# Iowa Division of Banking

**2019–2023 Strategic Plan**

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### Action Plan (includes goals, strategies, and actions)

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Updated: January 15, 2019
Iowa Division of Banking
2019–2023 Strategic Plan

Our Mission

Protect the interests of those doing business with Iowa chartered banks, licensed financial service providers, and licensed professionals through regulation that ensures safety, soundness, and adherence to laws and regulations.

Our Vision

Regulated financial and professional services are provided to Iowans in a fair and competitive marketplace.

Our Guiding Principles

Collaborative Leadership: Management will utilize collaborative leadership encouraging:

- Open communication with staff and between the IDOB, financial service providers, licensed professions, and other regulatory agencies;
- Customer focus and long-range thinking;
- Performance-based decisions;
- Results oriented continuous improvement; and
- Innovation and responsiveness by adapting to the ever-changing financial services industry in a proactive and efficient manner.

Independence: Maintain independence from organizations and institutions regulated by the Division.

Integrity & Trust: Maintaining and enhancing reputation is critical. It is the lifeblood of our work.

Professional excellence: Provide the necessary training needed by our staff and continue the high standards for which the IDOB is known.

Updated: January 15, 2019
Assessment

**Brief Description**
The IDOB consists of three bureaus: Bank Bureau (BB), Finance Bureau (FB), and Professional Licensing Bureau (PLB). Each bureau has three primary functions: Licensing/Chartering, Examining/Auditing, and responding to consumer complaints. The primary responsibility of the BB is the regulation of state-chartered banks and their affiliates, bank holding companies, and one trust company. The FB regulates financial service providers that hold the following licenses: mortgage bankers/brokers, mortgage loan originators, real estate loan closing companies, loan companies, delayed deposit services, money services, debt management companies, real estate appraisers, and appraisal management companies. The PLB exists to coordinate the administrative support for six professional licensing boards: Accountancy, Architecture, Engineers & Land Surveyors, Landscape Architects, Real Estate Brokers & Salespersons, and Interior Designers.

The BB and FB are not funded via the general fund. These bureaus have a combined separate fund which is funded by licensing fees, examination fees, and assessments to the state-chartered banks. The PLB, while partially funded by the general fund, is a net revenue generator to the general fund. Expenditures are limited through the budget/appropriation process. Performance oversight is provided by constituents, the Banking Council, and by the various professional boards.

**Internal Strengths, Challenges, Opportunities**
The IDOB’s best internal strength has traditionally been its well-trained, experienced staff. Examination exit surveys have consistently praised the expertise, ability, and professionalism of our staff. Our regulated entities expect knowledgeable and well-trained examiners that provide high quality examinations. They know our banking system is built upon customer confidence and recognize the importance of maintaining a sound regulatory oversight program. The regulated entities willingly support the IDOB through their assessments to ensure this occurs. As numerous individuals have retired, our staff experience level has declined, making it a high priority to provide quality training to sustain excellence among our staff.

Staff succession continues to be our biggest internal challenge as we continue responding to retirements of our experienced staff. In the past five years 18 experienced employees and technical experts have retired. We are pleased with the caliber of employees we have been able to hire to replace those who have retired and are working hard to ensure they are properly trained, but the training curve for bank examiners is long. While we have made significant progress addressing the retirement challenge, it remains a challenge, as 18.6 percent of our employees are eligible to retire within the next 12 months and 21.53 percent are eligible over the next five years.

Competition for IDOB employees continues from other regulatory agencies, financial institutions, and other industries that offer more desirable compensation and benefits. We anticipate this competition will only increase as all employers, including regulatory agencies and financial institutions, face succession challenges as the baby boom generation retires. The IDOB must ensure that it continues to have the managerial and technical...
resources to effectively fulfill its mission and goals as those employees elect to retire. In order to ensure that its workforce has the necessary experience and qualifications to assume these responsibilities, the IDOB will continue to:

- Emphasize recruitment of well-qualified new employees who possess high integrity, possess the ability to work cooperatively internally and with external customers, readily adapt to change in the work place and financial services industry, work in a cost-efficient manner, and treat all customers fairly.
- Continue offering an internship program as a method for recruiting strong candidates for permanent employment with the IDOB.
- Invest time and attention to onboarding new employees to ensure a successful transition into the IDOB’s work force and enhance employee retention.
- Invest in training and development activities that will maintain a highly skilled workforce capable of handling anticipated workload and adapting to a rapidly changing and extremely complex industry.
- Emphasize the use of risk-focused procedures during examinations to ensure examination resources are matched to the risk posed by the activity being examined thereby ensuring efficient use of IDOB resources.
- Create and update succession plans for key positions.
- Implement programs that will make the IDOB an employer of choice. It is important the IDOB provide support for diversity, training and development, and family-friendly policies and programs. Work environments should remain flexible, work-life balance should be supported, and rewards for performance should be aligned with achieving the agency’s mission and strategic goals.
- Seek support from the Governor’s office and Legislature for adequate funding to hire and train IDOB employees.

Maintaining information technology capabilities that are responsive, reliable, and secure will continue to be critical for the IDOB to accomplish its mission. The IDOB must continue to collaborate with its internal and external stakeholders who include citizens, financial service providers, and other regulators. The use of specialized automated examination tools developed in collaboration with federal regulators will continue to be a key component of our examination program. This affords the IDOB an opportunity to work closely with other state and federal regulators in ensuring that examination tools stay abreast of changes occurring in the financial industry.

Mergers and consolidation within the industry, combined with a changing IDOB workforce, require the IDOB to continually review its staffing levels, method of delivering training and services, and the overall structure of the agency. The IDOB has always provided high quality regulatory oversight and a much lower cost than national bank regulators. It remains the IDOB’s goal to continue this practice.

Through the accreditation process conducted by the Conference of State Bank Supervisors (CSBS), the Bank Bureau and Finance Bureau are measured against Best Practices intended to raise the bar for financial supervision. The IDOB is the second oldest accredited state banking agency in the United States, having first been accredited in 1985 with the most recent re-accreditation in 2013. The Division’s mortgage area was among the first
mortgage regulators in the nation to obtain accreditation in 2010 and was re-accredited in 2014. Both Bureaus will undergo the re-accreditation process in 2019. Many employees of the Division also have attained professional certifications through CSBS which confirms the experience, qualifications, and accomplishments of our staff. If these high standards achieved by the Division are to continue, adequate funding for training programs must be available. Since Iowa has the second highest number of state-chartered banks of any state in the U.S., maintaining a well-trained staff is imperative.

The PLB implemented a new license system in September of 2017 allowing initial on-line application and/or renewal of 36,030 licenses as of December 31, 2018. While every new system has its challenges, it is expected this new system will eventually allow for more efficient licensure which will provide for more time for CE audits, investigation, and discipline.

External Strengths, Challenges, Opportunities

Iowa banks have elected to be state-chartered for several reasons: better understanding of community bank business model, reduced cost, more accessibility, strong industry outreach program, highly trained and experienced examination staff, coordinated examination program with federal regulators, commitment to providing high quality service to the banks we regulate, and additional powers granted to state-chartered banks. As a result, it is critical to ensure the IDOB maintains a highly competent staff as experienced personnel retire.

Community banks continue to serve a critical role in Iowa’s economic development, job creation, and market stabilization. Iowa community banks are the main economic driver of small businesses and communities across our state and provide a stable source of funds for small businesses and individuals. It is important to our state’s economic health that credit availability for small businesses is maintained. At the same time, these banks are operating in a challenging business and regulatory environment. Banks face stiff competition from the farm credit system and credit unions, both of which compete with banks from a tax-advantaged position. Banks have also faced increasing and changing regulations since the Great Recession. These changes have been costly and at times overwhelming to keep up with. Recently passed federal regulation purporting to offer regulatory relief, especially for community banks like the IDOB supervises, provided some relief. It remains to be seen how much relief the legislation will actually offer to community banks. For example, the federal regulators’ proposal to implement the new Community Bank Leverage Ratio (CBLR) contains aspects that may make the CBLR unattractive for community banks to adopt. The challenging regulatory environment also presents a challenge to the IDOB because we must be prepared to understand and implement changes driven by the federal regulators or accounting standards boards. The IDOB has an opportunity by working in conjunction with other state banking regulators to reduce regulatory burden and ensure the community banking model remains viable so small businesses and individuals have access to credit.

While credit risk is always a primary risk facing our institutions, liquidity and technology risks are also now major risks confronting our banks. These risks have created challenges and opportunities for the IDOB and its oversight strategy.

Many Iowa banks are heavily invested in agricultural and farmland loans and a five-year ongoing downturn in the agricultural sector is a significant risk factor Iowa banks face today. 2018 was the fifth consecutive year of depressed farm incomes. Since 2013, declines in farm grain prices and continued
high input prices have caused some softening in land values. Uneven weather patterns in 2017 and 2018 contributed to agricultural challenges in some parts of the state. However, lower commodity prices have translated into increased loan growth and improved earnings by our banks. While the overall condition of Iowa banks remains strong, ongoing agricultural stress is beginning to affect bank conditions. Weaker agricultural conditions have both direct and indirect impact on banks, as agriculture is a significant driver of the state’s economy. The downturn in agriculture also impacts the IDOB as our examiners must spend more time reviewing agricultural credits in banks and must examine troubled banks on a more frequent basis.

Liquidity is a growing risk for banks nationwide, as banks are relying more heavily on non-core funding to support their operations. The risk is enhanced in Iowa where rural depopulation (discussed below) is also making it harder to maintain a strong core deposit base. Competition for deposits is increasing, and many banks are relying more heavily on non-core funding than they did in the past. This increased reliance on non-core funding has the potential to create liquidity challenges for a bank if it experiences asset quality problems that can result in subjecting a bank to federal prompt corrective action requirements. These concerns impact the IDOB, as our examiners must spend more time reviewing liquidity in banks and liquidity concerns may cause increased regulatory monitoring.

Cybersecurity is a large and growing risk for banks. As financial institutions leverage new technologies, risk management and supervision issues are becoming more complex for both institutions and regulators. Due to financial modernization and advances in technology, companies have encountered problems in protecting the privacy of consumer information. Financial institutions will continue to be challenged as they try to maintain a proper balance between the need to protect a customer’s privacy and the sharing of information for normal business. The FFIEC’s Cybersecurity Assessment Tool provides banks with a framework to assess their cyber preparedness; and the IDOB has implemented a new information technology examination program designed by state and federal regulators (InTREx). Continued IT and cyber risk plus implementation of InTREx will present ongoing challenges for the IDOB, as we must ensure examiners have the requisite training and examination aids to assess banks’ management of information technology risk.

Mergers, consolidations, and conversions of federally chartered financial institutions to state bank charters have occurred over the past several years, with this trend expected to continue at a slower pace. Many community banks have sought conversion to a state charter, as they see the state regulators being more responsive and in tune with their needs. Over 90 percent of the banks headquartered in Iowa have elected to be state chartered. There are many benefits to the bank and the State when a national bank converts to a state charter, but the addition of a significant number of new bank charters and their assets can place a strain on the IDOB’s supervision resources. A recent legislative change allowing the IDOB to spend assessments resulting from conversions has helped alleviate this concern.

Merger activity has been increasing at a faster pace than the past, resulting in fewer bank charters and larger banks. As institutions become larger and more complex, they present greater risk management issues. After years of little appetite for new start-up banks, a small number of investors are beginning to consider starting a bank. While the number of Iowa bank charters continues to decline, the total volume of assets under the supervision of the IDOB continues to increase, as does the number of bank office locations.
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Iowa’s population continues to shift from rural to urban communities. This, combined with an aging depositor base in rural communities, could lead to increased funding difficulties for rural banks. Community banks will continue to migrate to urban areas in an effort to follow the movement of depositors' funds. The value of the small town bank charter may diminish. Technological changes and consolidation in the agricultural sector have reduced the demand for farm labor; and the farmers have become less dependent on nearby small towns to purchase inputs and professional services. As a result, people have migrated from rural to metropolitan areas seeking better employment opportunities. Banks in the rural areas will need to be more reliant upon nontraditional funding sources. Counties losing population lose economic viability. As tax rolls shrink, the infrastructure—schools, utilities, streets—of the rural communities will be more difficult to maintain.

The shift in population to urban areas is also a factor in a significant challenge facing banks now and for the foreseeable future. Succession planning is critical as bank management and ownership nears retirement. Banks statewide will be in search of employee talent, and attracting good bank employees to rural areas will be a challenge. This projected talent shortage will also be a challenge for the IDOB and highlights the need for banks and regulators to work to expand the pool of talent they can draw on to meet human resources needs.

Challenges to the dual banking system will continue as the national bank system continues to gain more control of the nation’s assets. The dual banking system is crucial for survival of Iowa community banks. Community banks are crucial to the survival of Iowa communities.

The recession that began in 2007 highlighted the vital link between the country’s economic performance and the health of its banking system. When the economy falters, it has implications on the operation of the IDOB. Increased resources are required, as the interval between exams is shortened and examination procedures must be expanded. The importance of having an experienced staff cannot be overstated. The same factors affect the IDOB when there is a local recession or downturn in areas the banks we supervise have exposure. This dynamic means the IDOB will be significantly affected if the continuing downturn in the agricultural sector continues for a long period of time or worsens.

The number of licenses regulated by the FB continues to increase from 6,036 on December 31, 2016, to 8,157 on December 31, 2018. Over 96 percent of the increase is attributed to the increase in mortgage licenses. Services provided on-line (as compared to from a brick and mortar site) are considered a driving force for the increase in mortgage licenses, non-resident loan company licenses, and money services businesses licenses.

Supervision of this new delivery method (sometimes referred to as “Fintech”) is a challenge facing the FB—whether it is how we do it, if we need to do it, or if we even have the statutory authority to do it. The FB chief has attended three regional Fintech Roundtables in the last two years with industry and other state regulators to better understand and communicate with those involved in “Fintech.” The FB is also working with the multi-state mortgage committee (MMC), CFPB, and other state regulators in conducting joint cooperative exams of special purpose lenders and money services businesses.

While the method to deliver services continues to change, so does the way the FB regulates the activities. Off-site exams are the norm for mortgage licenses, and conducting exams off-site has allowed us to be more flexible with staff and reduce travel time and costs.
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Strategic Goals

• Support Governor Reynolds' goals of:
  • Creating a COMPETITIVE BUSINESS ENVIRONMENT
  • Developing the most INNOVATIVE ENERGY POLICY in the country
  • EDUCATING OUR CHILDREN for the knowledge economy
  • TRAINING IOWANS for the jobs of tomorrow

• Promote Public and Industry Confidence: Promote public and industry confidence in the financial service and licensed professional system through the rule-making, examination, and auditing processes.

• Enhance the Oversight Process: Enhance the oversight process to monitor and evaluate internal and external conditions, address industry trends, and ensure fiscal integrity.

• Maximize Personnel Productivity, Professional Development, and Employee Satisfaction: Improve efficiency and effectiveness of the Division through staff training and utilization of current technologies.
### Iowa Division of Banking
#### 2019–2023 Strategic Plan

**Action Plans**

- **Goal 1**—Support Governor Reynolds’ goals of:
  - Creating a COMPETITIVE BUSINESS ENVIRONMENT
  - Developing the most INNOVATIVE ENERGY POLICY in the country
  - EDUCATING OUR CHILDREN for the knowledge economy
  - TRAINING IOWANS for the jobs of tomorrow

**Lead Leader:** Superintendent and Bureau Chiefs

**Team:** Entire Staff

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<td>1. Assist and encourage community bankers, state banking associations, and IDOB staff to educate students about career opportunities in banking and bank regulation.</td>
<td>1. Participate in outreach opportunities such as college career fairs, internship programs, conferences, seminars, webinars, one-on-one meetings, etc.</td>
<td>1. Superintendent, BBC, CE</td>
<td>1. Annually through outreach efforts</td>
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**Abbreviations:**
- BC—Bureau Chiefs
- FBC—Finance Bureau Chief
- EO—Executive Officers
- BBC—Bank Bureau Chief
- PLBC—Professional Licensing Bureau Chief
- COO—Chief Operating Officer
- CE—Chief Examiner
- LC—Legal Counsel
# Iowa Division of Banking
## 2019–2023 Strategic Plan

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| 2. Reduce regulatory burden for regulated entities, thereby improving the competitive environment in which they operate. | 1. Review Iowa Code chapter 524 for unnecessary and outdated provisions and propose legislation updating the chapter.  
2. Review finance bureau laws and propose legislation updating them as appropriate.  
3. Review and eliminate department rules and regulations deemed unnecessary and outdated.  
4. Participate with other state regulators via the Conference of State Bank Supervisors to ensure that legislation proposed will protect and strengthen community banking. | 1. Superintendent, BBC, CE, LC  
2. Superintendent, FBC, LC  
3. Superintendent, BC, LC  
4. Superintendent, BC, CE | 1. June 20, 2020  
2. June 30, 2021  
3. April 1, 2022  
4. Regularly scheduled CSBS events and meetings |
| 3. Strengthen Iowans’ overall knowledge of financial matters.             | 1. Partner with the Iowa Jump$tart Coalition in promoting “Financial Smarts to all Iowans” through active participation in bi-monthly meetings and Jump$tart events. | 2. FBC                                  | 1. Bi-monthly, continually             |

**BC**—Bureau Chiefs  
**FBC**—Finance Bureau Chief  
**EO**—Executive Officers  
**BBC**—Bank Bureau Chief  
**PLBC**—Professional Licensing Bureau Chief  
**COO**—Chief Operating Officer  
**CE**—Chief Examiner  
**LC**—Legal Counsel
Goal 2—Promote Public and Industry Confidence: Promote public and industry confidence in the financial service and licensed professional system through the rule-making, examination, and auditing processes.

**Lead Leader:** Bureau Chiefs  
**Team:** Entire Staff

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| 1. Assure that applicants for a charter/license will serve a need and necessity in their community and will operate lawfully, honestly, and fairly within the purposes of the charter/licensing chapter. | 1. Monitor days from receipt of an application to action.  
2. Monitor number of charters/licenses/etc.  
3. Maintain a reliable database of licensed professionals. | 1. BC, EO  
2. BC  
3. PLBC | 1. According to application schedule  
2. Annually  
3. Updated real-time |
| 2. Assure the administration of sound regulatory policies and programs that ensure the safety of deposits, but also protect the interests of citizens doing business with banks, financial service providers, and licensed professionals. | 1. Monitor number of examinations or audits conducted.  
2. Review efficiency of examination process; exam to report to examinee response.  
3. Update 12-Month Floating Examination Averages.  
4. Review problem banks (includes examined and in process of examining). | 1. BC  
2. BC  
3. BBC  
4. BBC | 1. Monthly  
2. Quarterly  
3. Monthly  
4. Monthly |
Goal 3—Enhance the Oversight Process: Enhance the oversight process to monitor and evaluate internal and external conditions, address industry trends, and ensure fiscal integrity.

Lead Leader: Bureau Chiefs
Team: Examiners, Bank Analysts

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<td>1. Provide the banking industry with value added services that assist management in establishing effective risk management policies and procedures.</td>
<td>1. Review bank post exam survey responses and track average ratings to ensure average rating (for all questions on all surveys) is no higher than 2.0. 2. Track and follow up on recommendations made to financial institutions.</td>
<td>BBC</td>
<td>1. Quarterly</td>
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<td>2. Work with federal regulatory authorities and other state regulatory agencies to assure efficient and cost effective administration of regulatory policy and programs.</td>
<td>1. Hold joint meetings and training sessions.</td>
<td>BC</td>
<td>1. Annually</td>
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EO—Executive Officers  
BBC—Bank Bureau Chief  
PLBC—Professional Licensing Bureau Chief  
COO—Chief Operating Officer  
CE – Chief Examiner  
LC- Legal Counsel
Goal 4—Maximize Personnel Productivity, Professional Development, and Employee Satisfaction: Improve efficiency and effectiveness of the Division through staff training and education.

Lead Leader: Bureau Chiefs and COO
Team: Entire Staff

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<td>1. Allocate sufficient financial resources to assure Division goals and objectives are met.</td>
<td>1. Track budget projection vs. actual monthly and year-to-date. 2. Review key questions on climate survey regarding the right skills and knowledge to complete the job. 3. Review if employees are meeting annual training requirements/expectations.</td>
<td>1. COO 2. COO 3. COO, BC, CE</td>
<td>1. Monthly 2. Annually 3. Annually</td>
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<td>2. Maintain an experienced and professionally competent staff by assessing training needs and developing programs to meet those needs.</td>
<td>1. Review competency question on survey to bank following exam. 2. Determine if examiners have the right skill sets to complete exams. 3. Track professional development of staff.</td>
<td>1. BBC 2. BC, CE 3. COO, BC, CE</td>
<td>1. Within 5 days of receipt 2. Annual performance reviews 3. Real time</td>
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<td>3. Maintain a working environment that is rewarding and fulfills the career goals of employees.</td>
<td>1. Measure voluntary turnover rate. 2. Review key exit interview questions. 3. Review responses to key questions on annual climate survey.</td>
<td>1. COO, CE 2. COO 3. COO</td>
<td>1. Quarterly 2. Upon exit 3. Annually</td>
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<td>4. Assess the direction of the financial services industry and its customers and develop and maintain expertise in new financial products, services, and technology, including e-commerce and banking.</td>
<td>1. Review key questions on survey to institutions following exam. 2. Compare to CSBS technology profile.</td>
<td>1. BBC 2. COO</td>
<td>1. Within 5 days of receipt 2. Annually</td>
</tr>
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