Arnold Schwarzenegger, Governor
Sunne Wright McPeak, Secretary, Business, Transportation and Housing Agency

Department of Financial Institutions

Strategic Plan 2005-2007

"Fostering Financial Strength and Economic Prosperity"

State of California
Business, Transportation and Housing Agency

DFI

Department of Financial Institutions
"Ensuring Integrity and Stability of California's Financial Services System"

Department of Financial Institutions
Howard Gould, Commissioner
January 24, 2005

Strategic Plan 2005-2007

"Fostering Financial Strength and Economic Prosperity"

111 Pine Street, Suite 1100, San Francisco, CA 94111-5613
Tel: (415) 263-8500
Fax: (415) 989-5310
http://www.dfi.ca.gov

TABLE OF CONTENTS

Introduction 4

Department Description 5

Mission 6

Vision 6

Values 6

Environmental Scan (SWOT) 7-8

Strategic Goal 9

Objectives, Strategies, Performance Measures, Action Plans 10-12

INTRODUCTION

The Department of Financial Institution's ("Department") Strategic Plan for 2005-2007 seeks to promote the financial strength, integrity and stability of our licensees, thereby providing a climate of economic opportunity in California. The integrity and stability of California's financial services system can provide a backdrop for economic development and improvement in the California business climate, thereby fostering economic prosperity and helping to ameliorate the current financial issues facing California. The Department continues to support a pace-setting financial services, legal and regulatory structure that provides for innovative financial products and services for Californians.

The Department's Strategic Plan also encompasses Governor Schwarzenegger's efforts to change the way state government operates, including streamlining government, improving performance, the measurement of outputs and the evaluation of outcomes. The Department is committed to efficient and effective operations, a culture of accountability, performance based management, and aligning our performance measures with broad strategic goals. As an example in 2004 the Department reduced the processing of new bank applications from an average of 146 days to less than 70. In addition, application processing steps were reduced from 150 to 64. Other key applications have been reviewed which have resulted in improved internal efficiencies and benefits to our licensees. This plan continues those efforts to improving our performance and promote the integrity and stability of California's financial services system.

Finally, this plan was developed through the substantive efforts of our Leadership Labs 1 through 4, and the many responses received from staff at both the North and South Training Conferences. Without our skilled and knowledgeable staff we could not achieve our mission or the vision we strive to attain.

Howard Gould, Commissioner

DEPARTMENT DESCRIPTION

The Department of Financial Institutions (DFI) was created on July 1, 1997. The DFI was formed by consolidating the Divisions of Credit Unions and Industrial Loan Companies from the Department of Corporations and the Department of Savings and Loan and the State Banking Department. The rationale for consolidating these departments was that all of these entities had common elements such as: they all accepted some form of deposit; common financial products were prevalent; and all entities provided the basic financial services needed by California consumers.

Combining these functions into one department allowed the new DFI to reduce unneeded regulations and reduce costs for state-chartered institutions.

Although new, the DFI has had a long history of regulatory experience that was rooted in the aforementioned consolidated departments, some of which dates back to the mid 19th century.

Today, DFI licenses and regulates commercial banks, credit unions, industrial banks, premium finance companies, trust companies, agencies, branches and representative offices of foreign banks, savings and loans associations, transmitters of money abroad, issuers of payment instruments and traveler's checks, and business and industrial development corporations.

The DFI continues to focus on regulatory reform for all of its supervised institutions and to help create a climate for financial institution innovation.

MISSION

The mission of the California Department of Financial Institutions is to promote the integrity and stability of California's financial services system through the regulation and supervision of state licensed financial institutions.

VISION

Department of Financial Institutions will be the recognized leader in the regulation and supervision of the financial services system in the United States. We will maintain and enhance a professional staff that responds to the changing environment and fosters the public confidence and trust of all Californians in the financial services system.

DEPARTMENT VALUES

- We value a highly skilled, professional, and diverse workforce.
- We value and promote open and honest communication.
- We value the variety of financial services available to the citizens of California.
- We value the dual chartering system.
- We value our ability to regulate and supervise our licensees in the most appropriate manner.
- We value our ability to deliver quality services with integrity and professionalism.
- We value teamwork.

ENVIRONMENTAL SCAN

In developing the Department's strategic plan an analysis of the Department's strengths, weaknesses, opportunities, and threats (SWOT) was conducted. This analysis was based on input from the Department's town hall survey (employees), quality assurance survey (licensees), focus groups, and executive input. The purpose of conducting this SWOT analysis was to allow the Department to set its goals in order to mitigate its weaknesses and threats, take advantage of opportunities, and enhance its strengths.

Strengths

- Fair and balanced regulatory practices which create credibility within the financial services industry.
- A Commissioner who is strongly committed to improvement and change.
- An empowered, skilled, and knowledgeable examination workforce producing efficient and effective examinations.
- Employee opportunities in education, certification, and flexibility that value work-life balance.
- A highly committed, responsive, and dedicated staff operating in a cost-effective manner.
- An excellent, ongoing leadership development program that is designed to help improve departmental communications and morale and support succession planning.
- Knowledge of unique California specific industries and issues.

Weaknesses

- Although improved, the Department does not consistently communicate with staff in an effective manner.
- Inability to compete with examiner compensation and benefit packages of Federal regulators.
- Inadequate management information systems.
- Inconsistent examination procedures between offices and/or between teams.
- Breakdown in keeping the workforce up to date with regard to innovative products and services impacting licensees and regulatory policies, procedures, and practices.
- Dissemination of information to licensees may not be adequately meeting their needs.

Opportunities

- Continued chartering in licensees could serve to enhance economic prosperity in California.
- New technologies are available to improve the effectiveness and efficiency of the Department.
- Process redesign could lead to improved organizational effectiveness.
- The availability of training and certification programs that develop and enhance a professional staff.
- Continued growth in California supports further expansion of state financial services.

Threats

- Budget constraints could inhibit DFI's ability to maintain adequate staffing levels or technological tools facilitating the analysis and examination of licensees.
- Preemption by federal government threatens the dual banking system.
- Increased demands on the department to expand regulatory and supervisory activities.
- A downturn in the economic cycle that detrimentally impacts the condition of the California financial services industry that exceeds our regulator capacity.
- Insufficient qualified financial services industry management to support expansion of the industry.

STRATEGIC GOAL

The Department has created a goal and objectives that will reinforce its effort to fulfill its mission and lead to its vision of the future. These goals are challenging, specific, and measurable. The Department has set these goals to enhance its strengths, take advantage of opportunities, and mitigate its threats and weaknesses. The Department has prioritized these goals based on assessment in each of these areas. Under each goal are specific initiatives that would need to be completed in order to achieve the desired goal. To assure achievement of each initiative, action steps have been outlined. Some initiatives are task oriented. Successful completion of these tasks will be considered a successful measure of the initiative. Other initiatives are performance based. Results of the performance measure will indicate success for these initiatives. Estimated resources have been tied to the initiatives to facilitate their completion and should be appropriated to these initiatives when reasonable.

The Department's strategic goal is to:

- To provide effective regulatory leadership through expert execution of the Department's core mission with innovative, efficient and effective operations.

GOAL	To provide effective regulatory leadership through expert execution of the Department's core mission with innovative, efficient and effective operations.
Objective 1	Enhance the effectiveness and leadership in the expert execution of our core examination mission through targeted improvements to high priority examination processes that measurably improve resource utilization, timeliness, and customer service.
Strategy	Enhance value to our regulated industries through improvements to the effectiveness and efficiency of the examination processes while meeting examination goals.
Performance measures	1. Examination hours by licensee rating (output). 2. Number of examinations by exam criteria requirements (output). 3. Percent completion of exam schedule (output). 4. Interval between exams in months (output) 5. Licensee rating percent satisfactory over time (outcome). 6. Licensee satisfaction with examination survey results (outcome). 7. Ratio of DFI assessment to federal counterpart (output). 8. Percent of time report is delivered on time (outcome). 9. Actual exam hours vs. budgeted hours (output). 10. Staff utilization rate (output). 11. Percentage of institutions maintaining eligible securities to cover local agency deposits (outcome). 12. Number of institutions filing local agency reports on time (output). 13. Meet statutory examination requirements (output). 14. Percentage of employees certified by outside entities (output). 15. Percentage of people passing core training (output).
Action Plan	1. Maximize the use of risk-based examination procedures. 2. Maximize the use of early warning and offsite review procedure. 3. Conduct internal process analysis appropriate to each core function.

	4. Establish a comprehensive examiner competency development and performance review methodology.
Objective 2	Enhance effectiveness and leadership in the expert execution of our core licensing mission through targeted improvements to licensee applications that measurably improve resource utilization, timeliness, and customer service.
Strategy	Enhance the efficient and timely processing of license applications.
Performance measures	1. Median days to process applications (output). 2. Applicant assessment of application process (outcome). 3. New state-chartered banks vs. new federal chartered banks in California (outcome). 4. Cost to deliver application decisions (input) 5. Number of applications available via electronic submission (output).
Action Plan	1. Establish targets for the timely processing of critical applications. 2. Review all Department applications to determine: if they are really necessary, if necessary how can they be streamlined, and can the application process be automated and electronically submitted.
Objective 3	Facilitate continuous improvement in effective internal and external communications.
Strategy	Undertake consistent activities that foster informed and satisfied licensees and public.
Performance measures	1. Licensee satisfaction with examination process rating (outcome) 2. Average response time to legal opinion requests by licensees (output). 3. Average time to respond to consumer complaints (output). 4. Number of public outreach programs shared with other state, federal, and private participants (output). 5. Number accessing DFI financial literacy site (output).
Action Plan	1. Develop a survey for to assess public satisfaction with the delivery of financial services information and advice. 2. Develop a survey for all licensees to assess overall satisfaction with DFI services.
Strategy	Continuously evaluate existing laws, regulations, and policies for effectiveness in today's financial environment
Performance Measures	1. Licensee survey satisfaction with Department timely delivery of pertinent information on policy issues, legislation, and accounting guidance (outcome). 2. Number of state charter vs. federal charter institutions (output). 3. State charter asset growth (output). 4. DFI representation in leadership positions on national supervisory associations (output
Action Plan	1. Evaluation of public policy issues, federal regulatory changes, and accounting issues affecting licensees and provide guidance to licensees. 2. Develop methodology to provide notice to licensees of Department changes to policies

	and legal opinions that affect licensees in a timely manner. 3. Provide notice to licensees of any activities or trends noted by the Department that could adversely affect licensees, including guidelines for limiting such risks.
Strategy	Continuously advocate for development of the financial services charter of the future.
Performance Measures	1. Licensee survey satisfaction with Department proactive regulatory reform (outcome).
Action Plan	1. Institute DFI/FDIC sponsored "Directors Colleges." 2. Facilitate interstate banking and trust activities best practices to retain the value of the state charter. 3. Provide an annual "State of the California Financial Services" report. 4. Facilitate industry leadership on California initiatives.