

Regulation of Commerce

Mission

To protect Indiana consumers through regulation and supervision of industry.

Summary of Activities

The Securities Division of the **Office of the Secretary of State** oversees Indiana's securities industry. The division is charged with protecting Hoosier investors by bringing enforcement actions against companies and individuals selling securities in violation of Indiana's securities laws, and by educating Hoosiers about prudent investing. The division also regulates mortgage and loan brokers, and administers Indiana's franchise laws. Investor education information is available on the Internet at <http://www.state.in.us/sos/security/investor.html>.



Sue Anne Gilroy

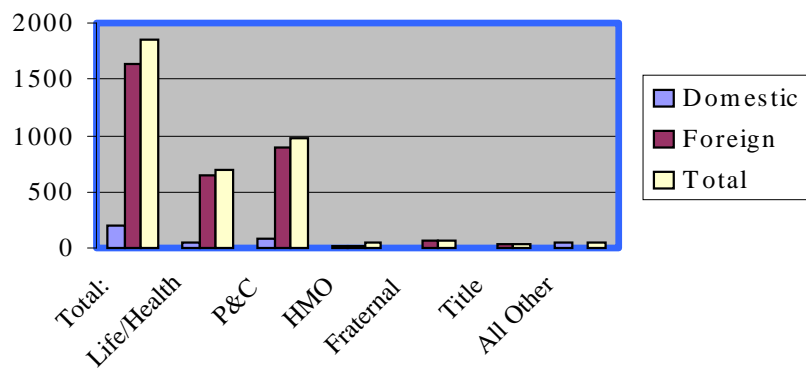
Sue Anne Gilroy
Secretary of State

The **Department of Financial Institutions** (DFI) regulates and supervises state chartered financial institutions in a manner that assures Indiana residents adequate and proper financial services; protects the interest of depositors, borrowers, shareholders, and consumers; and promotes safety and soundness of Indiana financial institutions.

The DFI Depository Division is accountable for maintaining the safety and soundness of all state chartered depository institutions. It regulates and supervises 139 state chartered banks, 61 state-chartered credit unions, and six savings and loan associations. The total assets of these institutions at the end of 1999 totaled \$29.8 billion. A staff of 32 financial institution examiners performs both on-site and remote examination procedures on financial institutions. These examinations are carried out in conjunction with federal regulators through cooperative alternating examination agreements.

The Non-Depository Division is responsible for ensuring compliance with consumer finance laws and regulations for the protection of the consumer borrower. It regulates and examines 457 licensed lenders with 1,006 branches, 86 pawn brokers with 70 branches, 76 rent-to-own companies with 329 branches, 65 check cashers with 126 branches, 25 money transmitters, and three budget service companies. A staff of 18 financial institution examiners ensures that the provisions of the Uniform Consumer Credit Code (UCCC) and five other statutes are followed, providing protection for consumers and borrowers, particularly in the areas of disclosure, rates, collections, repayments, and delinquencies. This division also provides continued consumer-related education in the area of consumer laws, regulations, and policy through the distribution of pamphlets and other educational materials.

Insurance Companies Regulated by the Indiana Department of Insurance - 1999



The **Department of Insurance** (DOI) protects Indiana's insurance consumers by monitoring and regulating the financial and market conduct activities of insurance companies and agents. This work is carried out through the Agent Licensing Division, Consumer Protection Unit, Dedicated Funds Division, and the Financial Services Unit. With a staff of 95, the DOI administers a variety of programs that serve Indiana's insurance consumers, insurance companies (including HMOs, TPAs, and provider networks), insurance agents, and other interested parties.

External Factors

While Indiana's favorable economy in recent years has fueled strong and consistent performance among Indiana banks, DFI examiners are beginning to see signs of some deterioration in the loan portfolios of supervised institutions, indicating a possible weakening in the economy. An economic downturn would likely bring additional challenges to the industry, and require enhanced regulatory oversight by the DFI. The DFI will continue to closely monitor credit quality, and seek to ensure adequate and timely efforts by institution management to remedy any identified weaknesses.

The increased availability and utilization of technology in the financial institutions industry presents new and different challenges for regulation. Internet banking in particular represents a source of both great opportunity and significant regulatory concern. The DFI will continue to require that institutions undertake such initiatives only after adequate security and operational procedures are in place.

In recent years, Indiana financial institutions as well as Indiana insurance companies have identified certain tax benefits that are available to institutions chartered in surrounding states. As a result, some have moved their legal headquarters in order to take advantage of the more favorable tax climate. While some of these issues were addressed by the General Assembly, additional tax disadvantages of an Indiana charter remain.

Evaluation and Accomplishments

Over the last four years, the securities division of the Office of the Secretary of State has imposed a record number of fines and penalties against scam artists preying on unsuspecting Hoosier investors.

The Indiana financial institutions industry remains strong and vibrant and continues to provide the financial resources and services required to maintain a strong state economy. The DFI constantly strives to provide less intrusive regulatory services. DFI's risk-focused examination process has enabled it to more effectively allocate its personnel resources in a manner that is both less intrusive and more effective in addressing the risk factors in every institution. Consumer credit examinations by the DOI continue to result in the identification of insurance and finance charges that entities should have refunded to their customers. These examination findings have resulted in the required payment of refunds to those consumers who were overcharged. The refunds issued in the past three years were, \$1,214,210.00, \$2,184,897, and \$3,058,969, respectively.

