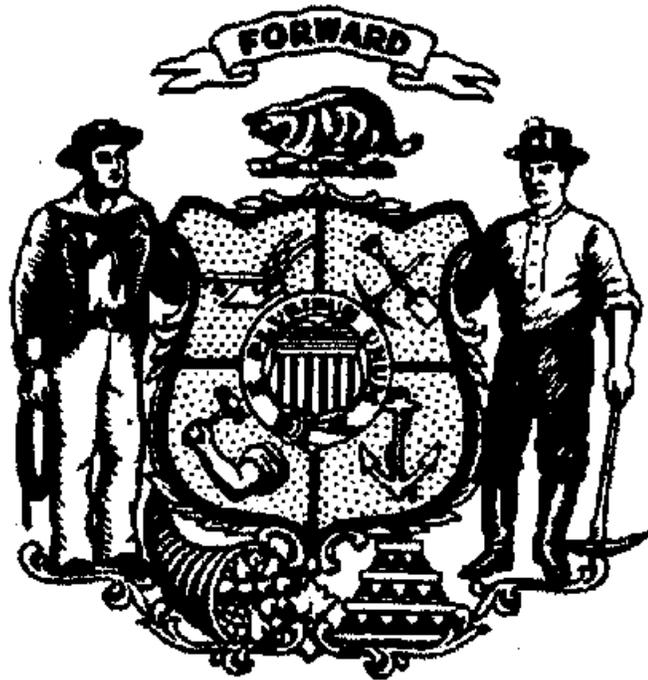


**DFI**

2005

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ANNUAL REPORT



*STATE OF WISCONSIN*  
DEPARTMENT OF  
FINANCIAL INSTITUTIONS

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## State of Wisconsin

### *Department of Financial Institutions*

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Jim Doyle, **Governor**

Lorrie Keating Heinemann, **Secretary**

On behalf of the talented team we have at DFI, I am pleased to present the 2005 Wisconsin Department of Financial Institution's (DFI) Annual Report. This report details the strength of Wisconsin's financial institutions, describes our commitment to consumer protection, and outlines our role in Governor Doyle's Grow Wisconsin Plan.

The Department's mission contains three goals:

- 1) Ensure the Safety and Soundness of Wisconsin's Financial Institutions
- 2) Protect the Consumers of Financial Services
- 3) Facilitate Economic Development in Wisconsin

These goals guide DFI's actions and provide a framework to review items of note from the past year.

The Division of Banking documents strong performance for the state's banks in 2005. There was an increase of \$6.7 billion (8.5%) in assets of state-chartered banks, totaling \$78.8 billion as of December 31, 2005. The number of state chartered banks remained consistent as three new state chartered banks were established and two national banks converted to state charters during the year. Furthermore, six state chartered banks merged into other banks in 2005 and two merged into Wisconsin state charters. National banks in Wisconsin experienced a surge in assets from \$24 billion to \$31 billion in 2005.

Our Office of Credit Unions (OCU) reports that the credit union industry continues to grow as well. As of December 31, 2005, OCU regulated 280 state-chartered credit unions with assets totaling over \$14.8 billion. This is compared to 287 state-chartered credit unions with assets of \$13.7 billion after 2004. These figures represent a net worth/assets ratio for all Wisconsin credit unions of 11.12% as of December 31, 2005. Total net worth for Wisconsin credit unions was \$1.5 billion which is a \$126.6 million increase over 2004.

The Office of Consumer Affairs (OCA) continues to provide direct benefits to consumers as its investigation of complaints resulted in restitution amounting to \$466,000. This dollar amount was the result of 6,382 telephone contacts to the OCA and 1,228 written requests for assistance. In addition to these requests, OCA reviewed 156 contracts for compliance with the Wisconsin Consumer Act at the request of creditors or as part of an examination.

Our Division of Securities also protects consumers by taking corrective actions to address abuses and violations of rules and statutes. In 2005, activity increased in numerous areas as slow, but steady growth continued. The number of securities agents licensed at year end was 98,273 and the number of securities agents who renewed for 2006 was 92,141. Both of these numbers represent an almost 4% increase compared to their 2004 statistics.

Protecting consumers in their financial transactions also involves education. Through our Office of Financial Literacy (OFL), our National Institute on Financial and Economic Literacy trained over 400 teachers, who then taught their personal finance curriculum to over 34,000 students in our state. In partnership with Governor Jim Doyle, OFL launched the Governor's Council on Financial Literacy and is honored to have Wisconsin First Lady Jessica Doyle serve as the Honorary Chair. DFI also initiated a partnership with the Department of Public Instruction in effort to create Model Academic Standards for Financial Literacy, the first of their kind in the nation. OFL also held the first-ever Native Communities Financial Literacy Coalition meeting to help coordinate efforts to promote financial literacy among native communities.

Our Division of Corporations and Consumer Services provides indicators of continued economic growth in our state by tracking business creation. The Corporations Bureau had a slight increase in the creation of new domestic business entities from 34,073 in 2004 to 34,268 in 2005. There was also a slight increase in licensing of new foreign entities from 2,885 in 2004 to 3,096 in 2005.

The Corporation Bureau also remains committed to the use of improving technology to enhance work operations and improve customer service. This year, approximately 75% of filings will be filed electronically with several new applications, including electronic filing of charter documents, currently being developed.

Uniform Commercial Code customers are also taking greater advantage of electronic versus paper filing services. During 2005, there was a reduction in the filing of paper documents to 38,211, while 147,176 documents were filed using the web-based InstantFile System. In 2005 there were 2,214,321 online searches performed.

Finally, we are proud to continue to partner with the Wisconsin Technology Council and Department of Commerce to fund the Wisconsin Angel Network (WAN). The mission of WAN is to increase the number and amount of early-stage equity investments in Wisconsin companies, creating jobs and improving the economy. WAN showed strong growth in 2005 and demonstrated that it has become a vital part of Wisconsin's future. In 2005, 12 organizations joined WAN with over 200 angel investors represented by member networks. The tax credits contained in Act 255 and creation of WAN made Wisconsin more attractive to angel investors resulting in over \$50 million in investments for 2005. This represents a substantial increase over 2004 data, including a 65 percent increase in the amount invested by group angel investors, while the number of actual deals made by these same investors more than doubled from 9 deals in 2004 to 20 in 2005.

In closing, DFI is proud that Wisconsin's financial institutions remain a strong and vital part of our economy. We are confident that our consumers are protected by the strength of our laws and actions of our regulatory team, and that Wisconsin's economy is on the move.

We welcome your comments at the DFI, and appreciate your role in helping Grow Wisconsin.

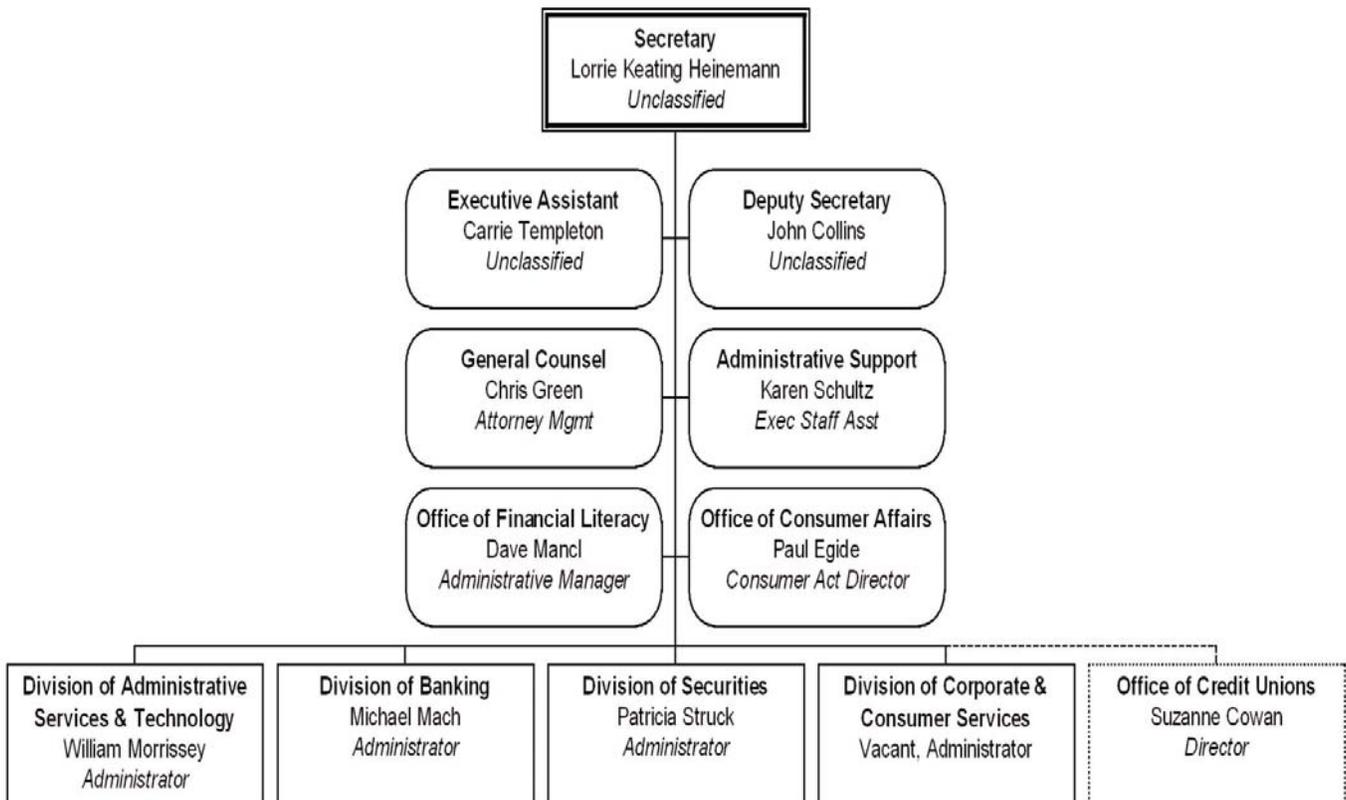
Sincerely,

A handwritten signature in black ink that reads "Lorrie K. Heinemann". The signature is written in a cursive style with a horizontal line extending to the right from the end of the name.

Lorrie Keating Heinemann

Secretary

Department of Financial Institutions  
Office of the Secretary



09/21/05

2005  
ANNUAL REPORT



The Division of Corporate and Consumer Services is responsible for examining and filing charters and business records for corporations and other organizations. It examines documents that affect mergers, consolidations, and dissolutions and reviews annual reports of various businesses, including partnerships, corporations, cooperatives, limited liability companies and foreign corporations. It also examines and files documents under the Uniform Commercial Code, including statements of business indebtedness, consignments, terminations, and financing statements.

### **CORPORATIONS BUREAU**

The Corporation Bureau experienced a slight increase in the creation of new domestic business entities for the period July, 1, 2005 to June 30, 2006 compared to the same period last year. The Bureau also experienced over a 6% increase in the licensing of new foreign entities during the same period.

The Corporations Bureau continues to use technology to enhance our work operations and improve our customer service.

This year around 75% of our filings will be filed electronically. Several new applications, including electronic filing of charter documents, are currently being developed.

**NEW DOMESTIC ENTITIES CREATED**

	<u>07/01/04-06/30/05</u>	<u>07/01/05-06/30/06</u>
Business Corps	4526	4057
Statutory Close Corps	578	492
Cooperatives	17	13
Service Corps	195	204
Statutory Close Service Corps	<u>26</u>	<u>11</u>
Corporations only	<b>5342</b>	<b>4777</b>
Limited Liability Companies	26395	26982
Limited Partnerships	192	191
Limited Liability Partnerships	292	242
Not-for-Profit Corps	<u>1852</u>	<u>2076</u>
Total New Domestic Entities	<b>34073</b>	<b>34268</b>

**NEW FOREIGN ENTITIES LICENSED**

	<u>07/01/04-06/30/05</u>	<u>07/01/05-06/30/06</u>
Business Corps	1552	1506
Limited Partnerships	91	72
Limited Liability Companies	1144	1422
Limited Liability Partnerships	<u>14</u>	<u>16</u>
Total For-Profit only	<b>2801</b>	<b>3016</b>
Not-for Profit	<u>84</u>	<u>80</u>
Total New Foreign Entities Licensed	<b>2885</b>	<b>3096</b>



The Wisconsin Legislature adopted the Uniform Commercial Code (UCC) in 1963, and it became effective in July of 1965. The UCC Bureau of the Department of Financial Institutions (DFI) is responsible for reviewing, processing, filing and indexing financing statements for secured transactions in this state related to business collateral. These financing statements indicate that a security interest or a claim to goods exists to secure a debt. The security holder of that debt files the statements with the UCC Bureau.

Statements are effective for five years and can be amended, continued or terminated. Financing statements and related documents are received via U.S. Mail, Special Delivery, in person, through service companies and online through DFI's web site [www.wdfi.org](http://www.wdfi.org). These filings then become public records. DFI currently maintains over two million UCC filings and related documents in the statewide lien filing computer system that is centralized at DFI. Via this statewide lien filing system, the UCC Bureau tracks financing statements and related documents for consumer goods and farm collateral. When a financial institution no longer has a security interest, the filing may be terminated.

During the 2006 Fiscal Year (July 1, 2005 thru June 30, 2006) 38,211 paper documents were filed with the UCC Bureau, and another 147,176 documents were filed using the web-based InstantFile System. In the same period 2,214,321 online searches were performed.

**UCC FILINGS AND TERMINATIONS  
FISCAL YEARS COMPARED**

<u>Fiscal Year</u>	<u>Filings</u>	<u>Terminations</u>	<u>Total</u>
1976	36,771	9,966	46,737
1977	38,027	10,005	48,032
1978	42,108	11,532	53,640
1979	41,264	11,083	52,347
1980	41,149	10,274	51,423
1981	44,943	11,585	56,528
1982	46,131	12,252	58,383
1983	55,454	13,341	68,795
1984	60,472	14,489	74,961
1985	61,297	14,659	75,956
1986	64,676	15,991	80,667
1987	70,046	18,213	88,259
1988	71,481	18,734	90,215
1989	70,672	19,068	89,740
1990	70,720	19,423	90,143
1991	69,416	18,531	87,947
1992	74,622	20,646	95,268
1993	75,105	21,241	96,346
1994	75,230	22,246	97,476
1995	79,486	21,259	100,745
1996	77,905	22,016	99,921
1997	85,752	23,419	109,169
1998	87,323	24,583	111,906
1999	81,338	26,178	107,516
2000	86,479	24,949	111,428
2001	84,786	23,268	108,054
2002	103,934	72,032	175,966
2003	137,021	65,158	202,179
2004	139,278	65,307	204,585
2005	128,775	55,674	184,449
2006	132,182	53,205	185,387



## UCC FILINGS VOLUME BY MONTH

Month	A	B	C	D	E
July	3,055	498	157,928	7,045	3,513
August	2,756	523	174,968	7,958	3,921
September	2,600	509	148,029	7,204	3,570
October	2,700	456	157,426	7,472	3,889
November	2,313	562	156,263	6,998	3,768
December	2,368	590	138,733	7,870	3,453
January	2,709	701	194,779	8,432	4,424
February	2,212	392	199,692	7,754	3,674
March	2,949	568	197,940	9,049	2,949
April	2,508	458	190,273	8,943	3,997
May	2,954	530	230,978	10,195	4,282
June	2,834	466	267,312	11,304	3,966
Totals	31,958	6,253	2,214,321	100,224	46,952

\*

**TABLE GUIDE:**

A - PAPER FILINGS (ORIGINALS, AMENDMENTS, CONTINUATIONS, RELEASES AND ASSIGNMENTS)

B.- PAPER TERMINATIONS

C.- WEB SEARCHES (BOTH NAME AND FILE NUMBER)

D.- ELECTRONIC FILINGS- (ORIGINALS, AMENDMENTS, AND CONTINUATIONS)

E- ELECTRONIC TERMINATIONS



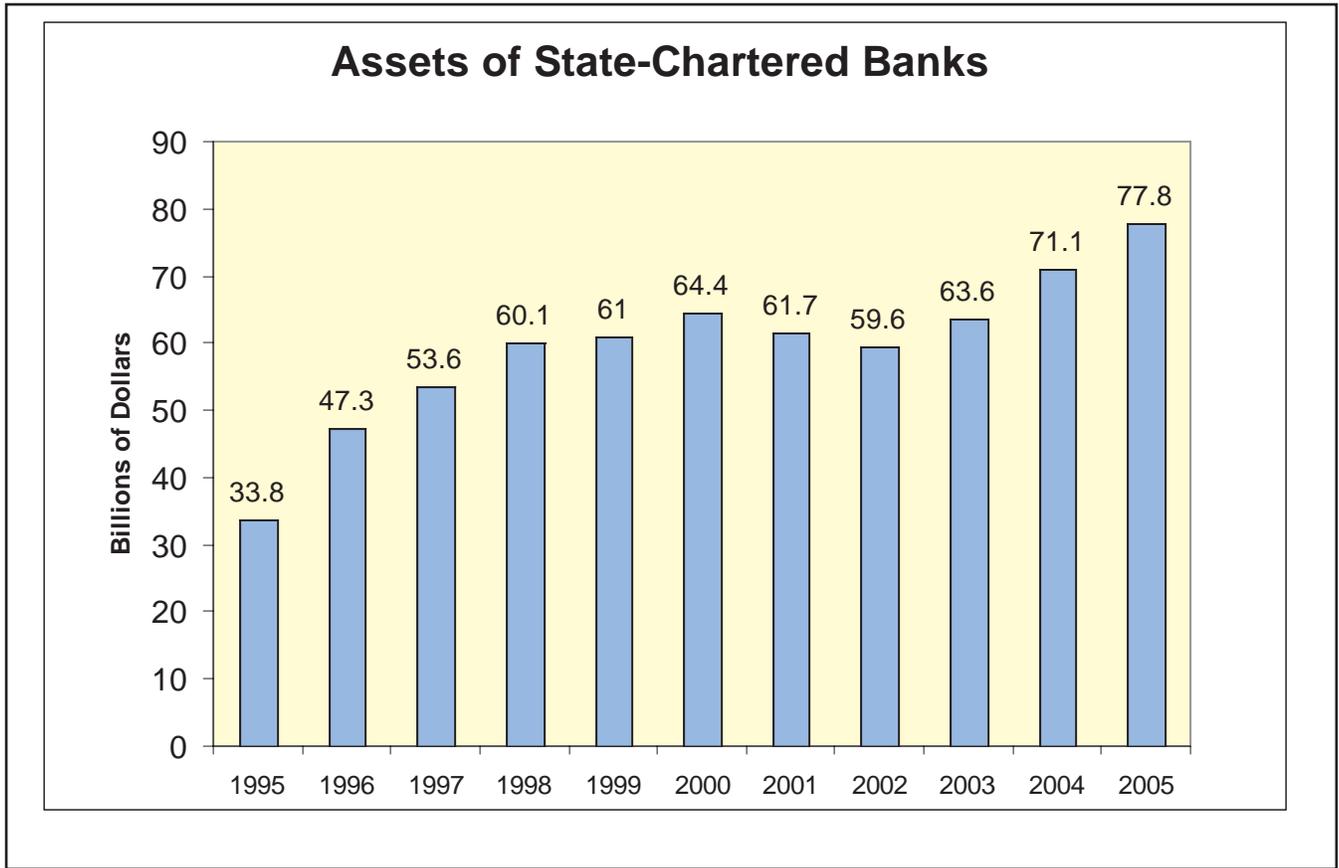
Strong de novo bank activity was the hallmark of 2005. Three new banks received their charters in 2005. They are Foundations Bank, Pewaukee; Commerce State Bank, West Bend; and Integrity First Bank, Wausau. In addition, two nationally-chartered banks converted to state-chartered banks in 2005. They are the Pioneer National Bank of Ladysmith, now known as the Pioneer Bank of Wisconsin, and the Superior National Bank, now known as the Superior Bank.

The financial condition of Wisconsin's state-chartered banks remains very strong. As of December 31, 2005, state-chartered banks held total assets in excess of \$78 billion. Earnings performance continues on a favorable trend with a return on average assets (ROAA) of 1.28% and a return on equity (ROE) of 14.3%, which enabled state-chartered banks to maintain an equity capital ratio of 8.4%.

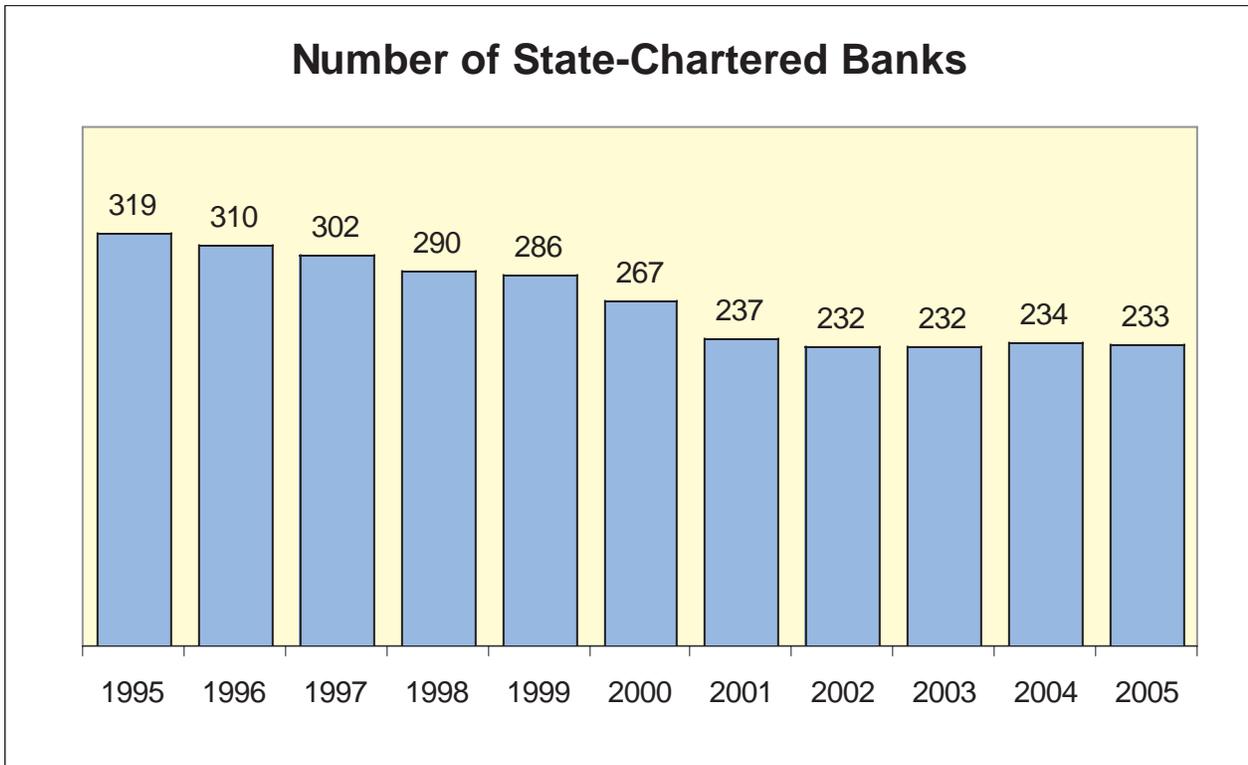
Two major pieces of legislation affecting the mortgage industry became effective in 2005. 2003 Act 257, which became effective on February 1, 2005, addresses responsible high cost mortgage lending. The act prohibits certain practices that may be abusive or predatory in high cost transactions. 2003 Act 260, which became effective on July 2, 2005, requires loan originators to pass a competency examination prior to applying for a license and to complete continuing education courses prior to renewing a license.

Several members of the Division's staff marked milestone anniversaries in 2005. In the Banking Section, David Presny celebrated 15 years. In the Licensed Financial Services and Mortgage Banking Section, Jean Plale celebrated 20 years, Lisa Lee 15 years and Laura Jirsa Dille 5 years.

The Division's staff was saddened by the lost of our colleague Kenny Markhardt to a heart attack in December of 2005.

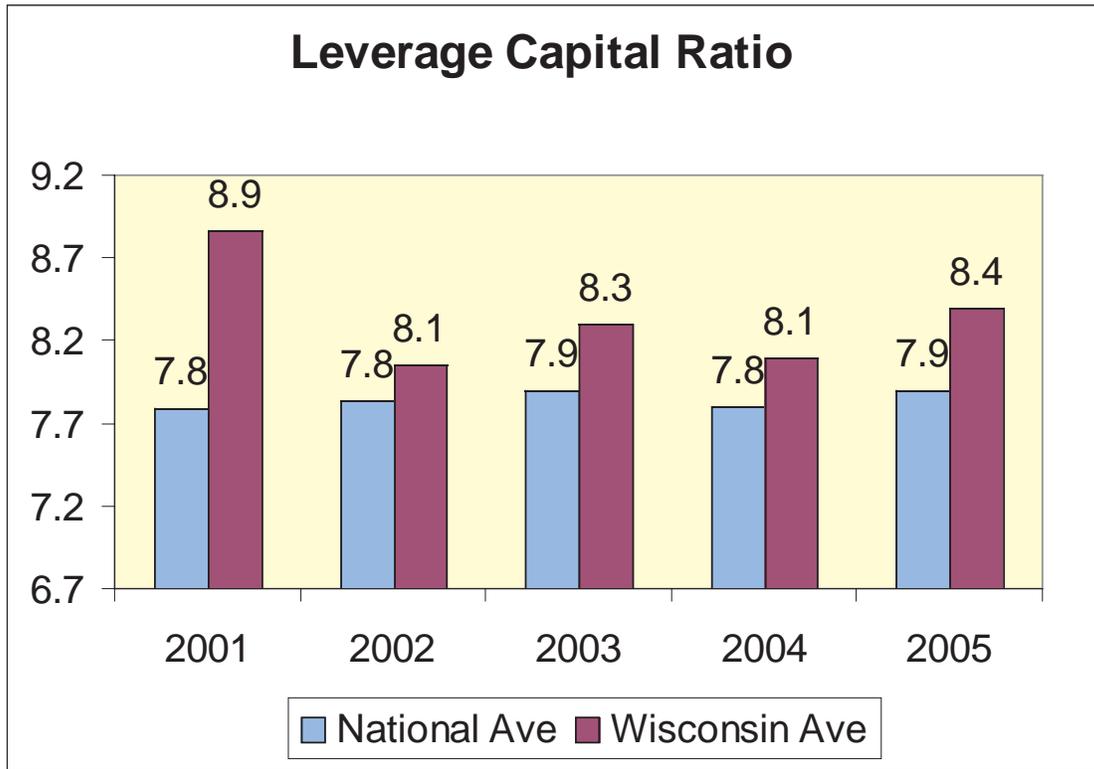


The assets of the state-chartered banks headquartered in Wisconsin and regulated by the Division of Banking totaled \$78.8 billion as of December 31, 2005, an increase of \$6.7 billion or 8.5% from the previous year. The number of state chartered banks declined by one to 233 during 2005 and the number includes 4 non-depository trust companies. Three new state chartered banks were established and two national banks converted to state charters during the year. Six state chartered banks merged into other banks in 2005, two merged into Wisconsin state charters, two into state charters in other states, one into a Wisconsin national charter and one into an out-of-state national charter. National banks in Wisconsin declined to 39 from 43 in 2005 as the result of conversions and mergers. However the assets of national banks in Wisconsin increased to \$31 billion from \$24 billion during 2005. A large federally chartered savings bank located in Wisconsin merged into a Wisconsin national bank last year.



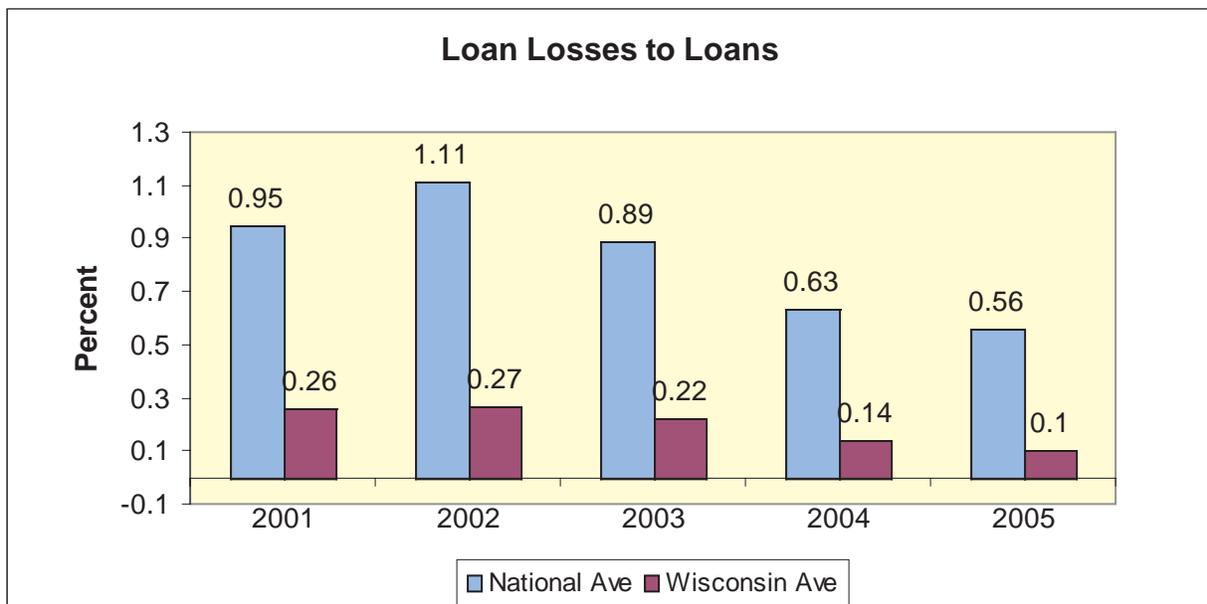
### Bank Performance

State-chartered banks in Wisconsin had satisfactory performance in 2005. The capital, asset quality, earnings and asset-liability management of the state-chartered banking industry are reflective of a well-managed industry. The state averages for many of the safety and performance ratios exceed or approximate national averages.



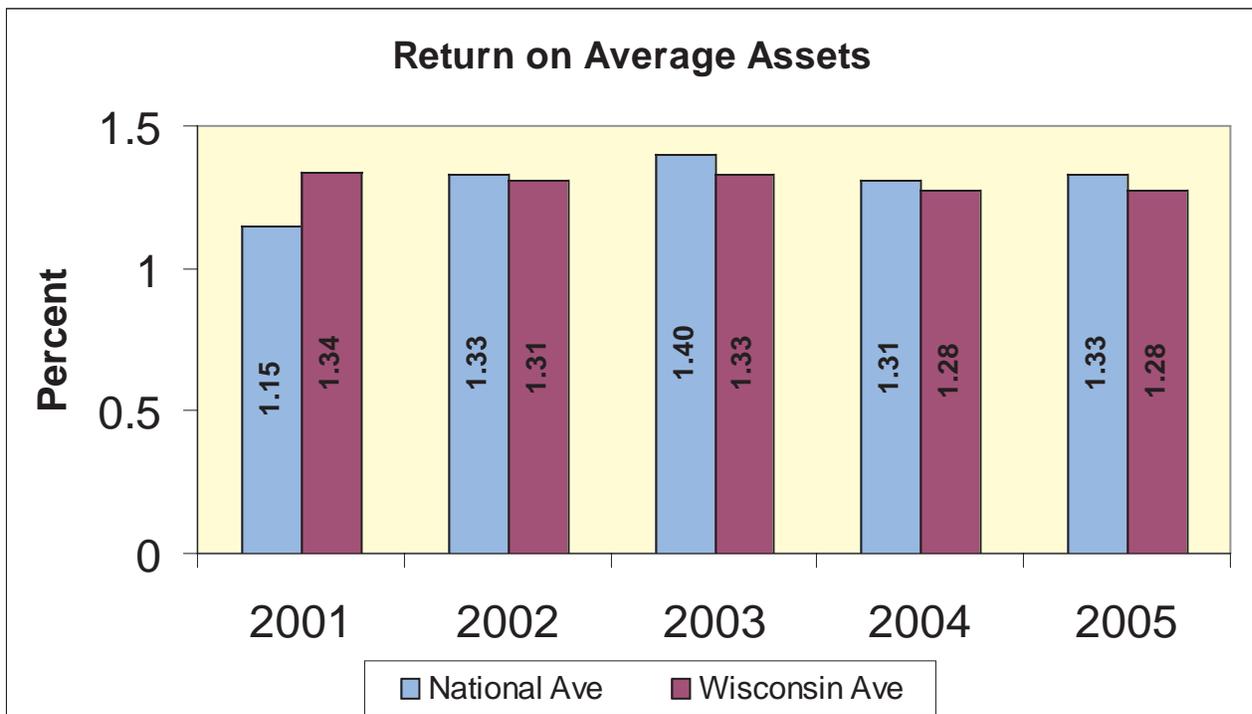
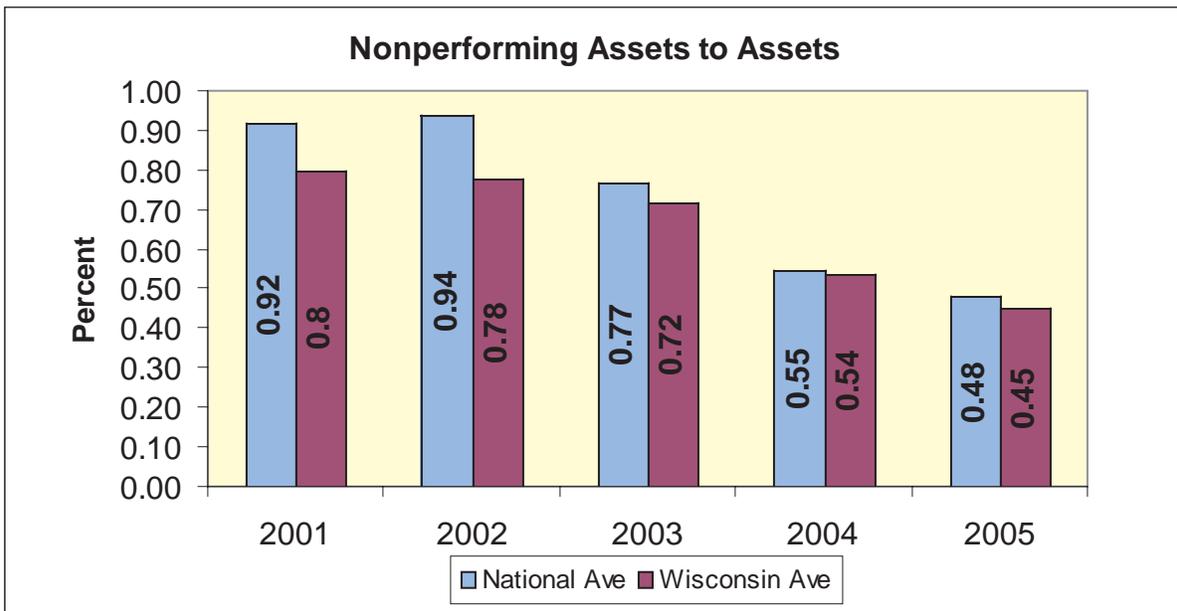
Capital

A primary indicator of bank strength is the amount of capital relative to bank assets. Capital represents a margin of protection against failure. The core capital (leverage) ratio is better than the national average and has held steady since year-end 2002.



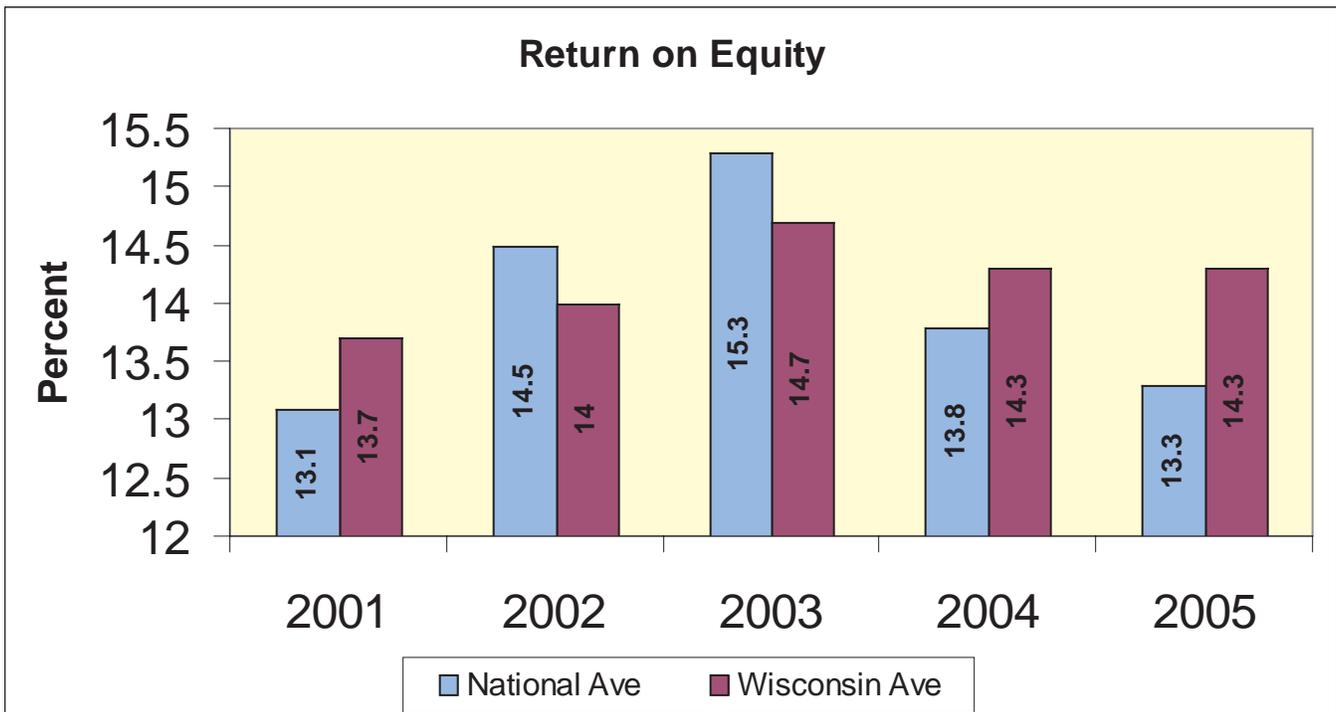
Asset Quality

The asset quality of state-chartered banks continued to improve in 2005 as measured by loan losses and non-performing assets. Loan losses as a percentage of loans declined over the last four years and are less than one-fifth the national average. Non-performing assets to assets have also declined four consecutive years and the level is comparable to the national average. The national averages for both of these ratios have been on declining trends since 2002.



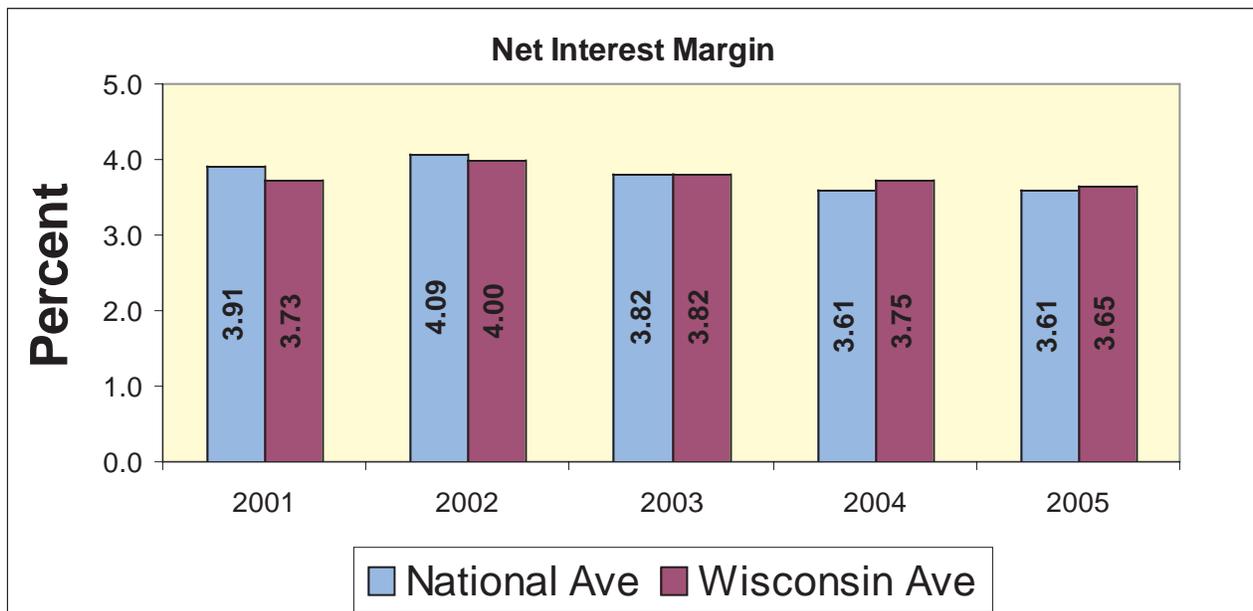
Earnings

The earnings of state-chartered Wisconsin banks improved in 2005 with net income of \$937 million as compared to \$860 million in 2004 which is an 8.9% increase. Reasons for the improvement include a 6.1% increase in net interest income, a decrease of 2.3% in the provision for loan losses, a non-interest income increase of 11% and overhead expenses increasing by only 2.9%. The most commonly used measurement of bank earnings performance is return on average assets. State-chartered banks had a return on assets of 1.28% which is slightly less than the national average of 1.33% in 2005. The return on equity for state-chartered banks was 14.3% slightly more than the national average of 13.3%.



*Asset-Liability Management*

A primary goal of asset-liability management is to produce an adequate and stable net interest margin through the interest rate cycle. The net interest margin of state-chartered banks has decreased by 35 basis points over the past three years, although it is slightly higher than the national average. It has been difficult to maintain the net interest margin in recent years because the yield curve has flattened, which means short term interest rates have risen to nearly the same level as long term rates. The primary earning assets for a bank are loans and securities and as a percentage of total assets, loans increased and securities declined in 2005. As of year-end, loans represented 75.8% of assets and securities were 14.8% of assets. Deposits decreased relative to total assets to 74.1% and non-deposit funding sources increased to 14.3% from 12.2% of assets.





## Corporate Activities

<b>National Bank Conversions</b>			
<b>Effective Date</b>	<b>Former Bank Name</b>	<b>Bank Name</b>	<b>Location</b>
June 28, 2005	The Pioneer National Bank of Ladysmith	Pioneer Bank of Wisconsin	Ladysmith, Wisconsin
December 27, 2005	Superior National Bank	Superior Bank	Superior, Wisconsin

<b>Bank Mergers</b>				
<b>Effective Date</b>	<b>Merged Bank</b>	<b>Location</b>	<b>Surviving Bank</b>	<b>Location</b>
June 10, 2005	First National Bank in Viroqua	Viroqua, Wisconsin	Citizens State Bank	Trempealeau, Wisconsin
July 15, 2005	Community Bank Spring Green and Plain	Spring Green, Wisconsin	The Peoples State Bank	Mazomanie, Wisconsin
October 1, 2005	Farmers State Bank	Bangor, Wisconsin	River Bank	Stoddard, Wisconsin

<b>Name Changes</b>			
<b>Effective Date</b>	<b>Former Name</b>	<b>New Name</b>	<b>Location</b>
March 1, 2005	Fortress Bank of Westby	Fortress Bank	Westby, Wisconsin
April 1, 2005	Peoples State Bank	Unity Bank	Augusta, Wisconsin
April 18, 2005	The Coulee State Bank	Coulee Bank	La Crosse, Wisconsin
May 1, 2005	Bank of Kenosha	Banks of Wisconsin	Kenosha, Wisconsin
June 10, 2005	Citizens State Bank	Citizens First Bank	Trempealeau, Wisconsin
July 15, 2005	The Peoples State Bank	The Peoples Community Bank	Mazomanie, Wisconsin

<b>Location Changes</b>			
<b>Effective Date</b>	<b>Name</b>	<b>Former Location</b>	<b>New Location</b>
June 10, 2005	Citizens First Bank	Trempealeau, Wisconsin	Viroqua, Wisconsin



<b>Charter Cancellations</b>			
<b>Effective Date</b>	<b>Name</b>	<b>Location</b>	<b>Description</b>
February 28, 2005	State Bank of Howards Grove	Howards Grove, Wisconsin	Merged into Webster Bank, National Association, Waterbury, Connecticut
March 11, 2005	Northwoods State Bank	Rhineland, Wisconsin	Merged into The Baraboo National Bank, Baraboo, Wisconsin
April 25, 2005	F & M Bank - Wisconsin	Kaukauna, Wisconsin	Merged into Citizens Bank, Flint, Michigan
July 15, 2005	Community Bank Spring Green and Plain	Spring Green, Wisconsin	Merged into The Peoples State Bank, Mazomanie, Wisconsin
July 31, 2005	American Bank	Eau Claire, Wisconsin	Merged into American Bank Lake City, Lake City, Minnesota
October 1, 2005	Farmers State Bank	Bangor, Wisconsin	Merged into River Bank, Stoddard, Wisconsin

<b>New Bank Charters</b>		
<b>Effective Date</b>	<b>Name</b>	<b>Location</b>
August 31, 2005	Commerce State Bank	West Bend, Wisconsin
September 20, 2005	Foundations Bank	Pewaukee, Wisconsin
December 12, 2005	Integrity First Bank	Wausau, Wisconsin

*Fiduciary Assets of Wisconsin State Chartered Banks*

Assets administered by trust departments of state-chartered banks totaled \$6.9 billion as of December 31, 2005. Trust assets increased by more than \$.5 billion or 7.8%. Forty-one state-chartered banks and trust companies were authorized to exercise trust powers on December 31, 2005. Institutions with trust powers act in a variety of capacities including trustee, personal representative, guardian, investment agent, retirement plan trustee and agent, corporate bond trustee, stock transfer agent, and custodian.

Fiduciary Assets of State -Chartered Banks			Number of	Number of
	Managed	Non-Managed	Managed	Non-Managed
Dollar Amounts in Thousands	Assets	Assets	Accounts	Accounts
Personal trust and agency accounts	2,020,285	374,743	2,843	347
<b>Retirement trust and agency accounts:</b>				
Employee benefit --defined contribution	166,460	731,600	255	624
Employee benefit --defined benefit	49,492	9,895	25	3
Other retirement accounts	391,028	66,220	1,440	382
Corporate trust and agency accounts	3,123	20,830	6	96
Investment management agency accounts	1,865,422		1,862	
Other fiduciary accounts	11,176	1,892	52	4
<b>Total fiduciary accounts</b>	<b>4,506,986</b>	<b>1,205,180</b>	<b>6,483</b>	<b>1,456</b>
Custody and safekeeping accounts		1,214,664		379

*Summary*

The performance of Wisconsin state banks was satisfactory in 2005. Asset growth was 8.5% and the leverage capital ratio remained above the national average. Loan losses and non-performing assets are well below historical levels. Record earnings were posted in 2005, despite another decline in the net interest margin. Non-interest income showed a strong increase, loan loss provisions declined, and overhead expenses were well managed. The returns on assets and equity are at satisfactory levels. Assets held in a fiduciary capacity by state banks had satisfactory growth reflecting steady performance by the institutions providing these services. The number of state chartered banks has held steady over the last four years with new charters and conversions nearly offsetting charter cancellations due to mergers.



**Please click below to view**

**REPORTS OF CONDITION FOR ALL WISCONSIN'S BANKS**

**REPORTS OF CONDITION FOR ALL WISCONSIN'S FINANCIAL INSTITUTIONS**



**Please click below to view**

**REPORTS OF INCOME FOR ALL WISCONSIN'S BANKS**

**REPORTS OF INCOME FOR ALL WISCONSIN'S FINANCIAL INSTITUTIONS**



**Please click below to view**

**REPORTS OF CONDITION FOR ALL STATE-CHARTERED BANKS**

**REPORTS OF CONDITION FOR ALL STATE-CHARTERED FINANCIAL INSTITUTIONS**



**Please click below to view**

**REPORTS OF INCOME FOR ALL STATE-CHARTERED BANKS**

**REPORTS OF INCOME FOR ALL STATE-CHARTERED FINANCIAL INSTITUTIONS**



**Please click below to view**

**FINANCIAL INSTITUTIONS SUMMARY**



The Licensed Financial Services Bureau (LFS) of the Department of Financial Institutions licenses and regulates companies in eight different industries. Licensees include: adjustment service companies, collection agencies, community currency exchanges, insurance premium finance companies, loan companies, sales finance companies, sellers of checks, mortgage bankers, mortgage brokers and loan originators. LFS also co-licenses and regulates motor vehicle, motorcycle, recreation vehicle, and manufactured home dealers.

Licensees under this bureau pay a licensing fee and many are required to post surety bonds and meet financial responsibility requirements. Licensees also undergo examination to determine whether they are complying with applicable statutes and rules.

### **Adjustment Service Companies**

Licensees: 96

Funds Handled During 2005: \$83,175,733

### **Collection Agencies**

Licensees: 241

Funds Collected In Wisconsin During 2005: \$2,514,077,308

### **Community Currency Exchanges**

Licensees: 104

Checks Cashed in 2005: 2,533,974

Value of Checks Cashed: \$723,349,695

### **Insurance Premium Finance Companies**

Licensees: 31

Loans Written in 2005: 9,207

Amount: \$146,174,617

### **Loan Companies**

Licensees: 912

Consumer Loans Written in 2005: 1,978,857

Amount of Consumer Loans Written: \$1,202,735,781

Other Loans Written in 2005: 45,257

Amount of Other Loans Written: \$6,117,029,758

### **Sales Finance Companies**

Licensees (not including branch locations): 262

Amount of Sales Contracts and Consumer Leases Purchased in 2005: \$3,090,588,360

### **Sellers of Checks**

Licensees: 43

Number of Checks Sold/Money Transfer Transactions in 2005: 14,979,150

Value of Checks Sold/Money Transferred: \$17,815,793,547



Mortgage Banking staff regulate mortgage bankers, mortgage brokers and loan originators. The role each licensee performs and the number of licensees is as follows:

**Loan Originator** – A person, who on behalf of a mortgage banker or mortgage broker, finds a loan or negotiates a land contract, loan or commitment for a loan.

**Loan Originators**

Licensees in WI: 7,697

Licensees out of WI: 8,131

Total Licensees: 15,828

**Mortgage Broker** – A person, who on behalf of a loan applicant or an investor and for commission, money or other thing of value, finds a loan or negotiates a land contract, loan or commitment for a loan or engages in table funding.

**Mortgage Brokers**

Licensees in WI: 482

Licensees out of WI: 292

Total Licensees: 713

**Mortgage Banker** – A person who originates loans for itself as pay or for another person; sells loans or interest to another person, or who serves loans or land contracts or provides escrow services.

**Mortgage Bankers**

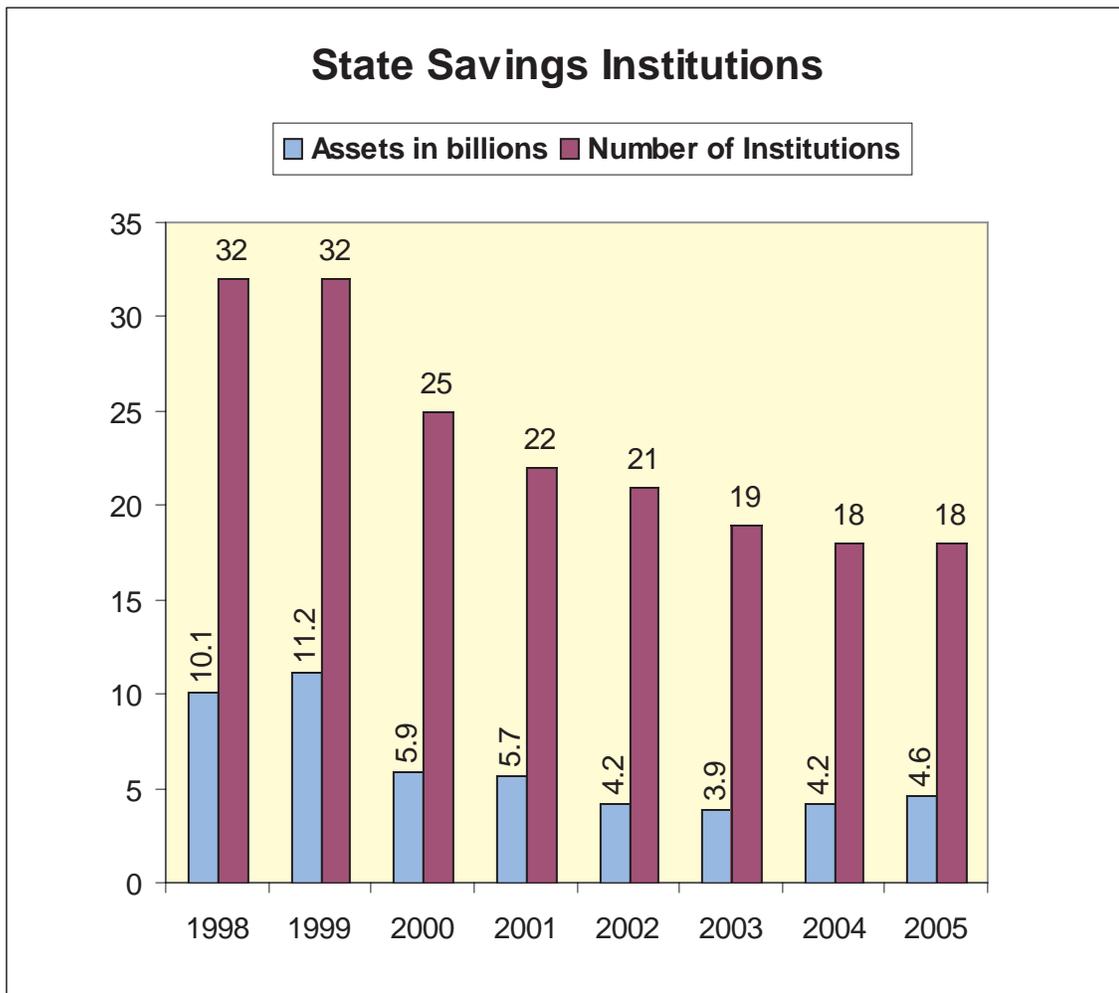
Licensees in WI: 176

Licensees out of WI: 537

Total Licensees: 713

State-Chartered Savings Institutions

The Division of Banking regulated 18 state-chartered savings institutions with \$4.6 billion in assets as of December 31, 2005. The number of supervised institutions remained the same during 2005, but assets grew by \$0.4 billion or 9.5%. Asset growth consisted primarily of organic growth of existing institutions rather than through acquisitions or conversions. The number of federal savings institutions in Wisconsin declined to 19 in 2005 with assets totaling \$15.6 billion as of year-end.

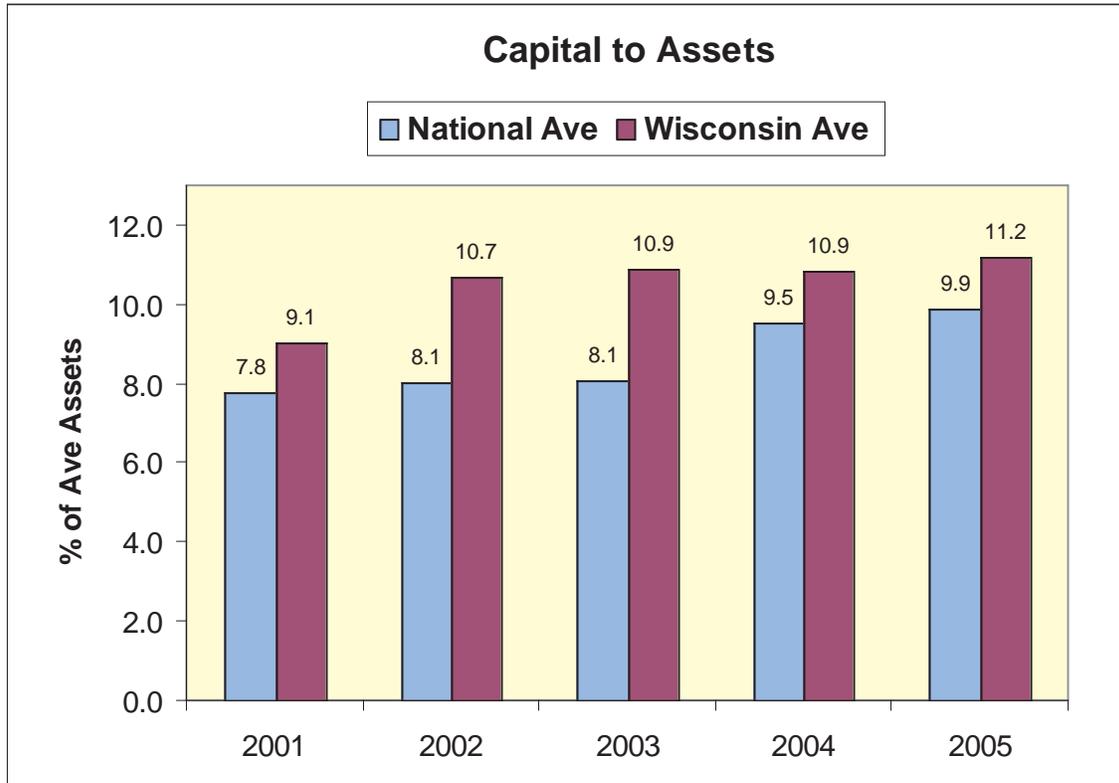


Savings Institution Performance

The performance of state-chartered savings institutions was satisfactory in 2005. The aggregate capital of these institutions remains strong and loan losses continue to be very low. Asset quality and asset-liability management are satisfactory with nonperforming assets at an acceptable level and net interest margin comparable to the national average. Earnings in savings institutions did decline in 2005, but remain at an adequate level given the strong capital.

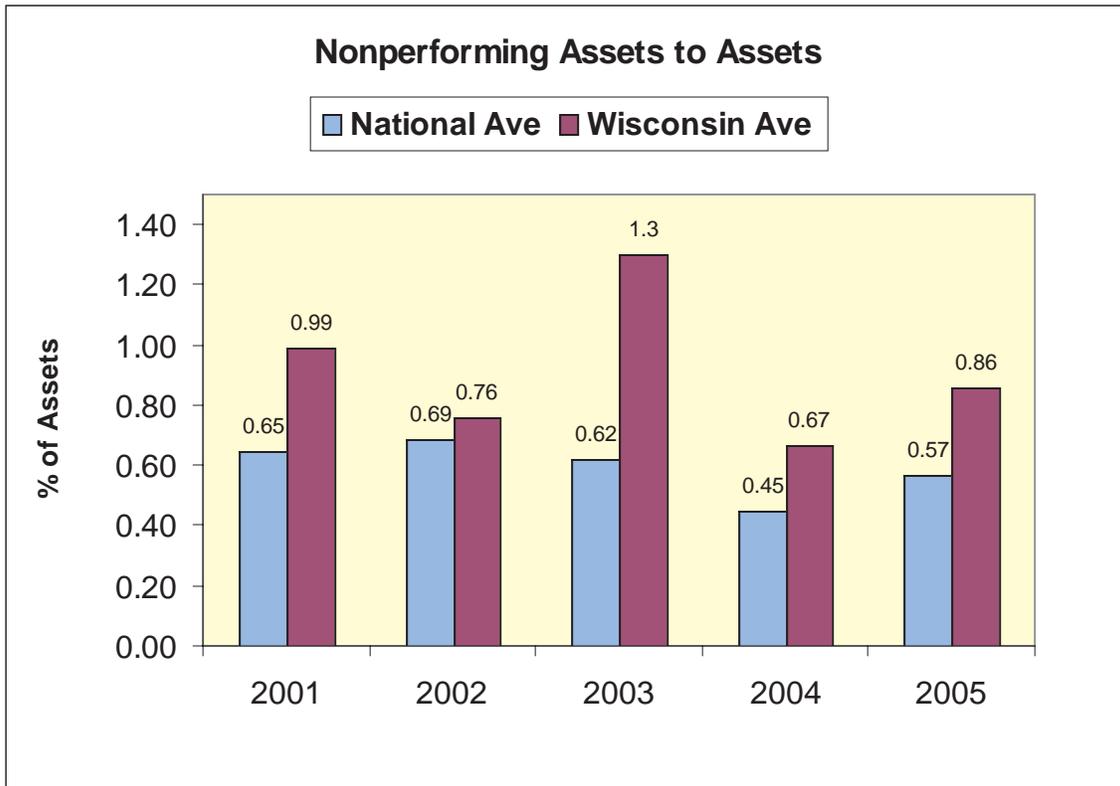
Capital

Capital is a measure of financial strength and the capital level at state-chartered savings institutions increased in 2005. Though the national average did increase, the state average remained well above the national average.



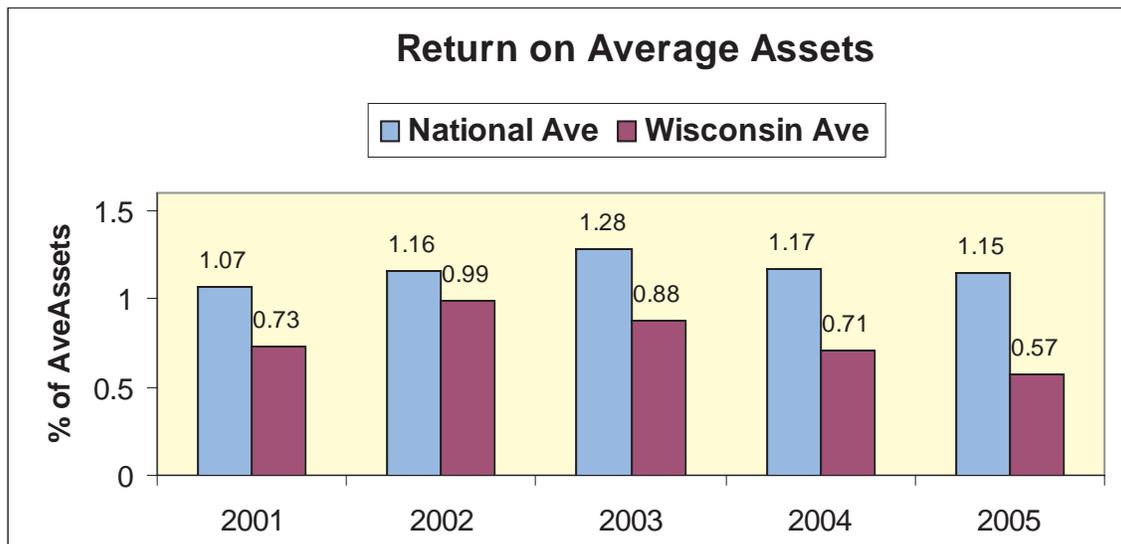
Asset Quality

State-chartered savings institutions continued to have satisfactory asset quality in 2005. The ratio of nonperforming assets to total assets increased in 2005 and for the fifth consecutive year it has been higher than the national average. While the level of nonperforming assets has been higher for Wisconsin savings institutions, the loan loss experience continues to be favorable as their loan losses continue to be much lower than the national average.



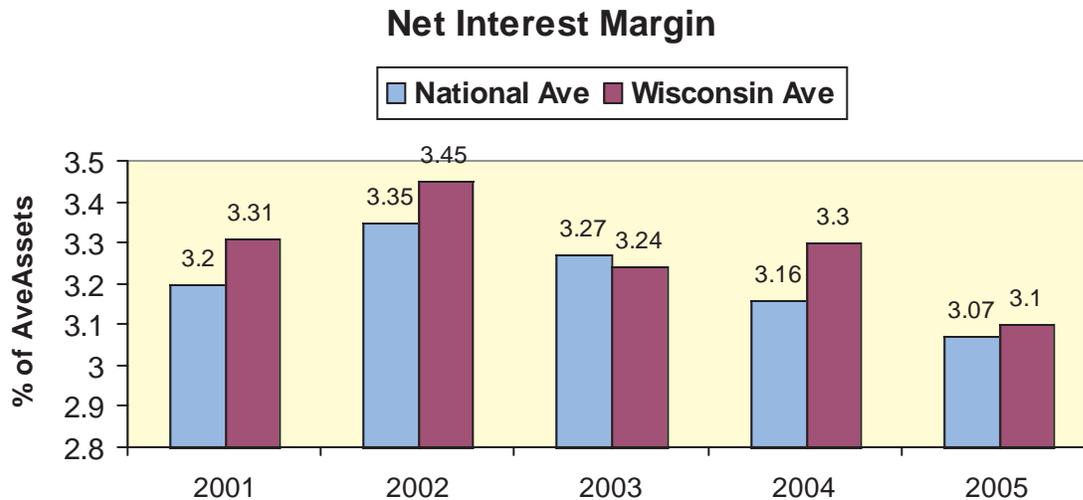
Earnings

The earnings of state-chartered savings institutions declined in 2005 as net income totaled \$25.2 million compared to \$28.3 million for 2004. The decline in earnings is attributable to increases in the loan loss provisions and overhead expenses. Earnings performance as measured by return on average assets is satisfactory; however, it does continue to be lower than the national average. Return on equity was 5.15% compared to the national average of 10.38%.



Asset-Liability Management

The net interest margin of the state-chartered savings institutions has been relatively stable over the past five years and is comparable to the national average indicating satisfactory asset-liability management.





**Please click below to view**

**REPORTS OF CONDITION FOR ALL STATE-CHARTERED SAVINGS INSTITUTIONS**



**Please click below to view**

**REPORTS OF INCOME FOR ALL STATE-CHARTERED SAVINGS INSTITUTIONS**



**Please click below to view**

**REPORTS OF CONDITION FOR ALL WISCONSIN'S SAVINGS INSTITUTIONS**



**Please click below to view**

**REPORTS OF INCOME FOR ALL WISCONSIN'S SAVINGS INSTITUTIONS**

The Office of Financial Literacy (OFL) promotes financial literacy in Wisconsin as a vital life skill. Regulation and licensing can only go so far in protecting consumers. Financial education certainly plays a key role in giving people the tools they need to realize their own goals and dreams for themselves and families. OFL's successful attempts to build partnerships allow it to maximize its reach and impact. Its most recent endeavors have resulted in national exposure. They have made Wisconsin a recognized national leader in promoting financial literacy.

OFL's partnerships include nearly 150 groups, individuals, and organizations in business, education, the nonprofit sector and government – all entities that share its passion for building financial literacy. These synergistic relationships have produced excellent cooperation, a sharpened focus and creative programs. OFL welcomes contact from all who share its goals because the need for increased financial literacy remains high in Wisconsin.

The state continues to record high numbers of personal bankruptcies. Student credit card use continues to rise yet it is well documented that student financial savvy remains low – a recipe for financial disaster. Social and workplace problems such as divorces, suicides, and low employee productivity and morale resulting from the stress of financial illiteracy continue unabated.

In response to these issues, initiatives have been launched. A summary of OFL's 2005 activities follows.

#### *Governor's Council on Financial Literacy*

Working with Governor Doyle, OFL launched this permanent advisory council whose mission is to measurably improve financial literacy in Wisconsin, and to serve as a continuous sounding board for DFI and the Governor. We are honored to have Wisconsin First Lady Jessica Doyle to serve as the Honorary Chair. With Secretary Lorrie Keating Heinemann as chair the council has recognized Wisconsin financial literacy leaders statewide and begun new statewide financial literacy initiatives.

#### *Task Force on Personal Finance Model Academic Standards*

OFL was instrumental in the formation of the Task Force and securing its funding through a private foundation grant. This DPI/DFI Task Force created the statewide Model Academic Standards for Financial Literacy in Wisconsin – the first of their kind in the nation.

#### *Native Communities Financial Literacy Outreach*

OFL held the first-ever Native Communities Financial Literacy Coalition meeting to help coordinate efforts to promote financial literacy in Wisconsin among native communities and to establish a network of partners to focus on financial literacy.

OFL supported the creation of the first-ever Money Conference to be held in Keshena at Menominee Indian High School. The Money Conference provides financial education for families (see below).

Forty-one students originated a social marketing campaign at Menominee Indian High School aimed at their parents and others in the community. The campaign similar to ones in the past aimed at promoting recycling, smoking cessation, anti-littering and forest fire prevention promoted the use of Volunteer Income Tax Assistance (VITA) sites and aimed to decrease the use of costly Refund Anticipation Loans (RALs). As a result use of VITA sites increased 300 percent from the previous year, which meant thousands of dollars were saved in the community by individuals not using RALs.

### The National Institute of Financial and Economic Literacy (NIFEL)

OFL was a driving force in executing successful 2005 National Institutes that included much-appreciated advocacy from First Lady Jessica Doyle.

These three separate, week-long, teacher-training courses offered at three graduate credits per program provide 150 educators instruction and resources in the curriculum areas of personal finance, economics, saving and investing, insurance, credit, and entrepreneurship.

Instruction comes from a blend of business and academic professionals. The courses are rigorous and empowering. We strive to create a motivational and professional experience. It is our intention to equip educators with content, materials and skills, and to inspire participants to promote financial literacy in their classrooms and communities after they complete courses.

By raising the level of educators' knowledge and confidence in teaching these subjects to students in public and private schools and community courses, and by providing materials, curricula and resources, the Institute will enhance the self-sufficiency and financial literacy of the educators and, in turn, the thousands of K-12 students they teach.

### Results

- ◆ We are reaching students
  - ◆ 80% of the **teachers implemented** financial literacy after attending the Institute
  - ◆ 19,000 **students received instruction** in academic year 2003-04
  - ◆ 25,000 **students received instruction** in academic year 2004-05
  - ◆ 34,000 **students received instruction** in academic year 2005-06
  - ◆ 43,000 **students projected to receive instruction** in academic year 2006-07
  
- ◆ We are reaching educators (over 400 Wisconsin educators)
  - ◆ Program participants' **knowledge rose 13%**
  - ◆ Participants felt **better prepared** to introduce a course in financial education in their schools
  - ◆ Participant evaluations rate the Institute training as "**excellent**"

The institute was designated "**a recognized best practice for teacher training**" by the Financial Literacy and Education Commission of the U.S. Department of the Treasury, the only program of its kind in the nation to gain this distinction. The institute is featured in the commission's National Strategy for Financial Literacy 2006.

### *The Money Conference*

OFL upheld its commitment in 2005 to the Money Conference. A one-day program that OFL created seven years ago provides impartial financial education to low- to moderate income families in a fun setting at very low cost. Overall, the event has now helped over 5,000 youth and adults gain financial education in six Wisconsin communities including Milwaukee, Madison, Beloit/Janesville, Racine/Kenosha, the Fox Cities and Keshena. Discussions are underway to hold the event in other communities in the future.

### *April Saving and Investing Month*

April has traditionally been a time to raise the awareness level of financial literacy and to recognize the efforts of many organizations and individuals that promote it. OFL set up a proclamation-signing ceremony to recognize several organizations including the Wisconsin Bankers Association, Wisconsin Credit Union League, CBM Credit Education Foundation, the Community Bankers of Wisconsin and DFI. Governor Doyle thanked these organizations for their "dedication to ensuring that Wisconsin citizens have the financial knowledge and the financial resources they need to lead happy, successful lives."

### *Financial Literacy Resource Center Website*

OFL launched this new resource [www.FinLitWI.org](http://www.FinLitWI.org). The website serves as a resource guide in two ways:

1. This website is a resource guide for educators of youth to link their interest in promoting financial literacy to programs, materials and information. Educators of the youth audience are: teachers, education administration, parents, and public/private organizations and individuals who share the financial literacy mission.
2. This website provides some information, educational games, and websites for students who are seeking to learn more about topics of personal finance, e.g., money management, credit, investing, insurance, etc.

### *The Wisconsin Stock Market Simulation*

OFL again worked cooperatively with EconomicsWisconsin in 2005 to back the statewide Stock Market Simulation, the highly successful and popular national program of STOCK-TRAK for high school students. Student teams learn about business and the economy while they compete in managing hypothetical \$100,000 investment portfolios. OFL actively supports the program and provides recognition for the winners of the competition by coordinating the production of Certificates of Appreciation signed by Governor Jim Doyle. Wisconsin's Stock Market Simulation is the third largest in the nation out of 50 states offering the program with almost 30,000 students participating.

*Milwaukee Public School Financial Literacy Initiative*

OFL lead the creation of a new program that would reward seventh-grade Milwaukee Public School teachers for effectively teaching economics and personal finance. This program is the first in the nation to incentivize the teaching of economics and personal finance in a large urban school district. We have begun to substantially improve the quality of learning and increase the number of students learning economics, personal finance, and investing in the Milwaukee Public Schools by implementing this voluntary, incentive-based program. The first year was a success with 572 students participating in the first semester. These students had a statically significant knowledge gain determined by a pre- and post-test. OFL was instrumental in finding support of this important initiative.

*MoneySKILL Wisconsin Premier*

OFL coordinated the introduction of MoneySKILL to Wisconsin high school students as a test prior to its national rollout. To date, Baraboo High School and Appleton East High have each won \$1,000 for having the most students in the state complete MoneySKILL. Several teachers from around the state have won \$100 dollar awards for having at least 20 students complete MoneySKILL.

The primary responsibility of the Office of Consumer Affairs (OCA) is to assure compliance with the Wisconsin Consumer Act (WCA), which is considered the most comprehensive law of its type in the nation. The Act is a consumer protection law that governs consumer credit transactions, including loans, credit cards, credit sales, and leases. The WCA upholds and protects the rights of Wisconsin residents while at the same time permits and encourages fair and economically sound business practices. Lenders and merchants who extend consumer credit are subject to the WCA.

The OCA assures compliance with the WCA by investigating complaints, reviewing contracts/forms, assisting with the compliance examination of depository financial institutions, issuing interpretations and counseling persons and companies as to their rights and duties.

The OCA received a similar number of stakeholder contacts in 2005 from previous years with written complaints/inquiries numbering 3,044 with 1,816 of those being referred to other agencies or other units within DFI. The OCA's investigation of the complaints resulted in restitution amounting to \$466,000. Telephone contacts with OCA numbered 6,382. Additionally, OCA reviewed 156 contracts for compliance with the WCA at the request of creditors or as part of an examination.

DFI's primary responsibility under the Wisconsin Consumer Act is to counsel both consumers and merchants regarding their rights and duties under the WCA, and to take action designed to obtain voluntary compliance with the WCA. DFI is committed to the belief that the key to reducing conflict and statute infractions is educating consumers and merchants about their rights and responsibilities under the law.

#### Key Provisions of the Act

- ◆ Requires detailed disclosures to consumers entering into credit transactions
- ◆ Limits certain charges in credit transactions
- ◆ Provides a three-day right to cancel certain transactions
- ◆ Prohibits harassing collection practices
- ◆ Allows penalties for prohibited credit procedures

#### Consumer Contacts

As a means of educating and assisting the public, OCA operates a toll-free helpline for individuals with questions or concerns about financial matters. Consumers, merchants, public and private organizations, and the news media have taken advantage of the service over the years, asking questions and seeking explanations of the law.

The most common topics discussed on the helpline in 2005 were disputed debts, collection practices and requests for general information on particular companies.

The helpline is a valuable resource for consumers and DFI believes that many potential and actual conflicts between consumers and merchants are resolved because of the knowledge and advice received from the helpline.

In addition to the phone calls the OCA handled 1,228 written requests for assistance. The top five complaint categories by business type and issue are as follows:

Business Type		Issue Type	
Collection Agency	175	Collection Practices	199
Credit Card	90	Disputed Debt	146
Sales Finance Co.	61	Misrepresentation	80
Credit Card Scam	47	Improper Charges	31
Buyer's Club	30	Unauthorized Bank Account Use	26

### Collection Practices

OCA receives more inquiries about debt collection practices than any other topic. Many of these inquiries are simply the result of a dispute over the validity or amount of an alleged debt. Others involve allegations of overly aggressive collection procedures by either a creditor or collection agency. Examples of such allegations involve the use of profanity, name calling, excessive phone calls or the disclosure of the debtor's financial matters to a third party.

### Educational Efforts

DFI is committed to educating and informing Wisconsin consumers about their rights and responsibilities in financial matters. Expanding educational opportunities and providing accessible information to financial consumers is a DFI department-wide strategic goal and the OCA plays an important role in the Department's education effort due to the high volume of public contacts it receives. Educational activities include responding to phone inquiries, creating brochures, maintaining an informational website, being the featured speaker in web chats and giving presentations both in-person and by videoconferencing. The OCA frequently works in conjunction with the Office of Financial Literacy. Coordinated public outreach and informational materials provide financial consumers with additional tools and information to make sound financial decisions.

### Statement of Policies

The OCA will investigate every complaint it receives in which it has jurisdiction. The DFI also reviews for compliance with the Wisconsin Consumer Act when conducting examinations of its licensees and state-chartered financial institutions. These examinations are conducted on a routine and on-going basis.

If five or more persons file a verified complaint that alleges a person has engaged in an act which is subject to action, DFI will commence an investigation. In addition, at any time there is reason to believe that a person has engaged in or is about to engage in an act which is not in compliance with the WCA, the DFI may make an investigation and, with respect thereto, may administer oaths or affirmations, and, upon the DFI's own motion or upon the request of any party, may subpoena witnesses and require the production of any matter.

Throughout any investigation, DFI will counsel the parties involved with the objective of obtaining voluntary compliance with the WCA. Where evidence suggests serious violations or indicates a complete disregard for the requirements of the law, DFI may request a formal assurance from the merchant, which may take the form of a consent judgment to be filed with the appropriate Circuit Court and may include civil forfeitures. Civil action may be commenced solely through the Department of Justice.

### Examination and Investigation Procedures

Complaints are received by the OCA directly from consumers and on referral from other governmental agencies. In addition, documentation of an unauthorized practice by a particular merchant may be brought to our attention by another merchant, the Better Business Bureau or by consumer groups.

Complaints are indexed, logged and filed in a suspense system to insure their continued review. Complaints are evaluated to determine whether the facts as alleged would constitute a violation of the WCA. More information may be requested of the complainant or the complaint may be referred to another agency that has jurisdiction over that particular complaint. If the facts as alleged indicate a possible violation of the WCA a letter is provided to the merchant requesting an explanation of the facts, copies of all relevant documents and any suggestions the merchant may have for resolution of the complaint.

Upon receipt of a reply the complaint is reviewed to determine whether the complaint suggests an isolated instance or is one example of a violation that the merchant has repeated in transactions with many different consumers. When a problem is detected the OCA will attempt to obtain a resolution of the complaint that is satisfactory to the complainant together with an assurance from the merchant that its practices have been modified to prevent a recurrence. If warranted, the merchant may be asked to perform a self-audit to discover all of the consumers adversely affected. Should the merchant refuse to permit an examination, DFI may issue a subpoena to require the merchant to produce the necessary documents to complete the investigation.

Complaints are recorded by merchant name, in addition to business and issue type. A summary is prepared on each complaint as it is closed and includes a brief narrative of the allegations, the results of the investigation and the action taken by the merchant, if any, to resolve the complaint. These records quickly reveal the number of complaints received against any particular merchant as well as patterns of unlawful practices.

The review for compliance with the Wisconsin Consumer Act that is conducted during an examination of a licensee or chartered financial institution is a tool for educating financial institutions on their responsibilities under the WCA, of promoting voluntary compliance and gathering relevant information to assist DFI in maintaining compliance. Procedures include reviewing a questionnaire that is completed by the financial institution and evaluating a sampling of credit accounts.



DFI's Division of Securities protects Wisconsin investors.

Through application of the Wisconsin Uniform Securities Law, we license securities professionals such as broker-dealers and investment advisers, as well as the individual securities agents and investment advisers representatives who transact business with Wisconsin investors. We conduct ongoing office exams to inspect the activities of licensed persons, and review and address complaints regarding the activities of licensed persons.

In addition, we protect investors through registration of the investment products sold to Wisconsin investors, as well the registration of franchises.

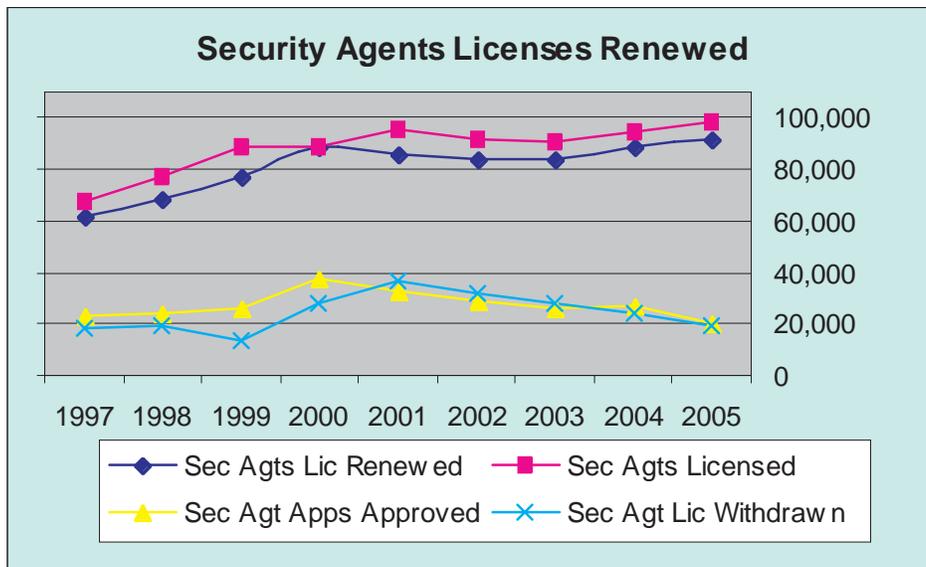
When we become aware of apparent violations of the securities or franchise laws, we investigate them and bring enforcement action where appropriate.

We also continue to be active in warning senior investors about investment fraud. Through presentations to seniors throughout Wisconsin and media releases about investment traps, we work to arm senior investors to make them better able to defend themselves against fraud.

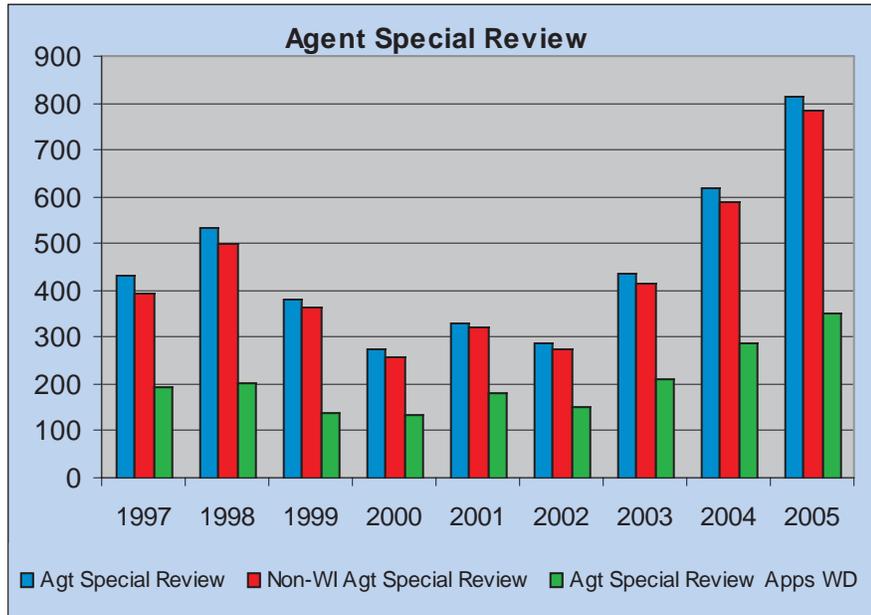
The slow but steady growth trend in the number of broker-dealers and their agents that began in 2004 continued in 2005. The increase in the number of broker-dealers and agents kept closely apace with 2004's figures. The number of securities agents licensed at year end was 98,273. With renewals at the end of 2005 reaching a new high of 92,141, Wisconsin was poised to top the 100,000 agents mark in 2006 if the growth trend continues.

Year-end licensing figures were:

- ◆ 1902 broker-dealers, an increase of about 4% from 2004
- ◆ 98,273 securities agents, an increase of 3.9% from 2004
- ◆ 92,141 securities agents renewed for 2006, a 3.9% increase in renewals from 2005.

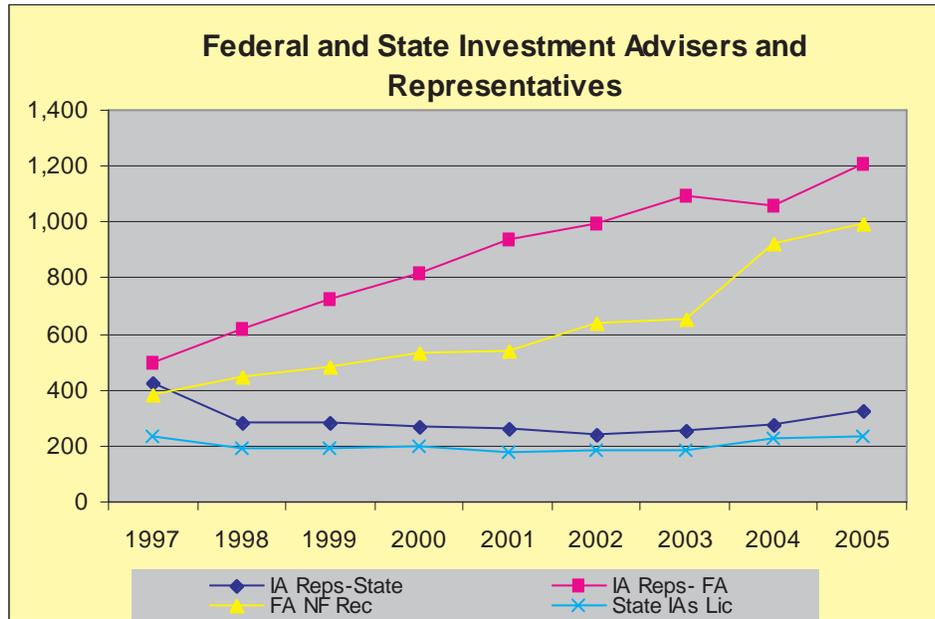


Although securities agents with no new or significant disciplinary history who file an application with the Division are automatically approved, a large number of applicants are reviewed individually and questioned regarding disclosure items on their Central Registration Depository (CRD) record. In 2005, 813 applications were subject to special review by the Division. Of those, 785 were from agents located outside of Wisconsin. In many cases, additional information regarding the disclosure is requested of the firm and the applicant. After consideration of the response, the Division may approve the application, approve the application with conditions or restrictions, request the application be withdrawn until a later date or move to deny the application. Of the 813 applications reviewed, 354 voluntarily withdrew, 50 were approved subject to heightened supervision by their broker-dealer and 5 were approved subject to formal conditions on their license. This review procedure has helped to protect Wisconsin investors by keeping applicants with questionable backgrounds from conducting business in the state.

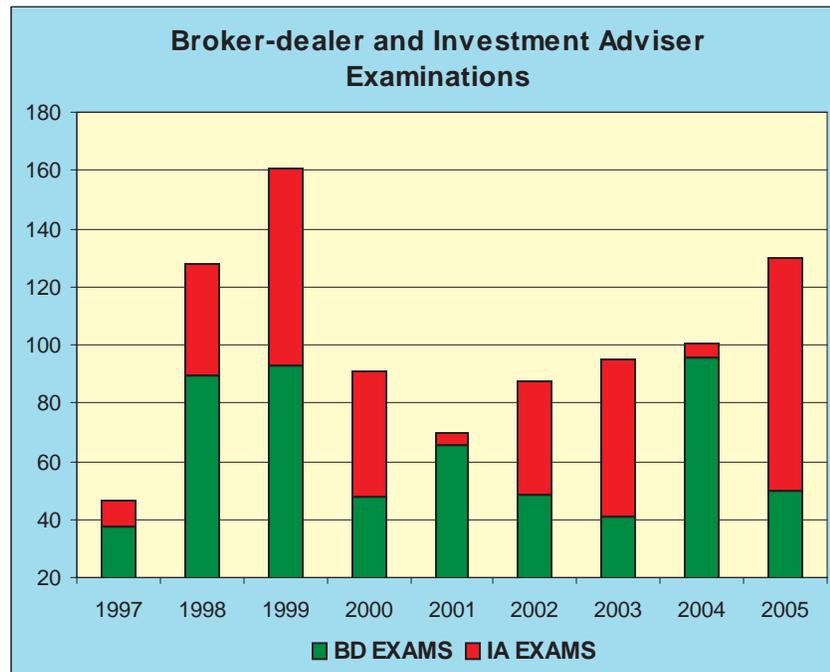


Beginning with 2004 year information, broker-dealers that provide investment advisory services under their broker-dealer license are included in the total number of state licensed and federal covered advisers. Likewise, individuals who only provide advisory services for those broker-dealer/investment advisers are included in the number of investment adviser representatives licensed.

Investment advisers who do not have assets under regular management, such as financial planners, and those with less than \$25 million of assets under management, are regulated solely by the Division. State-regulated investment advisers, including broker-dealer/advisers, totaled 238 for 2005. These state regulated advisers employed 324 licensed investment adviser representatives. Advisers who manage more than \$25 million of assets, are advisers to investment companies or are otherwise affiliated with another federal covered adviser, are regulated solely by the U.S. Securities & Exchange Commission and not by the Division. However, they must still make an annual notice filing with the Division if they have a place of business in the state. In 2005, there were 993 federal covered advisers. Individuals who have a place of business in the state and represent federal covered advisers must also be licensed as investment adviser representatives. There were 1,208 investment adviser representatives of federal covered advisers in 2005.



Until October 2005, broker-dealer and investment adviser branch office filings always were made via paper filings directly with the Division. In October 2005, broker-dealers and state licensed investment advisers were provided the ability to make branch office filings electronically via the CRD system. The Division began accepting electronic filings at that time but did not utilize the CRD system for 2006 branch office renewals because most firms were not likely to have their filings completed by the time the renewal notices were prepared by the CRD. Therefore, the branch office renewals for 2006 were the last for most firms that would be processed with paper filings directly with the Division. In addition, adoption of a new definition of "branch office" by the NASD, NYSE and the Division resulted in a large increase in the number of offices that are required to make filings. Even with less than two months for firms to make their filings for new branches, there were still 2,143 broker-dealer branch offices renewed for 2006, an increase of 118 branches. Firms have until mid-2006 to complete their branch office filings. It is anticipated that the number of broker-dealer branch offices will increase significantly by that time. Beginning with the renewal process that will commence in November 2006, renewals for broker-dealers and state-licensed investment advisers will be processed via CRD. Investment adviser branches, which totaled 174 at 2005 year end, are not expected to be affected because the expanded definition applies only to broker-dealers and not investment advisers.



All offices of broker-dealers and state licensed investment advisers are subject to examination in order to review their books and records, sales practices, supervision and general operating practices of these firms. Examiners visit these offices to identify problems or practices that might, without improvement, result in violations of the securities law and losses for customers. The staff's approach to the exams is to encourage the firms to improve their procedures to enhance investor protection rather than seek out enforcement actions. During the period from March through May 2005, the staff participated in a multi-state investment adviser examination sweep coordinated by North American Securities Administrators Association (NASAA) for the purpose of identifying the most common problems of investment advisers. The Division conducted 52 investment adviser examinations during the sweep, the second highest number of exams of the 31 US and two Canadian jurisdictions that participated. Overall for the year, the staff conducted reviews at 80 investment advisers and 50 broker-dealers, noting 137 significant deficiencies. Two investment adviser examinations resulted in referrals to the Enforcement Unit and eventual administrative actions that suspended one adviser's license and censured the other for violations of the Wisconsin Uniform Securities Law.

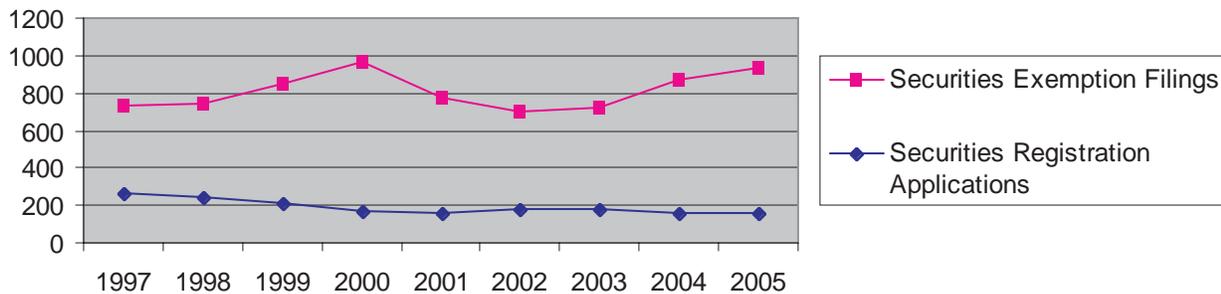
If a Wisconsin investor has a problem with a licensee, they can file a complaint with the Division. The staff then contacts the firm and/or individual and requests a response and background information concerning the investor's complaint. A determination is then made as to whether there has been a violation of federal or Wisconsin securities laws and if administrative action is warranted. Most cases are closed without an enforcement referral. Sixty-six investigative files involving licensees were opened in 2005. Six warning letters were issued to licensees, 11 cases were referred to Enforcement staff for formal action and 69 cases were closed. As a result of Licensing staff intervention, firms sometimes make voluntary adjustments to accounts. While the Division cannot mandate an adjustment or a return of funds to a customer, the staff takes into consideration a rescission or adjustment offered by the firm. In 2005, adjustments to accounts or funds offered in rescission of trades to Wisconsin investors totaled \$164,448.

The Bureau of Registration and Enforcement is responsible for the registration or notice filings of securities offerings in Wisconsin; the notice filings of franchises sold in Wisconsin; and the enforcement of the Wisconsin Uniform Securities Law, Ch. 551, Wis. Stats.

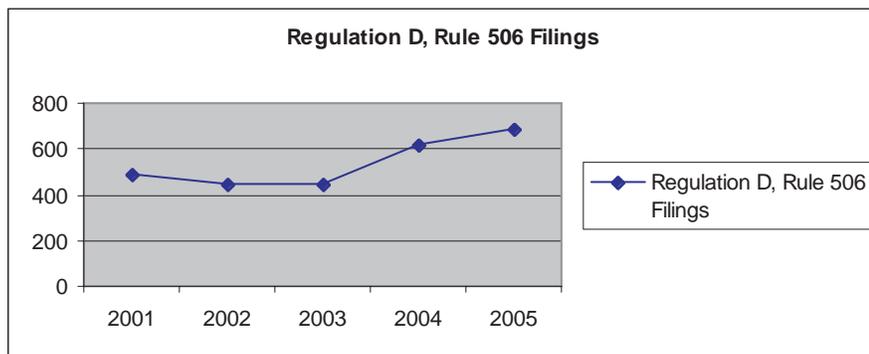
**SECURITIES REGISTRATION**

All securities sold in Wisconsin must be registered, qualify for a registration exemption, or qualify as a federal covered security. Exemption filings have continued to increase from the 2002 low and last year we had our second ever highest number of filings. The number of securities registration filings continues to slowly decrease.

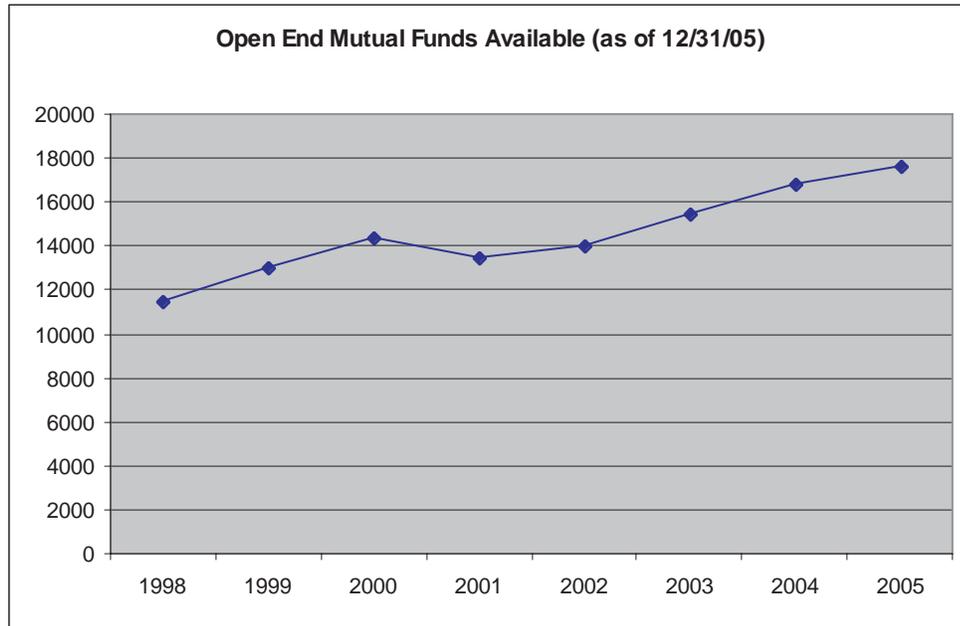
**Securities Registration and Exemption Filings**



Of the federal covered securities that are required to file with the Division to perfect their status, the vast majority are either mutual funds or Regulation D, Rule 506 private offerings. Regulation D filings closely follow economic conditions and the general market. These filings have also come back to close to their 2000 peak.



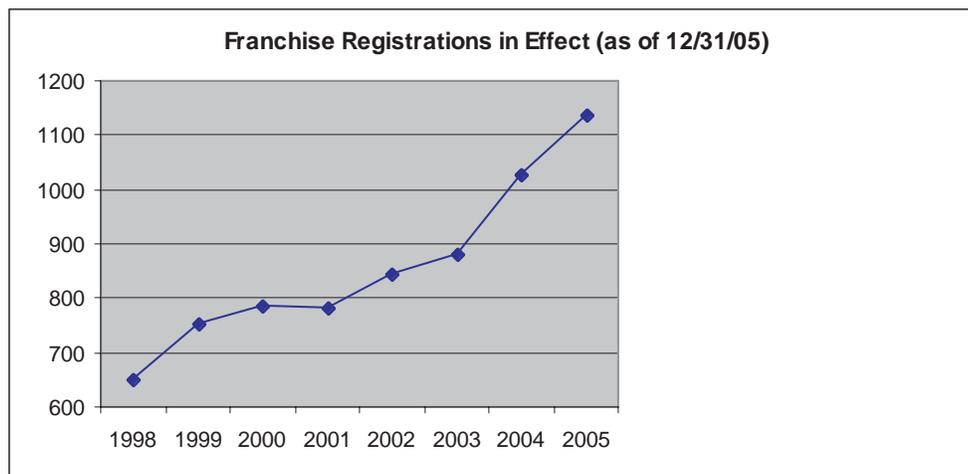
The number of mutual funds available in Wisconsin has continued to increase and this year we again have a record number of funds available to Wisconsin investors.



The Division's web site contains detailed information describing all registration, exemption, and federal covered securities filing requirements. It has answers to all of the most commonly asked questions about these processes and copies of all required forms. If there is a specific question that is not answered on the web site staff can be e-mailed for assistance. [www.wdfi.org/fi/securities/regexemp/default.htm](http://www.wdfi.org/fi/securities/regexemp/default.htm).

## FRANCHISE REGISTRATION

Although a franchisor may offer a franchise to a person in Wisconsin without filing with the Division, prior to any sale in Wisconsin, the franchisor must register the franchise by making a filing with the Division. After a small drop in 2001, the number of franchisors that have filed to sell franchises in the state continues to increase.

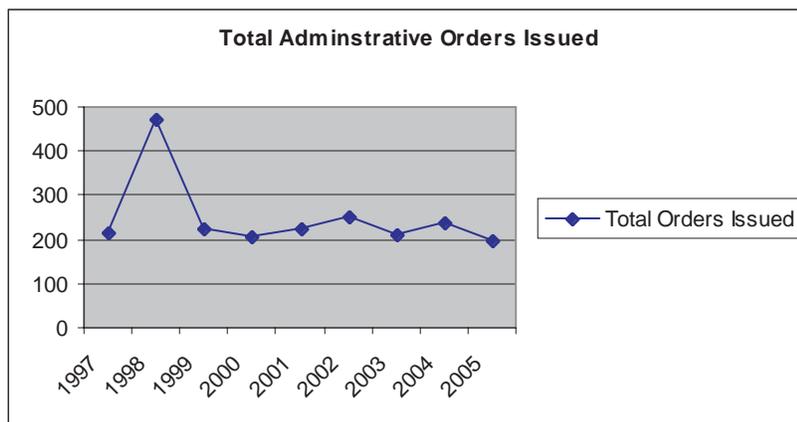


**ENFORCEMENT ACTIVITIES**

As an administrative agency, the Division issues administrative orders to resolve violations of the Wisconsin Uniform Securities Law. The orders may be issued against licensed securities agents, broker-dealers, investment advisers and investment adviser representatives as well as unlicensed persons and entities. These orders require the named parties to cease violating the Wisconsin securities law.

The number of orders issued by the Division has remained between 200 and 250 for the past five years. Fluctuations are usually caused by cases with an unusually large number of respondents or certain complex investigations that require greater than usual staff time. The staff has noticed a dramatic change in the types of cases that we are seeing. For many years the majority of our cases involved out-of-state boiler rooms selling into Wisconsin. The number of complaints about these, as well as the number of calls from these firms on the Division's undercover telephone lines, dropped substantially during 2005. Instead we are seeing a large number of cases where licensed agents are the target of the investigation and their violations are major. For the first time in many years the number of administrative hearings and criminal referrals against licensees is greater than that against unlicensed agents. Based on cases that the staff is presently working on that trend should continue into 2006.

Since mid 1998 the Division of Securities has posted all administrative orders it issued on its web site: [www.wdfi.org/newsroom/admin\\_orders/dos\\_default.htm](http://www.wdfi.org/newsroom/admin_orders/dos_default.htm).





The Office of Credit Unions is dedicated to ensuring the safety and soundness of Wisconsin chartered credit unions, while fostering their development through a progressive regulatory environment. As of December 31, 2005, the Office of Credit Unions regulated 280 state-chartered credit unions with assets totaling over \$14.8 billion. All of these credit unions are insured by the National Credit Union Administration.

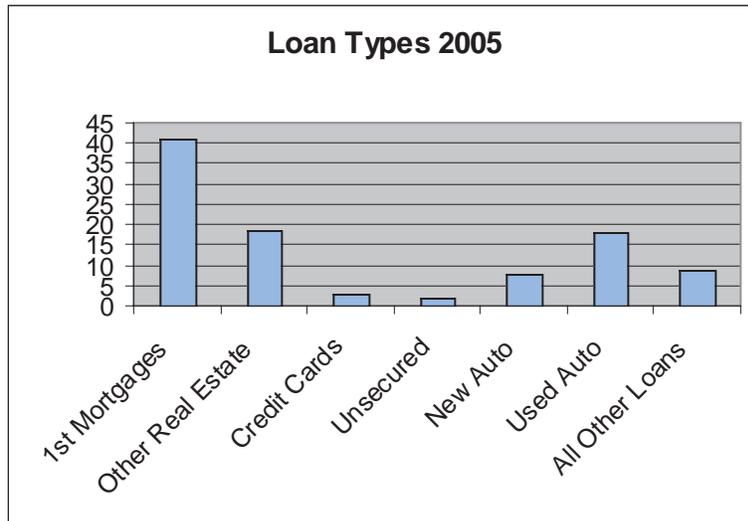
The financial statistics are derived from the year-end call reports of all state-chartered credit unions. The statistics and analysis do not include Wisconsin Corporate Central Credit Union or the two federal-chartered credit unions operating in Wisconsin. Overall, Wisconsin credit unions continue their tradition of financial strength and growth as demonstrated by the following:

### NET WORTH

The Net Worth/Assets ratio for all Wisconsin credit unions was 11.12% as of December 31, 2005. Total net worth for Wisconsin credit unions was \$1.5 billion. This is an increase of \$126.6 million over 2004.

### ASSET QUALITY

LOAN TRENDS: Total loans continue to increase and represent 81.3% of all credit union assets. Loan growth in 2005 was strong at 11.2%. As seen in the graph, first mortgage real estate loans comprise 41% of total loans. This exceeds the federal ratio of 31%. Total real estate loans (which include subordinate mortgages) represent nearly 60% of total loans.



Loan quality remains strong. Delinquent loans increased slightly in 2005 and the ratio to total loans was 1.05%. The net charge off loan ratio stayed the same at .30%. Effective lending and collection practices assisted in maintaining commendable delinquency and net loss ratios.

Wisconsin credit unions reported a decrease in members filing for bankruptcy; however, the outstanding loans subject to bankruptcy increased to just over \$41 million. Also, charged off loans due to bankruptcy increased to nearly \$16.5 million and accounted for 47.85% of total loan charge-offs.

**INVESTMENT TRENDS:** Investments declined over \$172 million during 2005 and represented 9.5% of total assets. At year-end 2004, this ratio was 11.5% and in 2003, 13.1%. The table below depicts trends in the major investment categories:

	2001	2002	2003	2004	2005
US Government Obligations	.47%	.12%	.27%	.52%	.52%
Federal Agency Securities	28.92%	29.27%	36.63%	37.92%	35.45%
Mutual Funds & Common Trust	1.38%	1.89%	2.13%	2.20%	2.42%
Corporate Credit Unions	24.81%	23.38%	18.49%	20.78%	29.14%
Banks, S&Ls, Mutual Savings Banks	38.39%	38.08%	35.35%	30.44%	23.61%
Credit Unions	2.23%	2.09%	2.00%	2.16%	1.98%
Other Investments	3.79%	5.17%	5.13%	5.97%	6.88%
Total Investments	100%	100%	100%	100%	100%

**FIXED ASSETS:** At the end of 2005, fixed assets and foreclosed and repossessed assets were 3.0% of assets. This ratio increased slightly from 2.71% in 2004 and 2.54% in 2003. The increases are mainly attributable to an increase in the number of branch facilities owned by credit unions.

## EARNINGS

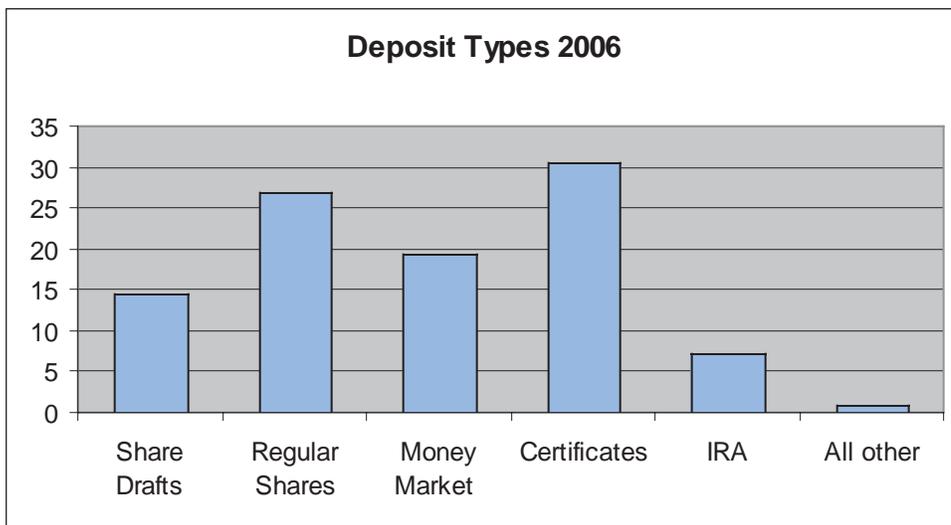
The table below indicates that the past five years have been challenging from an earnings perspective. While the Return on Average Assets ratio has remained strong, gross income has dropped significantly. The interest rate increases during 2005 are reflected in the increases in both gross income and cost of funds. Credit unions have adjusted the cost of funds and operating expenses to maintain the return on average assets. Overall, earnings have been strong enough to maintain net worth.

Ratio	2001	2002	2003	2004	2005
Gross income	8.35%	7.36%	6.67%	6.09%	6.48%
Cost of Funds	3.41%	2.20%	1.61%	1.32%	1.75%
Operating Expenses	3.77%	3.71%	3.72%	3.58%	3.64%
Provision for Loan Loss	.26%	.28%	.29%	.27%	.29%
Net Income	.90%	1.19%	1.07%	.94%	.91%
Net Worth	10.69%	10.82%	10.90%	11.08%	11.12%

**ASSET/LIABILITY  
MANAGEMENT**

***SHARE TRENDS & MIX:*** Total shares increased 6.9% in 2005. This represents an increase of over \$800 million, compared to growth of \$529 million in 2004.

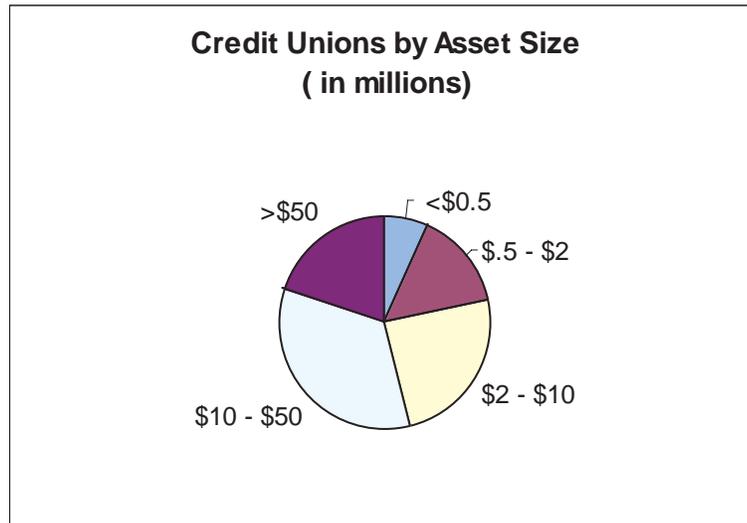
Increases were noted in share drafts, share certificates and non-member deposits. The graph shows the distribution of different share products as of December 31, 2005.



***LIQUIDITY TRENDS:*** Cash and short-term investments comprised 8.72% of total assets. This ratio has been dropping since 2000 and may represent, in part, an increase in loans. Many credit unions have utilized lines of credit to access funds in times of liquidity need.

**ADDITIONAL COMMENTS**

Wisconsin credit unions continue to consolidate. During 2005, 7 credit unions were consolidated bringing the remaining total number of credit unions to 280. The median size for all credit unions is \$11 million but the average size is \$53.6 million. One Wisconsin credit union has assets in excess of \$1 billion and 2 credit unions have assets of less than \$100,000.



In addition to the 280 state-chartered and 2 federal-chartered credit unions, there are miscellaneous credit union entities that operate in Wisconsin. These include:

- ◆ A Corporate Credit Union (see attached Statement of Financial Condition and Statement of Income),
- ◆ Two shared branch network organizations (in Madison and Milwaukee) that sponsor 19 locations in Wisconsin and connect to over 2300 locations nationwide,
- ◆ Two credit union service centers (in Superior and Green Bay), and
- ◆ Various Credit Union Service Organizations (CUSOs).

Traditionally, CUSOs have been formed to provide goods and services to credit unions, credit union organizations, and credit union members. Their popularity is increasing as indicated by increased investments in these entities as well as an increase in the number of CUSOs being formed by credit unions to operate in Wisconsin.

## SUMMARY

Credit unions in Wisconsin continue to be strong as indicated by their traditionally stable financial performance. Looking ahead, the future will continue to be challenging. Credit unions need to position their balance sheet and take measures to mitigate and monitor risk. Effective management in all areas will be crucial in order for credit unions to succeed and serve their members interests.

*For additional financial information, please refer to the 4th Quarter Credit Union Bulletin available from the Office of Credit Unions and on the Department of Financial Institutions website-[www.wdfi.org](http://www.wdfi.org).*

**COMPARISON STATEMENTS OF CONDITION  
OF WISCONSIN CREDIT UNIONS  
DECEMBER 31, 2005 and DECEMBER 31, 2004**

	<u>December 31, 2005</u>		<u>December 31, 2004</u>		<u>Increase or Decrease</u>	<u>% Change</u>
<b>Number of Credit Unions</b>	<b>280</b>		<b>287</b>		<b>-7</b>	<b>-2.4%</b>
	<u>AMOUNT</u>	<u>% OF ASSETS</u>	<u>AMOUNT</u>	<u>% OF ASSETS</u>		
<b>ASSETS</b>						
Personal Loans	4,823,011,677	32.6%	4,539,182,341	33.2%	283,829,336	6.3%
Real Estate Loans	7,210,295,717	48.7%	6,281,338,361	45.9%	928,957,356	14.8%
Total Loans	<u>12,033,307,394</u>	81.3%	<u>10,820,520,702</u>	79.1%	1,212,786,692	11.2%
Allowance for Loan Losses	79,152,669	0.5%	68,481,751	0.5%	10,670,918	15.6%
Net Loans	<u>11,954,154,725</u>	80.7%	<u>10,752,038,951</u>	78.6%	1,202,115,774	11.2%
Cash	629,214,380	4.2%	645,983,634	4.7%	-16,769,254	-2.6%
Investments	1,400,336,637	9.5%	1,573,192,038	11.5%	-172,855,401	-11.0%
Fixed Assets	449,265,187	3.0%	370,975,325	2.7%	78,289,862	21.1%
Other Assets	<u>372,321,266</u>	2.5%	<u>342,231,584</u>	2.5%	30,089,682	8.8%
TOTAL ASSETS	<u><u>14,805,292,195</u></u>	100.0%	<u><u>13,684,421,532</u></u>	100.0%	<u><u>1,120,870,663</u></u>	8.2%
<b>LIABILITIES</b>						
Regular Shares	3,347,908,806	22.6%	3,499,399,946	25.6%	-151,491,140	-4.3%
Share Drafts	1,804,777,750	12.2%	1,641,890,248	12.0%	162,887,502	9.9%
Other Shares & Deposits	7,249,854,313	49.0%	6,461,321,021	47.2%	788,533,292	12.2%
Total Savings	<u>12,402,540,869</u>	83.8%	<u>11,602,611,215</u>	84.8%	799,929,654	6.9%
Notes and Accounts Pay.	763,528,921	5.2%	569,191,735	4.2%	194,337,186	34.1%
Regular Reserve	656,214,939	4.4%	607,469,019	4.4%	48,745,920	8.0%
Other Reserves	<u>983,007,466</u>	6.6%	<u>905,149,563</u>	6.6%	77,857,903	8.6%
TOTAL LIABILITIES	<u><u>14,805,292,195</u></u>	100.0%	<u><u>13,684,421,532</u></u>	100.0%	<u><u>1,120,870,663</u></u>	8.2%

**Please note:** small statistical errors may exist due to rounding.

**COMPARISON STATEMENTS OF INCOME  
FOR WISCONSIN CREDIT UNIONS  
FOR THE PERIODS ENDING DECEMBER 31, 2005 AND DECEMBER 31, 2004**

	2005		2004	
	AMOUNT	% OF AVERAGE ASSETS	AMOUNT	% OF AVERAGE ASSETS
<b>INCOME</b>				
Interest on Loans	686,386,509	4.82%	596,014,594	4.51%
Less: Interest Refunds	1,690,149	0.01%	1,519,626	0.01%
Net Interest Income	684,696,360	4.81%	594,494,968	4.49%
Income on Investments	63,345,381	0.44%	55,577,384	0.42%
Other Income	175,009,366	1.23%	155,992,955	1.18%
<b>TOTAL OPERATING INCOME</b>	923,051,107	6.48%	806,065,307	6.09%
<b>ADMINISTRATIVE EXPENSES</b>				
Employee Costs	274,651,525	1.93%	252,731,799	1.91%
Travel and Conference	6,895,352	0.05%	6,131,752	0.05%
Office Occupancy	34,244,585	0.24%	29,176,560	0.22%
General Operations	100,181,593	0.70%	92,511,795	0.70%
Education and Promotion	21,076,222	0.15%	17,864,071	0.14%
Loan Servicing	32,575,593	0.23%	29,100,261	0.22%
Professional Services	32,101,519	0.23%	30,016,386	0.23%
Member Insurance	2,749,214	0.02%	3,011,683	0.02%
Operating Fees	2,629,149	0.02%	1,944,772	0.01%
Other Operational Expenses	10,889,633	0.08%	11,044,091	0.08%
<b>TOTAL ADMINISTRATIVE</b>	517,994,385	3.64%	473,533,170	3.58%
Provision for Loan Loss	41,165,883	0.29%	35,189,757	0.27%
<b>TOTAL OPERATING EXPENSES</b>	559,160,268	3.93%	508,722,927	3.85%
<b>COST OF ACQUISITION OF FUNDS</b>				
Dividends Paid on Savings	228,814,972	1.61%	164,141,109	1.24%
Interest on Borrowed Funds	20,836,404	0.15%	11,014,071	0.08%
<b>TOTAL COST OF FUNDS</b>	249,651,376	1.75%	175,155,180	1.32%
<b>TOTAL EXPENSES</b>	808,811,644	5.68%	683,878,107	5.17%
<b>NET OPERATING INCOME</b>	114,239,463	0.80%	122,187,200	0.92%
<b>NON-OPERATING INCOME</b>	14,679,376	0.10%	2,522,116	0.02%
<b>NET INCOME</b>	128,918,839	0.91%	124,709,316	0.94%

**Please note:** small statistical errors may exist due to rounding.

## 2005 Credit Union Consolidations

<b>Consolidation Date</b>	<b>Absorbed Credit Union</b>	<b>Location</b>	<b>Continuing Credit Union</b>	<b>Location</b>
2/28/2005	GBC Employees	Madison	Members First	Madison
5/11/2005	Wolf River	New London	Community First	Appleton
5/11/2005	Herald-Times	Manitowoc	Community First	Appleton
6/2/2005	Antigo F. S. C. C. Empls.	Antigo	CoVantage	Antigo
9/7/2005	Leblanc Employees	Kenosha	A M Community	Kenosha
9/12/2005	Kim Services	Neenah	Lakeview	Neenah
12/15/2005	Valley Health	Neenah	Lakeview	Neenah

## 2005 Credit Union Name Changes

<b>Location</b>	<b>Former Name</b>	<b>New Name</b>	<b>Effective Date</b>
Wauwatosa	Greater Milwaukee & Government Employees	Greater Milwaukee Municipal Employees & Teachers	2/17/2005
Eau Claire	Eau Claire Teachers	Eau Claire Teachers	3/3/2005
Fond du Lac	G & L Employees	Credit Union One	8/10/2005
Madison	CUNA	Great Wisconsin	10/10/2005
Ripon	Ripon Community	"Golden Rule" Community	11/8/2005
Milwaukee	Milwaukee Metropolitan	Prime Financial	11/21/2005



**CORPORATE CENTRAL CREDIT UNION  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2005**

**ASSETS**

Cash .....	\$130,829,188
Investments:	
U.S. Government Securities .....	\$0
Collateralized Mortgage Obligations .....	\$115,622,947
U.S. Central Credit Obligations .....	\$684,460,181
Asset-Backed Securities .....	\$51,944,985
Tri-Party Repurchase Agreements .....	\$0
Other Investments .....	<u>\$360,644</u>
Total Investments .....	\$852,388,757
Loans .....	\$456,797,056
Land and Building .....	\$2,799,036
Other Fixed Assets .....	\$261,680
Receivables and Other Assets .....	<u>\$6,604,488</u>
Total Assets .....	\$1,449,680,205

**LIABILITIES AND EQUITY**

Accounts Payable and Other Liabilities .....	\$4,036,080
Notes Payable .....	\$366,399,003
Commercial Paper .....	\$109,792,015
Accrued Dividends and Interest Payable .....	\$2,056,087
Member Shares and Certificates of Deposit .....	\$909,022,374
Regular Reserve .....	\$17,636,836
Other Reserves .....	<u>\$40,737,810</u>
Total Liabilities and Equity .....	\$1,449,680,205

**STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**INCOME**

Income from Investments .....	\$27,751,738
Income from Loans .....	\$14,864,964
Other Income .....	<u>\$4,938,554</u>
Total Income .....	\$47,555,256

**EXPENSES**

Administrative Expenses .....	\$7,018,568
Cost of Funds .....	<u>\$37,351,840</u>
Total Expenses .....	\$44,370,408
Net Income .....	\$3,184,848
Plus: Non-Operating Loss .....	\$4,625
Net Income .....	\$3,189,473

**Historical Data**  
**of Wisconsin State Chartered Credit Unions**  
**Number of Charters, Members & Assets**

Year	Charters Issued	Charters Cancelled	Total Credit Unions	Total Members	Total Assets
1923 - 1930	22	0	22	4,659	481,960
1931 - 1935	383	22	383	57,847	2,914,467
1936 - 1940	281	72	592	153,849	11,238,687
1941 - 1945	73	129	536	144,524	19,064,115
1946 - 1950	76	70	542	193,296	42,875,076
1951 - 1955	204	50	696	292,552	120,562,491
1956 - 1960	112	75	733	363,444	206,392,419
1961 - 1965	118	70	781	493,399	346,631,527
1966 - 1970	69	84	766	628,543	480,420,243
1971 - 1975	22	115	673	805,123	875,542,286
1976 - 1980	17	72	618	1,060,292	1,403,823,697
1981 - 1985	8	76	550	1,261,407	2,831,410,266
1986 - 1990	2	112	440	1,485,109	4,148,749,629
1991 - 1995	1	57	384	1,744,696	6,179,239,916
1996 - 2000	2	46	340	1,918,729	9,425,905,926
2001	0	14	326	1,883,387	10,439,351,938
2002	0	18	308	1,937,867	11,665,602,066
2003	0	10	298	1,966,929	12,772,532,665
2004	2	13	287	1,992,238	13,684,421,532
2005	0	7	280	2,047,031	14,805,292,195