIRECTORS:

Don F. Driscoll; Justin C. Dye;
James F. Fletcher; Daniel C. Krahn;
Larry LaRocco; Greg P. Lovell;
Mark J. Miller; Daniel A. Neef; William B. Rawlings

Cash and balances due from depository institutions	(000's omitted)
Noninterest-bearing balances and currency and coin.	2,378
Interest-bearing balances	5,477
Securities:	
Held-to-maturity securities	0
Available-for-sale securities	4,446
Federal funds sold and securities purchased under agreements to resell	
Federal funds sold	0
Securities purchased under agreements to resell	0
Loans and lease financing receivables	
Loans and leases held for sale	9,930
Loans and leases, net of unearned income	62,257
LESS: Allowance for loan and lease losses	1,114
Loans and leases, net of unearned income and allowance	61,143
Trading assets	0
Premises and fixed assets (including capitalized leases)	209
Other real estate owned	827
Intangible assets:	
Goodwill	0
Other intangible assets	0
Other assets	1,331
Total assets	<u>85,741</u>
Deposits:	
In domestic offices:	78,338
Noninterest-bearing	12,981
Interest-bearing	65,357
Federal funds purchased and securities sold under agreements to repurchase	
Federal funds purchased	0
Securities sold under agreements to repurchase	0
Trading liabilities	0
Other borrowed money	2,000
Subordinated notes and debentures	0
Other liabilities	402
Total liabilities	<u>80,740</u>
Minority interest in consolidated subsidiaries	0
Perpetual preferred stock and related surplus	0
Common stock	14,711
Surplus (exclude all surplus related to preferred stock)	0
Retained earnings	(9,727)
Accumulated other comprehensive income	17
Other equity capital components	0
Total equity capital	<u>5,001</u>
Total liabilities, minority interest, and equity capital	<u>85,741</u>

DECEMBER 31, 2012
IDAHO INDEPENDENT BANK
COEUR D'ALENE, IDAHO
Charter No. 246
Charter Issued September 7, 1993
Incorporated November 3, 1992

OFFICERS:

Chief Executive Officer: Jack W. Gustavel
President & Chief Operating Officer: Kurt R. Gustavel
Cashier: Paul H. Montreuil

DIRECTORS:

Roy L. Eiguren;
Jack W. Gustavel; Kurt R. Gustavel;
Terry L. Gustavel; Jerald J. Jaeger;
Gary L. Mahn; Alicia A. Ritter

Cash and balances due from depository institutions	(000's omitted)
Noninterest-bearing balances and currency and coin.	13,042
Interest-bearing balances	104,817
Securities:	
Held-to-maturity securities	0
Available-for-sale securities	77,718
Federal funds sold and securities purchased under agreements to resell	
Federal funds sold	546
Securities purchased under agreements to resell	0
Loans and lease financing receivables	
Loans and leases held for sale	6,798
Loans and leases, net of unearned income	222,354
LESS: Allowance for loan and lease losses	7,137
Loans and leases, net of unearned income and allowance	215,217
Trading assets	0
Premises and fixed assets (including capitalized leases)	18,288
Other real estate owned	7,832
Intangible assets:	
Goodwill	0
Other intangible assets	0
Other assets	19,797
Total assets	467,109
Deposits:	
In domestic offices:	384,702
Noninterest-bearing	136,542
Interest-bearing	248,160
Federal funds purchased and securities sold under agreements to repurchase	
Federal funds purchased	0
Securities sold under agreements to repurchase	13,462
Trading liabilities	0
Other borrowed money	9,000
Subordinated notes and debentures	0
Other liabilities	5,522
Total liabilities	415,740
Minority interest in consolidated subsidiaries	0
Perpetual preferred stock and related surplus	0
Common stock	44,746
Surplus (exclude all surplus related to preferred stock)	41,637
Retained earnings	(24,194)
Accumulated other comprehensive income	219
Other equity capital components	(11,039)
Total equity capital	51,369
Total liabilities, minority interest, and equity capital	467,109

DECEMBER 31, 2012
IDAHO TRUST BANK
BOISE, IDAHO
Charter No. 263
Charter Issued December 4, 2008
Incorporated December 4, 2008

OFFICERS:

Chief Executive Officer: Daniel W. Prohaska
President: Thomas F. Prohaska
Chief Financial Officer: Ranka Zivanic

DIRECTORS:

John B. Dimmer; Stanley K. Fornander;
Richard H. Jones; Daniel W. Prohaska;
Thomas F. Prohaska

Cash and balances due from depository institutions	(000's omitted)
Noninterest-bearing balances and currency and coin.	750
Interest-bearing balances	14,494
Securities:	
Held-to-maturity securities	0
Available-for-sale securities	1,523
Federal funds sold and securities purchased under agreements to resell	
Federal funds sold	152
Securities purchased under agreements to resell	0
Loans and lease financing receivables	
Loans and leases held for sale	0
Loans and leases, net of unearned income	47,751
LESS: Allowance for loan and lease losses	1,281
Loans and leases, net of unearned income and allowance	46,470
Trading assets	0
Premises and fixed assets (including capitalized leases)	3,727
Other real estate owned	2,360
Intangible assets:	
Goodwill	155
Other intangible assets	0
Other assets	3,939
Total assets	73,570
Deposits:	
In domestic offices:	56,854
Noninterest-bearing	8,764
Interest-bearing	48,090
Federal funds purchased and securities sold under agreements to repurchase	
Federal funds purchased	0
Securities sold under agreements to repurchase	0
Trading liabilities	0
Other borrowed money	0
Subordinated notes and debentures	0
Other liabilities	186
Total liabilities	57,040
Minority interest in consolidated subsidiaries	0
Perpetual preferred stock and related surplus	0
Common stock	2,000
Surplus (exclude all surplus related to preferred stock)	14,529
Retained earnings	0
Accumulated other comprehensive income	1
Other equity capital components	0
Total equity capital	16,530
Total liabilities, minority interest, and equity capital	73,570

DECEMBER 31, 2012
IRELAND BANK
MALAD CITY, IDAHO
Charter No. 7
Charter Issued May 1, 1899
Incorporated December 8, 1892

OFFICERS:

President & CEO: Bruce Lowry
Chief Financial Officer: Tony McClain
Chief Credit Officer: Blake Marchant

DIRECTORS:

Timothy P. Deeg; David G. Jenkins;
Bruce Lowry; Randall E. Marshall;
Randon W. Wilson

Cash and balances due from depository institutions	(000's omitted)
Noninterest-bearing balances and currency and coin.	2,457
Interest-bearing balances	6,142
Securities:	
Held-to-maturity securities	17,078
Available-for-sale securities	55,110
Federal funds sold and securities purchased under agreements to resell	
Federal funds sold	0
Securities purchased under agreements to resell	0
Loans and lease financing receivables	
Loans and leases held for sale	0
Loans and leases, net of unearned income	126,799
LESS: Allowance for loan and lease losses	1,936
Loans and leases, net of unearned income and allowance	124,863
Trading assets	0
Premises and fixed assets (including capitalized leases)	1,556
Other real estate owned	1,824
Intangible assets:	
Goodwill	222
Other intangible assets	0
Other assets	7,400
Total assets	<u>216,652</u>
Deposits:	
In domestic offices:	
Noninterest-bearing	194,364
Interest-bearing	64,051
Interest-bearing	130,313
Federal funds purchased and securities sold under agreements to repurchase	
Federal funds purchased	0
Securities sold under agreements to repurchase	1,081
Trading liabilities	0
Other borrowed money	1,379
Subordinated notes and debentures	0
Other liabilities	943
Total liabilities	<u>197,767</u>
Minority interest in consolidated subsidiaries	0
Perpetual preferred stock and related surplus	0
Common stock	705
Surplus (exclude all surplus related to preferred stock)	6,370
Retained earnings	11,415
Accumulated other comprehensive income	395
Other equity capital components	0
Total equity capital	<u>18,885</u>
Total liabilities, minority interest, and equity capital	<u><u>216,652</u></u>

DECEMBER 31, 2012
NORTHWEST BANK
BOISE, IDAHO
Charter No. 262
Charter Issued March 25, 2008
Incorporated March 31, 2008

OFFICERS:

President & CEO: John W. Blizzard
Chief Financial Officer: Debra L. Johnson
Chief Credit Officer: Jack B. Nowatzki

DIRECTORS:

Tami Michele Chafin;
Jeffery D. Gow; William K. Ilett;
John W. Mitchell; Rob. R Perez;
Steven D. Wasson

Cash and balances due from depository institutions	(000's omitted)
Noninterest-bearing balances and currency and coin.	28,347
Interest-bearing balances	20,719
Securities:	
Held-to-maturity securities	0
Available-for-sale securities	38,247
Federal funds sold and securities purchased under agreements to resell	
Federal funds sold	0
Securities purchased under agreements to resell	0
Loans and lease financing receivables	
Loans and leases held for sale	0
Loans and leases, net of unearned income	173,056
LESS: Allowance for loan and lease losses	1,424
Loans and leases, net of unearned income and allowance	171,632
Trading assets	0
Premises and fixed assets (including capitalized leases)	179
Other real estate owned	669
Intangible assets:	
Goodwill	0
Other intangible assets	391
Other assets	4,542
Total assets	<u>264,726</u>
Deposits:	
In domestic offices:	220,515
Noninterest-bearing	56,758
Interest-bearing	163,757
Federal funds purchased and securities sold under agreements to repurchase	
Federal funds purchased	0
Securities sold under agreements to repurchase	0
Trading liabilities	0
Other borrowed money	0
Subordinated notes and debentures	0
Other liabilities	1,248
Total liabilities	<u>221,763</u>
Minority interest in consolidated subsidiaries	0
Perpetual preferred stock and related surplus	0
Common stock	3,500
Surplus (exclude all surplus related to preferred stock)	39,059
Retained earnings	327
Accumulated other comprehensive income	77
Other equity capital components	0
Total equity capital	<u>42,693</u>
Total liabilities, minority interest, and equity capital	<u><u>264,726</u></u>

DECEMBER 31, 2012
PANHANDLE STATE BANK
SANDPOINT, IDAHO
Charter No. 238
Charter Issued May 15, 1981
Incorporated December 19, 1980

OFFICERS:

President and CEO: Curt Hecker
Chief Financial Officer: Douglas M. Wright
Chief Operations Officer: Pamela R. Rasmussen
Credit Administration: John Nagel

DIRECTORS:

James T. Diehl; Ford Elsaesser;
Curt Hecker; Ron Jones; John Kubiak;
Maggie Lyons; John B. Parker;
James Patrick; John Peitzzak
Michael J. Romine; John Welborn

Cash and balances due from depository institutions	(000's omitted)
Noninterest-bearing balances and currency and coin.	25,375
Interest-bearing balances	53,403
Securities:	
Held-to-maturity securities	14,826
Available-for-sale securities	280,169
Federal funds sold and securities purchased under agreements to resell	
Federal funds sold	0
Securities purchased under agreements to resell	0
Loans and lease financing receivables	
Loans and leases held for sale	1,684
Loans and leases, net of unearned income	528,957
LESS: Allowance for loan and lease losses	7,943
Loans and leases, net of unearned income and allowance	512,014
Trading assets	0
Premises and fixed assets (including capitalized leases)	35,371
Other real estate owned	4,951
Intangible assets:	
Goodwill	0
Other intangible assets	72
Other assets	34,626
Total assets	<u>971,491</u>
Deposits:	
In domestic offices:	
Noninterest-bearing	765,151
Interest-bearing	271,195
Interest-bearing	493,955
Federal funds purchased and securities sold under agreements to repurchase	
Federal funds purchased	0
Securities sold under agreements to repurchase	76,738
Trading liabilities	0
Other borrowed money	4,000
Subordinated notes and debentures	0
Other liabilities	4,313
Total liabilities	<u>850,202</u>
Minority interest in consolidated subsidiaries	0
Perpetual preferred stock and related surplus	0
Common stock	2,668
Surplus (exclude all surplus related to preferred stock)	121,863
Retained earnings	(6,771)
Accumulated other comprehensive income	3,529
Other equity capital components	0
Total equity capital	<u>121,289</u>
Total liabilities, minority interest, and equity capital	<u><u>971,491</u></u>

DECEMBER 31, 2012
SYRINGA BANK
BOISE, IDAHO
Charter No. 251
Charter Issued February 13, 1997
Incorporated March 8, 1996

OFFICERS:

President & CEO: Scott Gibson
Chief Financial Officer: Brian Heim

DIRECTORS:

Hilario "Larry" J. Arguinchona;
Scott J. Chandler; Don Deters;
Scott Gibson; Bruce C. Parker

Cash and balances due from depository institutions	(000's omitted)
Noninterest-bearing balances and currency and coin.	3,412
Interest-bearing balances	16,792
Securities:	
Held-to-maturity securities	0
Available-for-sale securities	9,493
Federal funds sold and securities purchased under agreements to resell	
Federal funds sold	0
Securities purchased under agreements to resell	0
Loans and lease financing receivables	
Loans and leases held for sale	328
Loans and leases, net of unearned income	137,092
LESS: Allowance for loan and lease losses	3,589
Loans and leases, net of unearned income and allowance	133,503
Trading assets	0
Premises and fixed assets (including capitalized leases)	2,345
Other real estate owned	2,274
Intangible assets:	
Goodwill	0
Other intangible assets	0
Other assets	2,668
Total assets	<u>170,815</u>
Deposits:	
In domestic offices:	156,400
Noninterest-bearing	25,477
Interest-bearing	130,923
Federal funds purchased and securities sold under agreements to repurchase	
Federal funds purchased	0
Securities sold under agreements to repurchase	0
Trading liabilities	0
Other borrowed money	8,000
Subordinated notes and debentures	0
Other liabilities	646
Total liabilities	<u>165,046</u>
Minority interest in consolidated subsidiaries	0
Perpetual preferred stock and related surplus	0
Common stock	5,082
Surplus (exclude all surplus related to preferred stock)	43,765
Retained earnings	(43,374)
Accumulated other comprehensive income	296
Other equity capital components	0
Total equity capital	<u>5,769</u>
Total liabilities, minority interest, and equity capital	<u><u>170,815</u></u>

DECEMBER 31, 2012
THE BANK OF COMMERCE
IDAHO FALLS, IDAHO
Charter No. 225
Charter Issued March 30, 1959
Incorporated March 30, 1959

OFFICERS:

President & CEO: Thomas J. Romrell
Chief Financial Officer: Ronald M. Johnson
Chief Credit Officer: A. Michael Morrison

DIRECTORS:

Ross Morrell (Mick) Bowen;
Julian G. Cowley; Calvin Erb;
Richard H. Groberg; Giles Newman;
William Reed; Thomas J. Romrell

Cash and balances due from depository institutions	(000's omitted)
Noninterest-bearing balances and currency and coin.	41,314
Interest-bearing balances	147,549
Securities:	
Held-to-maturity securities	94,739
Available-for-sale securities	111,767
Federal funds sold and securities purchased under agreements to resell	
Federal funds sold	46,034
Securities purchased under agreements to resell	0
Loans and lease financing receivables	
Loans and leases held for sale	0
Loans and leases, net of unearned income	508,312
LESS: Allowance for loan and lease losses	7,518
Loans and leases, net of unearned income and allowance	500,794
Trading assets	0
Premises and fixed assets (including capitalized leases)	15,790
Other real estate owned	8,301
Intangible assets:	
Goodwill	0
Other intangible assets	0
Other assets	11,149
Total assets	<u>977,437</u>
Deposits:	
In domestic offices:	840,328
Noninterest-bearing	283,727
Interest-bearing	556,601
Federal funds purchased and securities sold under agreements to repurchase	
Federal funds purchased	0
Securities sold under agreements to repurchase	0
Trading liabilities	0
Other borrowed money	0
Subordinated notes and debentures	0
Other liabilities	1,548
Total liabilities	<u>841,876</u>
Minority interest in consolidated subsidiaries	0
Perpetual preferred stock and related surplus	0
Common stock	1,000
Surplus (exclude all surplus related to preferred stock)	29,200
Retained earnings	102,778
Accumulated other comprehensive income	2,583
Other equity capital components	0
Total equity capital	<u>135,561</u>
Total liabilities, minority interest, and equity capital	<u><u>977,437</u></u>

DECEMBER 31, 2013
THE IDAHO COMPANY
IDAHO FALLS, IDAHO
Charter No. 1
Incorporated November 28, 1986
BIDCO License Issued July 11, 1989

OFFICERS:

Chairman, President, & CEO:
 William F. Rigby

DIRECTORS:

Jeffrey Jones; John Rigby;
 William F. Rigby; Shanon Taylor;
 Fred T. Thompson, Jr.

	(000's Omitted)
<u>ASSETS</u>	
Cash.....	1
Loan Receivable.....	168
Less: Allowance for Loan Losses	17
Net Loans and Leases.....	151
Interest Receivable.....	117
Prepaid Expenses	0
Other Investments	2,077
Total Assets.....	2,346
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>	
Accounts Payable.....	0
Accrued Expenses.....	0
Notes Payable.....	285
Accrued Interest	17
Total Liabilities.....	302
<u>STOCKHOLDERS' EQUITY</u>	
Common Stock.....	1,137
Retained Earnings	907
Accumulated Other Comprehensive Activity.....	0
Total Stockholders' Equity.....	2,044
Total Liabilities and Stockholders' Equity.....	2,346

STATE OF IDAHO
STATE-CHARTERED CREDIT UNIONS
COMPARATIVE STATEMENT
Close of Business 12/31/12 and 12/31/11

	2012	2011	% Change
<u>ASSETS</u>			
Cash and Cash Equivalents	293,108,243	191,052,921	53.42
Unsecured Credit Cards	100,623,170	85,778,658	17.31
All Other Unsecured Loans	28,322,587	25,856,863	9.54
New Auto Loans	307,593,182	246,468,756	24.80
Used Auto Loans	699,606,310	605,910,805	15.46
First Mortgage Real Estate Loans	719,693,776	601,141,572	19.72
Other Real Estate Loans	131,145,982	130,429,896	0.55
Other Loans, Leases, and Non-Federally Guaranteed Student Loans	158,807,967	152,108,018	4.40
Total Loans	\$2,145,792,984	\$1,847,694,568	16.13
Allowance for Loan and Lease Losses	-14,504,373	-14,969,417	-3.11
Loans Held For Sale	6,983,729	9,249,895	-24.50
Loans Including Loans For Sale Less ALLL	2,138,272,340	1,841,975,046	16.09
Available for Sale Securities	42,196,444	68,121,798	-38.06
Held-to Maturity Securities	25,321,116	31,193,773	-18.83
Deposits in Commercial Banks, Savings & Loans, Savings Banks	174,623,584	141,436,733	23.46
Loans to, Deposits in, and Investments in Natural Person Credit Unions	11,821,560	6,361,008	85.84
Membership Capital and Paid-in Capital at Corporate Credit Unions	3,617,296	2,169,793	66.71
All Other Investments in Corporate Credit Unions	763,000	30,500,099	-97.50
All Other Investments	19,710,521	3,301,851	496.95
Total Investments	\$278,053,521	\$283,085,055	-1.78
Land and Building (Net of Dep)	90,857,535	79,430,829	14.39
Other Fixed Assets	12,255,316	9,223,476	32.87
NCUA Share Insurance Capitalization Deposit	21,740,308	19,003,240	14.40
Other Assets	26,522,620	21,067,919	25.89
TOTAL ASSETS	\$2,862,752,645	\$2,446,749,547	17.00
<u>LIABILITIES, SHARES AND EQUITY</u>			
Promissory and other Notes Payable	18,393,369	0	N/A
Accrued Dividends and Interest Payable	2,221,146	2,740,148	-18.49
Accounts Payable & Other Liabilities	36,338,870	26,066,760	39.41
Total Liabilities	\$56,953,385	\$28,806,908	97.71
Share Drafts	386,916,469	314,508,658	23.02
Regular Shares	622,040,320	504,789,559	23.23
All Other Shares and Deposits	1,532,562,949	1,375,476,901	11.42
Total Shares And Deposits	\$2,541,519,738	\$2,194,775,118	15.80
Undivided Earnings	196,867,067	158,894,531	23.90
Regular Reserves	74,217,093	69,141,468	7.34
Other Reserves	229,118	229,118	0.00
Unrealized Gain/Loss A-F-S SEC	176,066	113,806	54.71
Other Comprehensive Income	-7,798,663	-5,285,788	47.54
Total Equity	\$264,279,522	\$223,167,521	18.42
TOTAL LIABILITIES, SHARES, AND EQUITY	\$2,862,752,645	\$2,446,749,547	17.00

**STATE OF IDAHO
STATE-CHARTERED CREDIT UNIONS
TOTAL ASSETS**

Name	City	State	12/31/2012	12/31/2011	% Change
<u>Idaho State-Chartered Credit Unions</u>					
A+ Credit Union	Idaho Falls	ID	17,045,304	15,918,859	7.08
Boise Fire Department Credit Union	Boise	ID	8,343,883	8,189,375	1.89
Cassia County Education Association Credit Union	Burley	ID	2,754,175	2,715,234	1.43
Clearwater Credit Union	Lewiston	ID	22,450,660	22,554,787	-0.46
Cornerstone Credit Union	Caldwell	ID	18,504,930	18,759,110	-1.35
E.S.A. Credit Union	Boise	ID	5,587,068	5,585,006	0.04
East Idaho Credit Union	Idaho Falls	ID	274,422,334	252,617,963	8.63
Health Care Idaho Credit Union	Boise	ID	10,835,314	9,866,687	9.82
Idadiv Credit Union	Nampa	ID	44,531,641	41,950,602	6.15
Icon Credit Union (previously known as Idahy)	Boise	ID	164,155,909	143,803,636	14.15
Idaho Advantage Credit Union	Boise	ID	61,124,994	58,158,919	5.10
Idaho Central Credit Union	Pocatello	ID	1,255,000,100	1,011,052,324	24.13
Idaho United Credit Union	Boise	ID	27,332,336	26,507,490	3.11
Jefferson County Public Employees Credit Union	Menan	ID	433,852	423,149	2.53
Kamiah Community Credit Union	Kamiah	ID	51,764,737	46,576,526	11.14
Les Bois Credit Union	Boise	ID	85,829,869	74,090,021	15.85
Lewis Clark Credit Union	Lewiston	ID	47,020,008	46,665,308	0.76
Lewiston Catholic Credit Union	Lewiston	ID	398,683	403,844	-1.28
M.A.P. Credit Union	Burley	ID	1,758,934	1,883,204	-6.60
Members Preferred Credit Union	Idaho Falls	ID	21,060,063	23,597,375	-10.75
Mini-Cassia Employees Credit Union	Burley	ID	554,527	596,264	-7.00
Mountain Gem Credit Union	Nampa	ID	15,005,382	13,807,232	8.68
Northwest Christian Credit Union	Nampa	ID	39,052,904	36,236,031	7.77
Payette River Credit Union	Emmett	ID	6,980,032	7,107,194	-1.79
Pine Tree Credit Union	Grangeville	ID	33,517,671	31,399,237	6.75
Pocatello Simplot Credit Union	Pocatello	ID	32,009,343	32,958,018	-2.88
Potelco United Credit Union (Includes merged ICE)	Pocatello	ID	65,280,282	62,977,230	3.66
Public Employees Credit Union	Coeur d'Alene	ID	8,759,354	8,810,574	-0.58
Shell-Fir Credit Union	Shelley	ID	936,335	909,404	2.96
Shoshone County School Employees Credit Union	Wardner	ID	N/A	930,417	-
SIMCOE Credit Union	Burley	ID	5,703,811	5,922,411	-3.69
Simplot Employees Credit Union	Caldwell	ID	18,861,800	18,228,101	3.48
St. Alphonsus Medical Credit Union	Boise	ID	5,233,633	5,683,304	-7.91
St. Joe Valley Credit Union	St. Maries	ID	7,361,752	7,278,339	1.15
Times- News Employees Credit Union	Twin Falls	ID	N/A	184,464	-
Tribune Credit Union	Lewiston	ID	N/A	702,059	-
Westmark Credit Union	Idaho Falls	ID	494,398,184	459,247,379	7.65
White Pine Credit Union	Pierce	ID	8,742,841	8,698,342	0.51
Total Idaho State-Chartered Credit Union Assets			\$2,862,752,645	\$2,512,995,419	13.92
<u>Other State-Chartered Credit Unions Operating in Idaho (Idaho Assets)</u>					
Global Credit Union	Spokane	WA	31,413,128	34,293,468	-8.40
Horizon Credit Union	Spokane	WA	84,121,488	84,588,349	-0.55
Numerica Credit Union	Spokane	WA	150,501,348	62,287,574	141.62
Spokane Teachers Credit Union	Spokane	WA	73,522,065	65,778,070	11.77
Silverado Credit Union	Angwin	CA	1,238,390	991,067	24.96
Total Other State-Chartered Credit Unions			340,796,419	247,938,528	37.45
Total Idaho Assets			\$3,203,549,064	\$2,760,933,947	16.03

SECURITIES BUREAU SANCTIONS REPORT

I. CIVIL ENFORCEMENT ACTIONS INITIATED OR COMPLETED UNDER THE IDAHO UNIFORM SECURITIES ACT / IDAHO COMMODITY CODE

January 10, 2013

WAYNE NILES BECKLEY, Eagle, ID - A civil securities lawsuit was filed in Ada County against Wayne N. Beckley of Eagle in 2011. The complaint cited violations of the registration and anti-fraud provisions of the Idaho Uniform Securities Act. Beckley was alleged to have obtained nearly \$800,000 from at least ten Idahoans and promised 12 percent interest payments and a possible doubling of investment principal while misrepresenting and omitting important disclosures to investors. The complaint further states that “Beckley’s investment scheme is characterized as an affinity fraud because most of the investors Beckley solicited knew Beckley through work.” Without admitting or denying the allegations, Beckley consented to a money judgment of \$402,346 and agreed to a wage garnishment for 10 years for the benefit of investors. Beckley also agreed to be barred from selling securities until such time as his 10 year repayment plan is completed.

October 1, 2012

KYLE BENNETT and BART TAYLOR –The Department alleged that Bonneville County insurance agents Kyle Bennett and Bart Ted Taylor offered and sold securities in the form of promissory notes to approximately 24 investors, in an aggregate amount of around \$1,300,000. Investor money was sent to a Utah company called Horizon Auto Funding, LLC (Horizon Auto), which was intended to fund loans to automobile purchasers. Bennett and Taylor referred some of their insurance clients to Horizon Auto, helped them invest in it, and received compensation for these referrals. Unfortunately, Horizon Auto filed for Chapter 11 bankruptcy protection on October 12, 2011, and investors have been unable to obtain return of their invested monies.

November 29, 2012 –

In settlement of this action, Bennett agreed to findings that he violated the securities sales agent registration and the securities registration provisions of the Idaho Uniform Securities Act. Bennett neither admitted nor denied the state’s allegations of misrepresentations and omissions of important information. Bennett agreed to pay \$11,887.80 as restitution to investors and is permanently barred from future violations of Idaho securities laws and selling securities in Idaho.

October 12, 2012
January 10, 2013 –

KIP HARTMENT - A civil securities lawsuit was filed in October 2012, against Bonners Ferry, Idaho insurance agent Kip Hartman. The suit was settled in January 2013. Hartman was alleged to have sold \$440,000 in unregistered life settlement contracts in violation of the securities salesman and securities registration provisions. Hartman agreed to disgorge his commissions from the transactions. The issuer of the securities, Retirement Value, filed bankruptcy and a receiver has been appointed to determine the salvage value of the life settlement contracts, which could be used to repay investors.

October 9, 2012 –

STEPHEN HOWELL; SECURITY FINANCIAL SERVICES; SECURITY FINANCIAL FUND, LLC and SECURITY INVESTORS FUND, LLC – A civil securities lawsuit was filed against Plummer resident Stephen L. Howell, formerly of Boise, and several companies owned or operated by him. The Department alleges Howell defrauded investors by making misrepresentations about his funds' investments, failing to disclose material information to investors and by engaging in a course of business that operated as a fraud or deceit upon others. The lawsuit requests the court find that Howell has violated Idaho law, enjoin him from further violations, appoint a receiver to take control of all assets owned by Howell and assets that remain in the funds managed by Howell, and impose fines and attorneys fees.

November 21, 2012 –

MATTHEW BLOOD, Plummer, ID – A civil securities suit was filed against Matthew Blood alleging he violated the registration and anti-fraud provisions of Idaho Uniform Securities Act. The suit seeks a court order permanently enjoining Blood from further violations of Idaho securities laws, \$102,000 in investor restitution as well as civil penalties and costs.

May 2013 –

KENNETH PETTICOLAS, Hayden, ID – A civil securities lawsuit was filed against Petticolas in October 2012. The suit alleged Petticolas sold unregistered securities in the form of life settlement contracts issued by Retirement Value, a Texas company now in bankruptcy. The suit also accused Petticolas of “selling away,” that is, engaging in business activities outside of his employing broker-dealer, and failing to disclose these business activities to his employer. Pursuant to the settlement, Petticolas admitted selling the unregistered securities and neither admitted nor denied “selling away.” He agreed to disgorge his commissions of \$50,151.75 for the benefit of investors, and is enjoined from engaging in securities sales until that amount has been repaid

II. ADMINISTRATIVE SANCTIONS & ORDERS ISSUED UNDER THE IDAHO UNIFORM SECURITIES ACT/IDAHO ESCROW ACT

- July 5, 2012 **STRATEGIC CAPITAL ALTERNATIVES, LLC, Gig Harbor, WA** – Agreement and Order – Strategic Capital Alternatives, LLC (SAC) is a federal covered investment adviser and is subject to the notice filing requirements of Idaho Code 30-14-405. SAC engaged two Idaho individuals to act as its investment adviser representatives in Idaho. However, SAC failed to comply with the notice filing requirements. SAC agreed to cease and desist from violating the Idaho Uniform Securities Act and pay a fine of \$5,000.
- September 6, 2012 **ROBERT E. KERN, Boise, ID** - Consent Order of Conditional Broker-Dealer Registration - In response to an application for broker-dealer agent registration, the Department entered into a consent order of conditional registration with Kern. Terms of the conditional registration include reporting obligations to the Department in the event of a customer complaint, enhanced supervision by his broker-dealer firm and completion of ethics training within three years.
- September 6, 2012 **BANKERS LIFE AND CASUALTY CO.; BLC FINANCIAL SERVICES, INC., Chicago, IL** - Consent Cease and Desist Order – In connection with a multi-state investigation, it appeared that Respondent acted as a broker-dealer and investment adviser in Idaho and elsewhere without being registered, exempt from registration or a federal covered adviser, and employed or associated with agents and investment adviser representatives who were not so registered on behalf of Respondents. To resolve this matter, Respondents paid \$26,568.02 to Idaho as its share of a multi-state settlement, was ordered to cease and desist from further violations and paid past fees and future audit expenses to the Department.
- September 19, 2012 **MORGAN ASSET MANAGEMENT, INC.; MORGAN KEEGAN & COMPANY, Birmingham, AL** – Administrative Consent Order – As a result of a multi-state, federal and self-regulatory organization investigation, the respondents entered into settlement agreements with numerous jurisdictions, including Idaho. The investigation centered around seven proprietary mutual funds sold by Morgan Keegan broker-dealers to over 30,000 account holders. Those seven mutual funds lost approximately \$1.5 billion from March 31, 2007 to March 31, 2008. The states’ joint administrative actions against Morgan Keegan, Morgan Asset Management and certain employees, alleged that the firms:

- Made material omissions and misrepresentations in marketing materials;
- Made material omissions and misrepresentations in regulatory filings;
- Withheld information from and misrepresented information concerning the funds to the Morgan Keegan sales force;
- Provided preferential treatment to certain customers;
- Failed to make suitable recommendations concerning purchases and concentration of the funds in customer accounts;
- Failed to adequately supervise their agents and employees; and,
- Obstructed the due diligence process.

1. Respondents were ordered to pay a total of \$200 million. Of this \$100 million will go to establish an “SEC Fair Fund” and \$100 million will go to establish a “States’ Fund” both for the benefit of investors. All costs, expenses, and charges associated with the Fair Fund and the States’ Fund management and distributions shall be paid by respondents in addition to the funds established for investors.

2. Respondents are prohibited from creating, offering or selling any proprietary funds for a period of two years.

3. For the next three years, respondents will provide special mandatory training to all firm registered agents and investment adviser representatives which is required to be comprehensive for each of the products and offerings sold or recommended to clients as well as on suitability and risks of investments. Respondents shall develop and implement course evaluations in order to assess the effectiveness of the training.

4. James Kelsoe, the fund manager named in the states’ and SEC actions, settled charges with the states and was ordered to pay a total of \$500,000.00 (\$250,000.00 to States and \$250,000.00 to SEC). Furthermore, Kelsoe agreed to the revocation of all of his existing registrations and/or licenses and to an order of permanent bar from involvement in the securities industry. Kelsoe cannot serve as an officer, director, or manager of, or issuer of interests in, a mutual fund, money market fund, pooled-investments or similar securities and investment vehicles which are publicly offered or sold.

5. Respondents paid a penalty of \$4,519 to the Department.

September 21, 2012

E*TRADE SECURITIES LLC, New York, NY - Administrative Consent Order – In connection with the multi-state settlement of an

auction rate securities (ARS) case, the Respondent broker-dealer, without admitting or denying violations, agreed to repurchase certain ARS from customers and make certain payments. Among the payments made by E*Trade to the Department is \$15,455.75 to the securities and investor education training fund, which represents Idaho's proportionate share of the total multi-state settlement. Respondent also agreed to certain reporting requirements related to the buy-back process.

September 24, 2012

PROEQUITIES, INC., Birmingham, AL - Consent Order- In connection with a multi-state investigation involving Bankers Life and Casualty Company's ("Bankers Life") conduct of unregistered activity, it appeared that Respondent entered into an agreement with Bankers Life to provide brokerage and investment advisory services out of Bankers Life branch office locations giving rise to liability under Idaho Code 30-14-604(a). To resolve this matter, Respondent paid \$8,207.55 to Idaho as its share of a multi-state settlement and was ordered to cease and desist from further violations.

December 27, 2012

ROYAL WEALTH MANAGEMENT, INC. dba NORTHSTAR CAPITAL; BRIAN A. ROYAL, Rustburg, VA – Agreement and Order – After an extensive investigation, the Department alleged that 1) respondents associated with an unregistered investment adviser representative, 2) made misleading statements to both the Department and prospective investors, 3) used a sales presentation in a misleading fashion which communicated inaccurate and misleading information about Royal Wealth Management and its investment adviser representative, 4) impersonated clients in opening client margin accounts at a broker-dealer firm and 5) failed to enforce certain of its policies and procedures. Without admitting or denying the Department's findings of fact and conclusions of law, respondents consented to the suspension of their investment advisory registrations in Idaho for a period of five years, paid a fine of \$20,000 and agreed to retain a third-party compliance firm for certain functions if respondents seek Idaho registration in the future.

February 5, 2013

UVEST FINANCIAL SERVICES GROUP, INC., CHARLOTTE, N.C. - Consent Order - In connection with a multi-state investigation involving Bankers Life and Casualty Company's ("Bankers Life") conduct of unregistered activity, it appeared that Respondent entered into an agreement with Bankers Life to provide brokerage and investment advisory services out of Bankers Life branch office locations giving rise to liability under Idaho Code 30-14-604(a). To resolve this matter, Respondent paid \$14,150.94 to Idaho as its share of a multi-state settlement and was ordered to cease and desist from further violations.

- March 19, 2013 **LIV MANAGEMENT, LLC, Centerville, UT** - Agreement and Order – Respondent offered and sold 9% Revolving Inventory Credit Line Notes to 14 Idaho investors in an aggregate amount of \$390,000. The Department alleged the notes were not registered as securities as required by Idaho Code 30-14-301 and Respondent failed to make adequate disclosure related to its financial condition and the risks associated with the investment in violation of 30-14-501(2). Without admitting or denying the allegations, Respondent agreed to offer rescission to investors within 90 days and pay a fine of \$500.
- April 1, 2013 **PENNALUNA & COMPANY, Coeur d’Alene, ID** - Agreement and Order – After conducting a limited scope examination of this broker-dealer, the Department determined that Respondent had, among other items 1) failed to keep certain required books and records, 2) inaccurately designated accounts as closed, when in fact the accounts were open, to avoid paying inactivity fees to its clearing firm and 3) failed to enforce its procedures regarding the documentation of due diligence records in connection with the private placement offerings recommended by Respondent. Without admitting or denying the Department’s allegations, Respondent was cautioned to permanently cease and desist from future violations of the Idaho securities laws, implement certain new procedures and paid a civil penalty of \$3,000.
- May 31, 2013 **ANNA M. DENSMORE, Lee County, FL** - Agreement and Order – Respondent was registered in Idaho as an investment adviser representative for Royal Wealth Management (“RWM”) from March 15, 2011 to August 10, 2011. Respondent was also the corporate secretary of Densmore Financial Group (“DFG”) a formerly Idaho registered investment adviser operated by Respondent’s then-husband, Allan H. Densmore (“Densmore”). The Department alleged that Respondent was present as the licensed representative when Densmore, an unlicensed person, made a misleading sales presentation about RWM to prospective investors. Respondent also was alleged to have failed to file certain advertising for pre-use review. Without admitting or denying the allegations, Respondent agreed not to apply for any securities-related registration in Idaho or engage in any securities-related transaction with Idaho residents for a period of five years.
- June 21, 2013 **LELAND ENERGY, INC., Beverly Hills, CA and Henderson, NV** - Agreement and Order – The Department alleged that Respondent 1) offered and sold unregistered securities in the form of oil and gas investment interests to Idaho residents and 2) failed to disclose to investors that Respondent had been the subject of two previous state actions regarding its sale of unregistered securities. Without admitting or denying the allegations, Respondent agreed to cease selling these securities in Idaho, pay \$175,000 in restitution to Idaho investors, pay a \$5,000 fine and comply with all Idaho securities laws in the future.

CONSUMER FINANCE BUREAU SANCTIONS REPORT

I. ORDERS ISSUED UNDER THE IDAHO CREDIT CODE

- November 5, 2012 **LEND CONNECT, LLC** (Salt Lake City, Utah) – On November 5, 2012, the Idaho Department of Finance (Department) and Lend Connect, LLC entered into a consent order addressing this Utah company’s acts of operating a payday loan business in Idaho without the license required by the Idaho Credit Code. Under the terms of the consent order, Lend Connect acknowledged extending at least forty-three (43) payday loans in Idaho without a license and agreed to an administrative penalty of \$1,000 and \$500.00 in attorney fees and investigative costs. In addition, Lend Connect agreed that, pursuant to Idaho Code § 28-46-503(2), all payday loans extended in Idaho while it was not licensed were void; that it would not attempt to collect on such loans; that it would forfeit the loan amounts extended; and that any moneys collected in connection with such loans would be returned to borrowers. A total of \$5,176.06 was collected in connection with the loans. Of that amount, \$852.87 was directly reimbursed by the company to the borrowers, \$3,133.89 was disbursed by the Department to borrowers that it was able to locate, and the remaining \$1,189.30 is being held in the Department’s trust until those funds are claimed. The company further agreed to abide by all provisions of the Act and rules promulgated thereunder at all times in the future.
- March 18, 2013 **SHORELINE ONLINE, LLC** (Kansas City, Missouri) – On March 18, 2013, the Director of the Idaho Department of Finance issued an Order to Cease and Desist against Shoreline Online, LLC (Shoreline) a Missouri based online payday lender. The Order alleged that Shoreline engaged in unlicensed payday lending activities in Idaho, in violation of the Idaho Credit Code and the Idaho Payday Lending Act. The Order also alleged that Shoreline, after extending a payday loan to at least one Idaho resident, debited finance charges from the Idaho consumer’s bank account on at least two occasions. The Order required Shoreline to immediately cease and desist from engaging in payday lending activities without the license required by the Idaho Credit Code and Idaho Payday Lending Act.
- March 18, 2013 **ABORIGINAL GR ENTERPRISES aka SIGNMYLOAN.NET, CASH ADVANCE SERVICE, NLS CASHADVANCE, GOMYTOWN, LLC, US NATIONAL PAYDAY LOAN, AND ENOM, INC.** (Vancouver, British Columbia) – On March 18, 2013, the Director of the Idaho Department of Finance issued an Order to Cease and Desist against Aboriginal GR Enterprises, aka Signmyloan.net, Cash Advance Service,

NLS Cashadvance, Gomytown, LLC, US National Payday Loan, and Enom, Inc. (Aboriginal), a British Columbia based online payday lender. The Order alleged that Aboriginal engaged in unlicensed payday lending activities in Idaho, in violation of the Idaho Credit Code and the Idaho Payday Lending Act. The Order required Aboriginal to immediately cease and desist from engaging in payday lending activities without the license required by the Idaho Credit Code and Idaho Payday Lending Act.

March 18, 2013 **FAST EFUNDS, LLC also d/b/a FASTEFUNDS.COM** (Charlestown, Nevis, West Indies) – On March 18, 2013, the Director of the Idaho Department of Finance issued an Order to Cease and Desist against Fast EFunds, LLC also d/b/a FastEFunds.com (Fast EFunds), a West Indies based online payday lender. The Order alleged that Fast EFunds conducted unlicensed payday lending activities in Idaho in violation of the Idaho Credit Code and the Idaho Payday Lending Act. The Order required Fast EFunds to immediately cease and desist from engaging in payday lending activities without the license required by the Idaho Credit Code and Idaho Payday Lending Act.

March 18, 2013 **CASH JAR a/k/a DOWN UNDER VENTURES LTD and HONG KONG PARTNERS, LTD** (Belize City, Belize) – On March 18, 2013, the Director of the Idaho Department of Finance issued an Order to Cease and Desist against Cash Jar, also known as Down Under Ventures and Hong Kong Partners, LTD (Cash Jar), a Belize based online payday lender. The Order alleged that Cash Jar engaged in unlicensed payday lending activities in Idaho in violation of the Idaho Credit Code and the Idaho Payday Lending Act. The Order required Cash Jar to immediately cease and desist from engaging in payday lending activities without the license required by the Idaho Credit Code and Idaho Payday Lending Act.

March 18, 2013 **VIP PDL SERVICES, LLC a/k/a THE VIP LOAN SHOP** (Charlestown, Nevis, West Indies) – On March 18, 2013, the Director of the Idaho Department of Finance issued an Order to Cease and Desist against VIP PDL Services, LLC, also known as The VIP Loan Shop (VIP), a West Indies based online payday lender. The Order alleged that VIP engaged in unlicensed payday lending activities in Idaho in violation of the Idaho Credit Code and the Idaho Payday Lending Act. The Order required VIP to immediately cease and desist from engaging in payday lending activities without the license required by the Idaho Credit Code and Idaho Payday Lending Act.

March 18, 2013 **HUSKHAWK GROUP LTD, d/b/a HUSKHAWK MARKETING GROUP and HUSKHAWK MARKETING COMPANY** (Charlestown, Nevis, West Indies) – On March 18, 2013, the Director of the Idaho Department of Finance issued an Order to Cease and Desist against Huskhawk Group LTD, doing business as Huskhawk Marketing Group and Huskhawk Marketing Company (Huskhawk), a West Indies based online payday lender. The Order alleged that Huskhawk engaged in unlicensed

payday lending activities in Idaho in violation of the Idaho Credit Code and the Idaho Payday Lending Act. The Order required Huskhawk to immediately cease and desist from engaging in payday lending activities without the license required by the Idaho Credit Code and Idaho Payday Lending Act.

March 18, 2013 **GTI HOLDINGS, LLC** (Wilmington, Delaware) – On March 18, 2013, the Director of the Idaho Department of Finance issued an Order to Cease and Desist against GTI Holdings, LLC (GTI) a Delaware based online payday lender. The Order alleged that GTI engaged in unlicensed payday lending activities in Idaho in violation of the Idaho Credit Code and the Idaho Payday Lending Act. The Order also alleges that GTI, after extending a payday loan to at least one Idaho resident, debited finance charges from the Idaho consumer’s bank account on at least one occasion. The Order required GTI to immediately cease and desist from engaging in payday lending activities without the license required by the Idaho Credit Code and Idaho Payday Lending Act.

April 3, 2013 **VINCE ENTERPRISE, LTD.** (Charlestown, Nevis, West Indies) – On April 3, 2013, the Director of the Idaho Department of Finance issued an Amended Order to Cease and Desist against Vince Enterprise, Ltd. (Vince), a West Indies based online payday lender. The Order alleged that Vince engaged in unlicensed payday lending activities in Idaho in violation of the Idaho Credit Code and the Idaho Payday Lending Act. The Order required Vince to immediately cease and desist from engaging in payday lending activities without the license required by the Idaho Credit Code and Idaho Payday Lending Act.

April 3, 2013 **HYDRA FINANCIAL LIMITED LOAN FUND I also dba HYDRA FINANCIAL LIMITED LOAN FUND II, HYDRA LIMITED LOAN FUND III, & HYDRA LIMITED LOAN FUND IV** (Auckland, New Zealand) – On April 3, 2013, the Director of the Idaho Department of Finance issued an Amended Order to Cease and Desist against Hydra Financial Limited Loan Fund I, Hydra Financial Limited Loan Fund II, Hydra Financial Limited Loan Fund III, Hydra Financial Limited Loan Fund IV (Hydra), a New Zealand based online payday lender. The Order alleged that Hydra engaged in unlicensed payday lending activities in Idaho in violation of the Idaho Credit Code and the Idaho Payday Lending Act. The Order required Hydra to immediately cease and desist from engaging in payday lending activities without the license required by the Idaho Credit Code and Idaho Payday Lending Act.

II. ORDERS ISSUED UNDER THE IDAHO COLLECTION AGENCY ACT

- July 30, 2012 **AUTOVEST, LLC** (Southfield, Michigan) – On July 30, 2012, the Idaho Department of Finance and Autovest, LLC entered into a consent order addressing this Michigan limited liability company’s acts of operating a collection agency business in Idaho without the license required by the Idaho Collection Agency Act (the Act). Under the terms of the consent order, the company acknowledged that it had engaged in violations of §§ 26-2223(1), –(2), and –(6) of the Act to include collecting at least \$21,321.88 from Idaho residents without a license. The company, (i) agreed to cease and desist from all collection activities in Idaho until it obtained a license to do so, and (ii) paid to the Department an administrative penalty of \$5,000 and attorney fees and investigative costs in the amount of \$1,000. The company further agreed to abide by all provisions of the Act and rules promulgated thereunder at all times in the future. The company subsequently applied for and was granted an Idaho collection agency license.
- August 10, 2012 **BINGHAM COLLECTIONS, INC.** (Blackfoot, Idaho) – On August 10, 2012, the Idaho Department of Finance and Bingham Collections, Inc. entered into a consent order addressing this Idaho licensed collection agency’s act of failing to notify the Director of the Idaho Department of Finance of a change in ownership as required by the Idaho Collection Agency Act (the Act). Under the terms of the consent order, the company acknowledged a violation of § 26-2224(13) of the Act; and paid the Department an administrative penalty of \$5,000 and attorney fees and investigative costs in the amount of \$1,000. The company further agreed to abide by all provisions of the Act and rules promulgated thereunder at all times in the future.
- August 20, 2012 **TRINITY ENTERPRISES, LLC also doing business as TRINITY ENTERPRISES PARTNERS LLC** (Oviedo, Florida and Winter Park, Florida) – On August 20, 2012, the Director issued an Order to Cease and Desist against Trinity Enterprises, LLC, also doing business as Trinity Enterprises Partners LLC, a Florida-based credit repair company that had engaged in credit repair activities in Idaho without the license required by the Idaho Collection Agency Act (the Act). In addition, the company required its clients to pay fees for credit repair services that were not fully performed, in violation of the Act. In the order, the Director found that the company had engaged in unlicensed credit repair activities and that the company unlawfully charged for services before such services were fully performed.

- September 17, 2012 **MCGUIGAN LAW OFFICE, LLC** (Levittown, Pennsylvania) – On September 17, 2012, the Idaho Department of Finance and McGuigan Law Office, LLC entered into a consent order addressing this Pennsylvania limited liability law firm’s acts of operating a collection agency business in Idaho without the license required by the Idaho Collection Agency Act (the Act). Under the terms of the consent order, the company admitted to engaging in violations of §§ 26-2223(1) and –(2) of the Act to include collecting against Idaho residents without a license; agreed to cease and desist from all collection activities in Idaho until the company obtained a license to do so; and paid to the Department an administrative penalty of \$3,000 and attorney fees and investigative costs in the amount of \$500. The company further agreed to abide by all provisions of the Act and rules promulgated thereunder at all times in the future. The company subsequently applied for and was granted an Idaho collection agency license.
- September 24, 2012 **MJOLLNIR GROUP, INC.** (Bountiful, Utah) – On September 24, 2012, the Idaho Department of Finance and Mjollnir Group, Inc. entered into a consent order addressing this Utah corporation’s acts of operating a collection agency business in Idaho without the license required by the Idaho Collection Agency Act (the Act). Under the terms of the consent order, the company acknowledged that it had engaged in violations of §§ 26-2223(1), –(2), and –(6) of the Act to include collecting at least \$2,241 from Idaho residents without a license; agreed to cease and desist from all collection activities in Idaho until the company obtained a license to do so; and paid to the Department an administrative penalty of \$1,000 and attorney fees and investigative costs in the amount of \$500. The company further agreed to abide by all provisions of the Act and rules promulgated thereunder at all times in the future. The company subsequently applied for and was granted an Idaho collection agency license.
- September 25, 2012 **CREDIT BUREAU OF JAMESTOWN, INC., dba CBJ CREDIT RECOVERY** (Jamestown, New York) – On September 25, 2012, the Idaho Department of Finance and Credit Bureau of Jamestown, Inc., dba CBJ Credit Recovery, entered into a consent order addressing this New York corporation’s acts of operating a collection agency business in Idaho without the license required by the Idaho Collection Agency Act (the Act). Under the terms of the consent order, the company acknowledged that it had engaged in violations of §§ 26-2223(1) and –(2) of the Act to include collecting against at least three (3) Idaho residents without a license; agreed to cease and desist from all collection activities in Idaho until the company obtained a license to do so; and paid to the Department an administrative penalty of \$1,000 and attorney fees and investigative costs in the amount of \$500. The company further agreed to abide by all provisions of the Act and rules promulgated thereunder at all times in the future. The company applied for and was granted an Idaho collection agency license.

- October 2, 2012 **EMPIRE COLLECTION AUTHORITIES, INC.** (Aberdeen, Washington) – On October 2, 2012, the Idaho Department of Finance and Empire Collection Authorities, Inc. entered into a consent order addressing this Washington corporation’s acts of operating a collection agency business in Idaho without the license required by the Idaho Collection Agency Act (the Act). Under the terms of the consent order, the company acknowledged that it had engaged in violations of §§ 26-2223(1) and –(2) of the Act to include collecting against Idaho residents without a license; agreed to cease and desist from all collection activities in Idaho until the company obtained a license to do so; and paid to the Department an administrative penalty of \$3,000 and attorney fees and investigative costs in the amount of \$500. The company further agreed to abide by all provisions of the Act and rules promulgated thereunder at all times in the future. The company subsequently applied for and was granted an Idaho collection agency license.
- October 18, 2012 **COAST TO COAST FINANCIAL SOLUTIONS, INC.** (Thousand Oaks, California) – On October 18, 2012, the Idaho Department of Finance and Coast to Coast Financial Solutions, Inc. entered into a consent order addressing this California corporation’s acts of operating a collection agency business in Idaho without the license required by the Idaho Collection Agency Act (the Act). Under the terms of the consent order, the company acknowledged that it had collected against at least 1,694 Idaho residents without a license; agreed to cease and desist from all collection activities in Idaho until the company obtained a license to do so; and paid to the Department an administrative penalty of \$10,000 and attorney fees and investigative costs in the amount of \$1,000. The company further agreed to abide by all provisions of the Act and rules promulgated thereunder at all times in the future. The company subsequently applied for and was granted an Idaho collection agency license.
- October 29, 2012 **LAW OFFICES OF ANDREU, PALMA & ANDREU, PL** (Miami, Florida) – On October 29, 2012, the Idaho Department of Finance and the Law Offices of Andreu, Palma & Andreu, PL entered into a consent order addressing this Florida law firm’s acts of operating a collection agency business in Idaho without the license required by the Idaho Collection Agency Act (the Act). Under the terms of the consent order, the company acknowledged that it had engaged in violations of §§ 26-2223(1) and –(2) of the Act to include collecting against Idaho residents without a license; admitted to engaging in violations of the federal Fair Debt Collection Practices Act by continuing to communicate with a debtor after the debtor requested that the company cease communication and by failing to validate the debt being collected upon after being requested to do so; agreed to cease and desist from all collection activities in Idaho until the company obtained a license to do so; and paid to the Department an administrative penalty of \$10,000 and attorney fees and investigative costs in the amount of \$1,000. The company further agreed to abide by all provisions of the Act, rules promulgated thereunder, and relevant federal law and regulations

at all times in the future. The company subsequently applied for and was granted an Idaho collection agency license.

November 16, 2012 **JDR & ASSOCIATES INC., dba IDAHO CREDIT REPAIR** (Nampa, Idaho) – On November 16, 2012, the Director issued an Order to Cease and Desist against JDR & Associates Inc., also doing business as Idaho Credit Repair, an Idaho-based credit repair company that had engaged in credit counseling/credit repair activities in Idaho without the license required by the Idaho Collection Agency Act (the Act). The company had submitted a deficient license application in March 2012, but those deficiencies remained unresolved and the Department deemed the application withdrawn/abandoned. In the order, the Director found that the company had continued to engage in credit repair activities while it failed to hold a license under the Act.

November 29, 2012 **I RECOVERY, LLC** (Las Vegas, Nevada) – On November 29, 2012, the Director issued a default order revoking I Recovery, LLC's Idaho collection agency license for failure to maintain a surety bond pursuant to the Idaho Collection Agency Act (the Act). In the order, the Director also found that the company had failed to file required quarterly reports. Additionally, the Director determined that the company had failed to file a company change of address or closure notification with completed wind-down procedures.

The default revocation order resulted from the company's failure to file an answer to the Department's complaint seeking revocation of its license.

November 30, 2012 **ACCELERATED REVENUE MANAGEMENT, INC., dba A.R.M. SOLUTIONS, INC.** (Camarillo, California) – On November 30, 2012, the Idaho Department of Finance and Accelerated Revenue Management, Inc., dba A.R.M. Solutions, Inc., entered into a consent order addressing this California corporation's act of operating a collection agency business in Idaho without the license required by the Idaho Collection Agency Act (the Act). Under the terms of the consent order, the company acknowledged that it had engaged in violations of §§ 26-2223(1) and -(2) of the Act by engaging in unlicensed collection activities in Idaho. The company, (i) agreed to cease and desist from all collection activities in Idaho until it obtained a license to do so; and (ii) paid to the Department an administrative penalty of \$4,000 and attorney fees and investigative costs in the amount of \$500. The company further agreed to abide by all provisions of the Act and rules promulgated thereunder at all times in the future.

December 11, 2012 **CLEAN SLATE CREDIT SERVICES** (Bridgeport, Texas) – On December 11, 2012, the Idaho Department of Finance and Clean Slate Credit Services entered into a consent order addressing this Texas sole proprietorship operating a credit repair business in Idaho without the license required by the Idaho Collection Agency Act (the Act). Under the

terms of the consent order, the company acknowledged that it had engaged in violations of §§ 26-2222(5) and –(8) of the Act to include credit repair services to three (3) Idaho residents without a license; agreed to cease and desist from all credit repair services in Idaho until the company obtained a license to do so; and paid to the Department an administrative penalty of \$1,000 and attorney fees and investigative costs in the amount of \$500. The company further agreed to abide by all provisions of the Act and rules promulgated thereunder at all times in the future.

January 14, 2013 **WESTWOOD ASSET MANAGEMENT, LLC, JOELLE J. LECLAIRE a/k/a JOELLE J. BRACE** (Buffalo, New York) – On January 14, 2013 the Director issued an Order to Cease and Desist against Westwood Asset Management, LLC, Joelle J. LeClaire a/k/a Joelle J. Brace, a New York-based collection agency that had engaged in collection activities in Idaho without the license required by the Idaho Collection Agency Act (the Act). The company had submitted a deficient license application in August 2012, but those deficiencies remained unresolved and the Department deemed the application withdrawn/abandoned. In the order, the Director found that the company had engaged in collection activities while it failed to hold a license under the Act authorizing it to engage in such activities in Idaho.

January 25, 2013 **STANDLEY AND ASSOCIATES, LLC.** (Westminster, Colorado) – On January 25, 2013, the Director issued an Order to Cease and Desist against Standley and Associates, LLC (Standley), a Colorado-based debt collection company that had engaged in collection activities in Idaho without the license required by the Idaho Collection Agency Act (the Act). The order alleged that Standley engaged in collection activities in Idaho without a license. The order further alleged that Standley failed to comply with the Department’s requests for information regarding its collection activities in Idaho. The order required Standley to immediately cease and desist from engaging in debt collection activities in Idaho without a license under the Idaho Collection Agency Act.

January 25, 2013 **RELIANT SUPPORT SERVICES, INC.** (Lake Forest, California) – On January 25, 2013, the Director issued an Order to Cease and Desist against Reliant Support Services, Inc., a California-based debt management company that had offered to provide debt or credit counseling services to Idaho consumers without the license required by the Idaho Collection Agency Act (the Act). The Order further alleged that Reliant Support Services, Inc. stopped communicating with the Department and its legal representative after requests were made to resolve the company’s apparent unlicensed debt or credit counseling activities in Idaho.

February 27, 2013 **MIRACLE FINANCIAL, INC** (Plymouth, Massachusetts) – On February 6, 2013, the Director issued a default order revoking the Idaho collection agency license held by Miracle Financial, Inc. The Department found, according to the Idaho Secretary of State, that the company had been

administratively dissolved on November 13, 2012. In the order, the Director found that the company failed to provide a quarterly notification of agents/collectors form and also failed to maintain a surety bond, both required under the Idaho Collection Agency Act (the Act). The Director found that the public interest required revocation of the company's Idaho collection agency license.

The default revocation order resulted from the company's failure to file an answer to the Department's complaint seeking revocation of its license.

March 13, 2013

TOTAL RECOVERY SOLUTIONS, LLC. (Kansas City, Missouri) – On February 8, 2013, the Director issued an Order to Cease and Desist against Total Recovery Solutions, LLC, a Missouri-based debt collection company that had engaged in collection activities in Idaho without the license required by the Idaho Collection Agency Act (the Act). The Order alleged that Total Recovery Solutions, LLC engaged in at least twenty-two (22) separate collection attempts against Idaho debtors and collected approximately \$1,712.00. The Order required the company to immediately cease and desist from engaging in debt collection activities in Idaho without a license under the Idaho Collection Agency Act. The company failed to file a motion for reconsideration by February 22, 2013 or appeal the Order by March 8, 2013.

March 29, 2013

ACTION COLLECTION SERVICES, INC., dba INTERSTATE COLLECTIONS OF IDAHO, ACTION COLLECTION, FINANCIAL MANAGEMENT, CHECK-A-CHECK, and ACS (Boise, Idaho) – Following a period of monitoring the business activities of Action Collection Services, Inc. for compliance with the Idaho Collection Agency Act, the Director issued an Order Terminating Terms of Prior Consent Orders on March 29, 2013, after concluding that the company had demonstrated that it had satisfied the requirement of prior consent orders entered into with the Department.

May 2, 2013

REGIONAL ADJUSTMENT BUREAU, INC (Carrollton, Texas) – On April 3, 2013, the Director issued an Order to Cease and Desist against Regional Adjustment Bureau, Inc., a Texas-based collection agency that had engaged in collection activity in Idaho without the license required by the Idaho Collection Agency Act (the Act), in violations of §§ 26-2223(1) and -(2). In the order, the Director also found that the company had violated Idaho Code § 26-2229A, which requires “every agent to deal openly, fairly, and honestly without deception in the conduct of its collection agency business.” Through an agent, Regional Adjustment Bureau, Inc. had threatened an Idaho business, stating that it would “turn the matter over to the FBI unless the Idaho business paid immediately.” The company failed to file motion for reconsideration by April 17, 2013 or appeal by May 1, 2013.

June 24, 2013

ALPHA SERVICES, INC. (New Milford, Connecticut) – On June 24, 2013, the Idaho Department of Finance and Alpha Services, Inc. entered into a consent order addressing this Connecticut corporation’s acts of engaging in debt settlement business in Idaho without the license required by the Idaho Collection Agency Act (the Act). Under the terms of the consent order, the company agreed to cease and desist from all debt settlement activities on behalf of Idaho residents until it obtained a license to do so; and it paid to the Department an administrative penalty of \$2,500. The company further agreed that the consent order is an administrative action that must be disclosed to the Department on any future licensing or renewal forms.

III. ORDERS ISSUED UNDER THE IDAHO RESIDENTIAL MORTGAGE PRACTICES ACT – Mortgage Companies

August 30, 2012

PINNACLE CAPITAL MORTGAGE CORPORATION (Roseville, California) –In February of 2012 the Department conducted an examination of the mortgage brokering/lending business of Pinnacle Capital Mortgage Corporation (Pinnacle). As a result, the Department concluded that Pinnacle had violated the Idaho Residential Mortgage Practices Act (the Act) by, (i) failing to diligently supervise or oversee the mortgage brokering/lending activities of its mortgage loan originators; (ii) making or brokering residential mortgage loans from an unlicensed place of business; (iii) employing unlicensed mortgage loan originators; (iv) failing to provide information regarding its business and services to borrowers; (v) failing to retain all records relating to the origination of mortgage loans; (vi) obtaining signatures from borrowers on disclosure documents and other forms containing blanks to be filled in later; and (vii) providing the Department with a pipeline report that falsely represented the loan originator associated with residential mortgage loans for specific borrowers. As a result of these findings, on August 30, 2012, the Department and Pinnacle entered into a consent order addressing the violations described above. Under the terms of the consent order, Pinnacle paid the Department an administrative penalty of \$70,000 and attorney fees and investigative costs in the amount of \$5,000. Pinnacle also agreed to comply with all provisions of the Act and rules promulgated thereunder at all times in the future.

IV. ORDERS ISSUED UNDER THE IDAHO RESIDENTIAL MORTGAGE PRACTICES ACT – Mortgage Loan Originators

September 5, 2012 **AUDREY P. D’ORAZIO** (Nampa, Idaho) – On March 1, 2012, the Director issued an order denying Audrey P. D’Orazio’s mortgage loan originator renewal application. The denial order was based on, (i) Ms. D’Orazio’s failure to update information contained in her application, including failure to disclose certain debts, pursuant to requirements of federal and state Secure and Fair Enforcement for Mortgage Licensing Acts (SAFE Acts), to the Idaho Department of Finance; (ii) failure to satisfy SAFE Act financial responsibility requirements.

After the Director issued the order denying Ms. D’Orazio’s mortgage license renewal application, Ms. D’Orazio filed an appeal of that order. A hearing was scheduled on the matter for August 30, 2012. Prior to the hearing date, Ms. D’Orazio withdrew her renewal application. The parties subsequently stipulated to dismiss the appeal, and on September 5, 2012, the hearing officer filed a corresponding order.

FINANCIAL INSTITUTIONS BUREAU SANCTIONS REPORT

I. ORDERS ISSUED UNDER THE IDAHO BANK ACT

November 14, 2012 **RESIDENTIAL LITIGATION GROUP, P.A.** (Washington, DC and West Palm Beach, Florida) – On November 14, 2012, the Director issued an Order to Cease and Desist against Residential Litigation Group, P.A. (Residential), a Florida based corporation, for violating the Idaho Financial Fraud Prevention Act (the Act) and the Idaho Bank Act by disseminating information to the public that was confusing, misleading, and deceptive, which was derogatory to the financial condition of the financial institution. The order alleges that in September 2012, the Department received complaints from two Idaho banks concerning advertisements that were disseminated to at least two (2) of their Idaho mortgage borrowers by Residential. In the advertisements, which Residential purported to be “Litigation Notifications,” the company claimed that it would be filing potential claims against the Idaho customers’ mortgage lender for fraudulent lending actions and added that the recipient of the advertisement may be a potential plaintiff in that lawsuit. In the order, the Director found that the company had violated the Act and the Idaho Bank Act, and ordered it to cease and desist from further violations pursuant to § 67-2755(1) of the Act and § 26-1116(a) of the Idaho Bank Act. The company did not file a motion for reconsideration or for an appeal.

YEARS OF STATE SERVICE AS OF JUNE 30, 2013
Recognizing 600 years of Combined Service to the State of Idaho

Employee	Years of Service	Title
ADMINISTRATION		
Gavin M. Gee	38.2	Director of Finance
Marilyn T. Chastain	25.6	Securities Bureau Chief
Mary E. Hughes	23.1	Financial Institutions Bureau Chief
Mike Larsen	17.8	Consumer Finance Bureau Chief
David L. Jensen	8.5	Supporting Services Bureau Chief
Lisa A. Baker	2.2	Administrative Assistant 2
SUPPORTING SERVICES BUREAU		
Jill R. Peterson-Pate	16.2	Financial Specialist
Angela M. Baker	7.1	Personnel Technician
Caroline C. Dickson	4.9	Office Specialist 2
Blake Wickham	3.5	IT Systems Integration Analyst, Sr.
Homero P. Rodriguez	2.6	Web Developer
Breck Dahlin	1.7	IT Programmer Analyst, Sr.
FINANCIAL INSTITUTIONS BUREAU		
Brad P. Bergquist	32.5	Financial Institutions Examiner, Commissioned Sr.
George Baker	30.6	Financial Institutions Examiner, Commissioned Sr.
Bruce M. Eames	19.5	Financial Institutions Examiner, Commissioned Sr.
Richard J. Sherrick	9.8	Financial Institutions Examiner, Commissioned Sr.
Mark W. Boschulte	12.1	Financial Institutions Examiner, Commissioned
Connie D. Newgard	9.6	Financial Institutions Examiner, Commissioned
Andrew C. Forth	8.8	Financial Institutions Examiner, Commissioned
Honalee R. Thomas	6.1	Financial Institutions Examiner, Commissioned
Krista M. Bolt	4.5	Financial Institutions Examiner, Commissioned
Jeffrey C. Reinhardt	3.8	Financial Institutions Examiner, Commissioned
James J. Tunca	2.8	Financial Institutions Examiner 3*
Geraldine L. Bullard	1.5	Financial Institutions Examiner 3*
Gordon E. Titus	3.2	Financial Institutions Examiner 2*
Kayce C. Lamb	2.1	Financial Institutions Examiner 2*
Robert Moore	.1	Financial Institutions Examiner 1*
Vacant		Financial Institutions Examiner 1*
Vacant		Financial Institutions Examiner 1*
Tracy English	.3	Administrative Assistant 1
Elizabeth Adcock	.6	Office Specialist 2
		*underfilling Financial Institutions Examiner, Commissioned
CONSUMER FINANCE BUREAU		
Karlyne C. (K.C.) Schaler	15.2	Financial Examiner/Investigator 4
Anthony T. Polidori	12.6	Financial Examiner/Investigator 4
Billie K. Smithers	16.3	Financial Examiner/Investigator 3
Jan L. Kochan	8.8	Financial Examiner/Investigator 3
Dan D. Kline	8.2	Financial Examiner/Investigator 3

Employee	Years of Service	Title
Erin J. Van Engelen	7.9	Financial Examiner/Investigator 3
Tom S. Little	6.8	Financial Examiner/Investigator 3
Tom H. Nate	4.4	Financial Examiner/Investigator 3
Carol A. Berenger	5.5	Financial Examiner/Investigator 2*
Laurie J. Coburn	1.7	Financial Examiner/Investigator 2*
Brad C. Carpenter	1.7	Financial Examiner/Investigator 2*
Tracy L. Posey	1.7	Financial Examiner/Investigator 2*
Jillian K. Laine	1.7	Financial Examiner/Investigator 2*
Dustin Mortimer	1.6	Financial Examiner/Investigator 2*
Gabe Gerrish	1.6	Financial Examiner/Investigator 2*
Jo Ann Lanham	21.5	Consumer Affairs Officer
Karen A. Carlyle	10.7	Administrative Assistant 1
Mel White	1.8	Administrative Assistant 1
Bennie J. Bourn	1.8	Administrative Assistant 1
Karen J. Holcomb	1.6	Administrative Assistant 1
Linda J. Tennyson	5.6	Office Specialist 2
Andrew J. Seganos	.4	Office Specialist 2
<i>*underfilling Financial Examiner/Investigator 3</i>		
SECURITIES BUREAU		
James A. Burns	25.9	Financial Examiner/Investigator 4
Patricia R. Highley	23.6	Financial Examiner/Investigator 4
Timothy D. Martin	24.2	Financial Examiner/Investigator 3
Coleen F. Hodson	20.0	Financial Examiner/Investigator 3
Nancy C. Ax	15.2	Financial Examiner/Investigator 3
Walter L. Bitner	12.0	Financial Examiner/Investigator 3
Kurt V. Merritt	5.0	Financial Examiner/Investigator 3
Norman Real	.3	Financial Examiner/Investigator 1*
Katy M. Witt	29.3	Administrative Assistant 1
Virginia L. Sorensen	28.9	Securities Technician
Mary J. Harper	16.4	Technical Records Specialist 1
<i>*underfilling Financial Examiner/Investigator 3</i>		
Legal Staff (On assignment from AG)		
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Brian Nicholas	25.9	Deputy Attorney General
Alan Conilogue	13.4	Deputy Attorney General
Stephanie Sze	.4	Paralegal

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