

From: [Sunset Advisory Commission](#)
To: [Janet Wood](#)
Subject: FW: Form submission from: Public Input Form for Agencies Under Review (Public/After Publication)
Date: Tuesday, November 18, 2014 5:21:59 PM

-----Original Message-----

From: sundrupal@capitol.local [<mailto:sundrupal@capitol.local>]
Sent: Tuesday, November 18, 2014 3:36 PM
To: Sunset Advisory Commission
Subject: Form submission from: Public Input Form for Agencies Under Review (Public/After Publication)

Submitted on Tuesday, November 18, 2014 - 15:35

Agency: ENTRY CRITERIA SELF DIRECTED SEMI INDEPENDENT AGENCIES

First Name: Eric

Last Name: Sandberg

Title: President & CEO

Organization you are affiliated with: Texas Bankers Association

Email: eric@texasbankers.com

City: Austin

State: Texas

Your Comments About the Staff Report, Including Recommendations Supported or Opposed:

Dear Chairman Nelson and Sunset Commission Members:

Thank you for providing interested parties the opportunity to comment on the Sunset Advisory Commission's Self-Directed Semi-Independent Status of State Agencies report that was issued in October. The Texas Bankers Association has close to 500 members, over half of which (277) are chartered by the Texas Department of Banking or the Texas Department of Savings and Mortgage Lending. These institutions have chosen to be chartered at the state level for a variety of reasons; an important one worth mentioning is that they find their state regulator to be more approachable and less subject to Washington, DC political swings than their federal regulatory options.

TBA was a major supporter of the financial regulatory agencies achieving Self-Directed Semi-Independent status (SDSI) in 2009. Our support for this effort was based on the following reasons:

- 1) The Great Recession confirmed what we already knew about our industry's state financial regulatory agencies: they are countercyclical in nature, meaning that when the industries they oversee are in a period of strain, the agencies need more flexibility to timely address issues that arise. SDSI status has allowed the Department of Banking and the Department of Savings and Mortgage Lending to do just that since 2009.
- 2) We were concerned by the high level of agency employee turnover in the years preceding 2009. The turnover was attributable in large part to the fact that the federal financial regulatory agencies had larger salary budgets and were treating our state agencies as training grounds for employment candidates, luring state-trained employees away with starting salaries that were typically 30% higher than those

authorized by the Legislature in the biennial budget. Since achieving SDSI status, the Department of Savings and Mortgage Lending reports that annual financial examiner turnover has gone from 22% for the period 2002-2009 to an average of 4% for the period 2010-2013. I hope you will agree that a more experienced examination force is the best thing for the Texas banking industry. SDSI status has allowed both Departments to retain their talented employees at much higher rates than previously.

3) Unlike the Boards of Public Accountancy, Professional Engineers, and Architectural Engineers (the only other agencies in SDSI status in 2009), the Departments of Banking and Savings and Mortgage Lending are self-leveling/self-funding agencies, so their inclusion in the legislative appropriations process made little sense. The Departments of Banking and Savings and Mortgage Lending did not impact the state budget and set fees and assessments to cover all of their direct and indirect operating costs. Requiring the financial regulatory agencies to participate in the appropriations process was a make-work endeavor that yielded little to no benefit to Texas consumers. SDSI status has allowed the financial regulatory agencies to control their own funds and budgets to take care of their operations without having to request funding and receive budgetary oversight from the Legislature. Again, this is the best thing for the Texas banking industry.

Having participated in the legislative appropriations process, the financial regulatory agencies were accustomed to submitting regular reports to not only the Finance Commission, but also the Legislative Budget Board, State Auditor's Office, Sunset, Comptroller, and Governor. This has not changed since the agencies achieved SDSI status. We believe that Sunset staff findings with regard to the SDSI Status of State Agencies are well-intentioned, but inapplicable to the financial regulatory agencies.

I would be happy to visit with you or any member of your staff in further detail at your convenience.

Thank you in advance for your consideration.

Sincerely,

J. Eric T. Sandberg, Jr.
President & CEO

Any Alternative or New Recommendations on This Agency: My recommendations are provided in the text box above.

My Comment Will Be Made Public: I agree