



# STATE OF WYOMING

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## DEPARTMENT OF AUDIT

### DIVISION OF BANKING

(307) 777-7797 Fax (307) 777-3555 Email: [jvogel@wyaudit.state.wy.us](mailto:jvogel@wyaudit.state.wy.us)

**Dave Freudenthal**  
Governor

**Michael Geesey**  
Director

**Jeffrey C. Vogel**  
Commissioner

## PRESS RELEASE

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Contact: Jeffrey C. Vogel, State Banking Commissioner, 307-777-7797

### **Wyoming Division of Banking Reacts to Treasury Department's Financial Regulatory Reform Plan**

State Banking Commissioner Jeffrey C. Vogel today expressed his reaction to the release of the Treasury Department's Blueprint for Financial Regulatory Reform, and asserted that the Treasury recommendations would be detrimental to the financial system and the economy of the United States.

"The Treasury's plan seeks more preemption of state consumer protection laws, which will result in a significantly lesser role for the states and will make consumers more vulnerable to fraudulent or predatory practices. Preservation of state regulation is vital to ensuring consumers are adequately protected."

As financial institutions and financial service providers increasingly engage in interstate and nationwide operations, and in international and global operations, our regulatory system must progress to reflect this evolution. However, the Treasury's plan that seeks to accommodate and shore up our largest institutions will effectively destroy community banking. Community banks, which are predominantly state-chartered, have traditionally and in the current crisis, been a source of strength and stability for our economy.

In addition, the states have long been recognized as leaders in providing consumer protection. And while state supervisors strive to encourage the success and competitiveness of the institutions and providers we regulate, we will not compromise our fundamental commitment to protect consumers and to ensure the safety and soundness of our regulated entities.

The Treasury's plan calls for the creation of a new federal Mortgage Origination Commission to develop licensing standards for state mortgage lenders and "evaluate the overall adequacy" of the state system. This commission completely disregards the work of state officials who, as early as 1999 recognized that something was both dramatically different and wrong with the housing finance system. In rapid succession the states attempted to create new regulatory regimes and lending standards around the retail channels that popped up to fuel the large banks and Wall Street's increased appetite for securitized mortgage lending. As the capital markets flooded the streets with housing finance, it was the states that saw and responded to the consequences by imposing new licensing and regulatory regimes over brokers and lenders. It was obvious to state regulators that this lending was funding imprudent practices, resulting in over 30 states passing predatory lending laws. Rather than following the lead of the states, federal regulators and Washington preempted state laws and regulations.

“I maintain that centralizing authority of the financial industry in one or two federal behemoth supervisors threatens the dynamic nature of our economy,” Vogel stated. “If the Treasury’s plan is enacted and supervision of institutions is centralized, banks and financial services providers will no longer be held accountable to local supervisors. Supervision centralized in Washington, DC is less connected to local communities and fails to involve local regulatory agencies adequately.”

The regulatory supervisory structure in the United States is far from perfect. Improvements must be made to more efficiently ensure safety and soundness, preserve consumer protection, and encourage market innovation. But state regulators assert that the solution lies not in the creation of a federal “super regulator” that undermines current initiatives, but in increased cooperation and coordination among state supervisors and federal supervisors.

State officials are responsible for chartering, supervising, and regulating the nation’s 6,147 state-chartered commercial and savings banks, which represents 72% of all banks in the United States. However, only 28% of total system assets are held by state-chartered institutions. In addition to regulating banks, most state banking departments also supervise the residential mortgage industry. Under state jurisdiction are more than 85,000 mortgage companies with 68,000 branches and over 407,000 loan officers and other professionals.

*The Wyoming Division of Banking is responsible for the supervision and regulation of state chartered banks, trust companies and licensed non-depository financial entities operating in this state. The division operates out of the Herschler Building in Cheyenne.*

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**Wyoming Division of Banking Contact:**

Commissioner Jeffrey C. Vogel, [jvogel@wyaudit.state.wy.us](mailto:jvogel@wyaudit.state.wy.us), (307) 777-7797