From: Sunset Advisory Commission
To: Janet Wood
Subject: FW: Public Input Form for Agencies Under Review (Public/After Publication)
Date: Tuesday, May 29, 2018 8:57:38 AM

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From: sundrupal@capitol.local [mailto:sundrupal@capitol.local]
Sent: Friday, May 25, 2018 5:21 PM
To: Sunset Advisory Commission <Sunset@sunset.texas.gov>
Subject: Public Input Form for Agencies Under Review (Public/After Publication)

Agency: OFFICE COMMISSIONER AND DEPARTMENT SAVINGS AND MORTGAGE LENDING

First Name: Troy

Last Name: Lambden

Title: President/CEO

Organization you are affiliated with: Graham Savings and Loan, SSB

Email: troy.lambden@grahamsl.com

City: graham

State: Texas

Your Comments About the Staff Report, Including Recommendations Supported or
Opposed:
First, I want to thank each of the Commission members for their time commitment serving on this review board. I would also like to thank each of you for allowing me to present my opinion and you taking it into consideration.

I want to begin by saying my board and management strongly disagree with the conclusions arrived at by the project manager and the proposal to merge the Texas Department of Savings and Mortgage Lending (“SML”) into the Department of Banking (“DOB”).

I represent a state savings bank, Graham Savings and Loan, SSB, that was established as an original New Deal savings and loan in 1934. Over its eighty-plus year history we have been through several downturns and crises.
I am confident the only reason we have survived this many years, through many troubling times, is our commitment to always do what we do best and that is originating single-family loans. This is the core of our operation and has been since we were chartered. Our charter charges us with this responsibility. As of March 31, 2018, 64% of our loans, 49% of our total assets and 395% of our capital are made up of single-family related loans.
These percentages have been even higher in previous years.

The worth of SML to the Texas economy goes far beyond the capabilities of its banks to produce home loans. The federal government has done a fine job of standardizing the mortgage loan process and has made it possible for many new players to enter the mortgage market. For example, my daughter and son-in-law have just purchased their first home. The purchase was financed by my son-in-law’s mother. She had excess cash, contacted an attorney to draw the note, deed of trust and other required papers and had a title company close the purchase. Just like that, she became a mortgage loan originator.

I have no doubt that banks regulated by DOB are just as capable of producing quality mortgage loans as the state savings banks and mortgage bankers regulated by SML. Also, I have no doubt that the DOB examiners are just as capable of reviewing mortgage loan files as the SML examiners. This is where the similarities cease to exist.

First, the SML performs joint examinations with the federal regulators (FDIC and Federal Reserve Bank of Dallas). It has compliance expertise and participates in both the compliance and safety and soundness exams. We understand that the DOB does not perform joint exams and does not have compliance examiners. A shift to this agency means that we would lose the input that the SML currently provides in those joint exams.

Perhaps most significantly, SML regulates savings banks that have unique business models. As for us, we continue to follow the traditional thrift model of taking in time deposits and using them to fund mortgage loans. All of our production is retained and serviced; we do not sell loans on the secondary market. SML understands our model and recognizes our commitment to our charter and to the communities and counties we serve. SML acknowledges we have always had a concentration in mortgage loans. They monitor our activity and review our files to ensure we continue to originate loans in a safe and sound manner. They accept our long-standing business model and allow us to operate as a traditional thrift. By contrast, commercial banks are subject to rigorous concentration caps, which would stifle our industry.

We are located in a rural area of north central Texas. A large volume of our loan production is in properties that do not qualify for the secondary market. Many have excessive acreage included (the secondary market rarely accepts properties that include over 5 acres) or the appraisal does not meet requirements because of limited, nearby comparable and recent sales. Our operation affords financing for families trying to purchase properties that other banks won’t touch because they do not fit the mold of the secondary market. Without the support of SML we would not be able to extend financing to these families because another regulator would be more concerned about percentages and balance sheet composition than us fulfilling our charter responsibilities and serving families in our service territory. A merger of SML into DOB would restrict the availability of credit to many rural Texans because another regulator would not allow us to grow our portfolio beyond their arbitrary caps.

There is no debate that DOB could regulate the state savings banks, but I do not believe it could regulate them as effectively as SML and allow them to follow their current unique business models. The DOB commissioner has stated his department could absorb the state savings banks with no problem by taking over the current SML staff. What hasn’t been said is the DOB’s intentions relating to allowing state banks to continue to operate as they have been, very profitably, under the watchful eyes of SML.

We see no reason for a change. State savings banks play an important role in the Texas economy and SML plays a large role in allowing them to prosper as they serve their customers. We urge the Commission to reject the recommendation of the project manager and allow SML to continue to perform the job they have done so well for so many years.

Thank you for your consideration.

Regards,

Troy Lambden
President/CEO

Any Alternative or New Recommendations on This Agency: Our recommendation is to maintain the status quo and allow the SML to continue its job as regulator of state savings banks - a job that it has performed exceedingly well over the years. This same merger recommendation has been rejected in years past and should be rejected again.

My Comment Will Be Made Public: I agree