

# Department of Financial Institutions

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**2020 BANKING CONDITIONS**



# DISCUSSION TOPICS

- DFI Actions
- Depository Institutions
  - Banks
  - Credit Unions
- Securities
- Non-Depository

# DFI ACTIONS

## DFI Guidance

- Depository Division – 03/18/2020
  - Work with customers
  - Loan extensions, modifications, and ease terms
  - Limit face-to-face transactions with customers
- Non-Depository – 03/24/2020 and 06/05/2020
  - Work with customers
  - Employee telework
  - Some relief regarding notary requirements
- Securities – 03/24/2020
  - Signatures
  - Relief from filing forms

# DFI ACTIONS

## Examination procedures

- 100% off-site from March through July
- Have started some on-site procedures, but extremely limited
- Virtual exit meetings
- Virtual board meetings
- Off-site examinations will not be permanent, but future examinations will utilize increased off-site activities
  - Less travel costs
  - Less burden on regulated institution
  - Automated approval renewal applications and quicker access to data will make off-site procedures possible in the future

# BANKING CONDITIONS

- Usually, banking conditions deteriorate prior to, or in tandem with, economic shock
  - During this economic disruption, the economic shock occurred first
  - Banks and credit unions experienced a short-term increase in earnings, deposits, and assets
  - Impact on bank financial condition not yet known or realized
- PPP
  - KY - 50,655 loans for \$5,383,244,302
  - Injected liquidity into system
  - Bank and credit union balance sheets increased
  - Margin compression anticipated in the future due to low rate environment
  - Capital fluctuations – leverage ratios decreased 200 – 300 basis points due to asset growth
  - Earnings increased due to fee
- Main Street Lending Program (Federal Reserve) - \$600 billion pool
  - Fewer than 15,000 employees or less than \$5 billion in annual revenue
  - Receive a loan of between \$250,000 and \$300 million
  - Most loans originated by banks with less than \$10 billion in total assets

# KY BANK PERFORMANCE

	12/31/2017	12/31/2018	12/31/2019	06/30/2020
# of Banks	124	120	114	110
# of Banks (< \$100 million)	25	23	22	18
Total Assets (millions)	\$52,069	\$51,867	\$53,280	\$60,029
Total Loans (millions)	\$36,639	\$37,160	\$37,932	\$41,659

# BANK PERFORMANCE – 06/30/2020

	EMPLOYEES	NIM	ROAA	ROE	CAP
National	718,525	3.19	0.53	4.67	9.41
Kentucky	11,376	3.72 #1	1.22 #2	10.72 #3	10.54 #1
Illinois	43,479	2.29	0.82	8.29	8.68
Indiana	12,483	3.28	1.24	10.94	9.68
Missouri	24,045	3.49	1.17	11.13	9.37
Ohio	10,148	3.63	0.89	6.85	9.96
Tennessee	20,059	3.38	0.77	6.23	9.42
Virginia	14,670	3.44	0.78	5.62	10.37
West Virginia	5,736	3.61	0.74	5.43	9.58

# CREDIT UNION – 06/30/2020

06/30/2020	Credit Unions (#)	Net Worth Ratio	ROAA	NIM
Kentucky	22	11.35 (#3)	0.30 (#8)	2.93 (#4)
Illinois	167	9.78	0.40	2.75
Indiana	25	10.14	0.62	2.74
Missouri	97	9.68	0.41	2.79
Ohio	67	10.56	0.67	2.73
Tennessee	79	11.97	0.97	2.94
Virginia	25	10.33	0.40	3.08
West Virginia	3	14.66	0.97	3.28
National	1,932	10.34	0.59	2.78

100% of Credit  
Unions have  
AQ and  
Capital  
ratings of 1 or  
2



# SECURITIES LICENSING & REGISTRATION

	YE 2018	YE 2019	6/30/2020
Broker-Dealer Registrations	1,421	1,415	1,419
Broker-Dealer and Issuer Agents	126,252	131,505	136,384
Investment Advisers	1,335	1,344	1,398
Investment Adviser Representatives	5,857	5,889	6,092

# NON-DEPOSITORY LICENSING

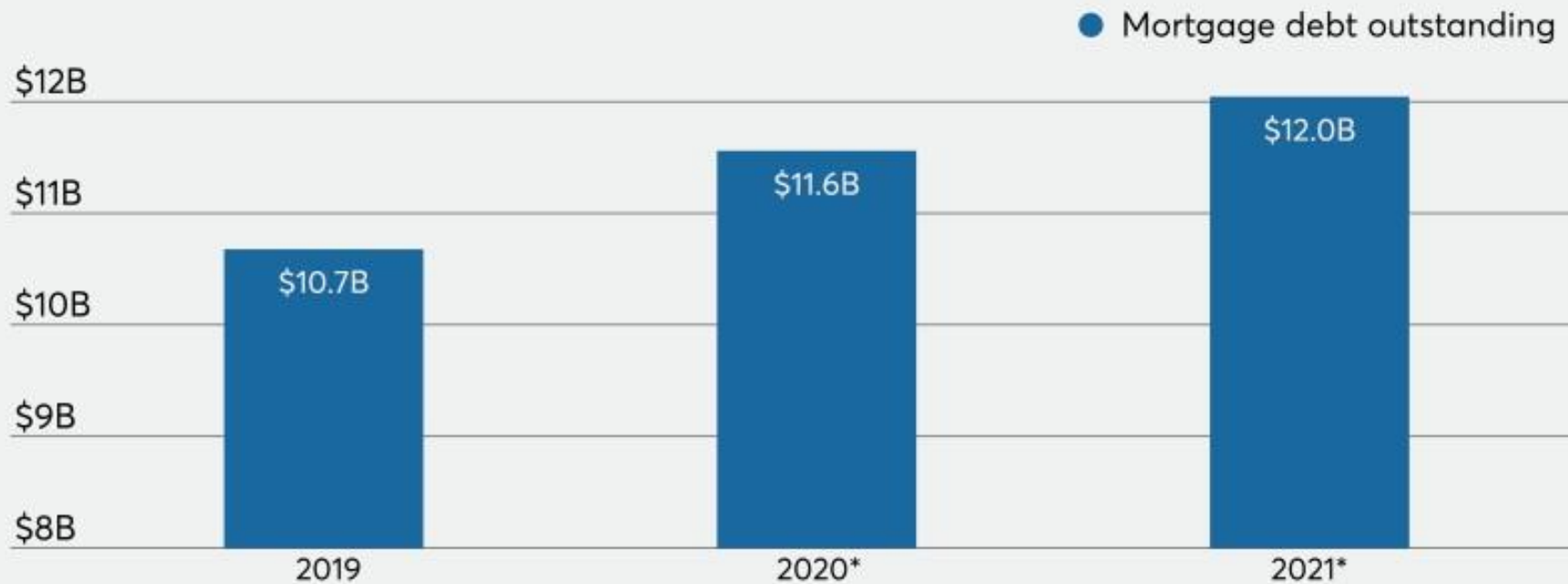
	YE 2019	As of 6/30/20	% Change YTD
Mortgage Companies & Brokers	1,533	1,629	6.26%
Loan Originators	7,197	7,795	8.31%
Consumer & Industrial Loans	362	359	-0.83%
Deferred Deposit* & Limited Check Cashers	405	394	-2.72%
Money Transmitters	124	124	-0-
<b>Total</b>	<b>9,621</b>	<b>10,301</b>	<b>7.07%</b>

\* Note: The number of deferred deposit lenders has steadily declined since 2009 due to a statute change that placed a moratorium on new licenses, which was extended indefinitely in 2019.

# MORTGAGE LOANS – U.S.

## Mortgage slowdown?

Home loans outstanding are expected to rise by 8.4% this year, but the pace of growth could decline to 4.2% next year



Source: Mortgage Bankers Association (\*estimates)

# HOUSING MARKET

Lane Report – 08/20/2020 for Louisville market:

- Sales volume up 8.6% in July 2020 versus the same time last year
- Year-to-date sales were still down 1.3% compared to 2019 due to the drop off in April and May due to COVID-19
- Average price was up 5.8% compared to July 2019, and up 4.25% year-to-date versus 2019
- The inventory of available properties was 41.5% lower than at the same time last year

# KY MORTGAGE ORIGINATIONS

Forward Loan Count by Purpose – Multiple Companies

