Department of Savings and Mortgage Lending
Self-Evaluation Report

Submitted to the
Sunset Advisory Commission
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Department of Savings and Mortgage Lending
Self-Evaluation Report

I. Agency Contact Information

A. Please fill in the following chart.

Department of Savings and Mortgage Lending
Exhibit 1: Agency Contacts

	Name	Address	Telephone & Fax Numbers	Email Address
Agency Head	Caroline C. Jones	2601 N Lamar Austin, TX 78705	512-475-1038	cjones@sml.texas.gov
Agency's Sunset Liaison	Antonia Antov	2601 N Lamar Austin, TX 78705	512-475-1296	aantov@sml.texas.gov

Table 1 Exhibit 1 Agency Contacts

II. Key Functions and Performance

Provide the following information about the overall operations of your agency. More detailed information about individual programs will be requested in a later section.

A. Provide an overview of your agency's mission, objectives, and key functions.

Mission

The mission of the Department of Savings and Mortgage Lending is to supervise and regulate the residential mortgage lending and state savings industries in order to protect Texans, provide a healthy residential mortgage lending environment, and maintain safe and sound savings banks and savings associations.

Philosophy

The Department's philosophy towards its regulatory responsibilities is to recognize that:

- It is a privilege and honor to serve Texans as regulators of the residential mortgage lending and state savings industries.
- We are responsive, accountable, and transparent to Texas citizens, our regulated entities, the Texas Legislature, and the Finance Commission of Texas.
- We supervise and regulate with the highest degree of integrity, ethics, fairness, efficiency, and professionalism.
- We uphold the constitution and laws of Texas and the United States.

Objectives and Key Functions

Thrift Safety and Soundness (Thrift Examination and Supervision)

Effectively and efficiently enforce safety and soundness standards in the state chartered thrift industry and compliance with the Texas Finance Code in a manner that is constructive and maintains the interest of depositors, creditors, and borrowers of savings institutions as paramount. Key functions of Thrift Examination and Supervision follow:

- Perform full and limited scope examinations and participate with federal regulators in examinations within the required timeframes.
- Monitor and enforce the safe and sound operation of state chartered savings institutions.
- Monitor and enforce compliance with applicable laws and regulations.
- Encourage awareness of cybersecurity concerns within the regulated industry.

Mortgage Regulation

Protect Texas homebuyers through fair and effective regulation of mortgage originating entities, individuals, and mortgage servicers. Key functions of Mortgage Regulation follow:

<u>Licensing</u>

- Process, investigate, and take appropriate final action on mortgage license applications and registrations, both entities and individuals.
- Enforce compliance with licensing standards of conduct.

<u>Examination</u>

- Ensure effective and efficient examination of mortgage licensees and registrants through fair, responsible, and comprehensive investigation.
- Enforcement of regulatory requirements regarding procedures and standards of conduct.

Consumer Responsiveness (Complaint and Inquiry)

Ensure responsiveness to inquiries, requests, and complaints from citizens, industry, public officials, and other state and federal governmental entities. Key functions of Consumer Responsiveness follow:

- Provide a forum for registering complaints regarding thrifts and mortgage entities and individuals.
- Review and investigate, as appropriate, complaints and inquiries.
- Take appropriate supervisory action when warranted.

Agency Administration

Be prudent and good stewards of the Department's resources – both financial and human. Key functions of Agency Administration follow:

- Be staffed with employees who are trained or in training to be experts in regulating the thrift or mortgage industry.
- Provide cross-training in all areas of the Department.
- Monitor the Department's fiscal performance.

B. Do your key functions continue to serve a clear and ongoing objective? Explain why each of these functions is still needed. What harm would come from no longer performing these functions?

The key functions continue to serve a clear and ongoing objective.

If Thrift Safety and Soundness (Thrift Examination and Supervision) was no longer performed, the State would no longer be able to protect the customers, creditors, and shareholders of Texas thrifts from losing their funds and investments in the institutions. If all state thrifts closed due to lack of risk management, a charter choice for bankers and investors in this State would be eliminated and customers would lose the money they have deposited in those institutions.

If Mortgage Regulation of the non-depository residential mortgage lending industry in Texas was no longer being performed, Texans obtaining a residential mortgage loan could not be assured that the mortgage industry was compliant with State and Federal consumer protection laws. Additionally, the Consumer Financial Protection Bureau, a federal agency, could decide to exercise authority over the Texas residential mortgage lending industry with no State agency having any jurisdiction.

If Consumer Responsiveness (Complaint and Inquiry) was no longer performed, Texas consumers would not have a Texas state agency to file a complaint against a mortgage professional and would have to submit complaints through a federal agency. The State would then not be able to exercise any authority to assist its consumers.

If the Agency's Administration is not properly performed, according to State and Federal laws and rules, the Department's and the State's exposure to liability would increase.

In all of the above, it is ultimately Texas consumers and businesses that are harmed.

C. What evidence can your agency provide to show your overall effectiveness and efficiency in meeting your objectives?

The thrift industry functions of the Department provide consumer protection to ensure the safety of individuals, business, and public deposits in the State and the availability of credit to support the consumer, small business, residential housing and real estate finance needs of the Texas economy. The Department's monitoring and regulatory oversight ensures that the Texas thrift institutions are operating in a safe and sound manner.

States charter and regulate financial institutions because it is one of the few ways a state can exert any influence over the depository institutions operating in their jurisdiction. Nationally chartered institutions do not have to comply with many state laws due to federal preemption. A state thrift system enables Texas to ensure that its thrift institutions are responsive to Texas consumers and provide a safe and sound system for this component of the housing finance industry.

Until the enactment of the Mortgage Broker License Act, and subsequent mortgage statutory authorities, the non-deposit mortgage industry was largely unregulated with respect to its primary business of originating home mortgages. Texas consumers did not have a central facility for lodging complaints regarding these activities and no educational or experience standards existed in the State to ensure that mortgage loan originators were competent or responsible. The statutes establish such standards and provide for the active investigation of complaints to protect Texas consumers.

In efforts to show how the Department efficiently and effectively accomplishes its goals and objectives, performance measures have been established. These performance measures are reported to the Finance Commission on a regular basis. Details of these measures are discussed later in this document.

D. Does your agency's enabling law continue to correctly reflect your mission, objectives, and approach to performing your functions?

Both the Texas Savings and Loan Act and the Texas Savings Bank Act provide sufficient authority to the Department with respect to regulation and supervision of these institutions.

The Residential Mortgage Loan Company Licensing and Registration Act, Mortgage Banker Registration and Residential Mortgage Loan Originator License Act, Residential Mortgage Loan Servicer Registration Act, and the Texas Secure and Fair Enforcement for Mortgage Licensing Act of 2009 provide authority to the Department with respect to the regulation of the Texas mortgage industry.

E. Have you recommended changes to the Legislature in the past to improve your agency's operations? If so, explain. Were the changes adopted?

During the 85th Legislative Session the Department recommended the following bills:

Bill Number	Author(s)	Sponsor	Caption Text	Status
HB2579	Rep. Justin Holland & Rep. Oscar Longoria	Sen. Dawn Buckingham	Relating to the bond and other coverages required to be maintained by or for the benefit of a savings bank.	Signed by Governor on May 26, 2017. Effective: September 1, 2017
HB2580	Rep. Justin Holland & Rep. Oscar Longoria	Sen. Craig Estes	Relating to criminal history record information obtained by the savings and mortgage lending commissioner.	Signed by Governor on May 26, 2017. Effective: September 1, 2017
HB2823	Rep. Jay Dean	Sen. Dawn Buckingham	Relating to the issuance and enforcement of a subpoena during the course of an investigation of a residential mortgage loan servicer.	Signed by Governor on May 26, 2017. Effective: immediately
HB3342	Rep. Tan Parker	Sen. Dawn Buckingham	Relating to the pre-licensing education requirements for residential mortgage loan originators	Signed by Governor on June 12, 2017. Effective: January 1, 2018
HB3367	Rep. Dustin Burrows		Relating to savings and loan associations, savings banks, residential mortgage loan originators, servicers, and other persons or entities under the regulatory jurisdiction of the Department of Savings and Mortgage Lending and the savings and mortgage lending commissioner; creating an offense; imposing an administrative penalty.	Was not reported out of House Calendars

F. Do any of your agency's functions overlap or duplicate those of another state or federal agency? Explain if, and why, each of your key functions is most appropriately placed within your agency. How do you ensure against duplication with other related agencies?

Thrift Industry

All state thrifts are required, under federal law, to have a primary Federal regulator; therefore, safety and soundness examinations and supervisory functions are also provided by the Federal Deposit Insurance Corporation (FDIC) or the Federal Reserve Bank (FRB). In order to prevent duplication, the Department performs joint thrift examination with its federal counterparts, FDIC or FRB, thereby achieving the most comprehensive examination process utilizing the expertise of both federal and state examiners to ensure that thrifts are properly identifying, measuring, monitoring, and controlling the risks faced by the financial entity. By performing the supervisory function jointly the agencies arrive at enforcement orders through consensus. Additionally, by working jointly the industry receives a consistent message from both the State and Federal regulator.

While the Department and the Federal regulators work together, relating to the regulation of the industry, we do have different goals. The Department's goal is the protection of Texans' interest as depositors, creditors, and borrowers of thrift institutions. The FDIC's main goal is the protection of the federal deposit insurance fund; while the Federal Reserve is the central bank of the United States with five general functions to promote the effective operation of the United States economy and, more generally, the public interest.

Mortgage Industry

Each state, throughout the Nation, similarly licenses the mortgage industry in compliance with the Federal SAFE Act and for their specific state requirements. All states utilize the same database, NMLS, as required by the Federal SAFE Act.

The Consumer Financial Protection Bureau (CFPB) has regulatory jurisdiction over mortgage origination supervision. The CFPB's examination program primarily focuses on larger multi-state entities for compliance with federal statutes and regulations. The CFPB conducts a limited number of examinations on an annual basis due to their scope of review. The Department has statutory authority to participate in CFPB multi-state mortgage origination examinations.

Consumer Responsiveness

The Consumer Financial Protection Bureau's (CFPB) consumer complaint program covers a wide range of financial products including residential mortgage loan originations and servicing. The large volume of complaints received by the CFPB limits the amount of individual resources available to conduct in-depth investigations into residential mortgage loan origination and servicing complaints.

All of the above functions are most appropriately placed with the Department because of the Department's expertise in the residential mortgage lending arena, both for the thrift and non-depository mortgage lending areas.

G. In general, how do other states carry out similar functions?

From a regulation and policy standpoint, other states conduct their thrift functions in a manner consistent with Texas. Supervisory functions examine for compliance with the qualified thrift test, safety and soundness, and consumer protection laws.

For the non-depository mortgage regulation, all states conduct regular examinations to ensure compliance with applicable federal and state specific statutes. Additionally, all states complied with the Federal SAFE Act and enacted a state SAFE Act as it relates to the licensing functions.

H. What key obstacles impair your agency's ability to achieve its objectives?

Obstacles that could impact the Department's ability to achieve its objectives are external issues over which the Department has no control, such as the following:

- A downturn in the economy could impact both regulated industries and cause the Department to increase regulatory supervision on particular thrifts and mortgage entities. This could necessitate additional staffing and travel for additional examinations and other supervisory functions. The Department attempts to be ahead of the impact of any downturn through its examination cycle, quarterly off-site reviews, and regular communication with the industries.

- Rising interest rates can impact both the thrift and mortgage industries. For the non-depository mortgage industry, higher interest rates impact the refinance market. For the thrifts, which hold long term residential mortgage loans in portfolio, those loans are predominantly fixed at lower rates than the deposits on which they are paying interest, therefore potentially creating a liquidity issue for the institution. The Department examines for liquidity and sensitivity to market rates at each examination, reviews for any changes during off-site monitoring, and keeps its examiners and Thrift Supervision staff abreast of any changes in interest rates.

- Hurricane Harvey has impacted both the thrift and mortgage industries. At this time the impact is not quantifiable, but will continue for the foreseeable future.

I. Discuss any changes that could impact your agency's key functions in the near future (e.g., changes in federal law or outstanding court cases).

The Department has identified the following pending federal legislation, which, if passed, could impact its key functions in the near future.

- United States, 115^{th} Congress, H.R. 10 – This Bill is known as the Financial CHOICE ACT of 2017. This legislation proposes to end Too Big to Fail and bailouts, create accountability, increase access to capital and credit, and repeal the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

- United States, 115^{th} Congress, H.R. 2133 – This Bill is known as the CLEARR Act of 2017. This legislation proposes to provide regulatory relief to community financial institutions.

- United States, 115^{th} Congress, H.R. 2948 – This legislation would amend the federal S.A.F.E. Mortgage Licensing Act of 2008 and proposes a temporary authority for mortgage loan originators transitioning between depository institutions and non-depository entities as well as state licensed mortgage loan originators seeking licensure within another state.

J. What are your agency's biggest opportunities for improvement in the future?

The Department's opportunities for improvement in the future include the following:

- Utilizing technology for higher levels of customer service and more efficient processes.
- Continuing to improve the Department's website.
- Continuing to upgrade software and equipment as technologies change and improve.

K. In the following chart, provide information regarding your agency's key performance measures included in your appropriations bill pattern, including outcome, input, efficiency, and explanatory measures.

Department of Savings and Mortgage Lending
Exhibit 2: Key Performance Measures — Fiscal Year 2016

Key Performance Measures	FY 2016 Target	FY 2016 Actual Performance	FY 2016 % of Annual Target
Thrift Safety and Soundness			
Percent of State Chartered Savings Institutions Receiving Examinations as Required by Priority Schedule	100%	100%	100.00%
Percent of Safe and Sound Institutions to Total Savings Institutions	90%	96%	106.67%
Percent of Assets in Safe and Sound Savings Institutions	90%	99%	110.00%
Number of Examinations Performed	22	16	72.73%
Number of State Chartered Savings Institutions	28	28	100.00%
Dollar Amount of Assets under Regulation (in Billions)	$12.00	$16.40	136.67%
Mortgage Regulation			
Number of Applications Approved	6,500	7,219	111.06%
Number of Licensees Examined	3,600	5,511	153.08%
Complaint and Inquiry Processing			
Percent of Complaints Answered Within Ten Business Days of Receipt of Complete Information	90%	99%	110.00%
Number of Consumer Complaints Completed	900	1,143	127.00%

Table 2 Exhibit 2 Key Performance Measures

L. Please discuss any "high-value data" your agency possesses, as defined by Section 2054.1265 of the Government Code. In addition, please note whether your agency has posted those data sets on publically available websites as required by statute.

The Department has a few "high-value data" sets. These data sets are available on the Department's website and include lists of licensees, (company, branch, and individuals) and enforcement orders.

The licensee lists provide the public as well as the licensee the status of a license and who is authorized to conduct business in the State. The listing of enforcement orders provides the public information regarding the entities or individuals who have been subject to an enforcement order.

III. History and Major Events

Prior to 1913	Texas savings and loans were chartered by special acts of the Legislature.
Prior to 1961	State savings and loan associations were chartered by the Commissioner of Insurance and Banking (1913-1923), Insurance Commissioner (1923-1929), and the Banking Commissioner (1929-1961).
1961	The Legislature created the Savings and Loan Department under the direction of a Savings and Loan Commissioner appointed by the Finance Commission of Texas, separating the agency from the Department of Banking.
1963	The Texas Savings and Loan Act was enacted establishing a complete system of laws governing state savings and loan associations.
1982	The Garn-St. Germain Depository Institutions Act was enacted, giving savings and loan associations authority to lend up to 100% of the appraised value of real estate, and expanding their authority to make commercial real estate loans, leading to much more speculative activities.
1986	The Federal Savings and Loan Insurance Corporation (FSLIC) was declared insolvent, resulting in insolvent Texas savings and loan associations being forced to stay open up to three years after reporting insolvency. Texas adopted significant amendments to the Texas Savings and Loan Act to enhance enforcement authority of the Department and require applications for changes of control. The Tax Reform Act of 1986 was enacted, removing significant federal income tax incentives for investment in real estate.
1987	Governor Clements appointed a Task Force to study the savings and loan industry to ascertain the true status of the industry and make recommendations for resolving industry problems.
1988	The Governor's Task Force issued its report on the Savings and Loan industry calling for, among other things, enhanced enforcement of lending and investment regulations; restrictions on equity investment; removal of the Savings and Loan Department from the Appropriations process to ensure adequate funding for the Department; elimination of the salary cap on the commissioner's salary; and improved coordination between state and federal thrift regulators. The Southwest Plan was established by the Federal Savings and Loan Insurance Corporation (FSLIC) resulting in the closure of many insolvent savings and loans in Texas and converting nearly all such institutions to a federal thrift charter.
1989	The Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) was enacted, abolishing the Federal Savings and Loan Insurance Corporation (FSLIC) and shifting its deposit insurance activities to the Federal Deposit Insurance Corporation (FDIC). Insolvent institutions were placed under the control of the Resolution Trust Corporation. All state chartered institutions were placed under

	an unprecedented triple regulatory structure of the FDIC, Office of Thrift Supervision, and the state chartering agency, further weakening the viability of the remaining state chartered savings and loan associations. The 71st Texas Legislature enacted Senate Bill 607 which eliminated the separate industry sections of the Finance Commission; shifted regulatory and policy responsibility to the full Finance Commission and restructured the Finance Commission to provide for a majority of public members.
1991	The last insolvent state chartered savings and loans of the 1980's were closed by the FDIC.
1993	The 73rd Texas Legislature enacted Senate Bill 396, The Texas Savings Bank Act, establishing a new financial institution charter having a mandatory level of housing and housing related loans and investments and a regulatory structure more consistent with state commercial banks. The Act also provided broader consumer and commercial loan lending authority than the savings and loan charter.
1994	First conversion to a state savings bank charter by a state chartered savings and loan association.
1995	First de novo state savings bank charter approved.
1996	First conversion of a federal thrift to the state savings bank charter.
1998	Regulated assets under Department's jurisdiction increase 51%. The Department received applications for and approved two de novo savings bank charters. First commercial bank converted to a state savings bank charter.
1999	The 76th Texas Legislature enacted Senate Bill 1074, Texas Finance Code, Chapter 156, The Mortgage Broker License Act, establishing the state's first requirement that mortgage brokers be licensed and prescribed standards of education and conduct. The Department was given regulatory authority over this Chapter.
2003	The 78th Texas Legislature enacted Senate Bill 252, Texas Finance Code, Chapter 157, Registration of Mortgage Bankers, requiring the registration of mortgage bankers conducting business in Texas and providing their borrowers with notice of the process for filing consumer complaints. The Department was given regulatory authority over this Chapter.
2004	The Finance Commission and Credit Union Commission were sued by Association of Community Organization for Reform Now (ACORN), Valerie Norwood, Elise Shows, Maryann Robles-Valdez, Bobby Martin, Pamela Cooper, and Carlos Rivas over certain interpretations of the home equity provisions of the Texas Constitution.
2005	The 79th Texas Legislature enacted House Bill 955, which changed the Department's name from the "Savings and Loan Department" to the "Department of Savings and Mortgage Lending."
2006	The Federal Deposit Insurance Reform Act of 2005 was enacted and required the merger of the Bank Insurance Fund and the Savings Association Insurance Fund into the Deposit Insurance Fund.

2007	The 80th Texas Legislature enacted House Bill 716, which created the Residential Mortgage Fraud Task Force. The Department along with the Office of the Attorney General, Office of Consumer Credit Commissioner, Department of Banking, Credit Union Department, Department of Insurance and the Real Estate Commission served on the task force.
2008	In response to the mortgage crisis, the United States Congress enacted the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (Federal SAFE Act).
2009	The 81st Texas Legislature enacted House Bill 10, Texas Finance Code, Chapter 180, The Secure and Fair Enforcement for Mortgage Licensing Act of 2009 (Texas SAFE Act) and other significant modifications to Chapters 156 and 157. Compliance with federal mandates addressed by this legislation expanded the field of individuals subject to licensure. The 81st Texas Legislature enacted House Bill 2774, Texas Finance Code, Chapter 16, Financial Regulatory Agencies: Self Directed and Semi-Independent granting the Department self-directed and semi-independent status.
2010	The Finance Commission and Credit Union Commission appealed to the Court of Appeals of Texas regarding the decision made by the District Court of Travis County relating to the case of Association of Community Organization for Reform Now (ACORN), Valerie Norwood, Elise Shows, Maryann Robles-Valdez, Bobby Martin, Pamela Cooper, and Carlos Rivas vs. Finance Commission and Credit Union Commission. The Dodd-Frank Wall Street Reform and Consumer Protection Act was enacted which implemented significant changes affecting the oversight and supervision of financial institutions and systemically important financial companies. It also provided the FDIC with new resolution powers for large financial companies, created the Consumer Financial Protection Bureau (CFPB), introduced (for non-bank financial companies) or codified (for bank holding companies) more stringent regulatory capital requirements, and set forth significant changes in the regulation of derivatives, credit ratings, corporate governance, executive compensation, and the securitization market.
2011	The 82nd Texas Legislature enacted Senate Bill 17, Texas Finance Code, Chapter 158, Residential Mortgage Loan Servicer Registration Act, requiring the registration of non-depository third party residential mortgage loan servicers. The Department was given regulatory authority over this chapter. The Department received accreditation through the American Association of Residential Mortgage Regulators and the Conference of State Bank Supervisors Mortgage Accreditation Program. The Department was the ninth state mortgage agency to receive its accreditation for its non-depository mortgage supervision.
2013	The Texas Supreme Court issued its decision in *Finance Commission of Texas v.*

	Norwood. The case involved a challenge to interpretations of the home equity lending provisions of the Texas Constitution, issued jointly by the Finance Commission and the Credit Union Commission. The court's ruling dealt mainly with five issues: (1) The court held that Texas courts have the authority to review the Commissions' home equity interpretations. The court held that the review is de novo, which means that the interpretations are not entitled to any deference. (2) The court held that the homeowners in the case had standing to challenge the interpretations, because they demonstrated a possible injury. (3) Regarding the constitution's 3% cap on fees other than interest in a home equity loan, the court struck down interpretation 153.1(11), which defined "interest" as "interest as defined in the Texas Finance Code §301.002(4) and as interpreted by the courts." The court stated that interest means "the amount determined by multiplying the loan principal by the interest rate."(4) Regarding the constitution's requirement that a home equity loan be closed only at a lender's office, an attorney's office, or at a title company, the court struck down interpretation 153.15(2), which allowed a lender to accept a properly executed power of attorney authorizing someone to close a loan on a homeowner's behalf. It also struck down interpretation 153.15(3), which allowed a lender to accept the homeowner's consent by mail. (5) Regarding the constitution's requirement that a 12-day notice be sent to the homeowner, the court upheld interpretation 153.93, which provides that there is a rebuttable presumption that the homeowner receives the notice three days after it is mailed. The 83rd Texas Legislature enacted Senate Bill 1004, which amended Texas Finance Code, Chapters 156 and 157, consolidating the number of licenses available for mortgage loan originators; creating a single license for loan originators, which allows a qualified individual to work for an entity licensed under either Chapter 156 or 157. The number of license types went from six to one.
2016	The Department was reaccredited by the American Association of Residential Mortgage Regulators and the Conference of State Bank Supervisors for its non-depository mortgage supervision.
2017	The 85th Texas Legislature enacted Senate Bill 526, which abolished the Residential Mortgage Fraud Task Force. The Department continues to work with the other members of the task force as needed.

IV. Policymaking Structure

A. Complete the following chart providing information on your policymaking body members.

Department of Savings and Mortgage Lending
SaExhibit 3: Policymaking Body

Member Name	Term / Appointment Dates / Appointed by *(e.g., Governor, Lt. Governor, Speaker)*	Qualification *(e.g., public member, industry representative)*	City
Stacy G. London Chair	Term Expires: Feb 1, 2020 Appointment Date: June 26, 2008 Governor	Mortgage Industry Representative	Houston
Robert (Bob) Borochoff	Term Expires: Feb 1, 2022 Appointment Date: Feb. 23, 2016 Governor	Public Member	Houston
Hector J. Cerna	Term Expires: Feb 1, 2020 Appointment Date: Dec. 16, 2015 Governor	Banking Industry Representative	Eagle Pass
Margaret (Molly) Curl	Term Expires: Feb 1, 2022 Appointment Date: Feb. 23, 2016 Governor	Public Member - CPA	Richardson
Phillip A. Holt	Term Expires: Feb 1, 2022 Appointment Date: Feb. 23. 2016 Governor	Consumer Credit Industry Representative	Bonham
William M. (Will) Lucas	Term Expires: Feb 1, 2018 Appointment Date: Sept. 27, 2011 Governor	Savings Bank Industry Representative	Center
Lori B. McCool	Term Expires: Feb 1, 2020 Appointment Date: Feb. 27, 2009 Governor	Public Member	Boerne
Matthew (Matt) Moore	Term Expires: Feb 1, 2022 Appointment Date: Feb. 23, 2016 Governor	Public Member	Amarillo
Paul Plunket	Term Expires: Feb 1, 2020 Appointment Date: June 26, 2008 Governor	Public Member	Dallas
Vince E. Puente, Sr.	Term Expires: Feb 1, 2018 Appointment Date: Aug. 25, 2016 Governor	Public Member	Ft. Worth
Hilliard (Jay) Shands, III, Vice Chair	Term Expires: Feb 1, 2018 Appointment Date: Aug. 23, 2010 Governor	Banking Industry Representative	Lufkin

Table 3 Exhibit 3 Policymaking Body

COMPOSITION DETAILS ON POLICYMAKING BODY

The Finance Commission of Texas (Finance Commission) originated in 1943 and derives its authority from Chapter 11 of the Texas Finance Code. The Commission is not a state agency, but an oversight body of Texas citizens. The Commission consists of eleven members appointed by the Governor, subject to Senate confirmation. Members serve overlapping, six-year terms. Effective September 1, 2011, the Commission is to include two banking executives, one savings executive, one consumer credit executive, one residential mortgage loan originator and six public members, one of whom must be a certified public accountant. Not more than two members may be residents of the same state senatorial district.

Prior to 1943, the policymaking authority was the State Banking Board.

B. Describe the primary role and responsibilities of your policymaking body.

The Finance Commission is responsible for overseeing and coordinating the Department of Savings and Mortgage Lending, the Texas Department of Banking, and the Office of Consumer Credit Commissioner (the Agencies) and serves as the primary point of accountability for ensuring that state depository and lending institutions function as a system, considering the broad scope of the financial services industry.

The Finance Commission appoints, monitors, and evaluates the performance of the banking commissioner, savings and mortgage lending commissioner, and consumer credit commissioner.

The Finance Commission is responsible for implementing policies through its rulemaking authority carried out in accordance with the Administrative Procedures Act, Texas Government Code, Chapter 2001. The Finance Commission advocates and exercises a system of open communication and broad stakeholder engagement for rulemaking.

C. How is the chair selected?

The Governor appoints the presiding officer. The duties of the presiding officer or chair are outlined in Texas Finance Code §11.107. Stacy G. London, a residential mortgage loan originator from Houston, Texas, was appointed chair in February 2016. In furtherance of providing for the orderly operations of the Finance Commission, the chair designates a vice-chair who serves as the chair in the chair's absence. The chair appointed Hilliard (Jay) Shands, III, a banking executive, as vice-chair in April 2016.

D. List any special circumstances or unique features about your policymaking body or its responsibilities.

The Finance Commission appoints an agency commissioner to serve as the executive director to the Finance Commission. Banking Commissioner Charles G. Cooper was appointed to serve as the executive director, effective May 2014. All administrative functions of the Finance Commission are performed by the staff of the executive director. An attorney from the Office of Attorney General is assigned to assist the Finance Commission on legal matters.

Other responsibilities:

(1) The Finance Commission selects a firm to perform the internal audit functions for the Agencies and supervises the activities of the internal auditor. The Finance Commission reviews all audit reports from both the internal auditor and other state and federal agencies and approves and monitors corrective actions, if any.

(2) The Finance Commission is required to prepare and periodically update a strategic plan for coordination of the state financial system. The last five-year plan was prepared and adopted in August 2016.

(3) Appeals of certain actions taken by an Agency may be heard by the Finance Commission.

(4) The Finance Commission may instruct an Agency to conduct research on the availability, quality, and prices of financial services, including lending and depository services, offered in Texas to agricultural businesses, small businesses, and individual consumers and the practices of business entities in Texas that provide financial services to agricultural businesses, small businesses, and individual consumers.

(5) The Finance Commission reviews the Consumer Credit Commissioner's reports on high-cost lending in Texas and the Texas Department of Banking's and Department of Savings and Mortgage Lending's semi-annual Condition of the Texas State Banking System reports.

Finance Commission members serve without remuneration but do receive travel expense reimbursements.

E. In general, how often does your policymaking body meet? How many times did it meet in FY 2016? In FY 2017?

Texas Finance Code §11.106 requires that the Finance Commission meets at least six times a year. In fiscal year 2016, the Commission met six times. In December 2015, meetings were made available via live streaming to the public. All meeting packet information, agendas, minutes, and related audio are available on the Finance Commission website. For fiscal year 2017, the Commission has met six times, with the sixth meeting being held on August 18, 2017.

F. What type of training do members of your agency's policymaking body receive?

A one-day orientation is conducted for new Finance Commission members before their first meeting, which includes a review of: statutory responsibilities of the Finance Commission and its members, including laws related to public officials and conflicts of interest; open meetings procedures; open records and public information laws; ethics; administrative procedure law; disciplinary and investigatory authority; state accounting procedures; and instructions on preparation of travel vouchers and accessing electronic packets. Each of the Agencies also familiarizes the new members with the activities, programs, roles, functions, budget, results of recent audits, and policies of their respective Agency.

Each member must also complete the online training related to the Public Information Act, the Open Meetings Act, Governing Bodies Responsibilities, and the Public Funds Investment Act. Confirmation of this training is maintained by the executive director.

Periodically, the Agencies conduct briefing sessions for Finance Commission members to provide an in-depth review of specific areas of operation for each agency. The last briefing session was held February 2017.

Additionally, members are notified of and encouraged to attend any seminars conducted by the Governor's Office or the Office of the Attorney General related to oversight body member duties.

G. Does your agency have policies that describe the respective roles of the policymaking body and agency staff in running the agency? If so, describe these policies.

The Finance Commission has a Policy and Procedures Manual (Manual) that outlines the duties and responsibilities of the members and the separation of functions of the Finance Commission and the three Commissioners. The Manual also includes a code of conduct and ethics section that members must adhere to. The Manual was last updated in December 2015.

Further, the roles of the Finance Commission members are outlined in Texas Finance Code §§ 11.101-112. In general, the Finance Commission adopts rules, reviews policy, and monitors performance of the Agencies through its direct supervision of the commissioners. Each agency's commissioner operates as the chief executive officer of his/her respective agency, and is responsible for the agency's daily operations. The executive director of the Finance Commission is responsible for administrative support of the Commission and preparation of all required reports and records.

Per Texas Finance Code §11.204, the Commission is authorized to use the staff, equipment, and facilities of the Agencies to the extent necessary to carry out their duties. To reduce administrative costs, the Agencies share staff, equipment, and facilities to the extent that the sharing contributes to cost efficiency without detracting from the staff expertise needed for individual areas of responsibility. For example, the Agencies share the Finance Commission building, a receptionist, building manager, and imaging system.

H. What information is regularly presented to your policymaking body to keep them informed of your agency's performance?

Meeting information and a detailed packet is provided to members (electronically) and the public on the Finance Commission's website prior to the scheduled meeting date. The Finance Commission regularly receives updates on: the overall condition of the state's depository financial industry; state of the industries regulated by each of the Agencies; legislation that may affect an Agency or a regulated industry; internal and external audits performed along with discussion of outstanding audit issues; the Texas Financial Education Endowment Fund activities; Agencies' operations, including divisional memorandums that document and discuss examination activities, application and licensing activities, legal activities, staffing, consumer complaint activities; and recaps or minutes of advisory committee meetings.

The Agencies also provide financial statements with budget comparisons, performance measure data and investment officer reports quarterly. The Agencies annually present a budget proposal and semi-annually the Accomplishment Reports.

I. How does your policymaking body obtain input from the public regarding issues under the jurisdiction of the agency? How is this input incorporated into the operations of your agency?

Meetings of the Finance Commission are conducted with decorum and respect for all parties attending and appearing before the Finance Commission. The Finance Commission follows Robert's Rules of Order when conducting its meetings.

The Finance Commission obtains public input through its open meetings and the rulemaking process. Notices of Finance Commission and committee meetings are posted in the *Texas Register* in accordance with the Open Meetings Act and on the Finance Commission website. Meetings are generally held in the Hearing Room at the Finance Commission Building, which can seat approximately 40 members of the public.

Time is set aside at each meeting for public comment on any subject. Persons wishing to speak or comment go through a sign-in process and must state their name and who they represent for the record when speaking.

In addition to the formal comment period provided in the Administrative Procedures Act, many rule proposals are distributed by the Agencies for pre-comment among identified interested parties as a means of achieving negotiated, consensus solutions. Pre-comments are summarized for the Finance Commission prior to a vote to propose a rule, and comments received on proposals are provided and summarized for the Finance Commission before a vote to adopt. Further, if deemed necessary, the Finance Commission can hold a special meeting to receive public comment on any rule proposal.

The Agencies hold a public hearing each year to present their proposed budgets and seek input from interested parties. Certain members of the Finance Commission attend these hearings and a recap of the hearing is provided to all members at the next Finance Commission meeting.

Interested parties are also invited to participate in the Finance Commission studies of financial services and home equity lending.

The Finance Commission is provided access to industry surveys conducted by the Agencies to evaluate the effectiveness of the Agencies. Each of the Agencies holds or participates in industry or stakeholder meetings. From time to time, a Finance Commission member may attend and hear directly from the regulated industries outside of regular commission meetings.

All public input is evaluated and considered when making Agency decisions.

J. If your policymaking body uses subcommittees or advisory committees to carry out its duties, fill in the following chart.

Finance Commission of Texas
Exhibit 4: Subcommittees and Advisory Committees

Name of Subcommittee or Advisory Committee	Size / Composition / How are members appointed?	Purpose / Duties	Legal Basis for Committee
Audit Committee	Three members appointed by Chair, one of which is a Certified Public Accountant; Chair also appoints Chairperson of the committee.	Provide oversight of the Agencies' internal audit function including; (1) interviewing and recommending the selection of an internal auditor, (2) reviewing and recommending the actions to be taken as a result of the annual risk assessments performed by the internal auditor, (3) reviewing, with the internal auditors, the audit scope and plan of the internal auditors, and (4) reviewing and recommending the actions to be taken on the audit plan resulting from the annual internal audit reports, including management's responses thereto, and monitoring the Agencies' corrective actions. Review and monitor the action plans resulting from external audits conducted by state and federal agencies, including management's responses thereto, and corrective actions. Review and recommend the actions to be taken on the annual operating budgets, quarterly financial statement reports, and investment officer reports. Provide oversight and administration of the Texas Financial Education Endowment, including recommending the actions to be taken on the investment of funds and awarding of grants that support the objectives of the endowment.	Chapter 11, *Texas Finance Code- §11.107(c)(3)*

Name of Subcommittee or Advisory Committee	Size / Composition / How are members appointed?	Purpose / Duties	Legal Basis for Committee
Strategic Planning Committee	Three members appointed by Chair; Chair also appoints Chairperson of the committee.	Provide direction for and review of the strategic plans developed by each Agency and recommend action on the plans. Define the scope and development of the Finance Commission's strategic plan and recommend action on the plan. Participate in legislative hearings, if requests are made. Oversee selection process for the Agency head and recommend action.	Chapter 11, *Texas Finance Code- §11.107(c)(3)*
Study Committee	Three members appointed by Chair; Chair also appoints Chairperson of the committee.	Request and review research studies and recommend action. Monitor and oversee Legislative Interim Studies. Monitor and oversee self-directed, semi-independent status. Review and recommend updates to policies and procedures of the Finance Commission of Texas. Oversee and monitor Agencies' Sunset Review Process.	Chapter 11, *Texas Finance Code - §11.107(c)(3)*
Ad Hoc Committee	Three members appointed by Chair.	Coordinate evaluations of the Agency commissioners and recommend action. Short term committee as other needs arise.	Chapter 11, *Texas Finance Code - §11.107(c)(3)*
Texas Financial Education Endowment Grant Advisory Committee	Seven members recommended by Office of Consumer Credit Commissioner and approved by Finance Commission of Texas	Provide advice and recommendations to the Finance Commission of Texas concerning grant administration and awards of the Texas Financial Education Endowment Fund.	Texas Finance Code §11.107 (c)(3) and §393.628

Table 4 Exhibit 4 Subcommittees and Advisory Committees

Department of Savings and Mortgage Lending
Exhibit 4-1: Subcommittees and Advisory Committees

Name of Subcommittee or Advisory Committee	Size / Composition / How are members appointed?	Purpose / Duties	Legal Basis for Committee
Mortgage Industry Advisory Committee	Six members all of which must be licensed by the Department as a residential mortgage loan originator, two of whom must hold an active real estate broker or salesperson license. Members are appointed by the Commissioner.	The Committee advises the Commissioner with respect to: the proposal and adoption of rules relating to the mortgage industry; the form of or format for any applications or other documents under Chapters 156 and 157 of the *Texas Finance Code*; and the interpretation, implementation, and enforcement of Chapters 156 and 157 of the *Texas Finance Code*. The Committee shall take a record vote on any proposal of rules relating to the mortgage industry. The Finance Commission is informed of the results of the vote and any additional information the Commissioner considers necessary to ensure the Finance Commission is sufficiently notified of the Committee's recommendations.	Chapter 156, *Texas Finance Code* – §156.104

Table 5 Exhibit 4-1 Subcommittees and Advisory Committees

Pursuant to Government Code Chapter 2110, a copy of the assessment of the advisory committee report was filed with the Department's 2017-2021 Strategic Plan (Exhibit 16).

V. Funding

A. Provide a brief description of your agency's funding.

As a self-leveling, self-funding agency, the Department's revenue is derived from fees and assessments collected from the regulated entities. The Department is responsible for all direct and indirect costs and does not receive general revenue funds. All revenues for operations are placed in the Department's account at the Texas Treasury Safekeeping Trust Company. Various provisions in the Finance Code authorize the Commissioner to impose and collect fees to cover the cost of examination, the equitable or proportionate cost of maintenance and operation of the Department, and the cost of enforcement. The Department operates in a prudent and fiscally responsible manner while performing its statutory duties.

The Department develops a budget annually that is evaluated and reviewed by the Finance Commission. The Finance Commission must approve the Department's budget before any expenditures can be made. A budget hearing, which is open to the public, is held each year.

The Department has been a self-directed semi-independent agency since 2009. This status has been instrumental over the past years in supporting the Department's efforts to fulfill its mission. Being a self-directed semi-independent agency, the Department is able to respond effectively and timely to the changing dynamics in the economy and its regulated industries. This includes the ability to adjust budgets to implement immediate changes in staffing strategies, as well as adjust salaries to retain and attract qualified personnel. Having this status has allowed the Department to be flexible and operate more efficiently.

B. List all riders that significantly impact your agency's budget.

Not applicable.

C. Show your agency's expenditures by strategy. *See Exhibit 5 Example.*

Department of Savings and Mortgage Lending
Exhibit 5: Expenditures by Strategy — 2016 (Actual)

Goal / Strategy	Amount Spent	Percent of Total	Contract Expenditures Included in Total Amount
A11(3110) Thrift Examination and Supervision	$1,765,063	31.5%	77,958
B11(3210) Mortgage Originator Licensing	$441,621	7.9%	17,373
B12(3220) Mortgage Originator Examination	$1,015,551	18.1%	51,841
C11(3310)Complaints and Inquiry Process	$724,336	13.0%	58,350
3410 Indirect Administration	$509,893	9.1%	25,366
3991 Payroll Activity (Benefits)	$1,140,338	20.4%	0
GRAND TOTAL:	**$5,596,802**	**100.0%**	**230,828**

Table 6 Exhibit 5 Expenditures by Strategy

D. Show your agency's sources of revenue. Include all local, state, and federal appropriations, all professional and operating fees, and all other sources of revenue collected by the agency, including taxes and fines. *See Exhibit 6 Example.*

Department of Savings and Mortgage Lending
Exhibit 6: Sources of Revenue — Fiscal Year 2016 (Actual)

Source	Amount
Thrift Revenues - Assessments and Application Fees	$1,336,281
Licensing Fees	$4,633,997
Fines and Penalties	$1,958,926
Recovery Fund Offset	$1,241
Depository Interest	$20,961
Miscellaneous Revenues (copy fees, court costs reimbursements)	$10,001
Judgements and Settlements	$60,000
TOTAL	**$8,021,407**

Table 7 Exhibit 6 Sources of Revenue

E. If you receive funds from multiple federal programs, show the types of federal funding sources. *See Exhibit 7 Example.*

Department of Savings and Mortgage Lending
Exhibit 7: Federal Funds — Fiscal Year 2016 (Actual)

Type of Fund	State / Federal Match Ratio	State Share	Federal Share	Total Funding
Not applicable.				
TOTAL				

Table 8 Exhibit 7 Federal Funds

F. If applicable, provide detailed information on fees collected by your agency. *See Exhibit 8 Example*.

Department of Savings and Mortgage Lending
Exhibit 8: Fee Revenue — Fiscal Year 2016

Fee Description/ Program/ Statutory Citation	Current Fee/ Statutory Maximum	Number of Persons or Entities Paying Fee	Fee Revenue	Where Fee Revenue is Deposited
State Savings Institutions - Annual Assessments/Fin. Code, Sec. 13.008, 91.007; Administrative Code Title 7 Sec. 76.98	Varies/N/A	27	$1,279,781	Local Funds
State Savings Institutions - Change of Control/Fin. Code, Sec. 13.008, 91.007; Administrative Code Title 7 Sec. 76.101	$10,000/N/A	2	$17,500	Local Funds
State Savings Institutions - Conversion into a Savings Bank/Fin. Code, Sec. 13.008, 91.007; Administrative Code Title 7 Sec. 76.105	Varies/N/A	1	$5,000	Local Funds
State Savings Institutions - New Branch Office – Expedited/ Fin. Code, Sec. 13.008, 91.007; Administrative Code Title 7 Sec. 76.100	$500/N/A	3	$1,500	Local Funds
State Savings Institutions - Reorganization/Merger/Consolidation - Expedited or Non-Expedited /Fin Code, Sec. 13.008, 91.007; Administrative Code Title 7 Sec. 76.99 and 76.100	$2,500/N/A	5	$12,500	Local Funds
State Savings Institutions – Purchase & Assumption-Expedited or Non-Expedited /Fin Code, Sec. 13.008, 91.007; Administrative Code Title 7 Sec. 76.99 and 76.100	$2,000/N/A	1	$2,000	Local Funds

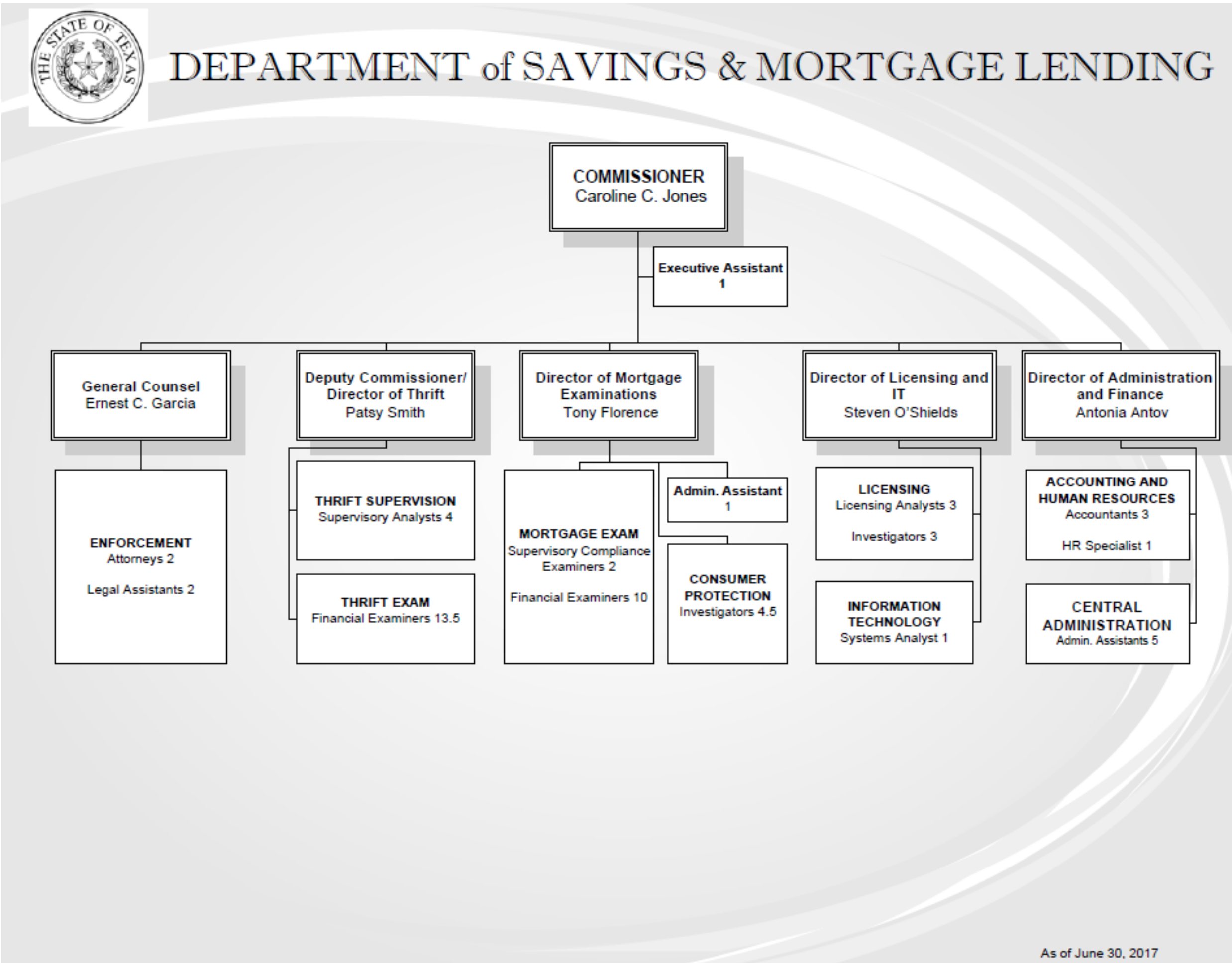
Fee Description/ Program/ Statutory Citation	Current Fee/ Statutory Maximum	Number of Persons or Entities Paying Fee	Fee Revenue	Where Fee Revenue is Deposited
State Savings Institutions – Subsidiary/Fin Code, Sec. 13.008, 91.007; Administrative Code Title 7 Sec. 76.102	$1,500/N/A	3	$4,500	Local Funds
State Savings Institutions – Temporary Supervisory Order/Fin Code, Sec. 13.008, 96.101-105	Varies/$25,000	1	$13,500	Local Funds
Subtotal Thrift Revenues			$1,336,281	
Mortgage Banker Registration-New/Fin. Code, Sec. 180.052; 157.006	$500/$500	40	$20,000	Local Funds
Mortgage Banker Registration-Renewal/Fin. Code, Sec. 180.052; 157.0061	$500/$500	366	$183,000	Local Funds
Residential Mortgage Loan Originator-New/Fin. Code, Sec. 180.052; 156.208; 157.013(b)(1)	$300/$500	7,114	$2,134,200	Local Funds
Residential Mortgage Loan Originator-Renewal/Fin. Code, Sec. 180.052; 157.015(a)(1)	$100/$500	18,035	$1,803,500	Local Funds
Reinstatement of Expired Individual License - Less than 90 Days/Fin. Code, Sec. 180.052; 156.2081, Sec. 157.016 (b)	150% of renewal fee/150% of renewal fee	386	$57,900	Local Funds
Modification of License; Change of Sponsorship or address/Fin. Code, Sec. 180.052; 156.211; 157.019(c)	$25/$25	4,612	$115,300	Local Funds
Financial Services Company/ Fin. Code, Sec. 180.052; 156.2012	$500/$500	1	$500	Local Funds
Mortgage Company-New/Fin. Code, Sec. 180.052; 156.203	$175/$375	232	$40,600	Local Funds
Mortgage Company-Renewal/Fin. Code, Sec. 180.052; 156.208(1)	$125/$375	1,051	$131,375	Local Funds
Mortgage Company Branch/Fin. Code, Sec. 156.212 (b)	$25/$50	512	$12,800	Local Funds
Mortgage Servicer Registration-New/ Fin. Code, Sec. 180.052; 158.053	$500/$500	36	$18,000	Local Funds
Mortgage Servicer Registration-Renewal/ Fin. Code, Sec. 180.052; 158.058	$500/$500	140	$70,000	Local Funds
Mortgage Banker Branch/ Fin. Code, Sec. 156.212 (b)	$50/$50	907	$45,350	Local Funds

Fee Description/ Program/ Statutory Citation	Current Fee/ Statutory Maximum	Number of Persons or Entities Paying Fee	Fee Revenue	Where Fee Revenue is Deposited
Mortgage Regulation - Eligibility Determination Letter/ Occupations Code, Sec. 53.105; Administrative Code Title 7 Sec. 81.103	$75/no max	9	$675	Local Funds
Misc. Licensing Fees Owed from Prior Years received through the Comptroller Warrant Hold Offset Process/ Government Code, Sections 403.055, 403.0551, 403.0552, 2107.008 and 2252.903	Varies	3	$797	Local Funds
Subtotal Licensing Fees			$4,633,997	
Returned Check Fee or Credit Card Chargeback/Fin. Code, Sec. 156.208(k); 157.013(d)	$25/$50	1	$25	Local Funds
Mortgage Call Report Penalty/Fin. Code, Sec. 156.213; Administrative Code Title 7 Sec. 80.205	$100/Varies	14	$12,250	Local Funds
Administrative Penalty/Fin. Code, Sec. 156.302, 156.406	Varies/Up to $25,000 per violation	200	$1,929,213	Local Funds
Misc. Annual Report Fees Owed from Prior Years received through the Comptroller Warrant Hold Offset Process/ Government Code, Sections 403.055, 403.0551, 403.0552, 2107.008 and 2252.903	Varies	47	$17,438	Local Funds
Subtotal Fines and Penalties			$1,958,926	
Copy Fees/Gov't Code, Chapter 552; Admin. Code Title 1 Sec.111.61 and Tile 7, Sec. 79.108	Varies	10	$139	Local Funds
Court Costs Reimbursements from Licensees/Fin. Code, Sec. 156.401	Varies/Actual	33	$9,773	Local Funds
Convenience Fee for Electronic Payments/Gov't Code, Sec.2054.252	Varies	182	$89	Local Funds
Subtotal Other Revenues			$10,001	
Recovery Fund Offset/Fin. Code, Chapter 156, Subchapter F	Varies/Excess of $3.5 million	n/a	$1,241	Local Funds
Judgments and Settlements/GAA, Art. IX, Sec. 16.03	Varies	1	$60,000	Local Funds
Depository Interest from TTSTC/Gov. Code, Subchapter G: Sec. 16.003	Varies	1	$20,961	Local Funds
Subtotal Miscellaneous Revenues			$82,202	
Grand Total			$8,021,407	

Table 9 Exhibit 8 Fee Revenue

VI. Organization

A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division. Detail should include, if possible, Department Heads with subordinates, and actual FTEs with budgeted FTEs in parenthesis.



B. If applicable, fill in the chart below listing field or regional offices. *See Exhibit 9 Example.*

Department of Savings and Mortgage Lending
Exhibit 9: FTEs by Location — Fiscal Year 2016

Headquarters, Region, or Field Office	Location	Co-Location? Yes / No	Number of Budgeted FTEs FY 2016	Number of Actual FTEs as of FY 2016
Austin Office	2601 North Lamar Blvd., Austin, TX 78705	Yes	35.5	26
Austin Region – Home HQ	Each examiner's home	No	10	7
Dallas Region – Home HQ	Each examiner's home	No	8	8
Houston Region – Home HQ	Each examiner's home	No	7	6
Lubbock Region – Home HQ	Each examiner's home	No	1.5	1
			TOTAL: 62	**TOTAL: 48**

Table 10 Exhibit 9 FTEs by Location

C. What are your agency's FTE caps for fiscal years 2016–2019?

The agency has no FTE cap due to it SDSI status. Budgeted FTEs as approved by the Finance Commission were as follows:

2016 – 62

2017 – 61

2018 – 61

2019 – To Be Determined

D. How many temporary or contract employees did your agency have as of August 31, 2016? Please provide a short summary of the purpose of each position, the amount of expenditures per contract employee, and the procurement method of each position.

As of August 31, 2016, the agency had 1 temporary employee.

Position – Administrative Assistant II

Purpose – Administrative/phone support of the Licensing division until vacant position is filled.

Amount of expenditures for the position during FY2016 – $10,601.17

The Department utilizes the Comptroller of Public Accounts' TPASS State Managed Contract for temporary employees.

E. List each of your agency's key programs or functions, along with expenditures and FTEs by program. ***See Exhibit 10 Example.***

Department of Savings and Mortgage Lending
Exhibit 10: List of Program FTEs and Expenditures — Fiscal Year 2016

Program	Number of Budgeted FTEs FY 2016	Actual FTEs as of August 31, 2016	Actual Expenditures
Thrift Examinations	15.5	10.0	$1,352,862
Thrift Supervision	4.0	3.0	$412,201
Mortgage Licensing	8.5	4.0	$441,621
Mortgage Examinations	14.0	14.0	$1,015,551
Complaint Investigations	4.0	4.0	$254,094
Legal and Enforcement	4.0	3.0	$470,242
Indirect Administration	12.0	10.0	$509,893
Benefits (OASI Match, State Retirement, Group Insurance)	0.0	0	$1,140,338
TOTAL	**62.0**	**48.0**	**$5,596,802**

Table 11 Exhibit 10 List of Program FTEs and Expenditures

VII. Guide to Agency Programs

Complete this section for **each** agency program (or each agency function, activity, or service if more appropriate). Copy and paste the questions as many times as needed to discuss each program, activity, or function. Contact Sunset staff with any questions about applying this section to your agency.

VII-A Guide to Agency Programs - Thrift Safety and Soundness

A. Provide the following information at the beginning of each program description.

Name of Program or Function: Thrift Safety and Soundness

Location/Division: Austin, Texas

Contact Name: Patsy Smith, Deputy Commissioner

Actual Expenditures, FY 2016: $1,763,628; does not include indirect costs or benefits

Number of Actual FTEs as of June 1, 2017: 16

Statutory Citation for Program: Texas Finance Code Subtitle B, Savings and Loan Associations and Subtitle C, Savings Banks

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Department's thrift program relates to the examination, supervision, and regulation of state chartered thrift institutions to protect the consumers of Texas. The key functions related to this program are:

- off-site and on-site examinations of thrift institutions and holding companies;
- extensive supervisory monitoring using all available information about the operations, financial condition and safety and soundness of regulated institutions, including call reports, uniform bank performance reports, use of third-party evaluation tools (i.e. Financial Institution Data (FIS), Qaravan), audit reports, application submissions, and other requested data;
- evaluation, approval or denial of all corporate applications regarding:
    - charter applications (denovo),
    - acquisitions, mergers, or reorganizations,
    - change of control,

        - charter conversions,
        - branch expansion or closure,
        - subsidiary investment, formation, dissolution, and/or merger;

- initiation of enforcement actions to correct unsafe or unsound activities or statutory and regulatory violations; and
- promulgation of regulations with the vote and approval of the Finance Commission.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program. Also please provide a short description of the methodology behind each statistic or performance measure.

The information in the following chart shows the historic data for the key performance measures for this area.

Performance Measures	Fiscal Year					
	FY2016	FY2015	FY2014	FY2013	FY2012	FY2011
Outcome Measures						
Percentage of State Chartered Savings Institutions Receiving Examination within the Required Timeframes	100%	100%	100%	100%	100%	100%
Percentage of Safe and Sound Institutions to Total Savings Institutions	96%	100%	93%	87%	78%	69%
Percent of Assets in Save and Sound Savings Institutions	99%	100%	98%	87%	88%	83%
Output Measure						
Number of Examinations Performed	16	25	31	32	37	36
Explanatory Measures						
Number of State-Chartered Savings Institutions	28	27	30	30	32	29
Dollar Amount of Assets under Regulation (in Billions)	$16.40	$11.80	$10.63	$9.90	$9.80	$8.50

The methodology for the *Percentage of State Chartered Savings Institutions Receiving Examination within the Required Timeframes* measure is the cumulative number of state chartered savings institutions due for examination according to the examination priority schedule and examined by the Department, FDIC, or Federal Reserve Bank over the twelve month period preceding the reporting cut-off, divided by the number of savings institutions required to be examined under the Department's priority schedule for the reporting period. The measurement date for timeliness of examinations begins on the transmittal date of the Report of Examination to the institution.

The methodology for the *Percentage of Safe and Sound Institutions to Total Savings Institutions* measure is the number of safe and sound institutions, divided by the total number of state chartered institutions regulated as reported in the quarterly Early Detection Model.

The methodology for the *Percent of Assets in Safe and Sound Savings Institutions* measure is the total assets of safe and sound institutions, divided by the total state chartered assets regulated as reported in the quarterly Early Detection Model.

The methodology for the *Number of Examinations Performed* measure is an arithmetical total of the number of examinations performed.

The methodology for the *Number of State-Chartered Savings Institutions* measure is an arithmetical count of the number of state chartered savings institutions.

The methodology for the *Dollar Amount of Assets under Regulation (in Billions)* measure is an arithmetical count of the total assets of state savings institutions.

Additional details related to the above and other performance measures can be found in the Department's Strategic Plan, located in Attachment 16.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

Chartering and regulation of state savings and loan associations was separated from the Department of Banking in 1961, with the creation of the Savings and Loan Department (now known as the Department of Savings and Mortgage Lending ("Department")). This change in regulatory structure was a direct result of the thrift industry's desire to have its own independent regulator and to create an environment more conducive to granting new thrift charters and expanding such charters branch network. With that change, the current program of chartering savings institutions separate from commercial banks was established, implementing a thrift only regulatory structure to provide oversight, regulation, and supervision in order to ensure that those institutions operated in a safe and sound manner.

The program's statutory duties with respect to the state chartered thrift system are established through the provisions of the *Texas Savings Bank Act* and the *Texas Savings and Loan Act* in response to the Texas Constitution mandate that "The Legislature shall by general law, authorize the incorporation of state banks and savings and loan associations and shall provide a system of State supervision, regulation and control of such bodies which will adequately protect and secure the depositors thereof."

With the enactment of FIRREA in 1989, the state savings and loan system became subjected to an unprecedented burdensome regulatory structure that imposed higher costs and regulatory obligations on state chartered savings associations. Numerous state savings associations converted to a federal charter to avoid these additional costs and redundant regulatory structure. In 1993, the Texas Savings Bank Act was enacted to ensure that the State continued to have a viable state chartered thrift industry. State savings banks, like savings and loan associations, are required by law to maintain a significant portion of their investment portfolio in housing and housing related loans and investments, known as qualified thrift investments.

In 2008, the Department implemented an annual seminar, Thrift Industry Day. This annual event enhances industry outreach and communication and is well received by the thrift industry. Department staff members, as well as outside speakers, provide updates on Department activities and presentations on current topics important to the industry.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The program continues to serve all of the people of Texas by ensuring a safe and sound thrift system that meets the credit needs of consumers, small businesses, and other individuals for residential housing and real estate finance. The deposit and credit services of savings institutions are available to all persons and business entities. There are no qualifications or eligibility requirements associated with these services.

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

The program is administered by the Deputy Commissioner. Examinations are performed by field examiners under the supervision of the Chief Thrift Examiner. The monitoring, enforcement, application processing and administrative support for the thrift area are directed by the Deputy Commissioner, with support by the Chief Thrift Examiner. Supervisory Analysts function as off-site monitors of all activities of assigned savings institutions between examinations. The Supervisory Analysts are headquartered in the Austin office while field examiners are headquartered from their homes at various locations around the State.

The Department's Legal Section supports the Thrift Section by:

- Researching and preparing legal opinions, legal document concerning, but not limited to, applications, merger and acquisition publications, bank examinations, change in control, and enforcement orders.
- Drafting memoranda on regulatory matters or administrative rules.
- Advising staff on banking legal matters and on the interpretation, application, and enforcement of Department regulations and State and Federal laws.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Department is a self-directed semi-independent agency and is not subject to the appropriations process. Fees and assessments collected from the regulated industries fund all activities and functions of the Department.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.

Safety and soundness examinations and supervision functions for state savings banks, state savings and loan associations, and thrift holding companies, are also provided, at the federal level, by the FDIC and Federal Reserve Bank as described below.

State Savings Banks. All state savings banks have a primary federal regulator and are subject to the federal regulatory jurisdiction of the Federal Deposit Insurance Corporation (FDIC) or the Federal Reserve. The Department coordinates all regulatory actions and emphasizes regular communication with the FDIC and Federal Reserve. Examinations are performed jointly, with a single examination report issued, and supervisory actions or corrective actions are coordinated in a united manner to minimize duplication and/or conflicting regulatory requirements. To reduce duplicate on in application processing, the Department permits applicants to submit FDIC or Federal Reserve filed application forms and supplement the application by letter for any unique state requirements or additional information the Department needs. Final application approval is coordinated with the FDIC or the Federal Reserve to ensure consistent results regarding an understanding of the application, and full sharing of information.

There are currently two state savings banks that are Federal Reserve Bank members and subject to the Federal Reserve's regulatory jurisdiction. The remainder state savings banks are subject to the federal regulatory jurisdiction of the FDIC.

The goal of the Department is the protection of Texans' interest as depositors, creditors, and borrowers of savings institutions. The FDIC's main goal is the protection of the federal deposit insurance fund; while the Federal Reserve Bank is the central bank of the United States with five general functions to promote the effective operation of the United States economy and, more generally, the public interest.

State Savings and Loan Associations. The Office of the Comptroller of the Currency is the primary federal regulator for these institutions. All state chartered savings and loan associations have converted to the state savings bank charter, due to the broader expanded powers permissible under the savings bank charter concerning lending, investments, and permissible powers of doing what either a federal, national, or state commercial bank can do.

Thrift Holding Companies. The Federal Reserve is the primary federal regulator for these entities. All thrift holding company functions and services are the same with the exception that the State does not have enforcement authority. Examination and supervision functions and services are performed jointly.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

In addition to the information provide above in question H, savings institutions are distinguished from other depository institution charters through the statutory requirement that a significant portion of their assets must be invested in housing and housing-related loans and investments or Qualified Thrift Lender investments. Due to their concentration of mortgage lending, savings institutions must employ sophisticated investment techniques to control the interest rate risk in their investment portfolio. Interest rate risk management in savings institutions is often more complex than in other types of depository institutions and, therefore, familiarity with and understanding of such techniques is an important factor in the choice of regulator by these institutions.

All safety and soundness examinations and supervision functions are conducted jointly with the thrift's federal counterpart, either FDIC or Federal Reserve. This joint process provides consistent findings and recommendations to state thrifts, to avoid duplication of costs, and to limit the number of times regulators are at the institutions.

Interagency Agreements are in place with both FDIC and Federal Reserve regarding safety and soundness examination and supervision. The latest agreement with FDIC, entitled "Cooperative Examination Program Agreement" is dated June 21, 2016. The agreement with Federal Reserve Bank of Dallas, entitled "Joint Examination/Inspection Agreement" is dated August 10, 2012.

J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.

See H and I above.

K. If contracted expenditures are made through this program please provide:

- **a short summary of the general purpose of those contracts overall;**
- **the amount of those expenditures in fiscal year 2016;**
- **the number of contracts accounting for those expenditures;**
- **the method used to procure contracts**
- **top five contracts by dollar amount, including contractor and purpose;**
- **the methods used to ensure accountability for funding and performance; and**
- **a short description of any current contracting problems.**

Contract information related to the area is located in section VII-D – Guide to Agency Programs – Agency Administration, question (K).

L. Provide information on any grants awarded by the program.

Not applicable.

M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.

As part of the Department's Strategic Plan for Fiscal Years 2017 to 2021 process, the Department identified a redundancy and impediment as described in the following chart. This redundancy and impediment was resolved during the 85th Legislative session with the passage of SB1400.

REDUNDANCIES AND IMPEDIMENTS

Service, Statute, Rule or Regulation (Provide Specific Citation if applicable)	Describe why the Service, Statute, Rule or Regulation is Resulting in Inefficient or Ineffective Agency Operations	Provide Agency Recommendation for Modification or Elimination	Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change
Finance Code §202.001	Current statute requires a bank holding company to file an application with the Department of Banking for all acquisitions of Texas banks, including Texas state savings banks, which are regulated by the Department of Savings and Mortgage Lending. This creates a redundancy in which both agencies review the same proposed transaction.	Amend the Finance Code to place responsibility for review and approval of holding company transactions involving only state savings banks with the Department of Savings and Mortgage Lending.	Eliminates agency staff time required for redundant review. Additionally, entities seeking to acquire a Texas state savings bank would only be required to submit one application and pay one filing fee to obtain approval form the regulatory agency charged with overseeing it, the Department of Savings and Mortgage Lending.

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

Thrift institutions are financial institutions formed primarily to make home mortgages and accept consumer deposits. They are required to meet the Qualified Lender Test, which ensures the continued focus on residential and consumer lending and have access to low-cost funding from the Federal Home Loan Bank. Due to the residential focus of thrifts, it is important for the oversight of these entities to be conducted by a regulator who specializes in and is knowledgeable of this specific type of business models.

In 2011, the Department initiated a Compliance Examination procedure relating to federal counterparts' compliance examinations of Texas state savings banks. At the time, various state savings banks presidents and CEO's had reached out to the Commissioner with complaints relating to the tenor of compliance examinations by the federal regulator(s). With the agreement of the federal regulator(s), the Department designed a process in which designated Department mortgage examiners participate in compliance examinations of state savings banks, taking specific assignments of areas to review, participating in all meetings with thrift management and board, and having a voice in decision making related to ratings and orders. The process has been well received by the federal regulator(s) and the thrifts. Based on the Department's success with this process, another state has used the Department's process as a model for their state.

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- **why the regulation is needed;**
- **the scope of, and procedures for, inspections or audits of regulated entities;**
- **follow-up activities conducted when non-compliance is identified;**
- **sanctions available to the agency to ensure compliance; and**
- **procedures for handling consumer/public complaints against regulated entities.**

The regulation provided by this program is needed to ensure a safe and sound system of thrift institutions in Texas and to ensure that the State has a role and influence with respect to the thrift industry operating in Texas. Since nationally chartered banks and thrifts are not required to comply with all state laws because of federal preemption, the only way the state can have a role in influencing this industry is through the maintenance of a strong and competitive state thrift system. The program of regulation of the state chartered thrift industry is based primarily on regular examination of the institutions under the Department's jurisdiction; comprehensive off-site monitoring between examinations; initiation of prompt and appropriate enforcement actions when problems are identified to ensure corrective action; careful review of applications for corporate changes, and in particular, relating to the acquisition and/or change of control of a savings institution. These procedures and activities are described more fully below.

<u>Examination</u>

Examination of state savings banks is performed jointly with the FDIC or Federal Reserve and a joint report of examination is issued to the savings institution at the conclusion of the examination. Examination frequency is determined by the institution's size and rating under the Uniform Financial Institution Rating System. Examiners normally spend a week at their headquarters, or a convenient FDIC or Federal Reserve field office, reviewing information requested from the institution in advance, establishing examination scope, reviewing minutes, and performing selected analysis. Examiners then spend two to four weeks in the institution examining records, verifying financial data, evaluating policies, procedures, and systems, testing compliance with statutes and regulations, and reviewing the institution's operations and examination findings with appropriate institution officers. At the conclusion of the examination field work, an exit conference is held with management and with the institution's board of directors to discuss examination findings and conclusions.

A written examination report is completed in the Department's office, or a convenient FDIC or Federal Reserve field office. The final draft of the report is agreed to by both the state and FDIC or Federal Reserve examiner-in-charge and forwarded to the FDIC Regional Office or the Federal Reserve Bank of Dallas and the Department for final review and editing. Processing of the report and transmittal letter to the bank alternates between agencies as to which one will submit it in its final bound form and forward it to the other agency for signature. Frequently, supervisory comments are included requiring additional information, follow-up reporting, or providing instruction to the institution regarding required corrective action. The Chief Thrift Examiner reviews the report and transmittal letter prior to its mailing. Institutions may or may not be requested to respond in writing within a specified period, dependent upon the findings and significance of matters discussed in the report of examination.

Monitoring

A supervisory analyst is assigned a caseload of thrift institutions to monitor between examinations. The supervisory analyst works closely with the Chief Thrift Examiner in coordinating the supervision and monitoring of each institution, generally through off-site analysis and monitoring tools. The analyst reviews examination reports, independent audit reports, applications and all correspondence with savings institutions included in their caseload. The analyst drafts all written correspondence with the institution and responds to questions from the institution concerning requirements of the applicable statutes, regulations and policies of the Department. The analyst reviews quarterly call report submissions from each institution, and makes follow-up inquiry for additional information as needed and prepares a quarterly analysis and a summary for each institution. The analyst also maintains various institution and aggregate tracking and analysis reports as required.

Enforcement

Enforcement actions are typically the result of examination and monitoring activities of the Department. All enforcement actions are coordinated with the FDIC or Federal Reserve and, whenever possible, the actions are taken jointly to ensure uniform regulatory action by both the state and federal agencies. Actions may be informal or formal depending on the nature and seriousness of the issue and management's past responsiveness to regulatory concerns. Enforcement actions usually involve at least one meeting with the institution's board of directors. Informal actions are generally accomplished by written directive from the Department to take, or cease an action, and may be used in circumstances where the institution is well-capitalized and there are grounds for confidence that management and the board of directors of the institution will respond promptly and affirmatively to the directive. Formal enforcement actions are orders of the Commissioner enforceable in District Court, if not issued jointly, and include: an order to cease and desist from a particular action, to take an affirmative action, or both; an order removing or prohibiting a person from participating in the affairs of the savings institution or any other institution under the jurisdiction of the Department; an order requiring divestiture of control of a savings institution; an order requiring a person to pay an administrative penalty of up to

$25,000; or an order placing the affairs of the savings institution under the control of a conservator. In less serious supervisory situations, a Memorandum of Understanding may be entered into as a signed agreement between the board of directors and the Commissioner with the board agreeing to take particular corrective action within a specified time period to address an unsafe and unsound condition. Such agreements are normally reached in consideration for the regulator's forbearance from more formal issuances of a cease and desist order. Provisions are available for an appeal of an order to the Commissioner and other federal regulators with a hearing and reconsideration. Orders issued independently by the Commissioner are subject to judicial review in Travis County District Court.

Application Processing

The Savings and Mortgage Lending Commissioner has authority to charter state savings banks and savings associations. Additionally, state chartered savings institutions are required to obtain approval of the Commissioner for certain corporate transactions such as: establishing an additional office, investing or divesting in (of) a subsidiary corporation, merging with another institution, bulk sale or purchase of assets or deposits, or acquisition of control of a savings institution. Approval is obtained by submitting an application or notice to the Department with the prescribed application fee. The application is reviewed and evaluated by the supervisory analyst responsible for the institution, and supplemental information, if necessary, is requested from the applicant. Notice of the application is published to the general public for certain applications. If no protest of the application is received within the prescribed time, the Commissioner may complete the review of the application. The application is also reviewed by the Chief Thrift Examiner, who works with the supervisory analyst to draft the order for approval or letter of denial, as appropriate. In either case, the recommendations of the supervisory analyst and Chief Thrift Examiner are made to the Commissioner for final determination of application approval or denial. Denials are subject to judicial review in District Court.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Please see Exhibit 11 under VII-C Guide to Agency Programs – Consumer Responsiveness for information related to complaints and other statistical data.

VII-B-1 Guide to Agency Programs – Mortgage Regulation

- Mortgage Licensing

A. Provide the following information at the beginning of each program description.

Name of Program or Function: Mortgage Regulation

Location/Division: Austin, Texas

Contact Name: Steven O'Shields, Director of Licensing and Information Resources

Actual Expenditures, FY 2016: $441,078; does not include indirect costs or benefits

Number of Actual FTEs as of June 1, 2017: 6

Statutory Citation for Program: Texas Finance Code, Chapters 156 – Residential Mortgage Loan Companies, 157 – Mortgage Bankers and Residential Mortgage Loan Originators, 158 – Residential Mortgage Loan Servicers, and 180 – Texas Secure and Fair Enforcement for Mortgage Licensing Act of 2009; 12 USC, Chapter 51 Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (Federal SAFE Act)

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Licensing Section processes all license applications and registrations for the following:

- Mortgage Company (and associated branches);
- Auxiliary Mortgage Loan Activity Company;
- Credit Union Subsidiary Organization (and associated branches);
- Financial Services Company;
- Independent Contractor Loan Processor or Underwriter Company;
- Mortgage Banker (and associated branches);
- Residential Mortgage Loan Servicer; and
- Mortgage Loan Originator.

Key activities for the Section include:

- Review, investigate, and analyze applications to determine whether they meet all statutory and rule requirements to operate in Texas;

- Communicate continuously with prospective and current licensees;
- Review and analyze updated application information; and
- Review, investigate, and analyze renewal applications to determine whether the licensee continues to meet all statutory and rule criteria to operate in Texas.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program. Also please provide a short description of the methodology behind each statistic or performance measure.

The Licensing Section's key output performance measure, prior to Fiscal Year 2017, was the *Number of Applications Approved*. In Fiscal Year 2017, the key output performance measure was amended to be the *Number of Applications Processed*. The amended performance measure shows the complete workload and processing of the Section. The information in the following chart shows the historic data for the output performance measure. Additionally, the total number of applications processed for each year has been included to provide some history for the output performance measure as it exists in Fiscal Year 2017.

Fiscal Year	Applications Received	Applications Processed	Licenses Issued
FY2016	8,563	7,920	7,219
FY2015	7,869	7,406	6,739
FY2014	7,356	7,580	6,720
FY2013	6,433	6,350	5,653
FY2012	5,998	5,686	4,886
FY2011	6,436	11,273	10,572
*The difference between the number of Applications Processed and Licenses Issued are those applications that were either denied or withdrawn.			

The methodology for this measure is an arithmetical count of the number of applications that have final action taken during the reporting period, regardless of when the application was originally received.

Additional details related to the above and other performance measures can be found in the Department's Strategic Plan, located in Attachment 16.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The licensing process has been amended by a variety of legislation and internal process changes since its creation in 1999. The most significant change was the passage of the Federal SAFE Act in 2009 and the subsequent passage of HB10, the Texas SAFE Act, by the Texas Legislature.

The passage of the Federal and Texas SAFE Acts established new standards for the licensing of mortgage loan originators. The Acts also required the utilization of the Nationwide Multistate Licensing System, which is a web-based database that allows applicants and licensees to submit information and track the status of their application/license in real time through the internet.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The licensing process affects the following:

- Mortgage Companies (and associated branches);
- Auxiliary Mortgage Loan Activity Companies;
- Credit Union Subsidiary Organizations (and associated branches);
- Financial Services Companies;
- Independent Contractor Loan Processor or Underwriter Companies;
- Mortgage Bankers (and associated branches);
- Residential Mortgage Loan Servicers;
- Mortgage Loan Originators; and
- Texas citizens purchasing homes, refinancing mortgages, or obtaining a home equity loan or reverse mortgages.

Statutorily the qualifications for each of the license types are as follows:

- Mortgage Company (and associated branches)
    - Company must designate a control person.
    - Company must designate a Qualifying Individual.
    - Company must not be in violation of Texas Finance Code, Chapter 156, a rule adopted under this chapter, or any order previously issued by the Commissioner.
    - Company name or assumed name must be properly filed with either the Texas Secretary of State or with Texas County Clerk's office.
    - Company must maintain a physical office in the State as either the primary place of business or through a branch location.

- Company must provide financial statements and any other information required by the Commissioner.

- Auxiliary Mortgage Loan Activity Company
    - Company must designate a control person.
    - Company must designate a Qualifying Individual.
    - Company must not be in violation of Texas Finance Code, Chapter 156, a rule adopted under this chapter, or any order previously issued by the Commissioner.
    - Company must meet the bona fide nonprofit requirements.

- Credit Union Subsidiary Organization (and associated branches)
    - Company must designate a control person.
    - Company must designate a Qualifying Individual.
    - Company must not be in violation of Texas Finance Code, Chapter 156, a rule adopted under this chapter, or any order previously issued by the Commissioner.
    - Company must maintain a physical office in the State as either the primary place of business or through a branch location.

- Financial Services Company
    - Company must be a depository institution exempt from Texas Finance Code, Chapter 156.202 (a-1)(4)(A) and chartered and regulated by the Office of the Comptroller of Currency, or be a subsidiary of the institution.
    - Company must designate an officer to be responsible for its sponsored individuals.
    - Company must not be in violation of Texas Finance Code, Chapter 156, a rule adopted under this chapter, or any order previously issued by the Commissioner.
    - Any other information required by the Commissioner.

- Independent Contractor Loan Processor or Underwriter Company
    - Company must designate a control person.
    - Company must designate a Qualifying Individual.
    - Company must not be in violation of Texas Finance Code, Chapter 156, a rule adopted under this chapter, or any order previously issued by the Commissioner.

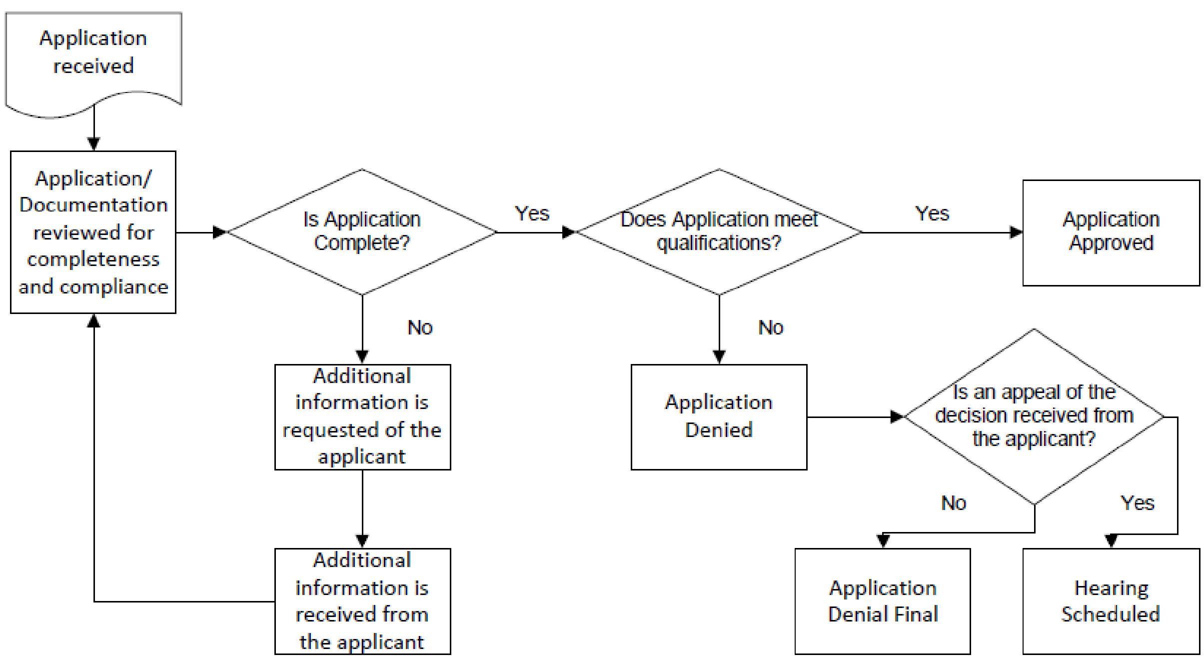
    - Company or its sponsored mortgage loan originators are not authorized to originate residential mortgage loans.

- Mortgage Banker (and associated branches)
    - Company must be in good standing with the Texas Secretary of State.
    - Company must have a valid Federal Employer Identification Number.
    - Company must meet the qualification requirements for a mortgage banker:
        - Mortgagee with Direct Endorsement Underwriting authority granted by HUD
        - Seller or Servicer of the Federal National Mortgage Association (Fannie Mae)
        - Seller or Servicer of the Federal Home Loan Mortgage Corporation (Freddie Mac)
        - Issuer for the Government National Mortgage Association (Ginnie Mae)
    - Company must not be in violation of Texas Finance Code, Chapter 157, a rule adopted under that chapter, or any order previously issued by the Commissioner.
- Residential Mortgage Loan Servicer
    - Company must maintain surety bond.
- Mortgage Loan Originator
    - Individual must satisfy the Commissioner as their good moral character, including the individual's honesty, trustworthiness, and integrity.
    - Individual must not be in violation of Texas Finance Code, Chapter 157 or 180, or any rules adopted under those chapters.
    - Individual must be a citizen of the United States or a lawfully admitted alien.
    - Individual must provide the Commissioner with satisfactory evidence that they meet the qualifications provided by Texas Finance Code, Chapter 180.
        - Individual must not have had a residential mortgage loan originator license revoked in any governmental jurisdiction.
        - Individual must meet the requirements relating to criminal background check.

- Individual must meet the requirements relating to financial responsibility.
- Individual must complete pre-licensing education.
- Individual must take and pass the Uniform State Test.
- Individual must pay a fee to the recovery fund.

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

The Licensing Section is budgeted six positions as indicated in the organizational chart in Section VI-Organization of this report. In addition to the Director, the Section is comprised of three Investigators and three License and Permit Specialists. The Department maintains relevant policies and procedures for all key functions.



The Department's Legal Section supports the Licensing Section by:

- Scheduling and preparing cases for administrative, regulatory, evidentiary, and enforcement hearings and representing the Department before the court, as appropriate; preparing subpoenas requiring the appearance of witnesses, records, and documents for hearings; issuing Orders and Advisory Letters as appropriate and needed.
- Drafting memoranda on regulatory matters or administrative rules.

- Advising staff on mortgage related legal matters and on the interpretation, application, and enforcement of Department regulations and State and Federal laws.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Department is a self-directed semi-independent agency and is not subject to the appropriations process. Fees and assessments collected from the regulated industries fund all activities and functions of the Department.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.

Each state throughout the nation similarly licenses the mortgage industry in compliance with the SAFE Act and their specific state requirements, all of which is done through the NMLS.

In Texas, there are some similar services affecting a small sector of the target population. The Office of Consumer Credit Commissioner licenses entities that provide consumer loans, with which license these entities are allowed to offer certain mortgage related products. These products are second lien mortgages with an effective rate of greater than 10% or Texas home equity loans.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

All states participate in the Nationwide Multistate Licensing System (NMLS). NMLS is a nationwide system used by state agencies to process licensing information for mortgage entities and residential mortgage loan originators. Each state is subject to state agency terms of use for the use of NMLS and access to the data within it.

J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.

The licensing Section interacts with other state agencies throughout the nation that perform similar licensing functions. The Department works with them on best practices and specific licensing issues of common applicants/licensees.

K. If contracted expenditures are made through this program please provide:

- **a short summary of the general purpose of those contracts overall;**
- **the amount of those expenditures in fiscal year 2016;**
- **the number of contracts accounting for those expenditures;**

- **the method used to procure contracts**
- **top five contracts by dollar amount, including contractor and purpose;**
- **the methods used to ensure accountability for funding and performance; and**
- **a short description of any current contracting problems.**

Contract information related to the area is located in section VII-D – Guide to Agency Programs – Agency Administration, question (K).

L. Provide information on any grants awarded by the program.

Not applicable.

M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.

At this time, there are no identifiable barriers or challenges that impede the program's performance; however, the Department continually looks for ways to improve and streamline operations and efficiencies.

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

Additional information describing state licensing requirements for the mortgage industry is located on the Department's website: www.sml.texas.gov.

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- **why the regulation is needed;**
- **the scope of, and procedures for, inspections or audits of regulated entities;**
- **follow-up activities conducted when non-compliance is identified;**
- **sanctions available to the agency to ensure compliance; and**
- **procedures for handling consumer/public complaints against regulated entities.**

Licensing is needed to fulfill the statutory requirements for license issuance and the Department's mission of consumer protection. The Licensing Section addresses a variety of issues related to applicant noncompliance, including if an applicant falsifies an application, has a criminal record, has financial responsibility issues, or fails to meet the statutory requirements for licensure. These activities are not considered audits or inspections, but are issues that must be addressed based on current statute. When these issues are identified, the licensing staff forwards the issue(s) to the Director of Licensing and/or the Commissioner, as needed, to address. The Director and/or the Commissioner may determine to issue a license in "full" status, on a "conditional" status or deny the application. A license in a "conditional" status has conditions attached to it, which the licensee must comply with to maintain the license.

Consumer complaints about licensees are handled by the Consumer Responsiveness section of the Department.

The regulatory program is needed to ensure that Texas consumers are not harmed during the residential mortgage origination and servicing processes.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices. Please include a brief description of the methodology supporting each measure.

Please see Exhibit 11 under VII-C Guide to Agency Programs – Consumer Responsiveness for information related to complaints and other statistical data.

VII-B-2 Guide to Agency Programs – Mortgage Regulation

- Mortgage Examination

A. Provide the following information at the beginning of each program description.

Name of Program or Function: Mortgage Regulation

Location/Division: Austin, Texas

Contact Name: Tony Florence, Director of Mortgage Examination

Actual Expenditures, FY 2016: $1,013,436; does not include indirect costs or benefits

Number of Actual FTEs as of June 1, 2017: 14

Statutory Citation for Program: Texas Finance Code, Chapters 156 – Residential Mortgage Loan Companies, 157 – Mortgage Bankers and Residential Mortgage Loan Originators, 158 – Residential Mortgage Loan Servicers, and 180 – Texas Secure and Fair Enforcement for Mortgage Licensing Act of 2009; 12 USC, Chapter 51 Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (Federal SAFE Act)

B. What is the objective of this program or function? Describe the major activities performed under this program.

To ensure compliance with State and Federal regulations pertaining to residential mortgage loans originated by individuals and entities covered under the above referenced Finance Code chapters. Major activities include:

- Review all licensing records to ensure that all individuals and entities were properly licensed during the mortgage origination process;
- Conduct mortgage compliance examination on licensed entities and/or licensed individuals to ensure the required disclosures were provided to Texas consumers and that proper documentation is maintained by the licensee;
- Issue reports of examination to the examined entities and/or licensed individuals;
- Make referrals to the Department's Legal Section for formal or informal administrative actions based on the adverse findings from an examination;
- Assess fees or penalties relating to administrative actions, as warranted.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program. Also please provide a short description of the methodology behind each statistic or performance measure.

Overall compliance ratings on examinations trended positively, between Fiscal Years 2015 and 2016, based on findings. Quarterly performance standards are used to measure the efficiency of the examination program. The key performance measure for this area is the *Number of Licensees Examined*. The information in the following chart shows the historic data for the key output performance measure.

Performance Measure	Fiscal Year					
	FY2016	FY2015	FY2014	FY2013	FY2012	FY2011
Number of Licensees Examined	5,511	8,239	3,240	3,236	5,543	3,210

The methodology for this measure is an arithmetical count of the number of mortgage loan originators examined.

Additional details related to the above and other performance measures can be found in the Department's Strategic Plan, located in Attachment 16.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

From the passage of the first mortgage broker act the Legislature has expanded the authority of the Department to include the residential mortgage loan process from mortgage application to payoff including servicing.

In 2013, the Department implemented an annual seminar, Mortgage Industry Seminar. This annual event enhances industry outreach and communication and is well received by the mortgage industry. Department staff members provide updates on Department activities and presentations on current topics important to the industry.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

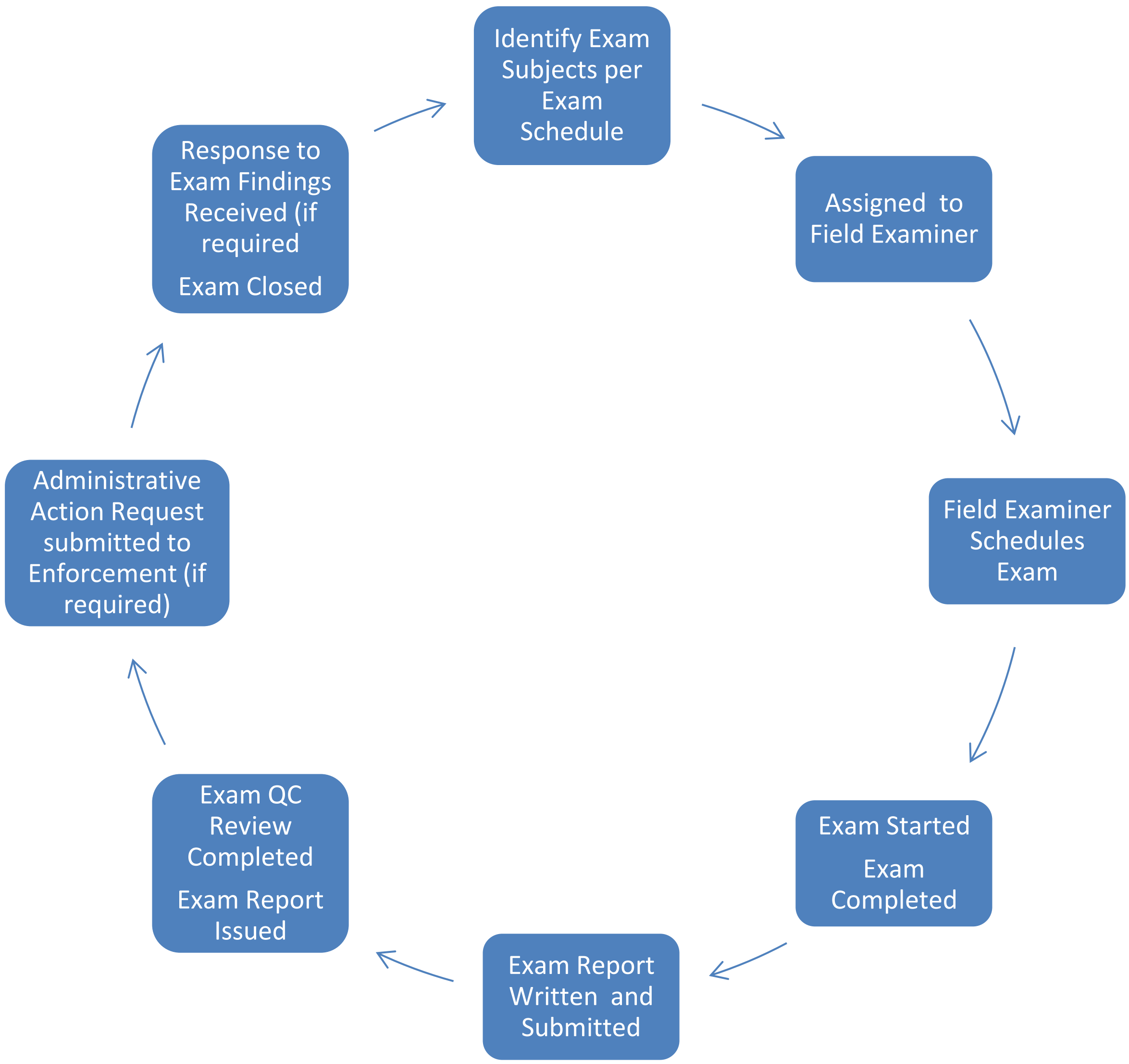
This program affects all entities or individuals required to be licensed or registered under Texas Finance Code, Chapter 156, 157, and 158. The qualifications are located within the "Licensing" Section of this report. The program also, indirectly, benefits Texans as they purchase a home, refinance a mortgage, or obtain a home equity loan or reverse mortgage.

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

The examination program is administered by the Director of Mortgage Examination, Chief Mortgage Examiner, one Administrative Assistant and eleven field examiners. Examination candidates are selected based on the established examination and re-examination policy and are assigned to individual field examiners to ensure the field examiners maintain a full pipeline of examinations.

Once assigned, the field examiners are responsible for scheduling the examination, conducting the examination, writing the report of examination, and submitting the finished report along with all work papers to the Director of Mortgage Examinations. All reports and work papers are submitted electronically through the Departments intranet portal. The submitted reports receive a quality control review prior to being issued to the licensee. All reports are issued to the licensee/registrant via secure e-mail. If any administrative action is necessary, a referral to the Enforcement Division is made at the time the report is issued. Reports with a compliance rating of 3, 4, or 5, require the licensee to submit a written corrective action plan to address the violations cited in the report.

Mortgage Examination Flowchart



The Department's Legal Section supports the Mortgage Examination Section by:

- Scheduling and preparing cases for administrative, regulatory, evidentiary, and enforcement hearings, and representing the Department before the court as appropriate; preparing subpoenas requiring the appearance of witnesses, records, and documents for hearings; issuing Orders and Advisory Letters as appropriate and needed.

- Drafting memoranda on regulatory matters or administrative rules.

- Advising staff on mortgage related legal matters and on the interpretation, application, and enforcement of Department regulations and State and Federal laws.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Department is a self-directed semi-independent agency and is not subject to the appropriations process. Fees and assessments collected from the regulated industries fund all activities and functions of the Department.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.

The Consumer Financial Protection Bureau (CFPB) has regulatory jurisdiction over mortgage origination supervision. The CFPB's examination program primarily focuses on larger multi-state entities for compliance with federal statutes and regulations. The CFPB conducts a limited number of examinations on an annual basis due to their scope of review. The Department has statutory authority to participate in CFPB multi-state mortgage origination examinations.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Each agency examines their licensees for compliance with their statutes and regulations. If warranted, the agencies can coordinate examinations of common licensees.

J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.

The Mortgage Examination section will participate in examinations, of the Department's licensee, scheduled and conducted by the Multistate Mortgage Committee (MMC) on a limited basis. The MMC serves as the main coordinating body for the state system of multi-state mortgage supervision and consists of ten representatives of Joint Examination State Regulators established under a Nationwide Cooperative Agreement for Mortgage Supervision.

K. If contracted expenditures are made through this program please provide:

- **a short summary of the general purpose of those contracts overall;**
- **the amount of those expenditures in fiscal year 2016;**
- **the number of contracts accounting for those expenditures;**
- **the method used to procure contracts**
- **top five contracts by dollar amount, including contractor and purpose;**
- **the methods used to ensure accountability for funding and performance; and**
- **a short description of any current contracting problems.**

Contract information related to the area is located in section VII-D – Guide to Agency Programs – Agency Administration, question (K).

L. Provide information on any grants awarded by the program.

Not applicable.

M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.

At this time, there are no identifiable barriers or challenges that impede the programs performance; however, the Department continually looks for ways to improve and streamline operations and efficiencies.

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

Additional information describing the mortgage examination process is located on the Department's website: www.sml.texas.gov.

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- **why the regulation is needed;**
- **the scope of, and procedures for, inspections or audits of regulated entities;**
- **follow-up activities conducted when non-compliance is identified;**
- **sanctions available to the agency to ensure compliance; and**
- **procedures for handling consumer/public complaints against regulated entities.**

The regulatory program is needed to ensure that Texas consumers are not harmed during the residential mortgage origination and servicing processes. For example, consumer protection ensures consumers receive accurate disclosures in order to make an informed decision regarding the mortgage loan product that is best for them. Additionally, examinations under this program determine whether the consumer has been charged inappropriate fees.

The program scope is risk based, driven by the last compliance examination rating (1 being no issues and 5 being significant issues). Generally, licensees are examined on a 36 month schedule. Factors that can result in an earlier examination are: ratings of 3, 4, or 5; repeat violations; an enforcement order issued by the Department or a regulator in another state; increase in consumer complaints; rapid growth in loan volume; or rapid growth in the number of sponsored residential mortgage loan originators. Procedures for conducting mortgage examinations, the checklist used by Department mortgage examiners, and other examination information are located on the Department's website, Residential Mortgage Loan Origination: Compliance and Reporting, and thus are accessible and transparent to licensees.

Examinations with compliance ratings of 3 or higher are not in satisfactory compliance position and require a written plan of action to correct cited violations. Upon receipt, the corrective action plan is reviewed for completeness and if it is incomplete the entity is asked to supplement the plan. The plan is retained for reference and may be reviewed on the next scheduled examination, if there are repeat violations. If the examination violations appear systemic, formal enforcement action may be taken to ensure future compliance.

Enforcement authorities available to the Department to ensure compliance, include but are not limited to, are the issuance of cease and desist orders and the assessment of administrative penalties. The Department is authorized to issue such enforcement actions by Texas Finance Code, §§156.302, 156.303, 157.023, 157.024, 158.105, 180.202, and 180.203.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices. Please include a brief description of the methodology supporting each measure.

Please see Exhibit 11 under VII-C Guide to Agency Programs – Consumer Responsiveness for information related to complaints and other statistical data.

VII-C Guide to Agency Programs – Consumer Responsiveness

A. Provide the following information at the beginning of each program description.

Name of Program or Function: Consumer Responsiveness

Location/Division: Austin, Texas

Contact Name: Tony Florence, Director of Mortgage Examination

Actual Expenditures, FY 2016: $250,420; does not include indirect costs or benefits

Number of Actual FTEs as of June 1, 2017: 3

Statutory Citation for Program: Texas Finance Code, Chapters 156 – Residential Mortgage Loan Companies, 157 – Mortgage Bankers and Residential Mortgage Loan Originators, 158 – Residential Mortgage Loan Servicers, and 180 – Residential Mortgage Loan Originators

B. What is the objective of this program or function? Describe the major activities performed under this program.

The main objective of the program is consumer protection, as it pertains to the origination and servicing of a residential mortgage loan, secured by residential real estate. Major activities include:

- Consumer complaint intake;
- Initial review of complaint to determine proper jurisdiction;
- Investigate complaints and attempt to resolve the origination or servicing issue;
- Document findings in an investigation report including recommendation for disposition. Recommendation may include a referral to the Enforcement Division for formal or informal administrative action based on findings from the investigation;
- As warranted, assess fees or penalties relating to administrative actions.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program. Also please provide a short description of the methodology behind each statistic or performance measure.

Quarterly performance standards are used to measure the statistical data of received and resolved complaints, which are used to measure efficiency for the consumer complaint program. The key performance measures for this area are:

- *Percentage of Complaints Answered within Ten Business Days of Receipt of Complete Information;*
- *Number of Consumer Complaints Completed.*

Performance Measure	Fiscal Year					
	FY2016	FY2015	FY2014	FY2013	FY2012	FY2011
Output Measure						
Number of Consumer Complaints Completed	1,143	907	973	953	690	689
Outcome Measure						
Percentage of Complaints Answered within Ten Business Days of Receipt of Complete Information	99%	99%	94%	90%	90%	90%

The methodology for the *Percentage of Complaints Answered within Ten Business Days of Receipt of Complete Information* measure is an arithmetical calculation of the number of days between the date the complaint investigation is completed or submitted to prepare an enforcement action and the date of the letter or call made to the complainant providing final determination of the matter. The number of business days so determined is compared with the ten business day goal. The year-to-date number of complaints, receiving a final determination letter or telephone call within ten days, divided by the number of complaints received year to date is the basis of calculating the measure.

The methodology for the *Number of Consumer Complaints Completed* measure is an arithmetic count of the number of complaints received against regulated entities that were completed during the reported period.

Additional details related to the above and other performance measures can be found in the Department's Strategic Plan, located in Attachment 16.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The 82nd Legislature enacted Texas Finance Code, Chapter 158, Residential Mortgage Loan Servicer Registration. Chapter 158 requires third party residential mortgage loan servicers to register with the Department and gives the Department authority to accept and investigate related complaints.

Prior to this enactment no Texas agency had direct regulatory jurisdiction over third party residential mortgage loan servicers. During FY2015 and FY2016, residential mortgage loan servicing complaints accounted for approximately 61% of the total number of complaints received by the Department.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

This program affects all entities or individuals required to be licensed or registered under Texas Finance Code, Chapter 156, 157, 158, and 180. The qualifications are located within the “Licensing” Section of this report. It also affects Texans purchasing a home, refinancing a mortgage, or obtaining a home equity loan or reverse mortgage because this program provides them with a state regulator that has the authority to investigate and resolve complaints against the mortgage industry.

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

The program is administered by the Director of Mortgage Examination and four Investigators. Upon receipt of a written complaint, the complaint is date stamped, logged into the database, and assigned to an investigator.

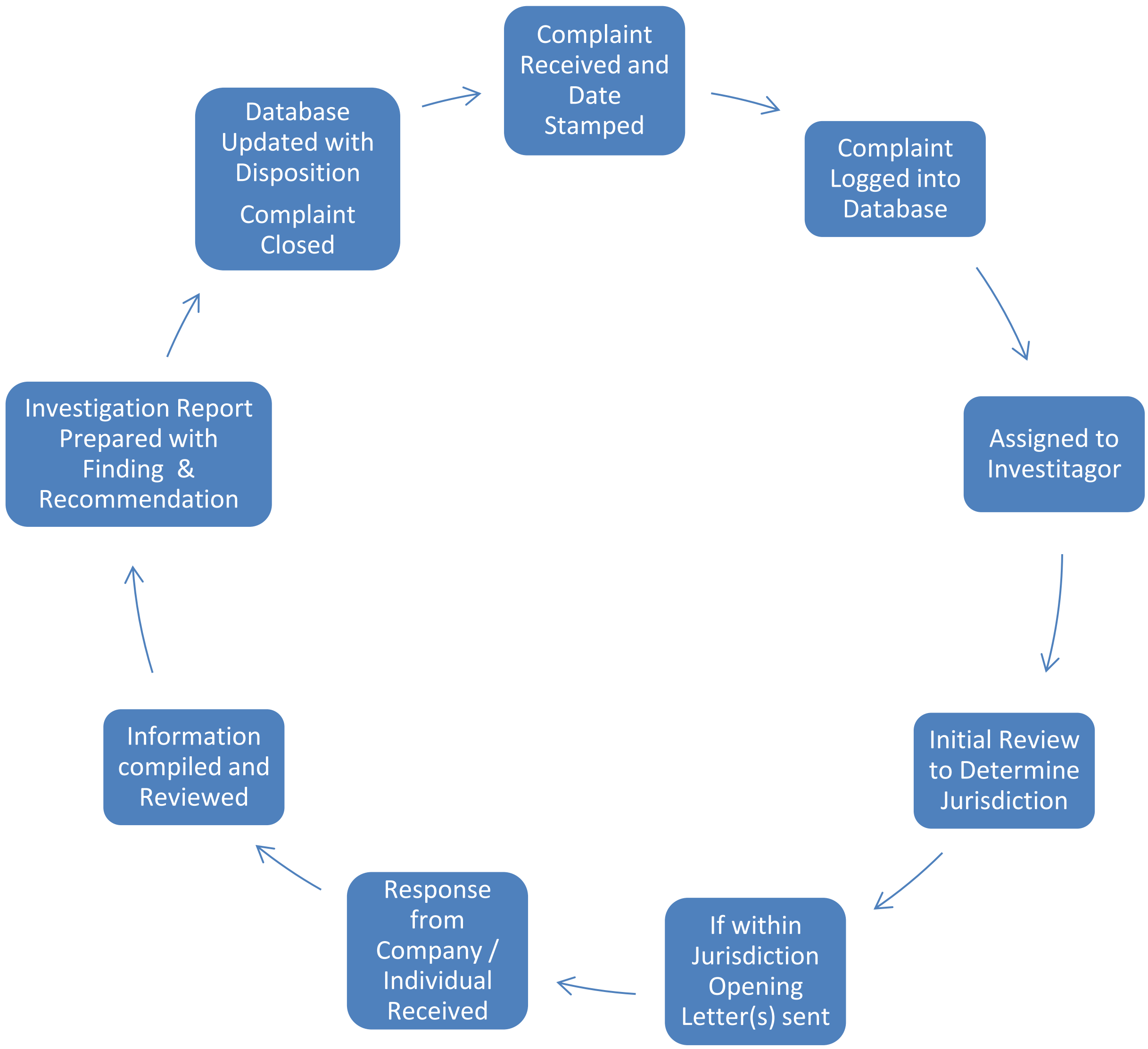
The investigator reviews the details of the complaint to determine whether the Department has jurisdiction of the complaint. If it is determined the Department has jurisdiction over the complaint, an opening letter is sent to the consumer confirming receipt of the complaint and giving them the contact information for the assigned investigator. Simultaneously, a letter and a copy of the complaint are sent to the individual/entity who is the subject of the complaint, requesting a written response to the allegation(s). Once a complete response is received, the assigned investigator reviews the information submitted to determine whether a violation has occurred. An investigation report is prepared to document the findings and make a recommendation for disposition of the complaint. The database is updated to reflect the disposition of the complaint and the consumer is notified of the findings. If necessary the recommendation is referred to the Legal Section for further action.

If the disposition requires payment of a penalty or payment of restitution, verification of the payment is obtained.

If it is determined the complaint is one that the Department has no jurisdiction over, such as a complaint against a national bank or an issue in another state, the investigator provides the consumer with the contact information of the correct regulator’s office.

All investigation staff are located in the Austin office; therefore, no field/regional offices are utilized.

Consumer Complaint Flowchart



The Department's Legal Section supports the Consumer Responsiveness Section by:

- Scheduling and preparing cases for administrative, regulatory, evidentiary, and enforcement hearings and representing the Department before the court as appropriate; preparing subpoenas requiring the appearance of witnesses, records, and documents for hearings; issuing Orders and Advisory Letters as appropriate and needed.
- Drafting memoranda on regulatory matters or administrative rules.
- Advising staff on mortgage related legal matters and on the interpretation, application, and enforcement of Department regulations and State and Federal laws.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Department is a self-directed semi-independent agency and is not subject to the appropriations process. Fees and assessments collected from the regulated industries fund all activities and functions of the Department.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.

The Consumer Financial Protection Bureau's (CFPB) consumer complaint program covers a wide range of financial products including residential mortgage loan originations and servicing. The large volume of complaints received by the CFPB limits the amount of individual resources available to conduct in-depth investigations into residential mortgage loan origination and servicing complaints.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

There is little to no duplication of activities between the two agencies. When processing complaints, the Department is investigating for compliance with State statutes and regulation; while the CFPB is investigating for violations of federal regulations and not state requirements.

J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.

Interaction with other agencies occurs as needed. These agencies include, but are not limited to, the Texas Office of the Attorney General, Texas Department of Insurance, Texas Department of Housing and Community Affairs, and the Texas Real Estate Commission.

K. If contracted expenditures are made through this program please provide:

- **a short summary of the general purpose of those contracts overall;**
- **the amount of those expenditures in fiscal year 2016;**
- **the number of contracts accounting for those expenditures;**
- **the method used to procure contracts**
- **top five contracts by dollar amount, including contractor and purpose;**
- **the methods used to ensure accountability for funding and performance; and**
- **a short description of any current contracting problems.**

Contract information related to the area is located in section VII-D – Guide to Agency Programs – Agency Administration, question (K).

L. Provide information on any grants awarded by the program.

Not applicable.

M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.

At this time, there are no identifiable barriers or challenges that impede the programs performance; however, the Department continually looks for ways to improve and streamline operations and efficiencies.

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

Additional information describing complaint process and how to file a complaint is located on the Department's website: www.sml.texas.gov.

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- **why the regulation is needed;**
- **the scope of, and procedures for, inspections or audits of regulated entities;**
- **follow-up activities conducted when non-compliance is identified;**
- **sanctions available to the agency to ensure compliance; and**
- **procedures for handling consumer/public complaints against regulated entities.**

The regulatory program is needed to ensure that Texas consumers are not harmed by loan originators, mortgage entities or third party mortgage servicers. When complaints are received they go through an initial intake process and assigned to an investigator. The investigator will send a written notification to the individual/entity who is the subject of the complaint requesting a written response to the allegation(s). After all of the necessary information has been gathered and analyzed, a determination is made as to whether there is sufficient evidence to support that a State or Federal statute has been violated. If an administrative action is recommended and approved, the file will be referred to the Enforcement Division.

To ensure compliance, the Department can utilize its authority to issue cease and desist orders, administrative penalties or order to take affirmative action.

P. For each regulatory program, if applicable, provide the following complaint information.

Department of Savings and Mortgage Lending
Exhibit 11: Information on Complaints Against Regulated Persons or Entities
Fiscal Years 2015 and 2016

	Fiscal Year 2015	Fiscal Year 2016
Total number of regulated persons	19,940	23,045
Total number of regulated entities		
Thrifts	27	28
Mortgage Industry		
Auxiliary Mortgage Loan Activity Companies	8	10
Credit Union Subsidiary Organizations	3	3
Branches	2	2
Financial Services Companies	1	1
Independent Contractor Processor/Underwriter Companies	74	89
Mortgage Companies	1,042	1,093
Branches	405	502
Mortgage Bankers	375	380
Branches	2,026	2,284
Mortgage Servicers	150	160
Thrifts – Total number of charters examined	25	16
Mortgage - Total number of entities inspected	403	488
Mortgage - Total number of licensees examined	8,239	5,511
Total number of complaints received from the public		
Thrift Related	5	10
Mortgage Related	878	1,086
Total number of complaints initiated by agency	48	44
Number of complaints pending from prior years	84	106
Number of complaints found to be non-jurisdictional	290	376
Number of jurisdictional complaints found to be without merit	327	412
Number of complaints resolved	907	1,143
Average number of days for complaint resolution	39	29
Complaints resulting in disciplinary action:	39	72
administrative penalty	27	31
reprimand	4	15
probation	0	0
suspension	0	0
revocation	0	0
other	8	26

Table 12 Exhibit 11 Information on Complaints Against Persons or Entities

VII-D Guide to Agency Programs – Agency Administration

A. Provide the following information at the beginning of each program description.

Name of Program or Function: Agency Administration

Location/Division: Austin, Texas

Contact Name: Antonia Antov, Director of Administration and Finance

Actual Expenditures, FY 2016: $509,893

Number of Actual FTEs as of June 1, 2017: 16

Statutory Citation for Program: Texas Finance Code, Chapter 13

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Administration and Finance section performs administrative and support activities for all the employees and Department as a whole, including accounting, financial reporting, purchasing, budget, human resources, risk management, records management, training and travel coordination, and other general administrative activities.

The objective of this program is to provide administrative support to the entire Department to ensure compliance with State and Federal laws relating to the areas described herein and to ensure the Department is a good steward of its human and financial resources.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program. Also please provide a short description of the methodology behind each statistic or performance measure.

No performance measures are associated with these functions; however, the section is subject to multiple external audits, including Comptroller of Public Accounts, State Office of Risk Management, Department of Information Resources, State Auditor's Office, and others, as well as internal audits. There have been no substantive findings related to the functions of the section.

The section reports financial information, budget, and statistics on staff hiring and turnover, and other information as needed, to the Finance Commission on a quarterly basis.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The granting of Self-Directed Semi-Independent status to the Department in 2009 changed the budgeting process and added reporting requirements.

The budget process was changed to include a public hearing, at which the budget is presented by the Director of Finance and the Commissioner, and at which public comments are taken. Subsequent to the hearing, the Director of Finance and the Commissioner present the budget to the Finance Commission Audit Committee which votes on recommending the budget to the full Finance Commission. The Finance Commission then votes on approving the budget.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The program primarily affects the employees of the Department and indirectly the consumers that the employees serve and the industries regulated by the Department.

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

Most of the activities and processes of this program are based on the direction and guidance by oversight agencies, which include the Comptroller of Public Accounts, State Auditor's Office, State Office of Risk Management, Legislative Budget Board, and the Office of the Governor.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Department is a self-directed semi-independent agency and is not subject to the appropriations process. Fees and assessments collected from the regulated industries fund all activities and functions of the Department.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.

None.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The Department of Banking, Office of Consumer Credit Commissioner, and the Department occupy the jointly owned Finance Commission building. The Department of Banking provides building management, pays the building maintenance cost and utilities and is reimbursed by the other two agencies according to an interagency contract.

According to the same contract, the three agencies share an imaging system for which the Department of Banking serves as the system administrator.

According to an interagency contract, the Department of Savings and Mortgage Lending employs and pays all costs related to the shared receptionist and is reimbursed by the other two agencies.

J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.

Human Resources: The Department participates in E-Verify – an Internet-based system that compares information from new employees' Form I-9, Employment Eligibility Verification, to Department of Homeland Security (DHS), Social Security Administration (SSA), and Department of State (DOS) records to confirm that employees are authorized to work in the United States.

K. If contracted expenditures are made through this program please provide:

- **a short summary of the general purpose of those contracts overall;**
- **the amount of those expenditures in fiscal year 2016;**
- **the number of contracts accounting for those expenditures;**
- **the method used to procure contracts**
- **top five contracts by dollar amount, including contractor and purpose;**
- **the methods used to ensure accountability for funding and performance; and**
- **a short description of any current contracting problems.**

The general purpose of the contracts the Department enters into is mostly for the performance of services from vendors and other state agencies.

Total amount of contract expenditures for FY2016 was $230,974, of which $94,133 were interagency contract expenditures.

Contract expenditures allocated proportionately to all programs based on FTEs: $153,203.

The following chart indicates the contract expenditures per program.

Contract Expenditures by Program					
Program	**Direct Contract Expenditures**	**# of Contracts**	**Allocated Contract Expenditures**	**# of Contracts**	**Total Contract Expenditures**
Thrift Examination	$27,615	4	$32,106	18	$59,721
Thrift Supervision	$6,138	2	$12,099	18	$18,237
Mortgage Licensing	$ 650	2	$16,723	18	$17,373
Mortgage Examination	$8,446	3	$43,395	18	$51,841
Complaint Investigation	$1,440	1	$14,827	18	$16,267
Legal and Enforcement	$29,328	5	$12,755	18	$42,084
Indirect Administration	$4,069	2	$21,297	18	$25,365
Total	**$77,686**		**$153,202**		**$230,888**

All vendor contracts are procured using TPASS managed contracts or DIR contracts, if available.

The following chart indicates the top contracts.

Top Contracts for the Department		
$ Amount	**Contractor**	**Purpose**
Agency wide:		
$59,915	Department of Banking	Building management and other shared expenses (Interagency Agreement)
$25,224	Vintage IT Services	Managed IT Services (DIR Contract)
$12,740	Garza/Gonzalez & Associates	Audit Services (Finance Commission RFP)
$10,077	Pitney Bowes Presort Services	Mail Presort Services (TPass Contract)
$8,290	SHI Government Solutions	Software License, Maintenance (DIR Contract)
Direct Contracts by Program:		
Thrift Examination and Supervision:		
$25,888	Dell Marketing LP	Computer equipment (DIR Contract)
$3,850	Vintage IT Services	Computer Consulting Services (DIR Contract)
$2,600	Conference of State Bank Supervisors (CSBS)	Accreditation and Certification Services
Mortgage Licensing:		
$350	The Semarca Corporation	Programming Services
$300	US Department of Homeland Security	Verification of employment eligibility for licensees (Fed Gov't)
Mortgage Examination:		
$8,441	Conference of State Bank Supervisors (CSBS)	Accreditation and Certification Services
Legal and Enforcement:		
$18,934	State Office of Administrative Hearings	Administrative hearing services (Interagency Agreement)
$6,884	Texas NICUSA	Processing fees for online payments (DIR Contract)
$2,470	Office of the Attorney General	Legal services (Interagency Agreement)
Indirect Administration:		
$2,035	Department of Banking	Shared Finance Commission Expenses (Interagency Agreement)
$2,033	Ziegner Technologies	Accounting software maintenance and support (DIR Contract)

L. Provide information on any grants awarded by the program.

Not applicable.

M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.

At this time, there are no identifiable barriers or challenges that impede the programs performance; however, the Department continually looks for ways to improve and streamline operations and efficiencies.

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

Not applicable.

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- **why the regulation is needed;**
- **the scope of, and procedures for, inspections or audits of regulated entities;**
- **follow-up activities conducted when non-compliance is identified;**
- **sanctions available to the agency to ensure compliance; and**
- **procedures for handling consumer/public complaints against regulated entities.**

Not applicable.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices. Please include a brief description of the methodology supporting each measure.

Not applicable.

VII-E Guide to Agency Programs – Mortgage Recovery Trust Fund

A. Provide the following information at the beginning of each program description.

Name of Program or Function: Mortgage Recovery Trust Fund

Location/Division: Austin, TX

Contact Name:

Actual Expenditures, FY 2016: n/a

Number of Actual FTEs as of June 1, 2017: n/a

Statutory Citation for Program: Texas Finance Code, §13.016, and Chapter 156, Subchapter F

B. What is the objective of this program or function? Describe the major activities performed under this program.

The statutorily mandated recovery trust fund was established to provide an avenue for Texas consumers, who have been harmed in the mortgage origination process, to pursue reimbursement for actual damages that they incurred due to acts committed by a licensed mortgage loan originator. The monies in the fund are held in trust for carrying out the purposes of the recovery trust fund.

Allowable recovery trust fund uses include:

- Reimburse residential mortgage loan applicants for actual damages committed by a licensed residential mortgage loan originator.
- Reimburse the Department for expenses incurred to secure and destroy residential mortgage loan documents that have been abandoned by current and former licensees – discretionary.
- Reimburse the Department for costs and expenses incurred in managing the fund – discretionary.
- Offset expenditures of participating in and sharing information with the Nationwide Mortgage Licensing System and Registry.

Each mortgage loan originator is required to give a disclosure, as set out in 7 TAC §81.200(a), to residential loan applicants. The disclosure provides the applicant information on how to file a complaint with the Department and that the recovery trust fund is maintained and claims can be filed against it for actual damages incurred by the borrower.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program. Also please provide a short description of the methodology behind each statistic or performance measure.

Historically, the requests for reimbursement from the recovery trust fund have been low. For FY2015-2017 the Department received 40 claim requests. Of these claim requests three were deemed valid and payout of over $9,600 was made; five claim requests were settled by the parties without a recovery trust fund payment – the claimants received payments from the licensees totaling over $14,400; three claim requests are open pending investigation or hearing; three claim requests were withdrawn by the claimants; and the remainder of the claim requests were denied for not meeting the requirements of the fund or insufficient evidence.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

In 2009, the statute was amended changing what losses could be reimbursed out of the recovery trust fund. Prior to the statutory change reimbursement was made to "aggrieved persons to whom a court awards actual damages because of certain" acts committed by a mortgage broker. These court awarded damages typically included attorney's fees. The statutory change in 2009 made reimbursement to be for "residential mortgage loan applicants for actual damages incurred because of" acts committed by a mortgage broker. This change disallowed the reimbursement of attorney's fees.

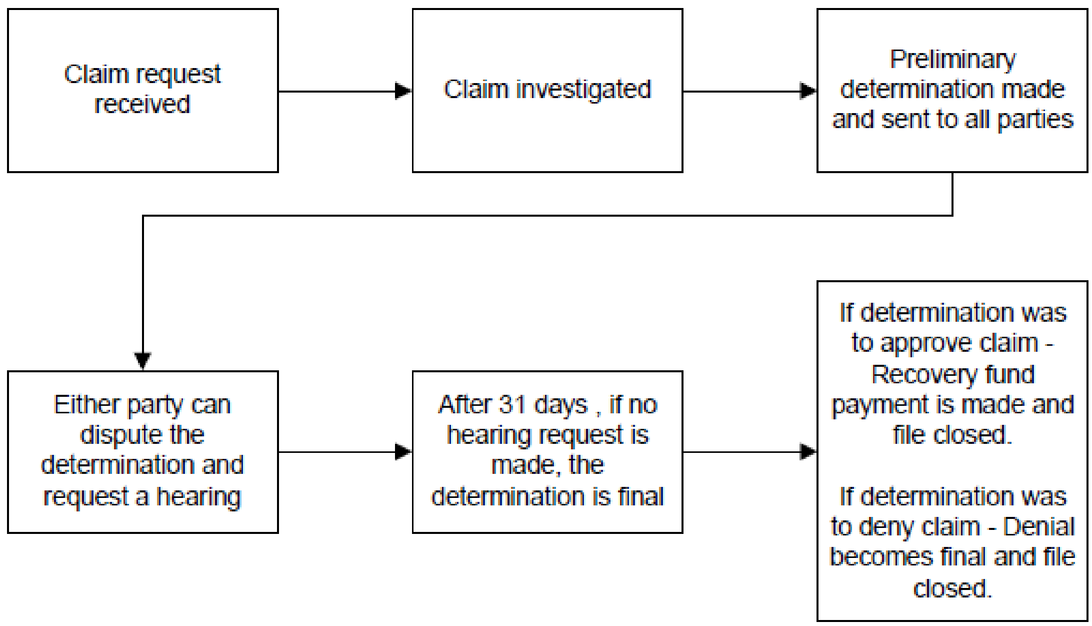
With the change in allowable reimbursements the procedure for recovery changed also. Prior to the change, the claimant would have to obtain a court ordered judgment. The judgment would then be presented to the Department for payment. Now the investigation and determination of the claim are made by the Department.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The recovery trust fund potentially affects all Texas consumers that have been harmed in the mortgage origination process by a residential mortgage loan originator that is licensed by the Department.

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

Recovery fund claims are processed as describe in the flowchart below.



G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The funding for the recovery trust fund is derived from a fee charged to an applicant when they apply for a license or from a licensee when they renew a license. The fee cannot exceed $20. Currently the fee is set at $10 per application and the fee for renewal of a license has been waived.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.

None

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Not applicable.

J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.

Not applicable.

K. If contracted expenditures are made through this program please provide:

- **a short summary of the general purpose of those contracts overall;**
- **the amount of those expenditures in fiscal year 2016;**
- **the number of contracts accounting for those expenditures;**
- **the method used to procure contracts**
- **top five contracts by dollar amount, including contractor and purpose;**
- **the methods used to ensure accountability for funding and performance; and**
- **a short description of any current contracting problems.**

Not applicable.

L. Provide information on any grants awarded by the program.

Not applicable.

M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.

Not applicable.

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

Not applicable.

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- **why the regulation is needed;**
- **the scope of, and procedures for, inspections or audits of regulated entities;**
- **follow-up activities conducted when non-compliance is identified;**

- **sanctions available to the agency to ensure compliance; and**
- **procedures for handling consumer/public complaints against regulated entities.**

Not applicable.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices. Please include a brief description of the methodology supporting each measure.

Not applicable.

VII-F Guide to Agency Programs – Information Resources

A. Provide the following information at the beginning of each program description.

Name of Program or Function: Information Resources

Location/Division: Austin, TX

Contact Name: Steven O'Shields

Actual Expenditures, FY 2016: included in VII-D Guide to Agency Programs – Agency Administration

Number of Actual FTEs as of June 1, 2017: include in VII-D Guide to Agency Programs – Agency Administration

Statutory Citation for Program: Texas Finance Code, Chapter 13

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Information Resources function is responsible for all critical information technology (IT) operations and security processes relating to hardware and software application systems that support the mission of the Department and its divisions as well as administrative functions to include networking and planning.

Activities for this area include:

- Administering several custom database and applications utilized by the Department;
- Maintaining the Department's intranet and website;
- Determining hardware and software planning and purchasing needs;
- Configuring, maintaining, monitoring, and repairing network and security systems, and individual users' desktop and laptops;
- Providing information to other State of Texas agencies relating to current mortgage licensing information;
- Providing support for the document imaging system that houses the Department's electronic records.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program. Also please provide a short description of the methodology behind each statistic or performance measure.

One of the main goals of the Information Resources program is to streamline already-existing business processes in order to provide more efficient and/or cost-effective services to the Department's employees, its regulated entities, and the general public:

- A web application was developed to offer constituents the ability to pay online for most administrative penalties and hearing costs assessed them. Leveraging its partnership with Texas.gov, the Department's web application connects to their payment processor page which accepts all major credit cards. Prior to this implementation, constituents could only pay by cashier's check or money order. Since its inception in FY2010, the application has processed over 1,500 transactions collecting more than $2M in administrative penalties and hearing costs.

- An online complaint form was developed to allow consumers to file complaints against the Department's regulated entities, and attach via e-mail any supporting documentation. Prior to this implementation, consumers used to have to fill out a paper form and submit it via fax or regular mail.

- Lists of the Department's licensees were made publicly available as downloads on the Department's website. This information used to be requested frequently via open records and had to be compiled by agency staff.

- A web application was developed to allow Department employees to submit both purchase and training requests. It facilitates the filling-out, submission, and routing of forms, action items, and other relevant information, while being recorded in a database to allow for flexible reporting.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The responsibility of administering network and security systems, and individual users' PCs used to lie within the Division of Administration, while the administration of the Department's licensing database and associated applications was handled by the Division of Licensing up until 2011. In order to align all IT functions, the Information Resources program was consolidated and is now overseen by the Director of Licensing and Information Resources.

In 2016, the Department entered into a contract with Vintage IT Services for Managed IT Services. This allows the Department to utilize the expertise of Vintage's staff to manage and maintain the Department's network, security systems, and provide user support. Through their staff, the Department is able to stay abreast of ever changing technologies.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Information Resources supports all employees in the Department. Also, its responsibilities in maintaining the website, the licensing database and associated web applications have a potentially far-reaching effect on the entities the Department regulates, consumers of those regulated entities, and the general public.

F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

The Information Resources program is overseen by the Director of Licensing and Information Resources and consists of one Systems Analyst and the contracted vendor, Vintage IT Services

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Department is a self-directed semi-independent agency and is not subject to the appropriations process. Fees and assessments collected from the regulated industries fund all activities and functions of the Department.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions to the target population. Describe the similarities and differences.

None

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

None

J. If the program or function works with local, regional, or federal units of government, include a brief description of these entities and their relationship to the agency.

The program utilizes the Department of Information Resources (DIR) policies and resources as required or as needed to ensure the procurement of IT products and services is executed properly. DIR resources are also consulted to establish a baseline of security standards for which all state agencies must comply.

K. If contracted expenditures are made through this program please provide:

- **a short summary of the general purpose of those contracts overall;**
- **the amount of those expenditures in fiscal year 2016;**
- **the number of contracts accounting for those expenditures;**
- **the method used to procure contracts**
- **top five contracts by dollar amount, including contractor and purpose;**
- **the methods used to ensure accountability for funding and performance; and**
- **a short description of any current contracting problems.**

Contract information related to the area is located in section VII-D – Guide to Agency Programs – Agency Administration, question (K).

L. Provide information on any grants awarded by the program.

Not applicable

M. Are there any barriers or challenges that impede the program's performance, including any outdated or ineffective state laws? Explain.

A hurdle the Department faces in this area relates to staffing. With the information technologies sector being so prevalent in Austin, information technology professionals can command salaries at levels the Department cannot compete with.

Additionally, the constant evolution in technology makes it difficult to hire someone with the knowledge base to keep up with this ever changing area. This is one of the reasons the Department outsourced the management of its network and security systems. Through outsourcing, the Department is able to leverage the knowledge base of its vendor's entire staff rather than one or two Department employees.

N. Provide any additional information needed to gain a preliminary understanding of the program or function.

Not applicable

O. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- **why the regulation is needed;**
- **the scope of, and procedures for, inspections or audits of regulated entities;**
- **follow-up activities conducted when non-compliance is identified;**
- **sanctions available to the agency to ensure compliance; and**
- **procedures for handling consumer/public complaints against regulated entities.**

Not applicable.

P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices. Please include a brief description of the methodology supporting each measure.

Not applicable.

VIII. Statutory Authority and Recent Legislation

A. Fill in the following charts, listing citations for all state and federal statutes that grant authority to or otherwise significantly impact your agency. Do not include general state statutes that apply to all agencies, such as the Public Information Act, the Open Meetings Act, or the Administrative Procedure Act. Provide information on Attorney General opinions from FY 2011–2015, or earlier significant Attorney General opinions, that affect your agency's operations.

Department of Savings and Mortgage Lending
Exhibit 12: Statutes / Attorney General Opinions

Statutes

Citation / Title	Authority / Impact on Agency *(e.g., "provides authority to license and regulate nursing home administrators")*
12 U.S.C. Title 12 Banks and Banking, ch. 3, Federal Reserve System, § 221 - 522	Congress has assigned to the Board of Governors of the Federal Reserve System responsibility for implementing the *Federal Reserve Act*, which established the Federal Reserve System, and certain other laws pertaining to a wide range of banking and financial activities. The Federal Reserve Bank supervises thrift holding companies and their non-depository institution subsidiaries, and federal member banks. Additionally, it allows thrifts the opportunity to elect to be a member bank. The Board implements those laws in part through its regulations, which are codified in title 12, chapter II, of the Code of Federal Regulations (12 CFR 201 et seq.).
12 U.S.C. Title 12 Banks and Banking, ch. 11, Federal Home Loan Banks, § 1421 - 1449	Provides member state savings banks with a reliable source of funding for housing finance, community lending and asset-liability management as well as liquidity for short-term needs.
12 U.S.C. Title 12 Banks and Banking, ch. 11A, Federal Home Loan Mortgage Corporation, § 1451 – 1459	The Federal Home Loan Mortgage Corporation Act provides: (1) stability in the secondary market for residential mortgages; (2) provides ongoing assistance to the secondary market for residential mortgages by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; (3) promotes access to mortgage credit throughout the Nation by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.
12 U.S.C. Title 12 Banks and Banking, ch. 12, § 1463 et seq. Savings Associations.	Provides for federal examination of state savings associations.
12 U.S.C. Title 12 Banks and Banking, ch. 16, Federal Deposit Insurance Corp. § 1813	Defines savings banks.
12 U.S.C. Title 12 Banks and Banking, ch. 17, Bank Holding Companies,	Defines "bank holding company" and allows the Department to regulate the actions of bank holding companies.

Citation / Title	Authority / Impact on Agency *(e.g., "provides authority to license and regulate nursing home administrators")*
12 U.S.C. Title 12 Banks and Banking, ch. 29, § 2801 et seq. Home Mortgage Disclosure	Requires financial institutions to maintain, report, and publicly disclose information about mortgages.
12 U.S.C. Title 12 Banks & Banking, ch. 34, § 3306 et seq. Federal Financial Institutions Examinations Council	Encourages the application of uniform examination principles and standards by State and Federal supervisory agencies, and establishes a liaison committee composed of five representatives of State agencies which supervise financial institutions.
12 U.S.C. Title 12 Banks & Banking, ch. 39, Alternative Mortgage Transactions, § 3801 et seq.	An Act that over-rode state laws that prevented banks from using mortgages other than conventional fixed-rate mortgages. Allowed the availability of various new mortgages such as adjustable rate mortgages (ARMs), interest only mortgages, and balloon payment mortgages.
12 U.S.C. Title 12 Banks and Banking, ch. 51, § 5101 et seq. Secure and Fair Enforcement for Mortgage Licensing act of 2008.	Established a Nationwide Mortgage Licensing System and Registry for the residential mortgage industry that accomplishes all of the following objectives: (1) Provides uniform license applications and reporting requirements for State-licensed loan originators. (2) Provides a comprehensive licensing and supervisory database. (3) Aggregates and improves the flow of information to and between regulators. (4) Provides increased accountability and tracking of loan originators. (5) Streamlines the licensing process. (6) Provides consumers with easily accessible information.
12 U.S.C. Title 12 Banks and Banking, ch. 53, Wall Street Reform and Consumer Protection Act	Known as the Dodd-Frank Wall Street Reform and Consumer Protection Act. This act established a number of new government agencies tasked with overseeing various components of the act and by extension various aspects of the banking system. Additionally, this abolished the Office of Thrift Supervision, which resulted in 26% of Texas federal thrifts converting to Texas state chartered thrifts.
12 USC Title 12 Banks and Banking, ch. 53, § 5481 et seq. Consumer Financial Protection Bureau	Created the CFPB to provide a single point of accountability for enforcing federal consumer financial laws and protecting consumers in the financial marketplace. Provides the director of the CFPB rulemaking authority as may be necessary or appropriate to enable the Bureau to administer and carry out the purposes and objectives of the Federal consumer financial laws, and to prevent evasions thereof.
15 U.S.C. Title 15 Commerce and Trade, ch. 94 Privacy § 6801 et seq. "Gramm-Leach-Bliley Financial Modernization Act"	Sets forth three major requirements. The Financial Privacy Rule (15 U.S.C. §§ 6801-09), which regulates the collection and disclosure of private financial information; the Safeguard Rule (*id.*), which stipulates that financial institutions must implement security programs to protect such information; and the pretexting provisions (15 U.S.C. §§ 6821-27), which prohibits the practice of pretexting, or the accessing of private information using false pretenses. It further requires financial institutions to provide customers written privacy notices that explain their information-sharing practices. The Department examines regulated persons to ensure compliance with such requirement.

Citation / Title	Authority / Impact on Agency *(e.g., "provides authority to license and regulate nursing home administrators")*
42 U.S.C. Title 42 The Public Health and Welfare, ch. 50 National Flood Insurance § 4001 et seq. "Flood Disaster Protection Act" "Flood Insurance Reform Act"	Sets forth written notice requirements when the secured property for a loan is or will be located in a Special Flood Hazard Area (SFHA), regardless of whether the security property is located in a participating or non-participating community, the lender must provide a written notice to the borrower and the servicer as provided in 42 U.S.C. § 4104a. Further, 42 U.S.C. § 4012a (e) provides for the placement of flood insurance by the lender if the borrower fails to purchase private flood insurance after 45 days from the day the lender sends the notice required by the same. The Department examines regulated persons to ensure compliance with such requirement.
12 C.F.R. Title 12 Banks and Banking, ch. X Bureau of Consumer Financial Protection, Part 1002 Equal Credit Opportunity Act (Reg. B) § 1002.1 et seq. ECOA - 15 U.S.C. § 1691 et seq	Sets forth federal requirements to prohibit discrimination in any aspect of a credit transaction. The Department examines regulated persons to ensure compliance with such regulation.
12 C.F.R. Title 12 Banks and Banking, ch. X Bureau of Consumer Financial Protection, Part 1003 Home Mortgage Disclosure (Reg. C) § 1003.1 et seq. HMDA - 12 U.S.C. § 2801 et seq.	Implements the Home Mortgage Disclosure Act (HMDA) (12 U.S.C. 2801 et seq.), which is intended to provide the public with loan data that can be used to help determine whether financial institutions are serving the housing needs of their communities; to assist public officials in distributing public-sector investment so as to attract private investment to areas where it is needed; and to assist in identifying possible discriminatory lending patterns and enforcing antidiscrimination statutes. The Department examines regulated persons to ensure compliance with such regulation.
12 C.F.R. Title 12 Banks and Banking, ch. X Bureau of Consumer Financial Protection, Part 1004 Alternative Mortgage Transaction Parity (Reg. D) § 1004.1 et seq. Alternative Mortgage Transaction Parity Act - 12 U.S.C. § 3801 et seq.	The purpose of this regulation is to balance access to responsible credit and enhanced parity between State and federal housing creditors regarding the making, purchase, and enforcement of alternative mortgage transactions with consumer protection and the interests of the States in regulating mortgage transactions generally. The Department examines regulated persons to ensure compliance with such regulation.
12 C.F.R. Title 12 Banks and Banking, ch. X Bureau of Consumer Financial Protection, Part 1007 SAFE Mortgage Licensing Act – State Compliance and Bureau Registration System (Reg. H) § 1008.1 et seq. SAFE Act - 12 U.S.C. § 5101 et seq.	Sets forth federal requirements to enhance consumer protection and reduce fraud by directing states to adopt minimum uniform standards for the licensing and registration of residential mortgage loan originators and to participate in a nationwide mortgage licensing system and registry database of residential mortgage loan originators.
12 C.F.R. Title 12 Banks and Banking, ch. X Bureau of Consumer Financial Protection, Part 1014 Mortgage Acts and Practices--Advertising (Reg. N) § 1014.1 et seq. Dodd-Frank - 15 U.S.C. § 1638	Sets forth specific deceptive acts and practices in the advertising of mortgage loan products and prohibits misrepresentation in any commercial communication concerning terms of mortgage loan products. This includes internet, radio, billboards, print and television advertising. The Department examines regulated persons to ensure compliance with such regulation.

Citation / Title	Authority / Impact on Agency *(e.g., "provides authority to license and regulate nursing home administrators")*
12 C.F.R. Title 12 Banks and Banking, ch. X Bureau of Consumer Financial Protection, Part 1015 Mortgage Assistance Relief Services (Reg. O) § 1015.1 et seq. Dodd-Frank - 15 U.S.C. § 1638	Sets forth federal requirements to protect distressed homeowners from mortgage relief scams that have sprung up during the mortgage crisis. The rule applies to mortgage lenders, among others, who provide, offer to provide, or arrange for others to provide mortgage relief services or refer a client or customer to a MARS services provider in an attempt to halt a foreclosure or obtain lender approval of a short sale. The Department examines regulated persons to ensure compliance with such regulation.
12 C.F.R. Title 12 Banks and Banking, ch. X Bureau of Consumer Financial Protection, Part 1022 Fair Credit Reporting (Reg. V) § 1022.1 et seq. FCRA/FACTA - 15 U.S.C. 1681 et seq.	Sets forth federal requirements that generally apply to persons that obtain and use information about consumers to determine the consumer's eligibility for products, services, or employment, share such information among affiliates, and furnish information to consumer reporting agencies. The Department examines regulated persons to ensure compliance with such regulation.
16 C.F.R. Title 16 Commercial Practices, ch. I Federal Trade Commission, subch. F Fair Credit Reporting Act, Part 681 Identity Theft Rule § 681.1 et seq. FCRA/FACTA - 15 U.S.C. 1681 et seq.	Sets forth federal requirements to implement a written identity theft prevention program designed to detect the "red flags" of identity theft in their day-to-day operations, take steps to prevent the crime, and mitigate its damage. The Department examines regulated persons to ensure compliance with such regulation.
12 C.F.R. Title 12 Banks and Banking, ch. X Bureau of Consumer Financial Protection, Part 1024 Real Estate Settlement Procedures Act (Reg. X) § 1024.1 et seq. RESPA - 12 U.S.C. 2601 et seq.	Sets forth federal requirements to allow consumers to obtain information on the costs of closing so that they can shop for settlement services. RESPA uses mandatory disclosure requirements to ensure consumer obtain information on closing costs. Further, RESPA protects consumers from excessive settlement costs and unearned fees by establishing prohibited practices. The Department examines regulated persons to ensure compliance with such regulation.
12 C.F.R. Title 12 Banks and Banking, ch. X Bureau of Consumer Financial Protection, Part 1026 Truth in Lending (Reg. Z) § 1026.1 et seq. TILA - 15 U.S.C. 1601 et seq.	Sets forth federal requirements to promote the informed use of consumer credit by requiring disclosures about its terms and cost, to ensure that consumers are provided with greater and more timely information on the nature and costs of the residential real estate settlement process, and to effect certain changes in the settlement process for residential real estate that will result in more effective advance disclosure to home buyers and sellers of settlement costs. The Department examines regulated persons to ensure compliance with such regulation.
TEX. CONST. art. XVI, § 50 Homestead Protection from Forced Sale; Mortgages, Trust Deeds and Liens	Sets forth the requirements which must be followed in order to originate home equity loans in Texas.
Tex. R. Civ. P. §§ 735 and 736	Sets forth the procedure for obtaining a court order, when required, to allow foreclosure of a lien containing a power of sale in the security instrument, dedicatory instrument, or declaration creating the lien, including a lien securing a home equity loan, reverse mortgage, or HELOC under article XVI, sections 50(a)(6), 50(k), and 50(t) of the Texas Constitution.

Citation / Title	Authority / Impact on Agency *(e.g., "provides authority to license and regulate nursing home administrators")*
Tex. Prop. Code § 51.002	Sets forth the procedure for non-judicial foreclosure in the state of Texas.
Tex. Fin. Code, Title 2, ch. 11, Finance Commission of Texas, § 11.001 et seq.	Sets out the purpose and authority of the Commission over the Department of Savings and Mortgage Lending
Tex. Fin. Code, Title 2, ch. 13, Department of Savings and Mortgage Lending, § 13.001 et seq.	Sets out the authority of the Department of Savings and Mortgage Lending and its commissioner.
Tex. Fin. Code, Title 2, ch. 16, Financial Regulatory Agencies Self-Directed and Semi-Independent (SDSI), § 16.001 et seq.	Sets forth that the Department of Savings and Mortgage Lending is a financial regulatory agency within the SDSI chapter and that the policy making body is the Finance Commission of Texas.
Tex. Fin. Code, Title 3, Financial Institutions and Businesses, Subtitle B Savings and Loan Associations, chs. 61-89, § 61.001 et seq.	Cited as the Texas Savings and Loan Act. The savings and loan (S&L) created under this act provides an alternative state S&L association chartered by the department. Defines "savings and loan association" and "savings and loan holding company." Provides enforcement authority to the department to include penalties.
Tex. Fin. Code, Title 3, Financial Institutions and Businesses, Subtitle C Savings Banks, chs. 91-119, § 91.001 et seq.	Cited as the Texas Savings Bank Act. The state savings bank (SSB) created under this act provides an alternative SSB institution chartered by the department and with the Federal Deposit Insurance Corporation as a joint federal regulator. Defines "Savings Bank" and provides enforcement authority to the department to include penalties.
Tex. Fin. Code, Title 3, Financial Institutions and Businesses, Subtitle E Other Financial Businesses, ch. 156, Residential Mortgage Loan Companies, § 156.001 et seq.	Cited as the Residential Mortgage Loan Company Licensing and Registration Act. The act relates to the licensing and regulation of certain persons involved in residential mortgage lending pursuant to the Texas Secure and Fair Enforcement for Mortgage Licensing Act of 2009; and provides enforcement authority to the department to include penalties.
Tex. Fin. Code, Title 3, Financial Institutions and Businesses, Subtitle E Other Financial Businesses, ch. 157, Mortgage Bankers and Residential Loan Originators, § 157.001 et seq.	Cited as the Mortgage Banker Registration and Residential Mortgage Loan Originator License Act. Requires the registration of mortgage bankers and state licensing of RMLO's. Additionally, it provides enforcement authority to the department to include penalties.
Tex. Fin. Code, Title 3, Financial Institutions and Businesses, Subtitle E Other Financial Businesses, ch. 158, Residential Mortgage Loan Servicers, § 158.001 et seq.	Cited as the Residential Mortgage Loan Servicer Registration Act. Requires the registration of residential mortgage loan servicers and provides enforcement authority to the department to include penalties.
Tex. Fin. Code, Title 3, Financial Institutions and Businesses, Subtitle E Other Financial Businesses, ch. 180, Residential Mortgage Loan Originators (Texas SAFE Act of 2009), § 180.001 et seq.	Cited as the Texas Secure and Fair Enforcement for Mortgage Licensing Act of 2009. An act established to comply with the federal mandate that all states be in compliance with the Federal SAFE Act.

Table 13 Exhibit 12 Statutes

Attorney General Opinions

Attorney General Opinion No.	Impact on Agency
None	None

Table 14 Exhibit 12 Attorney General Opinions

B. Provide a summary of recent legislation regarding your agency by filling in the charts below or attaching information already available in an agency-developed format. Briefly summarize the key provisions. For bills that did not pass, briefly explain the key provisions and issues that resulted in failure of the bill to pass (e.g., opposition to a new fee, or high cost of implementation). Place an asterisk next to bills that could have a major impact on the agency. *See Exhibit 13 Example.*

Department of Savings and Mortgage Lending
Exhibit 13: 85th Legislative Session

Legislation Enacted

Bill Number	Author	Summary of Key Provisions
SJR 60	Hancock	Proposing a constitutional amendment establishing a lower amount for expenses that can be charged to a borrower and removing certain financing expense limitations for a home equity loan, establishing certain authorized lenders to make a home equity loan, changing certain options for the refinancing of home equity loans, changing the threshold for an advance of a home equity line of credit, and allowing home equity loans on agricultural homesteads. (This proposed constitutional amendment shall be submitted to the voters at an election to be held November 7, 2017. Effective date: January 1, 2018
HB 1128	Wray	Under current law, foreclosure auctions and other sales of real property are statutorily required to take place publicly on the first Tuesday of every month between 10 a.m. and 4 p.m. Often, the first Tuesday of the month can fall on January 1 or July 4. This bill amends current law to move the statutorily required date to the first Wednesday in each month if the first Tuesday falls on January 1 or July 4. It also allows the sale of real property conducted by means of a public auction using online bidding. Effective date: September 1, 2017
SB 714	Seliger	This legislation will clarify, simplify and expedite the account opening process, ensuring the customer is provided with the necessary information to make an informed decision about which account is appropriate for his/her needs. It removes the requirement for the consumer to initial on the right-hand side. The consumer still initials on the left-hand side for the type of account they desire. Observation: The changes also provide that the bank needn’t disclose account types that it doesn’t offer. The key to success there will be to assure that the platform systems include an appropriate “set-up” to allow banks to exclude unnecessary account types. Effective date: September 1, 2017
HB 3921	Parker | Price | Button | Anderson, Charles "Doc" | Thierry	This legislation will protect vulnerable adults from financial exploitation and ensure the flexibility financial institutions need to address this serious area of concern. There is now a new chapter 280 in the Finance Code, which supplements chapter 48 in the Human Resources Code. Observation: If bank does not already address this issue, it will need to develop and implement appropriate policies and procedures. Effective date: September 1, 2017

Bill Number	Author	Summary of Key Provisions
HB 1217	Parker	Relating to appointment of and performance of notarial acts by an online notary public and online acknowledgment and proof of written instruments; authorizing a fee and creating a criminal offense. The legislation sets requirements for ensuring the security of the online notary public's electronic record, electronic signature, and electronic seal. An online notary public could perform an online notarization relating only to documents signed by a Texas resident; relating to real estate in Texas; relating to a transaction in which at least one of the parties was a Texas resident and authorized to do business here; relating to a debt that was payable at a location in this state; intended to be filed in the state's public records, including an affidavit or deposition to be filed in a Texas court; or constituting an acknowledgment or affirmation made by a person physically located in Texas. Observation: This law will not require all notaries to offer this option. However, it should put Texas at the forefront of innovation and facilitate ongoing efforts to accomplish electronic mortgage transactions. Effective date: July 1, 2018
HB 1974	Wray	The Real Estate, Probate, and Trust Law (REPTL) Section of the State Bar of Texas proposed HB 1974, which provides several changes to the Texas Durable Power of Attorney Act. This Act is intended to ensure that validly-executed durable powers of attorney (DPOA) can be used more effectively in Texas, in furtherance of the legislative goal of reducing the need for guardianship proceedings and to provide additional powers to the designated Agents. Effective date: September 1, 2017
HB 2928 HB 2647	Taylor, Larry	HB 2928 amends Chapter 2256 of the Government Code, regarding public funds investments, added Federal Home Loan Banks to the list of approved issuers of obligations, including letters of credit, of the U.S. or its agencies and instrumentalities that are authorized investments for governmental entities. The bill specifies that certificates of deposit and share certificates are authorized investments if secured in accordance with Chapter 2257 of this code (collateral for public funds). HB 2647, amends Chapter 2256, regarding public funds investments, and allows for consistent treatment of interest-bearing banking deposits to that already authorized for certificates of deposit. Further, a Committee Substitute clarifies that these deposits can be "swept" through a variety of deposit placement services or reciprocal deposit agreements. Effective date: September 1, 2017
HB 1470	Villalba | Oliveira	This bill adds a new chapter 22 to the Texas Business & Commerce Code to deal with foreclosure sales of real property. All of the rest of the law is in chapter 51 of the Property Code. Among other things, this new chapter clearly authorizes the use of an auction company or an attorney to conduct the foreclosure sale. In addition, it spells out the information that the winning bidder must provide. The bidder gets a receipt, and the proceeds must be maintained in a separate account until distributed. A "reasonable trustee's fee" is the lesser of 2.5% of sales proceeds or $5,000. Effective date: September 1, 2017
HB 2579	Holland | Longoria	Requires a savings bank to maintain a "financial institution bond" rather than a "blanket indemnity bond," and adds the following people who must be covered: "an attorney retained by the savings bank, a non-employee performing data processing services"; and adds loss from forgery or alteration." The savings bank must make sure it's included as a loss payee in a collection Agent's crime, and the bill requires annual review of coverage and sustainability of the corporate insurer that issued the bond. Effective date: September 1, 2017
HB 2580	Holland | Longoria	Authorizes the Department to obtain criminal history information from the Department of Public Safety, when approving state savings bank directors and officers, and regarding Departmental employees. Effective date: September 1, 2017

Bill Number	Author	Summary of Key Provisions
HB 2823	Dean	Updates law to allow the Department to issue a subpoena in furtherance of an investigation regarding a residential mortgage loan servicer, which may require a person to give a deposition, produce documents or both. If a person refuses, the bill allows the Commissioner to go to a Travis County court to issue an order requiring the person to obey the subpoena. Effective date: May 26, 2017
HB 3342	Parker	Allows Finance Commission to establish rule regarding pre-licensing education under the SAFE Act. Effective date: Jan. 1, 2018
SB 526	Birdwell	Abolished the mortgage fraud task force. Effective date: September 1, 2017
SB 1400	Campbell	Clarifies that Tex. Fin. Code 202.001 regarding bank holding companies, does not apply when the only subsidiary held is a state savings bank. Effective date: September 1, 2017

Table 15 Exhibit 13 Legislation Enacted 85th Leg

Legislation Not Passed

Bill Number	Author	Summary of Key Provisions / Reason Bill Did Not Pass
HB 2832	Oliveira | Flynn | Price | Romero, Jr. | Collier	This legislation would have required a customer to notify existing lienholders ten days prior to entering into a property tax loan to ensure they have all the information necessary to make an informed decision.
HB 3969	King	This legislation would have created a central filing system with the Secretary of State for farm products. The purpose was to comply with the Food Security Act and replace pre-notification.
SB 1875	Hinojosa	Relating to the self-directed and semi-independent status of certain agencies and the requirements applicable to, and the oversight of, those agencies.
HB 4125	Herrero	This legislation would have amended current law to make a bank liable for any losses incurred that result from the use of the bank's remote deposit capture.
HB 2831	Oliveira	State banks chartered in Texas are capped at ten percent of capital and surplus, inclusive of loans and commitments to loan, for public welfare investments. The legislation would have bumped the cap to 15 percent to more closely match that of national banks and deleted the inclusion of loans. However, to avoid over-leveraging, it imposed a 25 percent of capital and surplus cap on investments and loans to a single entity.
HB 3367	Burrows	Would have served as a clean-up bill for various provisions applicable to the Department. Bill died a procedural death as the committee substitute omitted the creating of an offense and the substance no longer matched the title of the bill.
HB 2656	Longoria	Would have required the required the registration of lot lender companies. Did not emerge from the General State Calendar.
SB 1993 SB 1994 SB 1995	Zaffirini Watson Rodriguez	Together, each of these three pieces of legislation would have more clearly defined a wrap mortgage, required the licensing and registration of those originating wrap mortgage loans, required certain disclosures to be provided to the borrower, allowed a borrower the right to bring a cause of action and seek certain remedies, and would have established a fiduciary duty owed to a wrap borrower by a person collecting or receiving a payment from the borrower. SB 1993 and SB 1994 specifically exempted federally insured financial institutions, but SB 1995 did not.

Table 16 Exhibit 13 Legislation Not Passed 85th Leg

IX. Major Issues

The purpose of this section is to briefly describe any potential issues raised by your agency, the Legislature, or stakeholders that Sunset could help address through changes in statute to improve your agency's operations and service delivery. Inclusion of an issue does not indicate support, or opposition, for the issue by the agency's board or staff. Instead, this section is intended to give the Sunset Commission a basic understanding of the issues so staff can collect more information during our detailed research on your agency. Some questions to ask in preparing this section may include: (1) How can your agency do a better job in meeting the needs of customers or in achieving agency goals? (2) What barriers exist that limit your agency's ability to get the job done?

Emphasis should be given to issues appropriate for resolution through changes in state law. Issues related to funding or actions by other governmental entities (federal, local, quasi-governmental, etc.) may be included, but the Sunset Commission has no authority in the appropriations process or with other units of government. If these types of issues are included, the focus should be on solutions which can be enacted in state law. This section contains the following three components.

A. Brief Description of Issue

While there are always improvements that can be made, at this point in time none rise to the level of major issues.

B. Discussion

Background. Include enough information to give context for the issue. Information helpful in building context includes:

- What specific problems or concerns are involved in this issue?
- Who does this issue affect?
- What is the agency's role related to the issue?
- Any previous legislative action related to the issue?

C. Possible Solutions and Impact

Provide potential recommendations to solve the problem. Feel free to add a more detailed discussion of each proposed solution, including:

- How will the proposed solution fix the problem or issue?
- How will the proposed change impact any entities or interest groups?
- How will your agency's performance be impacted by the proposed change?
- What are the benefits of the recommended change?
- What are the possible drawbacks of the recommended change?
- What is the fiscal impact of the proposed change?***.***

X. Other Contacts

A. Fill in the following charts with updated information on people with an interest in your agency, and be sure to include the most recent email address.

Department of Savings and Mortgage Lending
Exhibit 14: Contacts

Interest Groups
(groups affected by agency actions or that represent others served by or affected by agency actions)

Group or Association Name/ Contact Person	Address	Telephone	Email Address
Independent Bankers Association of Texas / Steve Scurlock	1700 Rio Grande St., Ste. 100 Austin, TX 78701	512-275-2226	sscurlock@ibat.org
Texas Association of Mortgage Professionals / Everett Ives	502 Frost San Antonio, TX 78201	210-692-4320	everett@atmpros.org
Texas Association of Realtors / Lori Levy	1115 San Jacinto Blvd., Suite 200 Austin, TX 78701	512-370-2177	llevy@texasrealtors.com
Texas Banker Association / Eric Sandberg, Jr.	203 West 10TH Street Austin, TX 78701	512-472-8388	eric@texasbankers.com
Texas Mortgage Bankers Association / John Fleming	823 Congress Ave., Ste. 220 Austin, TX 78701	512-480-8622	john@johnfleminglaw.com

Table 17 Exhibit 14 Interest Groups

Interagency, State, or National Associations
(that serve as an information clearinghouse or regularly interact with your agency)

Group or Association Name/ Contact Person	Address	Telephone	Email Address
American Association of Residential Mortgage Regulators / David Saunders	1000 Potomac Street, NW Suite 108, Washington, DC 20007	202-521-3999	dsaunders@aarmr.org
Note: Director Tony Florence currently is serving a President of this association and served in the same capacity for Fiscal Year 2017.			
American Council of State Savings Supervisors / Thomas Harlow	1129 20TH Street, NW 9th Floor Washington, DC 20036	202-728-5707	tharlow@csbs.org
Note: Commissioner Caroline Jones currently is serving a Chairman of this association and served in the same capacity for 2015, and 2016.			
Conference of State Bank Supervisors / John Ryan	1129 20TH Street, NW 9th Floor Washington, DC 20036	202-296-2840	john.ryan@csbs.org
Federal Deposit Insurance Corporation / Kristie Elmquist	1601 Bryan Street Dallas, TX 75201	972-761-8215	kelmquist@fdic.gov

Group or Association Name/ Contact Person	Address	Telephone	Email Address
Federal Reserve Bank of Dallas / Robert L. Triplett, III	2200 North Pearl Street Dallas, TX 75201	214-922-6133	robert.triplett@dal.frb.org
National Association of Consumer Credit Administrators / Ray Sasala	PO Box 20871 Columbus, OH 43220	614-386-1165	nacca2007@sbcglobal.net

Table 18 Exhibit 14 Interagency, State, and National Association

Liaisons at Other State Agencies

(with which your agency maintains an ongoing relationship, e.g., the agency's assigned analyst at the Legislative Budget Board, or attorney at the Attorney General's office)

Agency Name / Relationship / Contact Person	Address	Telephone	Email Address
Comptroller of Public Accounts Appropriation Control / Michelle Vasquez Financial Reporting / Kamel Rahab SPA / Albert Kruzel	111 E 17th Street Austin, TX 78701	 512-936-5632 512-463-4488 512-936-6350	 michelle.vasquez@cpa.texas.gov kamel.rahab@cpa.texas.gov albert.kruzel@cpa.texas.gov
Governor's Office / Jared Staples	PO Box 12428 Austin, TX 78711	512-463-1778	jared.staples@gov.texas.gov
Legislative Budget Board / Elizabeth Krog	1501 Congress Ave., #5 Austin, TX 78701	512-463-5610	elizabeth.krog@lbb.state.tx.us
Office of Attorney General / Alice McAfee	209 W 14th Street Austin, TX 78701	512-936-1706	alice.mcafee@oag.texas.gov
State Auditor's Office / Justin Griffin	1501 Congress Ave Austin, TX 78701	512-936-9500	justin.griffin@sao.texas.gov

Table 19 Exhibit 14 Liaisons at Other State Agencies

XI. Additional Information

A. Texas Government Code, Sec. 325.0075 requires agencies under review to submit a report about their reporting requirements to Sunset with the same due date as the SER. Include a list of each agency-specific report that the agency is required by statute to prepare and an evaluation of the need for each report based on whether factors or conditions have changed since the statutory requirement was put in place. Please do not include general reporting requirements applicable to all agencies, reports that have an expiration date, routine notifications or notices, posting requirements, federally mandated reports, or reports required by G.A.A. rider. If the list is longer than one page, please include it as an attachment. *See Exhibit 15 Example.*

Department of Savings and Mortgage Lending
Exhibit 15: Evaluation of Agency Reporting Requirements

Report Title	Legal Authority	Due Date and Frequency	Recipient	Description	Is the Report Still Needed? Why?
Self-Directed Semi-Independent – Annual Report	Fin. Code, §16.005(c)	November 1st Annually	The Governor, the committee of each house of the legislature that has jurisdiction over appropriations, and the Legislative Budget Board	Select financial data for the previous fiscal year	Yes, statutorily required.
Self-Directed Semi-Independent – Biennial Report	Fin. Code, §16.005(b)	Before the beginning of each legislative session	The Legislature and the Governor	Select financial and performance data describing the agency's activities for the previous biennium	Yes, statutorily required.
Condition of the Texas State Banking System Note: The Department works in conjunction with the Department of Banking, by providing data on state thrifts to be included in this report.	Fin. Code, 11.305(d)	Periodically, currently done on a semi-annual basis	Finance Commission and Legislative Offices	Review of economic forecast and analysis of banking practices	Yes, provides current information on the state banking system

Table 20 Exhibit 15 Agency Reporting Requirements

Note: If more than one page of space is needed, please provide this chart as an attachment, and feel free to convert it to landscape orientation or transfer it to an Excel file.

B. Has the agency implemented statutory requirements to ensure the use of "first person respectful language"? Please explain and include any statutory provisions that prohibits these changes.

The statutes and administrative rules within the Department's oversight are in compliance with the "person first respectful language" requirements of Texas Government Code, Chapter 392.

C. Fill in the following chart detailing information on complaints regarding your agency. Do not include complaints received against people or entities you regulate. The chart headings may be changed if needed to better reflect your agency's practices.

Department of Savings and Mortgage Lending
Exhibit 16: Complaints Against the Agency — Fiscal Years 2015 and 2016

	Fiscal Year 2015	Fiscal Year 2016
Number of complaints received	none	none
Number of complaints resolved	n/a	n/a
Number of complaints dropped / found to be without merit	n/a	n/a
Number of complaints pending from prior years	n/a	n/a
Average time period for resolution of a complaint	n/a	n/a

Table 21 Exhibit 16 Complaints Against the Agency

D. Fill in the following charts detailing your agency's Historically Underutilized Business (HUB) purchases. *See Exhibit 17 Example.*

Department of Savings and Mortgage Lending
Exhibit 17: Purchases from HUBs

Fiscal Year 2015

Category	Total $ Spent	Total HUB $ Spent	Percent	Agency Specific Goal*	Statewide Goal
Heavy Construction	$0	$0	0.0%	0.0%	11.2%
Building Construction	$0	$0	0.0%	0.0%	21.1%
Special Trade	$794	$0	0.0%	32.9%	32.9%
Professional Services	$12,740	$0	100.0%	23.7%	23.7%
Other Services	$97,313	$27,952	28.7%	26.0%	26.0%
Commodities	$31,177	$18,104	58.1%	21.1%	21.1%
TOTAL	$142,024	$58,796	41.4%		

Table 22 Exhibit 17 HUB Purchases for FY 2015

* If your goals are agency specific-goals and not statewide goals, please provide the goal percentages and describe the method used to determine those goals. (TAC Title 34, Part 1, Chapter 20, Rule 20.284)

Fiscal Year 2016

Category	Total $ Spent	Total HUB $ Spent	Percent	Agency Specific Goal	Statewide Goal
Heavy Construction	$0	$0	0.0%	0.0%	11.2%
Building Construction	$0	$0	0.0%	0.0%	21.1%
Special Trade	$0	$0	0.0%	0.0%	32.9%
Professional Services	$0	$0	0.0%	0.0%	23.7%
Other Services	$119,452	$43,750	36.6%	26.0%	26.0%
Commodities	$46,603	$8,095	17.4%	21.1%	21.1%
TOTAL	$166,056	$51,846	31.22%		

Table 23 Exhibit 17 HUB Purchases for FY 2016

Fiscal Year 2017

Fiscal Year 2017 information will be provided along with all other Fiscal Year 2017 information.

Category	Total $ Spent	Total HUB $ Spent	Percent	Agency Specific Goal	Statewide Goal
Heavy Construction					11.2%
Building Construction					21.1%
Special Trade					32.9%
Professional Services					23.7%
Other Services					26.0%
Commodities					21.1%
TOTAL					

Table 24 Exhibit 17 HUB Purchases for FY 2017

E. Does your agency have a HUB policy? How does your agency address performance shortfalls related to the policy? (Texas Government Code, Sec. 2161.003; TAC Title 34, Part 1, rule 20.286c)

Yes, it is the Department's goal to support Historically Underutilized Businesses (HUBs), establish and implement policies governing purchasing and public works contracting that foster meaningful and substantive inclusion of historically underutilized businesses.

The Department supports efforts by State leadership in their policy directing state agencies to utilize HUBs when awarding State contracts. While the Department issues only a few contracts, we will continue our concerted effort to maximize such utilization.

F. For agencies with contracts valued at $100,000 or more: Does your agency follow a HUB subcontracting plan to solicit bids, proposals, offers, or other applicable expressions of interest for subcontracting opportunities available for contracts of $100,000 or more? (Texas Government Code, Sec. 2161.252; TAC Title 34, Part 1, rule 20.285)

Not applicable.

G. For agencies with biennial appropriations exceeding $10 million, answer the following HUB questions.

1. **Do you have a HUB coordinator? If yes, provide name and contact information. (Texas Government Code, Sec. 2161.062; TAC Title 34, Part 1, rule 20.296)**

Not applicable, however the Department's purchaser serves as the HUB coordinator.

2. **Has your agency designed a program of HUB forums in which businesses are invited to deliver presentations that demonstrate their capability to do business with your agency? (Texas Government Code, Sec. 2161.066; TAC Title 34, Part 1, rule 20.297)**

Not applicable.

3. **Has your agency developed a mentor-protégé program to foster long-term relationships between prime contractors and HUBs and to increase the ability of HUBs to contract with the state or to receive subcontracts under a state contract? (Texas Government Code, Sec. 2161.065; TAC Title 34, Part 1, rule 20.298)**

Not applicable.

H. Fill in the charts below detailing your agency's Equal Employment Opportunity (EEO) statistics. *See Exhibit 18 Example.*

Department of Savings and Mortgage Lending
Exhibit 18: Equal Employment Opportunity Statistics

1. Officials / Administration

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2015	1	0.0%	7.4%	0.0%	22.1%	100.0%	37.4%
2016	1	0.0%	7.4%	0.0%	22.1%	100.0%	37.4%
2017	1	0.0%	7.4%	0.0%	22.1%	100.0%	37.4%

Table 25 Exhibit 18 EEO Statistics for Officials/Administration

2. Professional

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2015	47	6.3%	10.4%	27.1%	19.3%	46.8%	55.3%
2016	48	6.1%	10.4%	26.5%	19.3%	50.0%	55.3%
2017	41	7.3%	10.4%	31.7%	19.3%	48.8%	55.3%

Table 26 Exhibit 18 EEO Statistics for Professionals

3. Technical

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2015	1	0.0%	14.4%	0.0%	27.2%	0.0%	55.3%
2016	1	0.0%	14.4%	0.0%	27.2%	0.0%	55.3%
2017	1	0.0%	14.4%	0.0%	27.2%	0.0%	55.3%

Table 27 Exhibit 18 EEO Statistics for Technical

4. Administrative Support

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2015	11	36.4%	14.8%	27.3%	34.8%	100.0%	72.1%
2016	10	30.0%	14.8%	30.0%	34.8%	90.0%	72.1%
2017	10	30.0%	14.8%	50.0%	34.8%	90.0%	72.1%

Table 28 Exhibit 18 EEO Statistics for Administrative Support

5. Service / Maintenance

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2015	0	0.0%	13.0%	0.0%	54.1%	0.0%	51.0%
2016	0	0.0%	13.0%	0.0%	54.1%	0.0%	51.0%
2017	0	0.0%	13.0%	0.0%	54.1%	0.0%	51.0%

Table 29 Exhibit 18 EEO Statistics for Service and Maintenance

6. Skilled Craft

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2015	0	0.0%	10.6%	0.0%	50.7%	0.0%	11.6%
2016	0	0.0%	10.6%	0.0%	50.7%	0.0%	11.6%
2017	0	0.0%	10.6%	0.0%	50.7%	0.0%	11.6%

Table 30 Exhibit 18 EEO Statistics for Skilled Craft

I. Does your agency have an equal employment opportunity policy? How does your agency address performance shortfalls related to the policy?

Yes, we do have a policy, which is located in the Employee Handbook.

XII. Agency Comments

The Department is accredited, for its mortgage operations, through the Conference of State Bank Supervisors' and American Association of Residential Mortgage Regulators' (CSBS/AARMR) Mortgage Accreditation Program. The Program involves a comprehensive review of the critical elements that ensure the ability of a state mortgage agency to discharge its responsibilities through an investigation of its administration and finances, personnel policies and practices, training programs, examination policies and practices, supervisory procedures, and statutory powers. In setting high standards CSBS/AARMR is supporting public interest by identifying highly competent state mortgage agencies to strengthen the capabilities of all state regulators. The Department received its accreditation in June 2011 and was the ninth state mortgage agency to receive its accreditation. With this accreditation, the Department is presumed to be compliant with the requirements of 12 CFR, 1008 Regulation H, specifically §1008.113. Reaccreditation examinations are conducted every five years. The Department underwent the reaccreditation process in March, 2016 and achieved reaccreditation.

The Department's thrift regulation is larger than 14 state financial regulatory agencies across the nation in either the total number of charters regulated or the amount of aggregate assets regulated. The non-depository residential mortgage licensee population under the Department's jurisdiction is consistently the 2nd or 3rd highest number of licensees, both entity and individual, when compared to other states.

The Department of Savings and Mortgage Lending regulates the vast majority of the Texas non-depository residential mortgage lending industry and Texas savings banks, all of which commit to a certain percentage of their assets being in residential mortgage lending. As a regulatory agency, the Department is dedicated to protecting the financial interests of Texas consumers, depositors, and investors with regard to their residential mortgage loans.

It is an honor and a privilege for the Department and its employees to serve the State of Texas by regulating these industries.