



# VIEW*S* & VISIONS

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## Past, Present and Future

Dawn E. Holstein, Acting Commissioner  
West Virginia Division of Financial Institutions

Dawn E. Holstein has almost 19 years of experience with the West Virginia Division of Financial Institutions and is currently serving as the acting commissioner. She previously served in the roles of safety and soundness examiner, information technology examiner, staff analyst and the director of depository institutions.

As acting commissioner, Ms. Holstein is responsible for the supervision, continuity and quality control of all examination programs for depository institutions in all operational areas including safety and soundness, trust operations, information technology operations and bank holding company oversight. She will also continue to be responsible for the depository unit's applications and chartering function as well as formulating policies and procedures related to a wide range of examination and administrative issues. As needed, she will represent the Division at meetings with financial institution executives and federal and state regulators.

Ms. Holstein received a bachelor's degree in business administration from Marshall University, and is a certified information systems auditor.

*The West Virginia Division of Financial Institutions' mission is to regulate state-chartered and licensed financial institutions to ensure that their products and services are safe, fair and necessary for the financial public.*

The West Virginia Division of Financial Institutions (WVDFI), previously named the West Virginia Division of Banking, is a West Virginia state agency with a history dating back to 1891. While the activities of the WVDFI are well-known within West Virginia's financial industry, there is much less awareness throughout the rest of the private sector.

The WVDFI is small considering the number of staff positions, but has very large regulatory responsibilities. The WVDFI is charged with the regulation of West Virginia state-chartered and licensed institutions which includes banks, credit unions, regulated consumer lenders, mortgage lenders, brokers and servicers and money transmitters. The agency has two units, Depository and Non-Depository. The WVDFI is accredited by the Conference of State Bank Supervisors (CSBS).

The Depository unit oversees 49 state-chartered banks and four state-chartered credit unions with total assets of more than \$26.6 billion and \$214.8 million, respectively, as of September 30, 2015.

The Non-Depository unit oversees approximately 74 licensed money transmitters, six regulated consumer lenders, 715 non-bank mortgage lenders and 220 brokers and servicers.

The state banking charter offered by the WVDFI is the charter of choice for 49 of the 60 banks and savings institutions headquartered in West Virginia. There are several reasons for

this popularity. A state charter typically offers significant cost savings to the institution as compared to the national bank charter. More relevant, perhaps, is that WVDFI staff are West Virginians themselves who understand our state and the particular communities and markets in which our banks operate. Finally, the WVDFI is frequently more accessible to our banks than a federal agency located out-of-state. The fact that West Virginia was able to withstand the most recent financial crisis – with no state-chartered bank failures, unlike many other states – is a testament to the commitment to ensuring safe and sound institutions by our constituent bankers and our agency in conjunction with our federal supervisory counterparts.

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In an age where technology has become increasingly important in all facets of the economy, financial institutions have had to devote significant resources to stay ahead of cyber threats as well as provide new, innovative services to customers. The WVDFI is far ahead of the majority of other states in conducting information technology (IT) examinations. Most states are just beginning to develop IT examination programs, while the WVDFI has been performing IT examinations in our state-chartered banks since the mid 1990s.

While the WVDFI has been working hard to provide strong but fair regulation, it still faces many challenges. The largest and most significant concern at the WVDFI is retaining experienced and tenured examiners.

Although we have managed to continue to fulfill our statutory requirements to this point, it has become more challenging. We have faced a continuous need to stretch limited personnel resources. Retaining experienced staff has plagued the WVDFI for more than a decade. An examiner requires a specific skill set acquired through a lengthy training process. A study by the Alabama Department of Banking found that training an examiner typically requires three years and \$300,000. However, once examiners reach an advanced level of knowledge and experience, they often have opportunities at federal regulatory agencies or in the private sector which can double or triple their salaries. The resulting regular cycle of turnover increases training costs and decreases productivity.

The WVDFI is a special revenue agency, which means the agency is funded entirely through assessments and licensing fees from the institutions it supervises, rather than from general tax revenue. The WVDFI has ample income to support higher market rate salaries that would significantly improve examiner retention; however, the WVDFI is strictly limited by a budget appropriation and the statewide policy which has disallowed merit raises since 2004. This situation leaves the majority of our most senior examiners earning well below market rates set in 2009.

The financial institutions the WVDFI regulates deserve consistent, quality supervision in exchange for the assessments and fees they are required to pay. However, quality regulation can only continue to be delivered when the WVDFI's staff remains experienced, knowledgeable and well-trained. It is imperative that there be a solution to this issue in the near future in order to ensure the WVDFI will be able to



continue to fulfill its statutory obligations. Nearly all of the WVDFI's remaining veteran staff are currently eligible or will be eligible for retirement within the next few years. Therefore, it is only responsible for us to seek options to remedy this issue and plan for the future.

The WVDFI has looked at other states to learn how they have been able to retain examination staff. In several states, the financial institution supervisory agency operates with more budget autonomy, using an independent board to oversee budgeting and financial decisions. Other states have tied examiners' salaries to those of federal examiners with similar experience and tenure through legislation.

These or other potential solutions require forward thinking and a recognition that current practices must change to preserve the effectiveness of the WVDFI. A safe and sound financial industry is an essential ingredient for our state's economy to grow and thrive. An effective WVDFI is a critical component in providing the confidence that our banks are well-managed and financially stable. ▽