



State of Wisconsin  
Department of Financial Institutions  
**2017-2019 Biennial Report**  
October 2019

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**State of Wisconsin**  
*Department of Financial Institutions*

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Tony Evers, **Governor**

Kathy Blumenfeld, **Secretary**

October 14, 2019

Governor Tony Evers  
Office of the Governor  
115 East, State Capitol Building  
Madison, WI 53702

Members of the Wisconsin Legislature  
State Capitol Building  
Madison, WI 53702

Dear Governor Evers and Legislators,

On behalf of the Wisconsin Department of Financial Institutions (DFI), I am honored to present you DFI's biennial report for the biennium ending June 30, 2019.

DFI plays a key role in strengthening Wisconsin's financial future by protecting the safety and soundness of Wisconsin's financial institutions, safeguarding the investing public, facilitating commerce, and increasing financial capability throughout the state.

The importance of this role is underscored by the sheer number of financial institutions, licensed financial services, charitable organizations, business entities, and securities representatives the department regulates, licenses, or registers. That total includes:

- 166 state-chartered banks and saving institutions;
- 122 state-chartered credit unions;
- 16,661 licensed financial services providers;
- 10,547 charitable organizations;
- 463,764 business entities;
- 152,721 securities agents;
- 1,625 broker-dealers; and
- 353 investment advisers.

The department also administers the Wisconsin Consumer Act and maintains the state's business and organization filings. DFI is self-supporting through program revenue derived from fees and assessments paid by regulated entities and individuals.

As part of DFI's efforts to maintain the state's business and organization filings, DFI enhanced its standard expedited filing service by adding a tiered expedited service as part of the 2017-2019 biennial budget (2017 Wisconsin Act 59). The department now offers a 1-hour and 4-hour expedited corporate filings service in addition to the standard next-business-day expedited filing service. This change resulted in additional revenues of \$17,000 for 1-hour service filing and \$9,250 for 4-hour service filing.

In addition, DFI administers Wisconsin's College Savings Program, which was transferred from the Department of Administration to DFI in the 2017-2019 biennial budget. Day-to-day operations are handled by contractors and subcontractors and the program is overseen by DFI and the College Savings Program Board. As of June 30, 2019, the program had \$5.516 billion in assets under management, consisting of \$3.461 billion in the direct-sold Edvest plan and \$2.055 billion in the advisor-sold Tomorrow's Scholar plan.

To promote financial literacy, DFI utilized \$45,000 from the 2017-2019 biennial budget (2017 Wisconsin Act 59) for the purpose of developing a financial literacy training course for state staff who work at county public enrollment centers or job centers. The funds provided targeted individuals with information to improve their understanding of financial concepts under the FORWD (Financial Options + Resources for Workforce Development) pilot program. DFI partnered with the Department of Workforce Development on the program.

As we look ahead to the 2019-2021 biennium, DFI will continue its focus on modernizing our agency, building financial capability, and investing in our people. We will remain efficient, effective, and transparent in our efforts, and we look forward to implementing the Governor's budget recommendation to modernize the department's information technology systems and improve cybersecurity.

To learn more about DFI, I encourage you to visit our website, [www.wdfi.org](http://www.wdfi.org), and follow us on [Facebook](#), [Twitter](#), and [LinkedIn](#).

Sincerely,



Kathy Blumenfeld  
Secretary  
Wisconsin Department of Financial Institutions  
Office of the Secretary  
4822 Madison Yards Way, North Tower, 4<sup>th</sup> Floor  
P.O. Box 8861  
Madison, WI 53708-8861

## **DFI Agency Description and Mission**

### **DFI Agency Description:**

The Department of Financial Institutions (DFI) is headed by a Secretary who is appointed by the Governor with the advice and consent of the Senate. The department operates with four regulatory and licensing divisions or offices and is supported by the Division of Administrative Services and Technology.

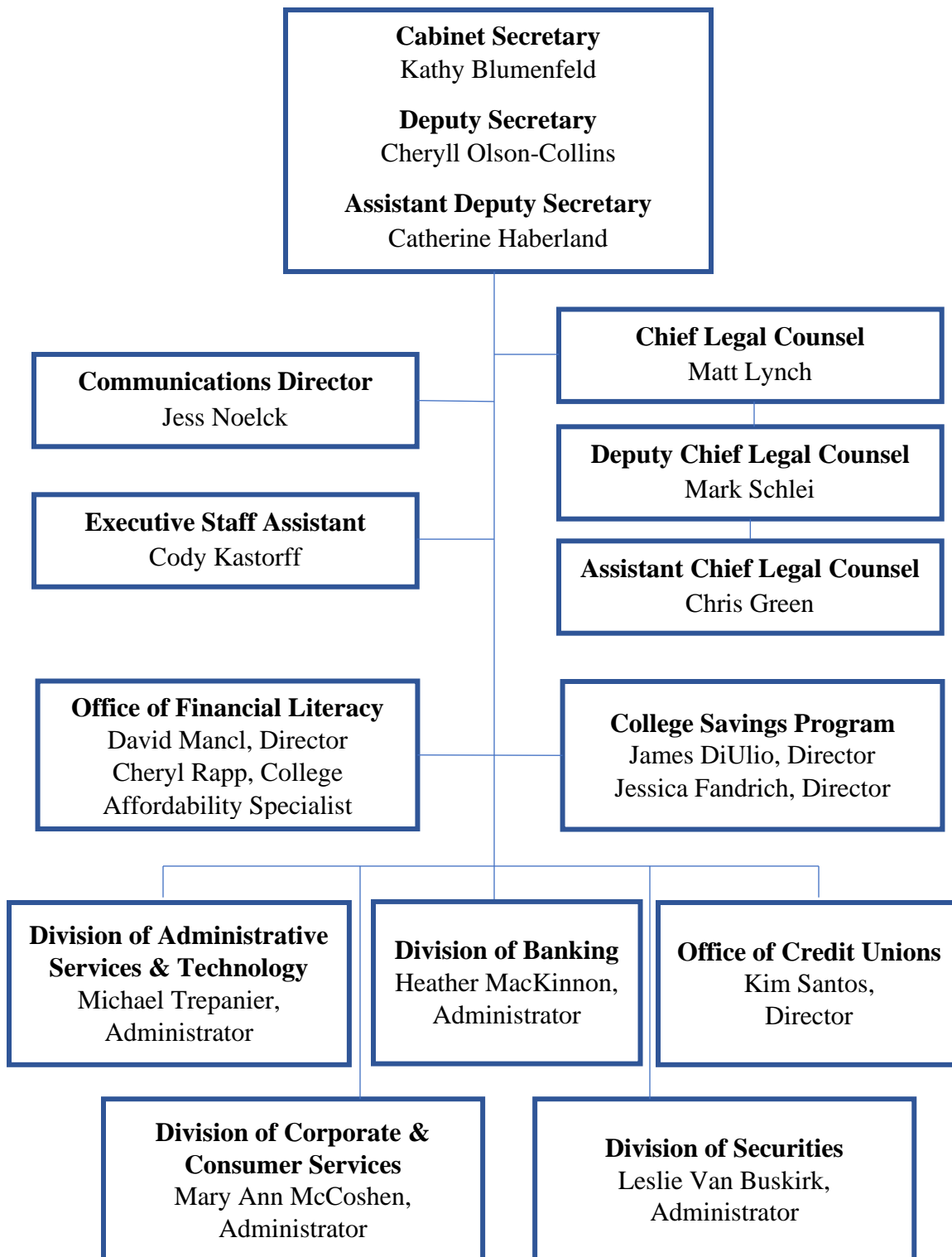
The department's functions include the regulation and examination of state-chartered depository institutions and other financial services providers, registration of securities offerings and regulation of securities professionals, issuance of notary public commissions, registration of trademarks, registration of charitable organizations, and support and maintenance of the state's central business registration and Uniform Commercial Code (UCC) filing systems. In addition, the Secretary is the administrator of the Wisconsin Consumer Act, governing consumer credit transactions under \$25,000.

The department also houses the Office of Financial Literacy, which promotes financial literacy as a life skill and provides information to the public on matters of personal finance, investor protection and the affordability of a post-secondary education. The department is also the administrator of Wisconsin's College Savings Program, which includes the direct-sold Edvest plan and the advisor-sold Tomorrow's Scholar plan.

### **DFI Mission:**

DFI is dedicated to protecting the safety and soundness of Wisconsin's financial institutions, safeguarding the investing public, facilitating commerce, and increasing financial capability throughout the state.

## Organizational Chart (As of June 30, 2019)



## 2017-2019 DFI Program Measurements

### Program 1: Supervision of Financial Institutions, Securities Regulation & Other Functions

**Goal: Assure the safety and soundness of the state’s banking industry.**

- **Objective/Activity:** Examine state-chartered banks and savings institutions for compliance with laws and any issues related to the condition of the financial institutions within established time frames. All banks are to be examined at least every 18 months, with more frequent examinations of larger, more complex institutions. DFI’s Division of Banking has entered into alternating examination agreements with the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve, so approximately 40 percent of all banks should be examined by the Division of Banking in each calendar year to meet that standard.

#### Bank Examinations

Calendar Year	Number of Banks	Exams Due	Exams Complete	Percent to Target
2019*	170	28	33	118%
2018	180	66	69	105%
2017	179	74	75	101%

\*Data as of June 30, 2019

**Goal: Protect the consumers of financial services.**

- **Objective/Activity:** Address abuses and violations of rules and statutes through expedient resolution of consumer complaints by the Bureau of Consumer Affairs. See table for percentage of consumer complaints acted on within five days of receipt and average number of days from receipt of complaint to resolution.

#### Consumer Complaints

Calendar Year	Acted-On Goal	Acted-On Actual	Resolution Goal	Resolution Actual
2019*	5 days	100%	25 days	21.34 days
2018	5 days	100%	25 days	19.31 days
2017	5 days	100%	25 days	17.02 days

\*Data as of June 30, 2019

**Goal: Facilitate economic growth.**

- **Objective/Activity:** Process new business filings swiftly to support new business activity. See table for percentage of online charter document filings processed within goal of five days.

#### Online Charter Document Filings Processed within Five Days

Calendar Year	Goal	Actual
2019*	100%	100%
2018	100%	100%
2017	100%	100%

\* Data as of June 30, 2019

**Goal: Ensure the safety and soundness of the state’s credit unions.**

- **Objective/Activity:** Maintain cycle of examinations as required by Section 186.235 (16) of the Wisconsin Statutes, which requires examination of each state-chartered credit union every 18 months. Credit unions identified as needing additional supervision are to be examined more frequently.

**Credit Union Examinations**

<b>Calendar Year</b>	<b>Number of Credit Unions</b>	<b>Exams Due</b>	<b>Exams Complete</b>	<b>Percent to Target</b>
2019*	122	42	44	105%
2018	125	88	89	101%
2017	135	96	99	103%

\*Data as of June 30, 2019

**Goal: Continue to provide college savings plans for the benefit of Wisconsin residents and nationwide under Section 529 of the Internal Revenue Code.**

- **Objective/Activity:** Maintain and increase levels of participation by offering high quality and lower cost investment choices. Direct a statewide outreach and marketing effort for the program to create awareness of college costs, savings methods, financial literacy, and related information for families.

**Total College Savings Accounts**

<b>Calendar Year</b>	<b>Goal</b>	<b>Actual</b>
2019*	320,000	335,530
2018	272,000	318,362
2017	266,000	301,781

\* Data as of June 30, 2019

## **Statutory Reporting Requirements**

**Section 230.215, Wis. Stats.: Part-Time Employment and Flexible-Time Schedules**

- Flexible-time schedules are used regularly by DFI employees. With the approval of the appropriate supervisors, DFI employees are allowed to set work schedules that maximize the efficiency of agency operations and the level of services provided to the public.
- Permanent Part-Time Positions: DFI has one permanent part-time position.

**Section 409.527, Wis. Stats.: Uniform Commercial Code**

- DFI is in substantial compliance with the filing-office rules set forth in Section 409.527.



## **Division of Banking**

### **2017-2019 Biennium Accomplishments**

#### **Heather MacKinnon, Administrator**

The Division of Banking regulates and supervises state-chartered banks and consumer financial service industries under statutory Chapters 220 through 227. In addition to chartering and regularly examining state-chartered banks, the division licenses payday lenders, loan companies, mortgage bankers, mortgage brokers, mortgage loan originators, collection agencies, community currency exchanges, sales finance companies, adjustment service companies, sellers of checks, insurance premium finance companies and credit services organizations. It also regulates auto dealers' installment sales contracts. The division investigates applications for expanded banking powers, new financial products, and interstate bank acquisitions and mergers.

#### **2017-2019 Key Accomplishments/Activities:**

- As of June 30, 2019, assets of the state-chartered banks in Wisconsin totaled \$57.3 billion, up from \$50.9 billion compared to June 30, 2017.
- The number of state-chartered banks declined from 165 as of June 30, 2017 to 156 as of June 30, 2019 (the 156 total includes four non-depository trust companies).
- Net loans and leases at state-chartered banks totaled \$50.9 billion as of June 30, 2019, up from \$36.9 billion as of June 30, 2017.
- The number of state-chartered savings institutions remained at 14 from June 30, 2017 to June 30, 2019. Assets of savings institutions have increased from \$4.497 billion as of June 30, 2017 to \$4.963 billion as of June 30, 2019.
- Fiduciary assets increased from \$14.9 billion as of June 30, 2017 to \$18.3 billion as of June 30, 2019 (figures include assets of 4 independent trust companies and banks with trust departments).
- From July 1, 2017 through June 30, 2019, there were 13 mergers with state-chartered institutions, 2 voluntary liquidations, 18 acquisitions of an in-state bank holding company or in-state bank by a bank holding company, 6 banks that relocated their main office, and 6 institutions that changed their names. Over this time period, the division cancelled the charters of 15 state institutions as a result of mergers or voluntary liquidations.
- Six nationally-chartered banks converted to state charters during the biennium. This is a trend that could continue as more nationally-chartered banks understand the value of a state charter: lower examination fees and easier access to their regulator.
- In May 2019 the division received re-accreditation from the Conference of State Bank Supervisors (CSBS). The CSBS accreditation process involves an in-depth review of the division's policies, procedures and operations to determine whether the division meets standards for state bank supervision. The accreditation designation is for a five-year term.
- The division's Bureau of Licensed Financial Services regulates and licenses 16,661 licensed financial services providers as of June 30, 2019.
- In addition, the Bureau of Licensed Financial Services produced annual reports of Wisconsin's payday lending industry for calendar years 2017 and 2018. DFI assumed oversight of payday lending effective January 2011 with the approval of 2009 Wisconsin Act 405.

## **Division of Corporate & Consumer Services 2017-2019 Biennium Accomplishments**

### **Mary Ann McCoshen, Administrator**

The Division of Corporate & Consumer Services is responsible for examining and filing business records for corporations and other entities. It processes documents that effect business formations, mergers, consolidations and dissolutions, and requires the annual reports of various businesses, including partnerships, corporations, limited liability companies, cooperatives, and out of state entities. The division files and maintains documents under the Uniform Commercial Code (UCC), notary, apostille and trademark/tradename programs as well as the registrations, renewals and financial reporting of charitable organizations, fundraising counsels, and professional fundraisers.

### **2017-2019 Key Accomplishments/Activities:**

- As part of the 2017-2019 biennial budget, DFI enhanced its standard expedited filing service by adding a tiered expedited service (Sec. 182.01(4)(d)).
  - DFI now offers 1-hour and 4-hour expedited corporate filings in addition to the next-business-day filing and standard filing options.
  - From January 1, 2018 to June 30, 2019, DFI had 6,970 documents filed through expedited service. Out of that number, 71 elected to use the tiered service, 34 for 1-hour service, and 37 for 4-hour service.
  - This resulted in revenues of \$172,475 for standard next-business-day expedited filling service, \$17,000 for 1-hour filing service, and \$9,250 for 4-hour filing service.
- As of June 30, 2019, there were 463,764 business entities registered with DFI, a net increase of 27,019 over the previous biennium. The number of new business entities created were:
  - In the six months ending June 30, 2019: 28,472, a net increase of 930 more than the first six months of 2018;
  - In the year ending Dec. 31, 2018: 50,234, a net increase of 2,704 more than the prior calendar year;
  - In the year ending Dec. 31, 2017: 47,530, a net increase of 6,703 more than the prior calendar year.
- In the 24 months ending June 30, 2019, the division processed 1,189,882 business documents, 705,169 of which were received online.
  - Effective Jan. 1, 2018, Ch. 178, Wis. Stats. was updated requiring Limited Liability Partnerships to file annual reports. Effective May 1, 2018, Wisconsin Act 177 was enacted allowing student entrepreneurs to file Articles of Organization for no fee. Both changes require that the documents be submitted on paper, which affects the percentage of total documents filed online.
- DFI implemented an email policy, which allows customers to send and receive documents/service requests by email.
- A new web-based application for filing UCC and trademark/tradename registrations and related documents was introduced in April 2019 to enable improved customer service,

enhance online and auto-file capabilities, and further reduce the amount of paperwork required by these business activities.

#### Uniform Commercial Code (UCC) Performance Measures

Total Processed 2017-2019 Biennium	Total Processed 2015-2017 Biennium	Percent Change	In- House	Online	Online Percentage
339,289	328,919	3.2% Increase	42,709	296,581	87.4%

\*Data as of June 30, 2019

#### Trademark/Tradename Performance Measures

Total Processed 2017-2019 Biennium	Total Processed 2015-2017 Biennium	Percent Change	In- House	Online	Online Percentage
8,420	6,851	22.9% Increase	7,889	374**	4.4%

\*Data as of June 30, 2019

\*\*Trademark/Tradename Online Option Started April 23, 2019.

#### Notary Performance Measures

Total Processed 2017-2019 Biennium	Total Processed 2015-2017 Biennium	Percent Change	In- House	Online	Online Percentage
28,785	31,205	-7.8% Decrease	13,618	15,167**	52.7%

\*Data as of June 30, 2019

\*\*Notary can only be paid online, not filed.

#### Apostille Performance Measures

Total Processed 2017-2019 Biennium	Total Processed 2015-2017 Biennium	Percent Change	In- House	Online	Online Percentage
2,124	802	164.8% Increase	802	1,322	62.2%

\*Data as of June 30, 2019

#### Charitable Organizations Performance Measures

Total Processed 2017-2019 Biennium	Total Processed 2015-2017 Biennium	Percent Change	In- House	Online	Online Percentage
10,547	10,013	5.3% Increase	N/A**	N/A**	N/A**

\*Data as of June 30, 2019

\*\*Charitable organizations' numbers indicate "active" status; however, system limitations do not allow for a breakdown of in-house vs online completion rates.

# **Office of Financial Literacy**

## **2017-2019 Biennium Accomplishments**

### **David Mancl, Director**

The Office of Financial Literacy (OFL) promotes financial literacy as a life skill and provides information to the public on matters of personal finance and investor protection. OFL originates and leads initiatives on financial and economic literacy in order to expand opportunities and security to Wisconsin residents.

### **2017-2019 Key Accomplishments/Activities:**

- As part of the 2017-2019 biennial budget, the State of Wisconsin made available \$45,000 for the purpose of developing a financial literacy training course for state staff who work at county public enrollment centers or job centers.
  - The funds provided targeted individuals with information to improve their understanding of financial concepts under the FORWD (Financial Options + Resources for Workforce Development) pilot program.
  - DFI partnered with the Department of Workforce Development on the pilot program.
  - The pilot program enhanced financial literacy programming offered to job service customers and created consistent messaging of the topic throughout all 11 workforce development areas (WDAs).
  - In partnership with the UW-Extension, job service staff from each of the WDAs received an in-person training regarding various financial literacy topics.
  - Upon completion of the standard training session, each WDA customized its financial literacy programming, applying knowledge and resources gained from the training session to meet local needs.
  - To keep messaging and efforts consistent throughout the state, each WDA was provided a menu of programming options and built its plan for its locality's needs.
- The Governor's Council on Financial Literacy is fulfilling its charge to improve financial literacy in Wisconsin. The OFL has directed the council in the following accomplishments:
  - Conducted two Governor's Financial Literacy Awards programs honoring 13 individuals and 15 organizations.
  - Established the Financial Literacy Innovation Awards, which incentivized schools to increase financial literacy education by providing more than \$56,000 to 11 school districts/CESAs encompassing thousands of educators and students.
  - Conducted two Wisconsin Summits on Financial Literacy at Lambeau Field with more than 270 participants.
- 70% of school districts now require personal finance education in order to graduate high school (up from 25% in 2010), due in part to OFL initiatives.
- OFL continued its support of Money Smart Week, a financial literacy awareness and education campaign done in partnership with the Federal Reserve Bank of Chicago. The annual campaign averages more than 360 volunteer partnering organizations, holds more than 840 events, and draws more than 31,000 attendees.

- Wisconsin was one of four states invited to participate in the U.S. Department of Education and the Financial Literacy and Education Commission’s special convening titled, “Financial Education in America’s Schools,” on April 27, 2018 in Washington, D.C. Representing Wisconsin was David Mancl, OFL Director.
- OFL continued its commitment to “The Money Conference.” The one-day program, created by OFL in 2001, provides impartial financial education for low- to moderate-income families and has attracted more than 800 people annually to events held throughout Wisconsin.
- OFL’s College Affordability Specialist, Cheryl Rapp, advanced an initiative to raise awareness of the importance of preparing for post-secondary education, help students maximize their investment in education, and minimize the need to incur unnecessary student debt. Among the accomplishments of this initiative were:
  - Providing presentations at numerous local, state and national conferences to various audiences, including students, educators, counselors, parents, employers and policy makers.
  - Expanding the “Look Forward to Your Future” website ([LookForwardWI.gov](http://LookForwardWI.gov)), a Wisconsin-focused resource containing information to help students and their parents plan for higher education.
  - Creating the “College and Career Readiness” guide, an educational resource material distributed to more than 30,000 educators and students throughout Wisconsin.

# College Savings Program

## 2017-2019 Biennium Accomplishments

**James DiUlio, Director**

**Jessica Fandrich, Director**

Wisconsin's College Savings Program offers two savings plans under Section 529 of the U.S. Internal Revenue Code. Edvest is a direct-sold plan and Tomorrow's Scholar is available through financial advisors and fee-only planners. Both plans offer a range of investment choices in low-cost institutional funds. Accounts grow tax-free when used for qualified education expenses. Contributions may be subtracted from income on Wisconsin income tax returns.

With the 2017-2019 biennial budget, the College Savings Program moved from the Department of Administration to the Department of Financial Institutions (DFI). Day-to-day operations are handled by contractors and subcontractors and the program is overseen by DFI and the College Savings Program Board.

### 2017-2019 Key Accomplishments/Activities:

- The College Savings Program continues to grow, both in total accounts and average savings per account.
  - During the biennium, the total of all accounts (including replacement and additional) grew to 335,530, an increase of 12%.
  - Enrollment of new beneficiaries aged 0-5 years continues to be the greatest cohort of new accounts each month, due in part to social media directed to young parents.
  - The number of accounts in all 72 counties have steadily grown. Average account size is now \$17,200 with the median slightly lower due to increasing numbers of new accounts.
- Assets managed by the College Savings Program as of June 30, 2019, were \$5.516 billion, consisting of \$3.461 billion in Edvest and \$2.055 billion in Tomorrow's Scholar.
  - Most account owners (71%) select multi-asset investment portfolios designed to manage market risk during volatility and the years preceding use.
  - About 19% of account owners are out-of-state, attracted in part by low-fees and investment selection. These additional assets help Wisconsin maintain a program similar to those of larger states.
  - The legacy Tuition Units plan (the original 1998 Edvest plan) has less than 300 remaining accounts, held in a separate trust and fully funded to its final payments in 2024.
- Permitted use of tax-free 529 plan savings include tuition, fees, room and board, books, and computers at nearly 4,000 colleges, universities, technical colleges, graduate and professional schools in the U.S. Since 2018, elementary and secondary school tuition is also allowed.
  - Withdrawals totaled \$419 million in fiscal year 2018 and \$446 million in fiscal year 2019.
  - The greatest use of funds are directed to Wisconsin and Minnesota schools; however, more than 200 other U.S. institutions have been named in recent years.

- Electronic technology provides account owners increased efficiency and manages internal costs.
  - New enrollments are now 87% online with 59% of owners receiving electronically-delivered statements.
  - Tomorrow’s Scholar technology continues to link national broker-dealer distribution platforms and omnibus networks, upgrading service to clients and planners.
- College Savings Program awareness and outreach to state residents continues to shift from traditional mass media to more efficient targeted messaging, encouraging internal savings.
  - The Edvest core program operates year-round, using mixes of social media, pre-college activities, limited key event sponsorships, and state agency and employer benefit fairs.
  - Tomorrow’s Scholar provides a 529-specific investment education schedule to planners and brokers, unique in the advisor-sold market.
- The plans have received recognition in financial media among peers in the 80-plus 529 plans in the U.S.:
  - Both plans in Top Ten weighted investment performance in trailing 3- and 5-year periods (Edvest: [3-Year Rank](#) / [5-Year Rank](#); Tomorrow’s Scholars: [3-Year Rank](#) / [5-Year Rank](#)).
  - Medalist-award plan among annual rankings of 529 plans ([Edvest Bronze Medal](#))
  - Continued favorable rankings among plans for lowest management fees ([Lowest Fee 529 Plans of 2019](#)).
- In late 2018, advisor plan asset base grew to allow a reduction in management fees for Tomorrow’s Scholar to 7 basis points, a 30% reduction.
- The program launched a “529 at Work” savings awareness and enrollment effort in 2018, partnering with employers through links within their benefit software.
  - The program provides employers with an HR manager toolkit with suggested media, graphics, and custom items.
  - The program undertook initial rollout and testing with all state agencies, University of Wisconsin locations, and every campus of the Wisconsin Technical College System.
  - “529 at Work” is now available at no cost to all Wisconsin employers of any size.
  - A related benefit from 2017 legislation also offers employers a Wisconsin tax credit for contributions made to their employees’ college savings accounts.

## **Division of Securities**

### **2017-2019 Biennium Accomplishments**

#### **Leslie M. Van Buskirk, Administrator**

The Division of Securities, created in Wis. Stat. § 15.183 (3) by 1995 Wisconsin Act 27, regulates the sale of investment securities and franchises under Chapters 551 (the Wisconsin Uniform Securities Law) and 553 (the Wisconsin Franchise Investment Law) of the Wisconsin Statutes. The division manages registrations and notice filings for securities offerings. It also registers broker-dealers, securities agents, investment advisers and investment adviser representatives, and monitors their activities through examinations. The division investigates complaints and, where it finds violations of the law, initiates the appropriate administrative, injunctive or criminal action.

#### **2017-2019 Key Accomplishments/Activities:**

- The Bureau of Professional Registration and Compliance oversees the registration of securities broker-dealers, investment advisers, and their registered professionals, as well as the registration of securities offerings.
- Professional registration totals as of June 30, 2019 were:
  - 1,625 broker-dealers, a nominal decrease of less than 1% compared to 2017, likely reflecting consolidation of firms within the securities industry.
  - 152,721 securities agents, an increase of 5.7% compared to 2017.
  - 353 investment advisers, a decrease of 5.6% compared to 2017.
- Division staff conducted 196 on-site examinations, including 155 investment advisers and 41 broker-dealers, representing a 5% decrease in total exams during the two-year period. This decrease is attributable to examiner turnover during the past two years, reducing the number of exams staff could conduct while new examiners were engaged in training, as well as to the extensive amount of time devoted by staff, particularly one examiner, on the development and testing of a new internal database for securities products.
- As of June 30, 2019, there were 26,336 mutual funds filed in Wisconsin, representing a 3% decrease since June 30, 2017.
- As of June 30, 2019, there were 1,431 active franchise registrations in Wisconsin, representing a 6% increase since June 30, 2017.
- Bureau of Enforcement activities during the biennium included:
  - The division issued 45 cease and desist orders against 77 persons or entities in violation of Ch. 551 or Ch. 553.
  - Enforcement investigations resulted in a total of \$2,704,265 imposed for the benefit of investors as restitution, disgorgement, rescissions and settlements through administrative and/or criminal proceedings.
  - Penalties and costs in the amount of \$14,679,819 were assessed through administrative and criminal proceedings.
  - Prosecutions resulted in 8 criminal complaints filed and 6 criminal convictions related to violations investigated by the division.



## **Office of Credit Unions 2017-2019 Biennium Accomplishments**

### **Kim Santos, Director**

The Office of Credit Unions regulates state-chartered credit unions and is dedicated to ensuring the safety and soundness of those institutions while fostering their development through a progressive regulatory environment. The Office of Credit Unions charters new credit unions; examines credit union records and assets; acts on applications and requests from credit unions that require approval per Chapter 186 of the Wisconsin statutes; approves mergers of credit unions; and cooperates with similar agencies in neighboring states on interstate matters. If a credit union is not in compliance with state law, the Office of Credit Unions may take regulatory action to correct the deficiency and protect the public.

### **2017-2019 Key Accomplishments/Activities:**

- As of June 30, 2019, the Office of Credit Unions regulated 122 state-chartered credit unions with assets totaling \$39.6 billion. This represented a decrease of 13 credit unions but an increase of more than \$6 billion in assets since June 30, 2017.
- Total loans as of June 30, 2019, were more than \$31 billion, an increase of more than \$5 billion since 2017. Loans represented 93.60% of shares and 78.76% of assets.
  - Real estate loans comprised 57.08% of total loans.
  - Personal loans comprised 42.92% of total loans.
    - Note: Member business loans are included in both real estate loans and personal loans depending on the collateral securing the loan. Member business loans comprised nearly \$4 billion of total loans.
- Cash and investments totaled more than \$6.4 billion as of June 30, 2019 and represented 16.28% of assets.
- Total savings increased nearly \$5 billion in two years to \$33.3 billion in total savings.
- Total net worth for Wisconsin state-chartered credit unions as of June 30, 2019 was 11.27% of assets. This ratio increased from 10.95% as of June 30, 2017. In dollars, the amount increased by nearly \$800 million.
- Delinquent loan ratio was stable, dropping from 0.63% to 0.62% in the two-year period. The charge-off ratio stayed the same at 0.25%. Effective lending and collection practices assisted in the stability of the delinquency ratio and maintenance of the net loan loss ratio.
- The return on average assets ratio rose from 1.06% to 1.09%. This strong ratio reflects a stable economy during the reporting period and the maintenance of operating and other expenses.
- Additional information about credit union performance may be found in the quarterly financial bulletins. The quarterly bulletins and other information regarding the Office of Credit Unions and credit union activities can be found on the Department of Financial Institutions' website at [www.wdfi.org](http://www.wdfi.org).

## 2019-2021 Biennial Budget (2019 Wisconsin Act 9)

### Comparative Provisions of 2019-2021 Biennial Budget (2019 Wisconsin Act 9):

<b>Budget Summary</b>								
Fund	2018-19 Base	2019-21	2019-21	2019-21	2019-21	Act 9 Change Over		
	Year Doubled	Governor	Jt. Finance	Legislature	Act 9	Base Year Doubled	Amount	Percent
PR	\$37,124,400	\$38,150,500	\$38,100,500	\$38,100,500	\$38,100,500		\$976,100	2.6%
SEG	<u>1,530,000</u>	<u>1,612,000</u>	<u>1,612,000</u>	<u>1,612,000</u>	<u>1,612,000</u>		<u>82,000</u>	5.4
<b>TOTAL</b>	<b>\$38,654,400</b>	<b>\$39,762,500</b>	<b>\$39,712,500</b>	<b>\$39,712,500</b>	<b>\$39,712,500</b>		<b>\$1,058,100</b>	<b>2.7%</b>

<b>FTE Position Summary</b>						
Fund	2018-19 Base	2020-21	2020-21	2020-21	2020-21	Act 9 Change
		Governor	Jt. Finance	Legislature	Act 9	Over 2018-19 Base
PR	139.54	139.54	139.54	139.54	139.54	0.00
SEG	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>0.00</u>
<b>TOTAL</b>	<b>141.54</b>	<b>141.54</b>	<b>141.54</b>	<b>141.54</b>	<b>141.54</b>	<b>0.00</b>

### Information Technology Modernization and Security Efforts:

DFI will be provided \$320,700 in 2019-2020 and \$369,700 in 2020-2021 in the department’s general program operations appropriation to modernize its information technology systems and improve its cybersecurity.

DFI will use this one-time expenditure authority for: (a) software upgrades; (b) software securitization and modernization; (c) file server and domain migration to the Department of Administration’s (DOA’s) Division of Enterprise Technology; and (d) the implementation of new hardware systems. Additionally, DFI was approved for ongoing base funding of \$57,000 for annual software fees relating to these initiatives.

Specifically, this initiative will upgrade or maintain various IT systems that are reaching the end of their lifespans. Computers will be upgraded with Windows 10 and Office 365 to improve security and allow the continuing use of PCs by staff. DFI will migrate to the Exchange Online email system, as is mandated by DOA. Software development tools will be upgraded to current versions to allow continued software development and support at DFI. End-of-life and failing hardware will be replaced with newer models. DFI will regain disaster recovery capabilities lost during the move to the Hill Farms State Office Building. Finally, DFI will migrate to the DOA “Active Directory,” which will allow further IT consolidation of DFI systems into DOA systems.

### **General Purpose Revenue – Earned Re-Estimate:**

Re-estimate the year-end transfer from DFI's general program operations appropriation at \$84,000,000 in 2019-2020 and \$86,100,000 in 2020-2021. As compared to the original estimate, the re-estimate is higher by \$2,629,600 in 2019-2020 and by \$3,059,500 in 2020-2021. Under current law, with certain exceptions, fees and assessments imposed on regulated entities and individuals by DFI are deposited in DFI's general program operations appropriation. Any balance in this appropriation at the close of a fiscal year transfers to the general fund. Due to positive projections, the year-end transfer was re-estimated to be higher by the Joint Finance Committee and the State Legislature.