

**DEPARTMENT OF
SAVINGS AND MORTGAGE LENDING**



**AGENCY STRATEGIC PLAN
FISCAL YEARS 2019 TO 2023**

**AGENCY STRATEGIC PLAN
FISCAL YEARS 2019 TO 2023
BY THE
TEXAS DEPARTMENT OF
SAVINGS & MORTGAGE LENDING**

FINANCE COMMISSION OF TEXAS		
BOARD MEMBERS	DATES OF TERM	HOMETOWN
Stacy G. London, Chair	June 26, 2008 to Feb 1, 2020	Houston
Robert (Bob) Borochoff	Feb 22, 2016 to Feb 1, 2022	Houston
Hector J. Cerna	Dec 16, 2015 to Feb 1, 2020	Eagle Pass
Margaret (Molly) Curl	Feb 23, 2016 to Feb 1, 2022	Richardson
Phillip A. Holt	Feb 23, 2016 to Feb 1, 2022	Bonham
William M. (Will) Lucas	Sept 27, 2011 to Feb 1, 2018	Center
Lori B. McCool	Apr 27, 2009 to Feb 1, 2020	Boerne
Matthew (Matt) Moore	Feb 23, 2016 to Feb 1, 2022	Amarillo
Paul Plunket	June 26, 2008 to Feb 1, 2020	Dallas
Vince E. Puente, Sr.	Aug 25, 2016 to Feb 1, 2018	Ft. Worth
Hilliard (Jay) Shands, III, Vice Chair	Aug 23, 2010 to Feb 1, 2018	Lufkin

SUBMITTED JUNE 8, 2018



Caroline C. Jones, Commissioner

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DEPARTMENT OF SAVINGS & MORTGAGE LENDING 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.

AGENCY GOALS AND ACTION PLAN

It is a privilege and honor to serve Texans as regulators of the state savings banks and savings associations (thrift industry) and the residential mortgage lending industry. The Department's core values in fulfilling its regulatory responsibilities are to:

- Be responsive, accountable, and transparent to Texas citizens, the regulated entities, the Texas Legislature, and the Finance Commission of Texas.
- Supervise and regulate with the highest degree of integrity, ethics, fairness, efficiency, and professionalism.
- Uphold the constitution and laws of Texas and the United States.

GOAL: EFFECTIVE REGULATION OF THE THRIFT INDUSTRY

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 promotes a stable thrift industry and the confidence of depositors, creditors, and borrowers in these institutions.

ACTION ITEMS TO ACHIEVE GOAL

- Conduct all examinations jointly with federal regulators (FDIC or Federal Reserve) in order to provide consistency between state and federal regulators.
- During examinations review for thrift industry specific requirements, such as, but not limited to:
 - at least 50% of assets in residential mortgage lending;
 - no more than 40% of total assets in non-real estate commercial lending;
 - consumer complaint notices; and
 - indemnity bond coverage requirements, including a requirement for written notice of cancellation to be given to the Department.
- Perform full and limited scope examinations within the required timeframes.
- Monitor and enforce the safe and sound operation of the thrift industry through regular off-site supervision.
- Monitor and enforce compliance with applicable laws and regulations.
- Participate in compliance examinations with FDIC or Federal Reserve in accordance with the Department's Compliance Examination Program using Department mortgage examination staff.
- Be receptive to changes and innovations in financial products.

- Maintain regular communication with federal regulators.
- Encourage awareness of and proactive actions relating to cybersecurity concerns within the regulated industry.
- Monitor industry trends for changes in charter size and/or aggregate asset size.
- Monitor changes in the economy and in the federal regulatory arena for impact on the thrift industry.
- Closely monitor interest rate changes, housing supply and demand, and trends in homeownership for an impact on the thrift industry.
- Communicate regulatory expectations and changes, both state and federal, by all available means including, technology.
- Communicate regulatory expectations and changes at the Department's annual Thrift Industry Day.

GOALS AND ACTION ITEMS SUPPORT STATEWIDE OBJECTIVES

1. Accountable to tax and fee payers of Texas.
 - Ensure adherence with self-leveling, self-funding and Self-Directed, Semi-Independent statutory requirements.
 - Continue to be a prudent steward of its financial resources.
 - Continue to provide transparency through reporting.

2. Efficient by producing maximum results with no waste of taxpayer funds, and by identifying any functions or provisions considered redundant or not cost-effective.
 - Conduct full scope and limited examinations jointly with federal regulators to provide consistent findings and recommendations to thrift industry, to avoid duplication of costs, and to limit the number of times regulators are at the institutions.
 - Conduct offsite monitoring to detect risks, at early stages, on specific institutions and the thrift industry on a whole.
 - Provide flexible work schedule for examiners in order to minimize the impact of travel expenses on the budget.
 - Utilize the FDIC's Examination Tool Suite (ETS) to streamline the examination process.
 - Maintain the Department's Thrift Compliance Examination Program to address industry concerns about federal regulatory burden.
 - Continue to evaluate procedures and processes, as well as new technologies, for added efficiencies.

3. Effective by successfully fulfilling core functions, achieving performance measures, and implementing plans to continuously improve.
 - Meet or exceed performance measures.
 - Continue to review policies and procedures for ways to improve efficiency and fulfillment of core functions.
 - Review and develop additional tools to enhance Department operations and efficiency in the thrift industry area.

4. Attentive to providing excellent customer service.
 - Continue to provide internal and external training for examination staff.
 - Serve as resource to the thrift industry relating to regulatory expectations and best practices.
 - Investigate and resolve customer complaints in a timely manner.
 - Share complaint information with the FDIC, the Federal Reserve, and the Consumer Financial Protection Bureau (CFPB).
5. Transparent such that Agency actions can be understood by any Texan.
 - Communicate on a regular basis with the thrift industry.
 - Adhere to performance measures.
 - Provide reports and updates to the Finance Commission at its bi-monthly meetings.
 - Make reports and other information available through the Department's and Finance Commission's websites.
 - Solicit stakeholder input on rule changes.

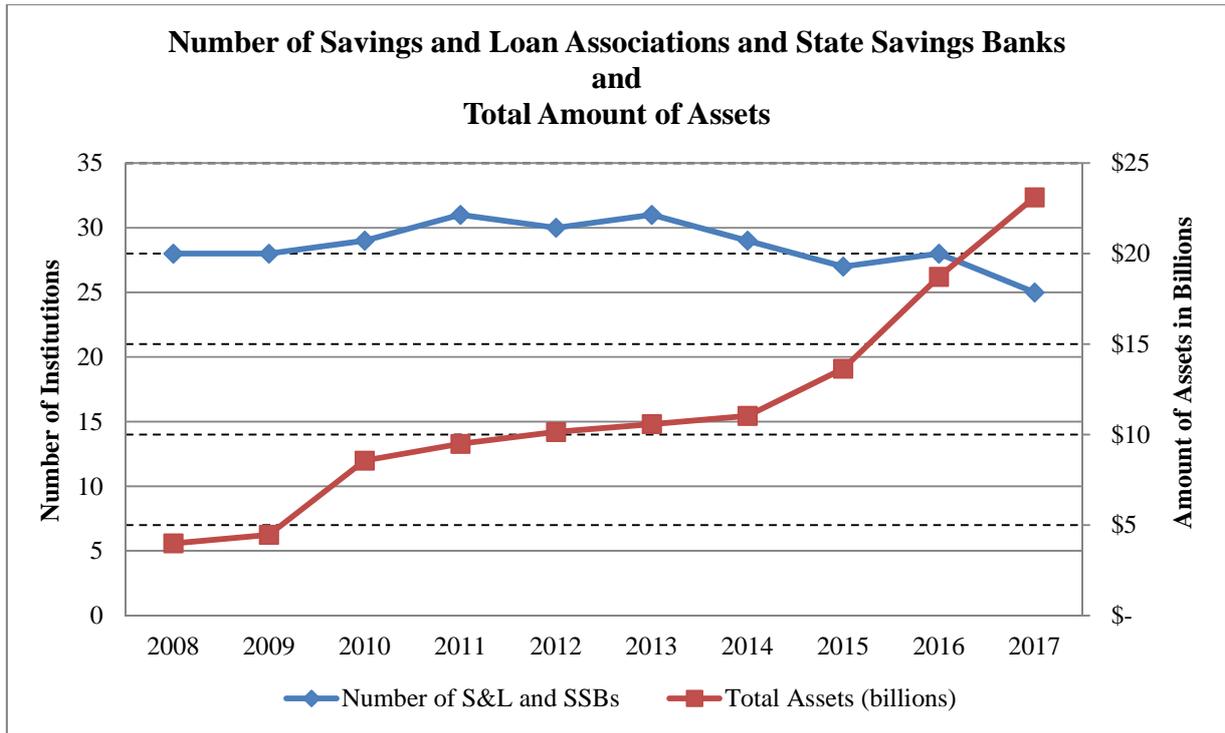
OTHER CONSIDERATIONS

The Department places a priority on having knowledgeable, well trained examination staff and provides internal and external trainings as appropriate. The Department monitors various local, state, and national data sources to best understand the risks facing the thrift industry and individual institutions. Some of the risks that have potential impact on the thrift industry are interest rate hikes, housing supply and demand, trends towards home ownership, and innovative products.

Thrift examiners and Thrift Supervision staff are in regular communication with state thrift management not only during examinations, but also in between, in order to answer questions and give feedback about state thrift issues and activities. Further, the Department holds an annual Thrift Industry Day where state thrift executive management and board members hear presentations from Department staff relating to current topics affecting the industry.

Another priority is maintaining contact and communication with the Department's federal counterparts, such as FDIC, Federal Reserve, and CFPB, and other state regulators. This interaction aids the Department in staying up to date on federal regulations. The Department's Commissioner currently serves as Chair of the American Council of State Savings Supervisors and is a member of the Federal Financial Institutions Examination Council's State Liaison Committee. Additionally, thrift staff members serve on a number of Conference of State Bank Supervisors' committees including Risk Identification Team, State Examiner Review Team, and others.

As of December 31, 2017, the thrift industry in Texas consisted of 25 state thrifts with aggregate assets of \$23.1 billion Capital is strong in the thrift industry and non-performing loans remain low.



GOAL: EFFECTIVE REGULATION OF THE MORTGAGE INDUSTRY

Protect Texas homebuyers through fair and effective regulation of the residential mortgage industry.

ACTION ITEMS TO ACHIEVE GOAL

Licensing

- Process, investigate, and take appropriate final action on mortgage license applications and registrations, of entities.
- Process, investigate, and take appropriate final action on applications of individuals who apply for a mortgage loan originator license.
- Confirm licensees have met and maintained license requirements in order to approve renewal request.
- Enforce compliance with licensing standards of conduct.

Examination

- Ensure effective and efficient examination of mortgage licensees and registrants through fair, responsible, and comprehensive investigation.
- Enforce compliance with applicable laws and regulations.
- Perform examinations within appropriate timeframes.
- Encourage awareness of and proactive actions relating to cybersecurity concerns within the regulated industry.

- Monitor changes in the economy and in the federal regulatory arena for impact on the mortgage industry.
- Closely monitor interest rate changes, housing supply and demand, and trends in homeownership for any impact on the mortgage industry.
- Communicate regulatory expectations and changes, both state and federal, by all available means including technology.
- Communicate regulatory expectations and changes at the Department's annual Mortgage Industry Seminar.

GOALS AND ACTION ITEMS SUPPORT STATEWIDE OBJECTIVE

1. Accountable to tax and fee payers of Texas.
 - Ensure adherence with self-leveling, self-funding and Self-Directed, Semi-Independent statutory requirements.
 - Continue to be a prudent steward of its financial resources.
 - Continue to provide transparency through reporting.
2. Efficient by producing maximum results with no waste of taxpayer funds, and by identifying any functions or provisions considered redundant or not cost-effective.
 - Continue to review licensing and examination policies and procedures for more consistent and efficient work product.
 - Continue to use the Nationwide Mortgage Licensing System (NMLS).
 - Department mortgage examiners are headquartered in areas of high industry concentrations this helps minimize the impact of travel expenses on the budget. Although, most examinations are conducted in state, when needed, the Department will conduct examinations of licensees who are located out of state.
 - Continue to evaluate procedures and processes, as well as new technologies, for added efficiencies.
3. Effective by successfully fulfilling core functions, achieving performance measures, and implementing plans to continuously improve.
 - Meet or exceed performance measures.
 - Continue to review policies and procedures for ways to improve efficiency and fulfillment of core functions.
 - Review and develop additional tools to enhance Department operations and efficiency in the mortgage industry area.
4. Attentive to providing excellent customer service.
 - Be accessible and a resource for consumers and the regulated industry.
 - Set targeted internal deadlines for processing license applications.
 - Investigate and resolve customer complaints in a timely manner.
 - Share complaint information with the Consumer Financial Protection Bureau (CFPB).
 - Provide internal and external training for staff.
 - Provide useful information on the Department's website for consumers and the regulated industry.
5. Transparent such that Agency actions can be understood by any Texan.
 - Communicate on a regular basis with the mortgage industry.

- Adhere to performance measures.
- Provide reports and updates to the Finance Commission at its bi-monthly meetings.
- Make reports and other information available through the Department's and Finance Commission's websites.

OTHER CONSIDERATIONS

The Department places a priority on having a knowledgeable, well trained examination staff and provides internal and external training as appropriate. The Department monitors various local, state, and national data sources to best understand the risks facing the mortgage industry. Some of the risks that have potential impact on the thrift industry are interest rate hikes, housing supply and demand, trends towards home ownership, and innovative products.

Being a resource to the industry is a priority. The Department holds an annual Mortgage Industry Seminar where mortgage industry representatives hear presentations from Department staff relating to current topics affecting the industry, as well as areas of focus from regulators.

Additionally, the Department's executive staff gives presentations to a variety of industry organizations in which information is reported and questions answered regarding Department activities, current regulatory areas of focus and concern, and general industry issues.

The Department takes unlicensed activity and mortgage fraud seriously and investigates and takes regulatory action, as needed. As deemed appropriate and necessary, the Department issues cease and desist orders and assesses fines and penalties related to these investigations.

The Department participates in multi-state and Consumer Financial Protection Bureau mortgage examinations as needed and appropriate.

Another priority is maintaining contact and communication with the Consumer Financial Protection Bureau (CFPB), other state regulators, and national associations, such as Conference of State Bank Supervisors (CSBS) and American Association of Residential Mortgage Regulators (AARMR). The Department's Director of Mortgage Examination currently serves as President of AARMR. Additionally, Department staff members serve on a number of committees with these national organizations. This interaction aids the Department in staying up to date on federal regulations and emerging issues related to the mortgage industry.

Texas Mortgage Industry as of December 31, 2017	
Number of Licensees:	
Mortgage Entities	1,726
Branches	3,239
Mortgage Servicers	170
Mortgage Loan Originators (Individuals)	28,149
Number of Examinations Conducted in FY17	476 Examinations (covering 6,253 licensees)

GOAL: CONSUMER RESPONSIVENESS

Ensure responsiveness to inquiries, requests, and complaints from citizens, industry, public officials, and other state and federal governmental entities.

ACTION ITEMS TO ACHIEVE GOAL

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

GOALS AND ACTION ITEMS SUPPORT STATEWIDE OBJECTIVE

1. Accountable to tax and fee payers of Texas.
 - Ensure adherence with self-leveling, self-funding and Self-Directed, Semi-Independent statutory requirements.
 - Continue to be a prudent steward of its financial resources.
 - Provide transparency through reporting.
2. Efficient by producing maximum results with no waste of taxpayer funds, and by identifying any functions or provisions considered redundant or not cost-effective.
 - Review investigation policies and procedures for more consistent and efficient work product.
 - Respond timely to complainants.
 - Process complaints timely.
3. Effective by successfully fulfilling core functions, achieving performance measures, and implementing plans to continuously improve.
 - Meet or exceed performance measures.
 - Review policies and procedures for ways to improve efficiency and fulfillment of core functions.
4. Attentive to providing excellent customer service.
 - Provide website link for consumers for filing of consumer complaints.
 - Provide complaint forms in English and Spanish.
 - Accessible investigation staff.
5. Transparent such that Agency actions can be understood by any Texan.
 - Adheres to performance measures.
 - Provides reports and updates to the Finance Commission at its bi-monthly meetings.
 - Makes reports and other information available through its and Finance Commission's websites.

OTHER CONSIDERATIONS

The Department places a priority on having knowledgeable, well trained investigation staff, and therefore, provides internal training, as well as external training as appropriate.

The Department maintains contact and communication with the Consumer Financial Protection Bureau, other state regulators, and national associations, such as Conference of State Bank Supervisors and American Association of Residential Mortgage Regulators. Department staff members serve on a number of committees with these organizations. This interaction aids the Department in staying up to date on federal regulations and emerging issues related to the mortgage industry.

The Department receives complaints that cover a variety of issues. The complexity of complaints received range from basic to very complex. Most complaints received relate to mortgage servicing area, which tend to be more complex and take longer to resolve.

GOAL: AGENCY ADMINISTRATION

Be prudent and good stewards of the Department's resources – both financial and human.

ACTION ITEMS TO ACHIEVE GOAL

- 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 fiscal performance.

GOALS AND ACTION ITEMS SUPPORT STATEWIDE OBJECTIVE

1. Accountable to tax and fee payers of Texas.
 - Ensure adherence with self-leveling, self-funding and Self-Directed, Semi-Independent statutory requirements.
 - Continue to be a prudent steward of financial resources.
 - Provide transparency through reporting.
2. Efficient by producing maximum results with no waste of taxpayer funds, and by identifying any functions or provisions considered redundant or not cost-effective.
 - Increase efficiency and effectiveness through well trained staff.
 - Cross-training in order to provide succession planning.
 - Closely monitor expenditures and revenues on a continual basis.
3. Effective by successfully fulfilling core functions, achieving performance measures, and implementing plans to continuously improve.
 - Meet or exceed performance measures overall.
 - Review policies and procedures for ways to improve efficiency and fulfillment of core functions.

4. Attentive to providing excellent customer service. (Customers under this Goal would be Department employees)
 - Provide and maintain alternative work schedules.
 - Provide a safe work environment and the tools needed to perform their job duties.
 - Process employee reimbursement vouchers and payroll in a timely manner.
5. Transparent such that Agency actions can be understood by any Texan.
 - Adhere to performance measures.
 - Provide reports and updates to the Finance Commission at its bi-monthly meetings.
 - Make reports and other information available through the Department's and Finance Commission's websites.

OTHER CONSIDERATIONS

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 eleven member governing body which oversees three state agencies: Department of Savings and Mortgage Lending, Department of Banking, and Office of Consumer Credit Commissioner. The Finance Commission must approve the Department's budget before any expenditure can be made. A budget hearing, which is open to the public, is held each year.

In addition, the Department has been a Self-Directed, Semi-Independent (SDSI) agency since 2009. This status has been instrumental over the past years in supporting the Department's efforts to fulfill its mission. Being a SDSI agency, the Department is able to respond effectively and timely to the changing dynamics in the economy and our 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 and strive for more competitive salary levels with the FDIC. Having SDSI status has allowed the Department to operate more efficiently and has provided the flexibility needed to expand or diminish resources in response to economic conditions.

The Department has contributed a portion of its administrative penalties to the Finance Commission's Texas Financial Education Endowment and has a representative on the Grants Committee. By making these contributions, the Department participates in providing financial education to consumers in the areas of its regulated industries.

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 assure 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 is headquartered in the Finance Commission Building at 2601 N. Lamar Blvd., along with the other Finance Commission agencies, Department of Banking and Office of Consumer Credit Commissioner. The building, owned collectively by the three agencies, has become overcrowded creating a deficiency in office, meeting room, and parking space. The Department along with the Department of Banking and the Office of Consumer Credit have determined that relocating to a more suitable property which will better meet the agencies' needs is the most reasonable option. The 85th Legislature passed Senate Bill 1349, which grants the Texas Department of Transportation the authority to sell certain excess land to the Finance Commission agencies. This option is being explored, as well as the evaluation of other properties presented by a contracted real estate broker. Finding the right property has been challenging, as it is difficult to find building space to meet the requirements of the Finance Commission agencies. The staffing resources needed to plan, organize, and execute the move efficiently and effectively will be significant. Cash reserves have been set aside to cover the future expenses related to the purchase or construction of a new building and relocation expenses.

The Department is currently undergoing Sunset review for 2019, as required under the Texas Sunset Act. Changes to the Department's mission, goals, and strategies for the next five years are possible. At the time of this writing, the Sunset Review Team has evaluated the Department and published their recommendations. The Sunset Commission will present their recommendations to the 86th Legislature when it convenes in January 2019.

DEPARTMENT STRENGTHS AS IDENTIFIED BY MANAGEMENT

- Staff is:
 - Experienced and knowledgeable of the thrift and mortgage industries, related state and federal law and regulations, as well as the applicable financial and accounting standards.
 - Dedicated to the Department's Mission and committed to consumer protection.
 - Cognizant of the necessary balance between regulatory compliance and safety and soundness concerns, offset by the need for credit and financial services.
 - Committed to the state thrift system and the mortgage lending industry and serves consumer needs.
- The Department offers flexible work schedules which allow employees to have a healthy work/life balance.

- Commitment to professionalism, allows the Department to attract competent, well-educated, and diverse employees.
- Efficient operations.
- The Department is nationally accredited for its regulation and supervision of the mortgage industry.
- Through cross-training and closely managed internal operational control, the Department has maintained efficient charter and license processing and appropriate oversight and supervision of the industries it regulates.
- The Department is responsive to feedback from its regulated entities and enjoys an excellent reputation for competent and balanced supervision.
- Effective fiscal management has enabled the Department to accurately project revenue and expenditures, and provide for reserve balances.
- As a Self-Directed, Semi-Independent agency, the Department has more opportunities to provide cost effective regulation.

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
None identified at this time.			

POST HURRICANE HARVEY ANALYSIS

No statutory changes are needed at this time to aid in responding to natural disasters.

SCHEDULE A: BUDGET – GOALS, OBJECTIVES AND MEASURES, STRATEGIES AND OUTPUT, EFFICIENCY AND EXPLANATORY MEASURES

BUDGET

The Department of Savings and Mortgage Lending has been a Self-Directed, Semi-Independent agency since 2009 and does not have a bill pattern in the General Appropriations Act. The Department, which is self-funding and self-leveling, is responsible for all costs as no resources are appropriated from General Revenue. All revenues for operations are derived from fees and assessments paid by the regulated entities. The revenues are deposited into the Department's account at the Texas Treasury Safekeeping Trust Company and not included in the General Revenue Fund.

The Department develops a budget annually that is made available to the public on the Department's website and presented to the Finance Commission for evaluation. The budgeting process begins in the last quarter of the fiscal year with the proposed budget presented at a public hearing typically at the end of July or beginning of August. The final budget is presented to the Finance Commission at its regularly scheduled August meeting for final decision. The Finance Commission must approve a budget before any expenditure can be made.

GOALS, OBJECTIVES AND MEASURES, STRATEGIES AND OUTPUT, EFFICIENCY AND EXPLANATORY MEASURES

The Finance Commission agencies are currently undergoing the Sunset review process. The April 2018 Sunset Advisory Commission Staff Report has recommended that performance measures be evaluated and updated to ensure they are directly related to performance, are consistent between agencies and highlight the priorities of each agency. Toward this effort, the following performance measures include certain revisions. However, over the next year, the Department will be working with our sister agencies and the Finance Commission to further refine the Department's performance measures.

GOAL: EFFECTIVE REGULATION OF THE THRIFT INDUSTRY

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 promotes a stable thrift industry and the confidence of depositors, creditors, and borrowers of these institutions.

OBJECTIVE: SAFETY AND SOUNDNESS

To examine, monitor, and enforce the safe and sound operations of state chartered savings institutions and their compliance with applicable state and federal statutes and regulations by ensuring that:

- 100% of savings institutions receive a quality examination within the required timeframes;
- 100% of problem institutions have the appropriate supervisory action(s) in place; and
- 100% of applications receive final action within the statutory timeframe.

OUTCOME MEASURES

- Percent of state chartered savings institutions receiving examinations within the required timeframes
- Percent of safe and sound institutions to total savings institutions
- Percent of assets in safe and sound savings institutions
- Percent of applications receiving final action within statutory timeframes

STRATEGY: THRIFT EXAMINATION AND SUPERVISION

Perform full and limited scope examinations and participate with federal regulators in examinations within required timeframes; monitor and enforce the safe and sound operations of state chartered savings institutions and their compliance with applicable laws and regulations.

OUTPUT MEASURES

- Number of examinations performed
- Number of detected instances of activity in unauthorized or prohibited areas
- Number of formal and informal regulatory actions
- Number of applications processed

EFFICIENCY MEASURES

- Assets examined per examiner day (in millions)
- Average time (business days) to complete analysis of quarterly financial data
- Average time (business days) between identification of a problem and initiation of regulatory action

EXPLANATORY MEASURES

- Number of state chartered savings institutions
- Dollar amount of assets under regulation (in billions)

GOAL: EFFECTIVE REGULATION OF THE MORTGAGE INDUSTRY

Protect Texas homebuyers through fair and effective regulation of the residential mortgage industry.

OBJECTIVE: RESIDENTIAL MORTGAGE LOAN ORIGINATOR REGULATION

Ensure timely and efficient licensing, registration, and examination of mortgage originators through fair, responsible, comprehensive regulation and enforce regulatory requirements.

OUTCOME MEASURES

- Percent of licensees receiving satisfactory levels of compliance through examinations

STRATEGY: MORTGAGE LICENSING AND EXAMINATION

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

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

OUTPUT MEASURES

- Number of applications processed
- Number of licensees examined

EFFICIENCY MEASURES

- Average cost per application processed

EXPLANATORY MEASURES

- Total number of licensees in an approved status

GOAL: CONSUMER RESPONSIVENESS

Ensure responsiveness to inquiries, requests, and complaints from citizens, industry, public officials, and other state and federal governmental entities.

OBJECTIVE: COMPLAINTS AND INQUIRIES

Ensure that complaints are timely and efficiently completed.

OUTCOME MEASURES

- Percent of complaints completed within ten business days of receipt of complete information

STRATEGY: COMPLAINT AND INQUIRY PROCESS

Provide a forum for registering complaints, responding to requests and inquiries and taking appropriate action when warranted.

OUTPUT MEASURES

- Number of complaints completed
-

EFFICIENCY MEASURES

- Average cost per complaint completed

SCHEDULE B: LIST OF MEASURE DEFINITIONS

Agency:	Department of Savings and Mortgage Lending
Goal:	Effective Regulation of the Thrift Industry
Objective:	Safety and Soundness
	To examine, monitor, and enforce the safe and sound operations of state chartered savings institutions and their compliance with applicable state and federal statutes and regulations by ensuring that:
	<ul style="list-style-type: none">• 100% of savings institutions receive a quality examination within the required timeframes;• 100% of problem institutions have the appropriate supervisory action(s) in place; and• 100% of applications receive final action within the statutory timeframe.
Strategy:	Perform full and limited scope examinations and participate with federal regulators in examinations within required timeframes; monitor and enforce the safe and sound operations of state chartered savings institutions and their compliance with applicable laws and regulations.

Outcome Measure: Percent of state chartered savings institutions receiving examination within the required timeframes.

Definition

The percentage of savings institutions receiving timely examination within the required timeframes.

Purpose/Importance

The Department's primary mission with respect to state chartered thrifts is to ensure that all state savings institutions are operated in a safe and sound manner and in compliance with applicable statutes and rules. To accomplish this mission each institution must be regularly examined based on an assessment of risk. Material failure to achieve this measure could result in an unsafe and unsound thrift industry in Texas.

Source/Collection of Data

An examination tracking log of all examinations performed by the Department as well as by federal regulators is maintained by Department staff. The tracking log is maintained by the following Priority Schedule: Institutions \$3 billion in asset size or more rated composite CAMELS 1 or 2, are examined every 12 months. Institutions less than \$3 billion in asset size, rated composite CAMELS 1 or 2, are examined every 18 months IF they are well capitalized, well managed and free from any formal enforcement action. Institutions with less than \$3 billion, CAMELS 1 or 2 rated with a 3 rated management or subject to formal enforcement action are examined every 12 months. Institutions of any asset size with CAMELS rating of 3, 4, or 5 are required to have a full scope examination annually with a visitation in the interim, six months after completion and submission of the results of the full scope examination. The visitation examination should be of sufficient scope to address regulatory concerns.

Method of Calculation

The cumulative number of state chartered saving 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.

Data Limitations

None

Calculation Type

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Outcome Measure: Percent of safe and sound institutions to total savings institutions.

Definition

The percentage of savings institutions determined to be operating in a safe and sound manner as a result of an on-site examination. A safe and sound institution is defined as any institution with a CAMELS rating of 1 or 2.

Purpose/Importance

The measure provides a comprehensive indication of the health of the state chartered industry as determined by examination results. The higher the percent, the healthier the industry, and by deduction the more effective the Department’s regulation has been.

Source/Collection of Data

Department staff maintains information on each institution under the Department’s jurisdiction including their financial institution rating under the CAMELS system of their last examination and reports the results in the quarterly Financial Monitoring Report.

Method of Calculation

The number of safe and sound institutions is divided by the total number of state chartered institutions regulated as reported in the quarterly Early Detection Model.

Data Limitations

The primary limitation of this measure as a tool to evaluate the Department’s effectiveness is that it can be impacted as much by economic conditions as Department regulation.

Calculation Type

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Outcome Measure: Percent of assets in safe and sound savings institutions.

Definition

The percentage of the state chartered thrift industry's total assets in savings institutions determined to be operating in a safe and sound manner as a result of an on-site examination. A safe and sound institution is defined as any institution with a CAMELS rating of 1 or 2.

Purpose/Importance

The measure provides a comprehensive indication of the health of the state chartered industry as determined by examination results. The higher the percent, the healthier the industry, and by deduction the more effective the Department's regulation has been.

Source/Collection of Data

Department staff maintains information on each institution under the Department's jurisdiction including their financial institution rating under the CAMELS system of their last examination and reports the results in the quarterly Financial Monitoring Report.

Method of Calculation

The total assets of safe and sound institutions divided by the total state chartered assets regulated as reported in the quarterly Early Detection Model.

Data Limitations

The primary limitation of this measure as a tool to evaluate the Department's effectiveness is that it can be impacted as much by economic conditions as Department regulation.

Calculation Type

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Outcome Measure: Percent of applications receiving final action within statutory timeframes.

Definition

Percentage of savings institutions applications receiving final action within the following statutorily defined timeframes or, where no statutory timeframe exists, within the Department's goal for that type of application:

60 calendar days after application is complete and hearing held (if applicable): new charter, branch office, mobile facility, reorganization, merger, consolidation, change of control, change of name, and change of location.

30 calendar days after application is complete: investment in subsidiary.

Purpose/Importance

The measure is a strong indicator of whether the Department is processing applications in a timely manner and informing the applicant of the evaluation and conclusion in a reasonable time.

Source/Collection of Data

For all application activity, Department staff maintains a log showing date application received, date application deemed complete, date of hearing (if applicable) and final determination by the Commissioner. These dates will be supported by letters to the applicants and, when applicable, hearing notices published in the *Texas Register*.

Method of Calculation

The application log is reviewed for the period and each application in process during the period is evaluated for compliance with statutory timeframes. Applications processed within required timeframes are divided by the total number of applications for which processing is completed during the period.

Data Limitations

None

Calculation Type

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Output Measure: Number of examinations performed

Definition

The total number of on-site independent, joint, full scope, limited scope, or special examinations of savings institutions performed during the quarter.

Purpose/Importance

The measure indicates the level of examination activity for the period reviewed as a productivity indicator and in comparison with the total number of state chartered savings institutions; it provides an indication of workload for the Department’s examination staff.

Source/Collection of Data

Department staff maintains a log tracking the status of examinations and responses (e.g. examination type, date examination began and completed, date report issued, date of response by the institution, etc.). The log serves as the basis for capturing the number of all types of examinations performed on savings institutions under the Department’s jurisdiction.

Method of Calculation

Arithmetically total the number of examinations performed.

Data Limitations

On occasion, the measure can be distorted as a result of multiple examinations of the same institution, or a large number of special examinations.

Calculation Type

Cumulative

New Measure

No

Target Attainment

Higher than target

Output Measure: Number of detected instances of activity in unauthorized or prohibited areas

Definition

The total number of instances of activity by a state savings institution in unauthorized or prohibited areas detected during the quarterly financial review of the institution's quarterly regulatory financial report.

Purpose/Importance

The Department's review of quarterly financial reports submitted by each state chartered savings institution provides a critical element in the Department's off-site monitoring between field examinations to assure safe and sound operations of the institution.

Source/Collection of Data

Department staff reviews the quarterly Call Report submitted by each state savings institution, analyzing the report for unusual activities and making inquiries to the institution's management to discuss its operations and/or obtain an explanation for anything that appears unusual, unauthorized, or prohibited.

Method of Calculation

Arithmetically total the number of instances reported based on the number of memoranda prepared.

Data Limitations

If the industry is healthy, well-managed, and operating in a compliant manner and if field examinations are effective, the number of detected instances is likely to be very low. On the other hand, poor examination quality can result in a high level of detected instances. Thus, the outcome of this measure may be counterintuitive.

Calculation Type

Cumulative

New Measure

No

Target Attainment

Lower than target

Output Measure: Number of formal and informal regulatory actions

Definition

The total of all formal and informal regulatory actions taken by the Department as a result of either a field examination or off-site monitoring to direct a state chartered savings institution, its management, or board of directors to take or cease an action.

Purpose/Importance

The Department may take formal or informal regulatory actions to remedy unsafe and unsound activities by a savings institution under its jurisdiction. Such regulatory actions are normally taken as a result of monitoring or examination findings. Formal enforcement actions include orders from the Commissioner pursuant to authority granted under the Texas Savings Bank Act or the Texas Savings and Loan Act and are legally enforceable. Examples of these include agreed memoranda of understanding, cease and desist orders, conservatorship orders, receivership orders, and removal and prohibition orders.

Source/Collection of Data

Copies of the orders and a log are maintained by Department staff and are the source of measurement for formal actions. Informal enforcement actions, usually in the form of a written directive to the institution, are maintained by Department staff to facilitate ongoing review of the institution’s compliance with the order. The log of these directives serves as the source for the number of informal enforcement actions.

Method of Calculation

Arithmetically total the number of regulatory actions taken by the Department during the reporting period, recorded in the logs maintained by the Department.

Data Limitations

The number of regulatory actions required to be taken by the Department is generally indicative of the industry’s condition and the economic environment; however, as a measure of the Department’s performance it is a poor indicator. The number of regulatory actions taken can result from proactive regulation by the Department to mitigate damage to an institution, or reactive regulation resulting from failure to intervene early enough to avoid undesirable consequences (i.e. effective field examinations and off-site monitoring will normally result in fewer regulatory actions being required).

Calculation Type	New Measure	Target Attainment
Cumulative	No	Lower than target

Output Measure: Number of applications processed.

Definition

The total number of all applications received by the Department during the reporting period; including charters for savings institution, establish additional offices, engage in a merger or acquisition transaction, or invest in a subsidiary, etc.

Purpose/Importance

The measure provides an indication of the application workload regarding savings institution corporate transactions. The measure is frequently reflective of economic expansion in the state. During more prosperous economic conditions, individuals seek to charter new institutions; and existing financial institutions establish new branch offices and engage in a greater level of merger and acquisition activities.

Source/Collection of Data

For all application activity, the Department staff maintains a log indicating the date application received, date application deemed complete, date of hearing (if applicable) and final determination by the Commissioner. These dates are supported by letters to the applicants and, when applicable, hearing notices published in the *Texas Register*.

Method of Calculation

Arithmetically count the number of applications with final action taken by the Department during the reporting period as recorded in the log maintained by the Department staff, regardless of when the application was originally received.

Data Limitations

The Department has no control over the number of applications received and processed. The measure does, however, provide a workload indicator for the Department's savings institution application process.

Calculation Type	New Measure	Target Attainment
Cumulative	No	Higher than target

Efficiency Measure: Assets examined per examiner day (in millions)

Definition

The total state chartered industry assets divided by the number of examiner days available.

Purpose/Importance

The measure compares total industry assets to the available examination staff days available to evaluate the reasonableness of the number of examiners to the size of the industry being regulated by the Department.

Source/Collection of Data

The average number of examiner FTEs is determined by Department staff from a report of staff salaries prepared from USPS reports. The total assets of state chartered savings institutions are obtained from the Early Detection Model prepared by Department staff from quarterly call reports submitted by each institution. The number of examiner days available is calculated by subtracting vacations, weekends, training days, typical number of sick days and holidays from 365 days in the year.

Method of Calculation

Total assets of state chartered savings institutions examined by the Department during the reporting period taken from the Early Detection Model and dividing the amount by the number of available examiner days, excluding absences from work due to vacation, holidays, sickness, and training.

Data Limitations

The measure must be considered along with the general supervisory condition of the state chartered industry under regulation. Significant economic downturns can adversely affect financial institutions in the state system increasing the number of examiners required to effectively regulate the industry.

Calculation Type	New Measure	Target Attainment
Non-Cumulative	No	Higher than target

Efficiency Measure: Average time (business days) to complete analysis of quarterly financial data

Definition

The measure calculates the number of business days required to analyze and report to the Commissioner initial quarterly financial results of saving institutions under the Department's jurisdiction from financial reports the institutions submit.

Purpose/Importance

The measure provides an indication of the Department’s off-site monitoring efficiency. The financial monitoring report is a significant tool for the Commissioner and staff in identifying and addressing financial operating changes in an institution between quarterly reports so that prompt, effective supervisory action can be taken when needed. The more timely the action, the greater its effectiveness.

Source/Collection of Data

Call report data serves as the basis for Early Detection Model reports. Call reports are submitted electronically to FFIEC within 30 calendar days of calendar quarter end. Department staff obtains call reports submitted through the repository. Final Early Detection Model reports cannot be produced until all call reports are received.

Method of Calculation

Financial monitoring system reports are available within a few days after receipt of the last call report. The due date of the Call Report serves as the start date. The generated date stamp on the Early Detection Model report serves as the end date. The elapsed business days between the two dates is the measure of performance.

Data Limitations

None

Calculation Type

Non-Cumulative

New Measure

No

Target Attainment

Lower than target

Efficiency Measure: Average time (business days) between identification of a problem and initiation of regulatory action

Definition

The average number of business days it takes the Department to take regulatory action after identifying a problem in a savings institution under its jurisdiction.

Purpose/Importance

The measure identifies how promptly the Department responds to an identified regulatory problem. It is presumed that prompt regulatory action to correct problems will generally mitigate any damage caused to the savings institution.

Source/Collection of Data

Supervisory or regulatory problems are normally identified as a result of field examination or analysis of quarterly financial information submitted by savings institutions. A problem is considered anything that results in a formal or informal regulatory action by the Department. Enforcement actions are monitored and logged by Department staff. Typically, a problem is identified by memorandum or in an examination report. Before a regulatory action can be taken, the Department must ensure that all facts relevant to the problem are investigated and understood; therefore, for problems identified in connection with an examination issuance of the final examination report begins the period for resolution. The Department must also consult with the FDIC or Federal Reserve Bank, because informal actions are handled jointly, with formal actions issued by one or the other, with concurrence. Therefore, the timing

on this measure may be affected by the drafting and review by the FDIC or Federal Reserve Bank.

Method of Calculation

The date of receipt of an examination report in the Austin office, or date of supervisory memorandum resulting from completion of an investigation begins the measurement period while the date of initiation of regulatory action marks the end of the measurement period.

Data Limitations

Supervisory problems cover a wide range of possible activities and levels of complexity. Identification of the full extent of a supervisory problem may take a period of several weeks or months of investigation once a preliminary indication has surfaced.

Calculation Type	New Measure	Target Attainment
Non-Cumulative	No	Lower than target

Explanatory Measure: Number of state chartered savings institutions

Definition

The total number of savings institutions chartered by the state under the Department’s jurisdiction.

Purpose/Importance

The measure indicates the number of savings institutions under the Department’s jurisdiction, providing a major indicator for evaluating the Department’s level of activity in all strategies and other measures related to savings institution regulation (i.e. the number of examinations, applications, and complaints correlate in whole or in part to the number of institutions).

Source/Collection of Data

Department staff maintains information on each institution under the Department’s jurisdiction and report that information in the quarterly Early Detection Model. The Early Detection Model provides information on the number of institutions and aggregate assets and is updated on a calendar quarter basis.

Method of Calculation

Arithmetically count the number of state chartered savings institutions.

Data Limitations	Calculation Type
None	Non-Cumulative
New Measure	Target Attainment
No	Higher than target

Explanatory Measure: Dollar amount of assets under regulation (in billions)

Definition

The measure provides information on the aggregate total assets of savings institutions chartered by the state under the Department's jurisdiction.

Purpose/Importance

The measure provides the aggregate assets of the state thrift system subject to the Department's jurisdiction and influence. The measure also serves as an indicator of the appropriateness for the amount of the state resources dedicated to supervising and regulating the industry.

Source/Collection of Data

Department staff maintains information on each institution under the Department's jurisdiction and reports that information in the quarterly Early Detection Model. The Early Detection Model provides information on the number of institutions and aggregate assets and is updated on a calendar quarter basis.

Method of Calculation

Arithmetically count the total assets of state savings institutions.

Data Limitations

None

Calculation Type

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Agency:	Department of Savings and Mortgage Lending
Goal:	Effective Regulation of the Mortgage Industry
Objective:	Residential Mortgage Loan Originator Regulation
Strategy:	<p>Ensure timely and efficient licensing, registration, and examination of mortgage originators through fair, responsible, comprehensive regulation and enforce regulatory requirements.</p> <p>Process, investigate, and take appropriate final action on mortgage license applications and registrations, both entities and individuals; and enforce compliance with licensing standards of conduct.</p> <p>Ensure effective and efficient examination of mortgage licensees and registrants through fair, responsible, and comprehensive investigation; and enforcement of regulatory requirements regarding procedures and standards of conduct.</p>

Outcome Measure: Percent of licensees receiving satisfactory levels of compliance through examinations

Definition

The percentage of the total number of examinations at the end of the reporting period in which satisfactory levels of compliance are achieved.

Purpose/Importance

The examination of mortgage entities and individuals, as mortgage loan originators, helps to ensure that legal standards and compliance with statutory standards of conduct are met. This measure is important because it indicates how effectively the Department's activities deter violations of statutes and rules.

Source/Collection of Data

Department staff maintains a database of licensees. Staff compiles a report, from the database, of all licensees who have received an examination during the reporting period.

Method of Calculation

The total number of examinations, conducted during the reporting period, with acceptable levels of compliance (as determined by the Department) divided by the total number of examinations conducted during the reporting period.

Data Limitations

The Department's examination staff make a determination of compliance levels and use a rating system to identify licensees with an acceptable or unacceptable level of compliance. The examination ratings are based on the Department's regulatory analysis. This measure is driven by the level of licensee compliance.

Calculation Type	New Measure	Target Attainment
Non-Cumulative	No	Higher than target

Output Measure: Number of applications processed

Definition

The number of application processed during the reporting period.

Purpose/Importance

The measure provides information on the extent to which the Department fulfills its statutory responsibility to license and regulate the mortgage industry.

Source/Collection of Data

The Department utilizes the Nationwide Multi-State Licensing System (NMLS) as the system of record. The number of applications processed during the period is determined by preparing a report from NMLS.

Method of Calculation

Arithmetically count the number of applications that have final action taken during the reporting period, regardless of when the application was originally received.

Data Limitations

The Department cannot control the number of applications received. If the number applications vary significantly, either up or down, the measure will vary in a similar manner.

Calculation Type

Cumulative

New Measure

No

Target Attainment

Higher than target

Output Measure: Number of licensees examined

Definition

The total number of mortgage loan originators included in examinations performed during the reporting period.

Purpose/Importance

The measure indicates the level of examination activity for the period reviewed as a productivity indicator.

Source/Collection of Data

Department staff prepares a report tracking the status of examinations (e.g. current examination date, previous examination date, examination rating, examiner's name, and whether follow-up examination is needed). The report serves as the basis for capturing the number of mortgage loan originators examined.

Method of Calculation

Arithmetically count the number of mortgage loan originators examined during the reporting period.

Data Limitations

The total number of mortgage loan originators will vary between quarters depending on the size and complexity of examinations.

Calculation Type	New Measure	Target Attainment
Cumulative	No	Higher than target

Efficiency Measure: Average cost per application processed**Definition**

The measure provides the average cost of application processed by the Department.

Purpose/Importance

The measure is intended to show how cost efficiently the Department processes applications.

Source/Collection of Data

Costs are obtained from financial reports prepared by the Department's accounting area. The number of applications processed is obtained from reports prepared by the licensing area.

Method of Calculation

Average cost per unit is computed by adding the total expenditures and attributable indirect costs for the licensing strategy, and dividing by the total number of applications processed to a final decision for the reporting period.

Data Limitations

The Department cannot control the number of applications received. The number of applications could vary significantly over the reporting period; thereby, the measure would vary in an opposite manner.

Calculation Type	New Measure	Target Attainment
Non-Cumulative	No	Lower than target

Explanatory Measure: Total number of licensees in an approved status**Definition**

Total number of approved licensed mortgage originators (entities and individuals) at the end of the reporting period.

Purpose/Importance

The measure shows the total number of licenses in an approved status.

Source/Collection of Data

The Department utilizes the Nationwide Multi-State Licensing System (NMLS) as the system of record. The number of licenses in an approved status during the period is determined by preparing a report from NMLS.

Method of Calculation

Arithmetically count the number of licenses in an approved status.

Data Limitations

None

Calculation Type

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Agency:	Department of Savings and Mortgage Lending
Goal:	Consumer Responsiveness
Objective:	Ensure that complaints are timely and efficiently resolved.
Strategy:	Provide a forum for registering complaints, responding to requests and inquiries and taking appropriate action when warranted.

Outcome Measure: Percent of complaints completed within ten business days of receipt of complete information

Definition

The measure identifies the percentage of complaints completed within ten business days after the receipt of all needed information relating to the complaint.

Purpose/Importance

The measure is an indicator of whether complaints are being investigated, researched, and addressed promptly.

Source/Collection of Data

Department staff maintains a database of licensees. Staff compiles a report, from the database, of all complaints completed during the reporting period.

Method of Calculation

An arithmetic calculation is made of the number of days between the date all needed information is received and the date completed. The number of complaints completed in 10 business days or less is divided by the total number of complaints completed during the reporting period.

Data Limitations

Complaints can require significant investigation; therefore, the counting period for evaluating prompt response cannot begin until all facts have been obtained from both the individual complaining and the party who was complained against. Thus a complainant can view the period as too long, even though the complaint was investigated efficiently and appropriately.

Calculation Type	New Measure	Target Attainment
Non-Cumulative	No	Higher than target

Output Measure: Number of complaints completed

Definition

The number of complaints against regulated entities for which all information is obtained, the investigation completed, and a written response completed to the complainant.

Purpose/Importance

The measure provides an indication of the workload volume of complaints received, processed and completed by the Department. The measure also provides an indication

of whether these regulated entities are satisfying consumers, or not, based on the relative complaint volume between periods.

Source/Collection of Data

Department staff maintains a database of licensees. Staff compiles a report, from the database, of all complaints closed during the reporting period.

Method of Calculation

Arithmetically count the number of complaints received against regulated entities that were completed during the reporting period.

Data Limitations

The measure can be useful as a measure of activity, but is not indicative of how well the Department is performing because the number of complaints received cannot be controlled.

Calculation Type	New Measure	Target Attainment
Non-Cumulative	No	Higher than target

Efficiency Measure: Average cost per complaint completed

Definition

The measure provides the average cost to process a complaint to completion.

Purpose/Importance

The measure is intended to show how cost effectively the Department processes complaints.

Source/Collection of Data

Costs are obtained from financial reports prepared by the Department's accounting section. The number of complaints processed is obtained from reports prepared by the complaint area.

Method of Calculation

Average cost per unit is computed by adding the total expenditures and attributable indirect costs for the complaints strategy, and dividing by the total number of complaints processed to a final decision for the reporting period.

Data Limitations

The number of complaints received is outside of the Department's control; therefore, the number of complaints processed can vary significantly from one period to another. The number of complaints received could vary significantly over the reporting period; thereby, the measure would vary in an opposite manner.

Calculation Type	New Measure	Target Attainment
Non-Cumulative	No	Lower than target

SCHEDULE C: HISTORICALLY UNDERUTILIZED BUSINESSES PLAN FY2019-FY2023

It is the Department's goal to support Historically Underutilized Businesses establish and implement policies governing purchasing and public works contracting that foster meaningful and substantive inclusion of historically underutilized businesses ("HUBs"). [1 TAC §§111.11-111.23]

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.

HUB_CONSOLIDATION_AGENCY_RPT

TEXAS COMPTROLLER OF PUBLIC ACCOUNTS
450 CONSOLIDATED REPORT FOR
TX DEPT OF SAVINGS AND MTC LENDING

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PROCUREMENT CATEGORY	TOTAL EXPENDITURES	TOTAL \$/% SPENT WITH NON HUBS	TOTAL \$/% SPENT WITH HUBS	ANNUAL PROCUREMENT GOAL %
HEAVY CONSTRUCTION	\$00	\$00 / 0.00%	\$00 / 0.00%	11.20%
BUILDING	\$00	\$00 / 0.00%	\$00 / 0.00%	21.10%
SPECIAL TRADE	\$00	\$00 / 0.00%	\$00 / 0.00%	32.90%
PROFESSIONAL	\$25,480	\$00 / 0.00%	\$25,480 / 100.00%	23.70%
OTHER SERVICES	\$124,087	\$61,954 / 49.93%	\$62,133 / 50.07%	26.00%
COMMODITY PURCHASING	\$30,270	\$15,519 / 51.27%	\$14,750 / 48.73%	21.10%
	<u>\$179,838</u>	<u>\$77,473 / 43.08%</u>	<u>\$102,364 / 56.92%</u>	
CONSOLIDATED REPORT FOR THE STATE OF TEXAS				
HEAVY CONSTRUCTION	\$6,860,140,547	\$6,696,422,591 / 97.61%	\$364,471,113 / 5.31%	11.20%
BUILDING	\$2,046,897,725	\$1,965,334,075 / 96.02%	\$384,135,898 / 18.77%	21.10%
SPECIAL TRADE	\$773,138,784	\$640,384,427 / 82.83%	\$177,389,708 / 22.94%	32.90%
PROFESSIONAL	\$1,022,953,287	\$890,796,249 / 87.08%	\$264,879,500 / 25.89%	23.70%
OTHER SERVICES	\$4,608,825,330	\$4,144,996,365 / 89.94%	\$652,071,559 / 14.15%	26.00%
COMMODITY PURCHASING	\$4,957,196,486	\$4,397,158,184 / 88.70%	\$583,804,174 / 11.78%	21.10%
	<u>\$20,269,152,162</u>	<u>\$18,735,091,892 / 92.43%</u>	<u>\$2,426,751,956 / 11.97%</u>	

** ANALYSIS OF AWARDS FOR
450 TX DEPT OF SAVINGS AND MTC LENDING

CERTIFIED HUB GROUP FOR HUB CREDIT	TOTAL # AND % OF HUB VIDS RECEIVING AWARDS	TOTAL DOLLAR AMOUNT AND % AWARDED TO HUBS
ASIAN PACIFIC	1 / 11.11%	\$8,290 / 8.10%
BLACK	1 / 11.11%	\$1,402 / 1.37%
HISPANIC	1 / 11.11%	\$25,480 / 24.89%
NATIVE AMERICAN	0 / 0.00%	\$00 / 0.00%
SERVICE-DISABLED VETERAN	0 / 0.00%	\$00 / 0.00%
WOMAN	6 / 66.67%	\$67,191 / 65.64%
TOTAL	<u>9 / 100.00%</u>	<u>\$102,364 / 100.00%</u>

** ANALYSIS OF AWARDS FOR THE STATE OF TEXAS

CERTIFIED HUB GROUP	# OF VIDS ELIGIBLE FOR HUB CREDIT, %	# OF MALES, %	# OF FEMALES, %	TOTAL # AND % OF HUB VIDS RECEIVING AWARDS	TOTAL DOLLAR AMOUNT AND % AWARDED TO HUBS
ASIAN PACIFIC	1184 / 7.48%	795 / 11.85%	389 / 4.26%	277 / 6.43%	\$347,805,349 / 14.33%
BLACK	3449 / 21.78%	2058 / 30.68%	1391 / 15.24%	461 / 10.71%	\$268,336,668 / 11.06%
HISPANIC	4931 / 31.14%	3493 / 52.08%	1438 / 15.76%	1358 / 31.54%	\$725,635,080 / 29.90%
NATIVE AMERICAN	319 / 2.01%	231 / 3.44%	88 / 0.96%	92 / 2.14%	\$36,060,421 / 1.49%
SERVICE-DISABLED VETERAN	130 / 0.82%	130 / 1.94%	0 / 0.00%	33 / 0.77%	\$9,057,997 / 0.37%
WOMEN	5820 / 36.76%	0 / 0.00%	5820 / 63.77%	2085 / 48.42%	\$1,039,856,438 / 42.85%
TOTAL	<u>15834 / 100.00%</u>	<u>6707 / 100.00%</u>	<u>9126 / 100.00%</u>	<u>4306 / 100.00%</u>	<u>\$2,426,751,956 / 100.00%</u>

** THE ANALYSIS IS BASED ON THE TOTAL # OF VENDOR ID NUMBERS THAT WERE ELIGIBLE TO RECEIVE HUB CREDIT. TOTAL # OF CERTIFIED HUBS FOR THE PERIOD OF FY2017 IS 15772.

SUCH AS, 1184 (7.48%) OF VID NUMBERS ELIGIBLE TO RECEIVE HUB CREDIT WERE ASIAN PACIFIC OWNED BUSINESSES, 795 (11.85%) WERE ASIAN PACIFIC MALE OWNED BUSINESSES AND 389 (4.26%) WERE ASIAN PACIFIC FEMALE OWNED BUSINESSES. 277 (6.43%) AWARDS WERE MADE TO ASIAN PACIFIC OWNED BUSINESSES, TOTALING \$347,805,349.00 (14.33%) OF THE TOTAL DOLLARS AWARDED TO HUBS.

SCHEDULE F: WORKFORCE PLAN FY2019-FY2023

I. DEPARTMENT OVERVIEW

The Department of Savings and Mortgage Lending has two key areas of regulatory responsibility: the chartering, regulation and supervision of the state's thrift industry; and the licensing/registration and regulation of the state's mortgage industry. These two areas of responsibility cover the vast majority of residential mortgage lending in Texas.

A. DEPARTMENT 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.

GOVERNING LEGISLATION

Article 16, Section 16(a) of the Texas Constitution of 1876 provides 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 and creditors thereof."

The 58th and 73rd Legislatures, respectively, enacted the Texas Savings and Loan Act (Subtitle B. Savings and Loan Associations) and the Texas Savings Bank Act (Subtitle C. Savings Banks, Finance Code, Vernon's Texas Codes Annotated) for the chartering, regulation, examination and supervision of state chartered savings banks and savings and loan associations and enforcement of these statutes.

The 76th Legislature enacted the Mortgage Broker License Act (Subtitle E. Other Financial Businesses, Chapter 156) for licensing and regulation of first lien residential mortgage brokers and loan officers doing business in Texas. The statute, as amended by the 80th Legislature, applies to all residential mortgages regardless of lien position. The statute prescribes requirements for licensing and inspecting licensees, and processing consumer complaints.

The 78th Legislature enacted the Mortgage Banker Registration Act (Subtitle E. Other Financial Businesses, Chapter 157) for registering mortgage bankers conducting business in Texas and providing their borrowers with notice of the process for filing consumer complaints.

The 81st Legislature enacted the Texas SAFE Act and other significant modifications to Chapters 156 and 157. Compliance with the federal mandates addressed by this legislation expanded the field of individuals subject to residential mortgage licensing by eliminating the de minimus level of originations, and eliminating the exemptions for individuals employed by mortgage bankers under Chapter 157, governmental entities, independent third party processors and underwriters.

The 82nd Legislature enacted Senate Bill 17 creating Chapter 158 calling for the registration of non-depository third party residential mortgage loan servicers. This legislation resulted from an increasing level of concerns over mortgage servicing complaints and issues with foreclosure around the country. The statute authorizes the Department to require registrants to carry a bond or equivalent, notify serviced clients of their ability to file a complaint and to investigate any such complaints. The Department is not authorized to initiate examinations of servicing registrants but may participate in multistate examinations.

C. STRATEGIC STRUCTURE

GOAL A: EFFECTIVE REGULATION OF THE THRIFT INDUSTRY. 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 promotes a stable thrift industry and the confidence of depositors, creditors, and borrowers in these institutions.

STRATEGY A-1-1. THRIFT EXAMINATION AND SUPERVISION. Perform full and limited scope examinations and participate with federal regulators in examinations within required timeframes; monitor and enforce the safe and sound operations of state chartered savings institutions and their compliance with applicable laws and regulations.

GOAL B: EFFECTIVE REGULATION OF THE MORTGAGE INDUSTRY. Protect Texas homebuyers through fair and effective regulation of the residential mortgage industry.

STRATEGY B-1-1. MORTGAGE INDUSTRY LICENSING. Process, investigate, and take appropriate final action on mortgage license applications and registrations, both entities and individuals; and enforce compliance with licensing standards of conduct.

STRATEGY B-1-2. MORTGAGE INDUSTRY EXAMINATION. Ensure effective and efficient examination of mortgage licensees and registrants through fair, responsible, and comprehensive investigation; and enforcement of regulatory requirements regarding procedures and standards of conduct.

GOAL C: CONSUMER RESPONSIVENESS. Ensure responsiveness to inquiries, requests, and complaints from citizens, industry, public officials, and other state and federal governmental entities.

STRATEGY C-1-1. COMPLAINT AND INQUIRY PROCESS. Provide a forum for registering complaints, responding to requests and inquiries and taking appropriate action when warranted.

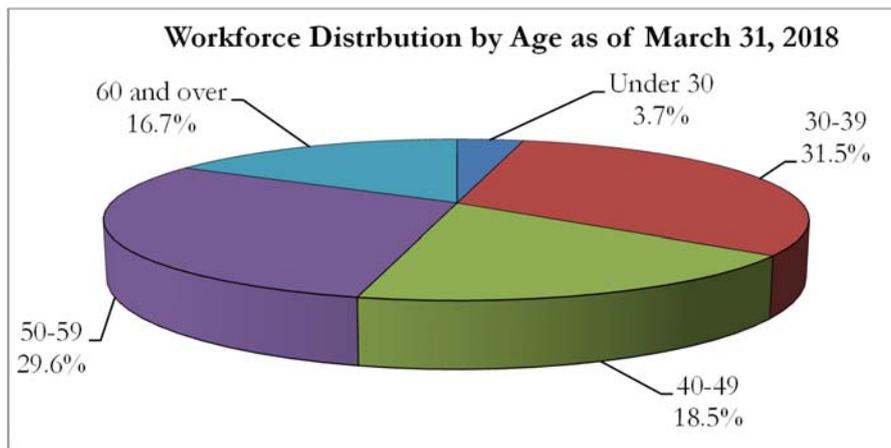
II. DEPARTMENT DEMOGRAPHICS

A. COMPOSITION OF DEPARTMENT STAFF

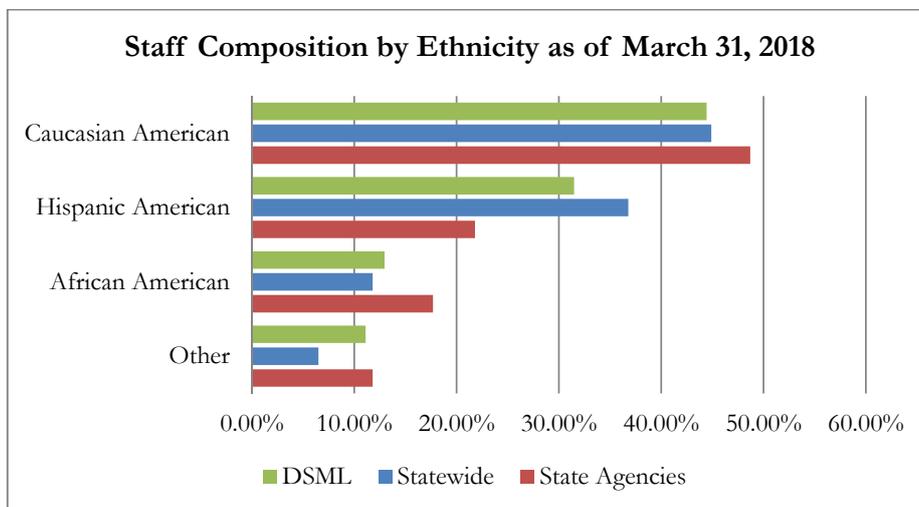
The current workforce of 54 employees is comprised of 30 females (55.6%) and 24 males (44.4%). Nine employees (16.7%) are over age 59, sixteen (29.6%) are in their 50s, ten (18.5%) are in their 40s, and the average age has remained 47 years in fiscal year 2018. The Department faces a massive departure of knowledge in the next ten years.

The employees' length of agency service distribution has shifted due to retirements and other departures. As a result 22% (down from 26% in fiscal year 2016) of employees have less than two years of agency service, and 59% (down from 68% two years ago) now have more than five years of service.

The chart below shows the Department staff composition by age as of March 31, 2018.



The following chart compares the agency staff composition by ethnicity as of March 31, 2018 to the statewide and state agencies workforce composition as reported by the Civil Rights Division of the Texas Workforce Commission in their Equal Employment Opportunity and Minority Hiring Practices Report for fiscal years 2015-2016.

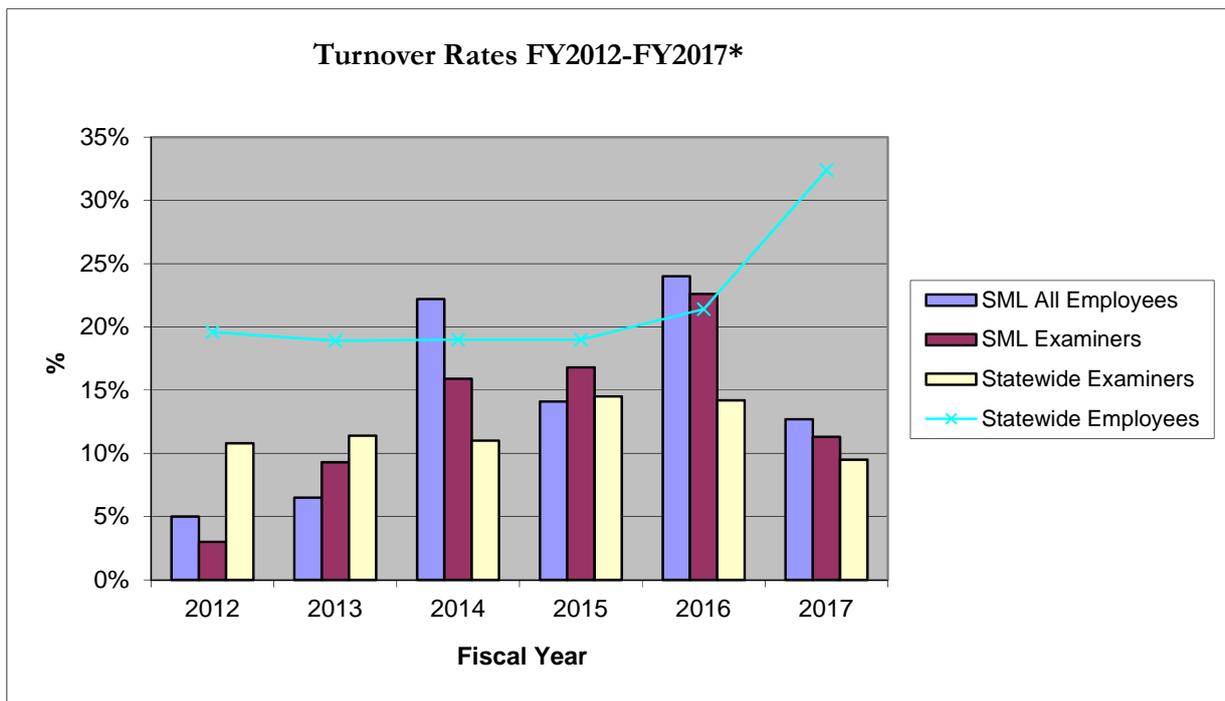


B. EMPLOYEE TURNOVER

Retention of good quality employees is a priority for the Department. Turnover occurs in every organization for a variety of reasons. Over the years the Department has developed and adjusted its processes, training schemes, internal documentation, in order to shorten the learning curve and facilitate new employees' immersion into the Department's functions and culture. Additional efforts at employee satisfaction include expanded flex hour schedules, relaxed dress code, and implementation of the Governor's fitness program. The Department continues to search for tools and mechanisms to combat turnover in all groups of employees and to keep the levels of employee satisfaction high.

Financial examiner retention is a particular priority because examiners perform one of the essential functions of the Department. Well-trained financial examiners are widely sought after by state regulatory agency, federal counterparts, and private sector. Retirements and other separations caused an increase in financial examiner turnover over the last several years from 3% in 2012 to 23% in 2016. However in 2017, examiner turnover decreased to 11% and in 2018 to date there has been 0% turnover.

The graph below compares Department turnover to statewide turnover for fiscal years 2012-2017, as well as the financial examiner turnover to statewide financial examiner turnover. Interagency transfers are included even though the employee stayed within the state system.



*Turnover information obtained from State Auditor's Office Electronic Classification Analysis System (E-Class).

Fiscal Years 2016-17 Turnover by Length of Service

The Department lost thirteen employees during fiscal year 2016 and seven in fiscal year 2017. Employees with less than two years of experience had the highest Department turnover - a consistent trend statewide.

Length of Service	% of SML Turnover	% of State Turnover
Less than 2 years	35.0	47.4
2-5 years	5.0	19.9
5-10 years	30.0	13.5
10-15 years	25.0	13.3
15-20 years	0	2.1
More than 20 years	5.0	3.8

Fiscal Years 2016-2017 Turnover by Age

Age	% of SML Turnover	% of State Turnover
Under 30 years	5.0	27.6
30-39 years	40.0	22.0
40-49 years	10.0	17.9
50-59 years	20.0	20.0
60 years and over	15.0	12.4

C. RETIREMENT ELIGIBILITY

Retirement will account for a significant number of separations over the next five years, and a critical loss of institutional knowledge and expertise in key positions. The commissioner, four directors, and other high level positions are currently eligible or will be eligible for retirement within five years.

As of March 31, 2018, two employees are already eligible to retire under the age 60 and five years of service rule and eight employees under the rule of 80 and the age 65 and 10 years of service rule. By the end of fiscal year 2023, two employees will become eligible for retirement under the rule of 80 or the age 65 and 10 years of service rule, and nine more will become eligible under the age 60 and five years of service. Besides the executives mentioned above, the potential retirees include six examiners, two investigators, and four administrative staff. These employees have extensive tenure with the Department and a wealth of institutional knowledge. The average state service of the potential retirees in their year of eligibility is 14 years. It is important to ensure that this knowledge and organizational experience is not lost.

During the last several years the Department has been focused on succession planning and has a detailed plan of action to replace the skill sets of retired employees.

III. THE DEPARTMENT'S FUTURE WORKFORCE PROFILE

A. WORKFORCE CHANGES

As programs become increasingly complex, necessitating process improvements and continued cross training, the Department increasingly relies on information technology to respond to customers, provide quality services, and conduct business, in the process becoming more dependent on Information Technology staff. Assessing the need for current technological knowledge is crucial to effective planning. The Department diligently monitors industry changes, identifies necessary adjustments, and uses its resources to implement programs for the benefit of the public. The Department is actively exploring and implementing technological initiatives, including:

- Ensuring continued connectivity to the FDIC examination reporting system;
- Enhancing the Department intranet to provide centralized, immediate access to important documents, tools, and training materials; and
- Increasing use of technology in examination and inspection activities.

Challenges to the implementation of technological initiatives include:

- Implementation of the National Mortgage Licensing System & Registry (NMLSR) mandated by the SAFE Act, despite its initial expense and lack of some features necessary for effective regulatory oversight including examination, complaint, and enforcement information;
- Workforce decentralization; and
- Loss of experienced, long tenured employees in critical positions.

As Texas population continues to diversify, the Department must tailor programs and services for citizens who do not speak or comprehend English. Increased diversity directly affects the licensing, examination, enforcement, and complaint programs, requiring additional bilingual staff to offer services in languages other than English.

B. THE CHANGING NUMBER OF EMPLOYEES

In fiscal year 2009, in response to the mortgage crisis and all its economic impact on mortgage lending and regulated industries, the Department reduced the number of employees corresponding to the declining licensee population.

In fiscal years 2010 through 2014, there were minimal changes in the full-time equivalents' (FTE) count. Most program and process changes were addressed internally by shifting employees between the different functions. Staff remained flexible to respond to rapidly changing business needs. Employees with other primary duties currently performed purchasing and facilities management and administrative support tasks. Investigators and mortgage loan examiners assisted the Licensing division during heavy workload periods. Thrift examiners were trained to perform mortgage loan originator examinations in order to utilize time effectively.

In fiscal 2016 and 2017, the Department lost multiple employees due to retirements and other separations and has had difficulty filling some of the vacant positions, especially in the Austin area. The local job market has been strong and very competitive providing for high paying opportunities.

C. FUTURE WORKFORCE SKILLS NEEDED

The Department's most valuable resource is well-qualified, loyal employees, whose skills are critical to our ability to operate and successfully achieve our mission. General skills such as written and verbal communication, analytical reasoning, and interpersonal skills continue to be needed. Additionally, the following skills are necessary to enable the Department to perform its core business functions:

- Financial institution regulation and examination experience;
- In-depth knowledge of the depository financial and mortgage industries;
- Audit and investigative techniques;
- Knowledge of business, accounting, finance, economics and the law;
- Technical skills associated with new programs;
- Familiarity with regulatory processes, especially those necessitated by economic changes;
- Accounting, budgeting and strategic planning;
- Risk assessment modeling;
- Business process re-engineering, analysis and redesign;
- Negotiation and change management;
- Ability to interpret and apply relevant rules, regulations, and statutes;
- Information technology expertise;
- Customer service oriented;
- Clear, concise, and accurate report and technical writing;
- Effective written and verbal communications; and
- Bilingual abilities.

IV. GAP ANALYSIS

After analyzing the workforce needs of the Department, there appear to be two critical gaps between the Department's workforce supply and demand.

A. EMPLOYEES NEED ADDITIONAL TRAINING IN CRITICAL SKILLS

- A significant percentage of employees identified as eligible retirees are either in management positions or positions requiring extensive knowledge of a program. To ensure successful administration of programs without interruption, these key positions have been targeted for succession planning. Currently, the Department has adequate staff count to manage its programs, successfully cross-train and transfer knowledge.
- Five of the six executive management employees will be retirement eligible within the next five years. The financial institution, mortgage industry, legislative, management, and state reporting experience imbued in these individuals will almost certainly force the Department to compete with other state and federal agencies for a dwindling pool of persons qualified to handle the agency's intricate regulatory and reporting requirements unless cross-training and exposure of current employees is accomplished. To be successful, succession planning must include exposure to these activities, and preferably for more than one employee.

- Five examiners (36% of the current thrift examination and supervision team), including the director of thrift, are currently or will be retirement eligible within five years. The remaining thrift examination staff has an average tenure of 89 months of agency service, an increase from the 73 month average two years ago. The gap between employees who will soon be eligible for retirement and the tenure of remaining staff is common throughout the Department. An initiative by federal regulatory counterparts to rehire retired examiners emphasizes the importance of competitive salaries and working conditions if the Department is to attract examiners with the management and depository financial institution experience necessary to ensure a continued high level of thrift regulatory oversight.
- Sudden shifts in licensee population and program needs require skills in managing change. Managers must be able to motivate change, choose a suitable change approach, compare change initiatives to avoid failure, and define implementation strategies to support the Department's goals. These desired skill sets must be further developed.
- The Department serves a diverse range of customers. We can best meet the needs of all customers only if we have a fully diversified and trained staff. Despite intensified effort in the hiring process, in exploring our customer base and the services they request, we expect that in the future we will not have enough employees with bilingual skills.

B. ATTRACT AND RETAIN THE RIGHT EMPLOYEES FOR THE JOB.

- The pool of qualified applicants, especially for executive management, information technology and examiner positions, is small, due in part to competition with the federal regulatory agencies' and private sector's ability to offer higher pay and greater flexibility. Alternative sources for acquiring experienced examiners have been implemented. We have signed a contract with the Conference of State Bank Supervisors to participate in a pool of experienced examiners who are available on a temporary hiring basis to meet peak times of demand.
- Extensive travel requirements negatively impact the number of applications for positions in key program areas, particularly examiner positions.
- Developing and retaining examiner staff is key to the Department's continued ability to perform its core functions. The Department has made an extensive ongoing commitment to continuing education training to staff, particularly field examiners. This investment both in time and money accentuates the loss when examiners depart after only a few years.

V. STRATEGY DEVELOPMENT

To address the gaps between the current workforce and future demands, the Department has developed the following goals for the current workforce plan.

Gap	Current employees lack critical and future workforce skills.
Goal	Further develop a competent and well-trained workforce.
Rationale	Employees are the Department's most valuable resource. Their training and development is critical to the Department's success. We continue to analyze knowledge levels and tailor training to develop competencies and prepare staff for additional responsibilities. The Department also must prioritize critical competencies to determine its ability to develop staff for anticipated vacancies.
Action Steps	<ul style="list-style-type: none"> • Identify new skill sets required as a result of vacancies or program changes and expand training opportunities accordingly. • Use in house training and mentoring programs in addition to outside training to transfer knowledge. • Expand training opportunities to include programs on management skills. • Develop future leaders by creating development paths to prepare lower-level staff to move into jobs with higher-level requirements. • Develop strategies to retain knowledge by promoting the transfer of knowledge as a Department value.

Gap	Attract and retain the right employees for the job.
Goal	Become an employer of choice among Texas agencies and federal counterparts.
Rationale	Employee retention is critical to the Department's success. Working within the Department's budget and revenue collection, we must strive to attract and retain capable employees.
Action Steps	<ul style="list-style-type: none"> • Encourage managers to recruit, select and retain quality staff. • Recruit mid-level managers from outside the Department. • Identify internal candidates with the qualifications to fill key positions and use mentoring programs to match seasoned employees with new ones. • Hold management accountable through performance evaluations for their outreach and retention efforts. • Use available mechanisms to hire employees at a compensation level adequate to attract them. • Use any mechanism available within the appropriation structure to reward employees with compensation adequate to retain them.

**DEPARTMENT OF
SAVINGS AND MORTGAGE LENDING**



**CUSTOMER SERVICE REPORT
MAY 2018**

REPORT ON CUSTOMER SERVICE

COMPACT WITH TEXANS

The Department's Compact with Texans and appointed customer service representative are posted on the agency website (www.sml.texas.gov), along with the agency's mortgage hotline number (877) 276-5550.

CUSTOMERS INCLUDED IN SURVEY

- Thrift Industry – State chartered state savings banks
- Mortgage Industry – Licensed mortgage entities and individuals
- Consumer Complainants – Consumers served through the complaint and inquiry process

DESCRIPTION OF EXTERNAL CUSTOMERS AND THE SERVICES PROVIDED TO THEM

THRIFT INDUSTRY

SAFETY AND SOUNDNESS

A safe and sound thrift system helps ensure a stable economic environment for employers and jobs for their employees, while assuring a safe place for depositors' money and available credit for small business consumers and residential financing needs. The primary customer or beneficiary of the safety and soundness is the state of Texas, its citizens, borrowers, and depositors.

EXAMINATION AND SUPERVISION

There are two direct recipients or customers of examination and supervision, the FDIC and the regulated institutions. Additionally, there are indirect recipients such as attorneys, accountants and other staff who assist in preparing thrift applications. Thrift examiners conduct examinations jointly with the FDIC. It is important that the quality of the Department examination and supervision staff, their experience, training, and technological resources ensures the Department's ability to participate fully with the FDIC on examinations and provide efficient, timely and fair evaluation of applications. The Department has successfully met this challenge as evidenced by the success of the joint thrift examination and supervisory programs. The highest expectations must be met to maintain the state's role in the dual thrift system.

Quality examinations and supervision provide management and boards of directors with an independent look at their success in complying with state and federal statutes and regulations and operating a safe and sound financial institution, ultimately benefiting the institution's customers and shareholders. Burdensome or arbitrary requests for information, improper use of authority, or inconsistently applied statutes, regulations and procedures can inconvenience, disrupt, and even damage institutions. Accordingly, chief executive officers of institutions under the Department's jurisdiction are the customer constituency surveyed to monitor the Department's performance.

MORTGAGE INDUSTRY

REGULATION

Customers of the mortgage industry include all the diverse parties that participate in any way in the residential mortgage market and the secondary market for investment in such mortgages, and also the home-buying citizens of Texas seeking financing to buy real estate or refinance existing mortgage loans.

LICENSING AND EXAMINATIONS

Customers of the mortgage license and examination areas include the entities licensed or registered by the Department and consumers seeking mortgage financing. The customer base, home-buying citizens of Texas, is too broad to survey, so the Department focused its survey of customer satisfaction on a sampling of the licensed mortgage entities and individuals, who had recently gone through the licensing or examination process.

CONSUMER COMPLAINANTS

COMPLAINT AND INQUIRY PROCESS

The primary customers are consumers doing business with regulated entities or relying on their work. By enforcing the statutory experience and educational requirements and standards of conduct, the Department also serves mortgage bankers, lenders and investors, appraisers, title companies, surveyors, mortgage insurance companies, realtors, and federal agencies, such as Federal Housing Administration, Veterans Administration, and HUD. The customer base is too broad to survey, so the Department focused its survey on a sampling of complainants who had recently gone through the complaint process.

INFORMATION GATHERING METHODS, RESULTS AND SUMMARY ANALYSIS

The Department assesses its customer service through communication with its constituents. During the strategic planning process, the Department surveyed thrift institution CEOs, licensed mortgage entities and individuals, and persons filing complaints against regulated entities. The Department utilized an electronic survey. All responses were submitted anonymously. The data from the surveys reveals that a majority of customers are satisfied with the services the Department provides. The Department is proud of its reputation as a provider of quality regulation and service to its constituents.

The Department intends to enhance the survey process by including questions that would give the costumers the opportunity to identify and suggest ways of improving our services. The Department would also consider expanding the surveyed number of customers in order to receive a better statistical representation of the customers' feedback.

One of the possible improvements that the Department has identified as a result of this assessment is to review and determine possible changes to the website that would improve our customers' experience.

THRIFT INDUSTRY

The link to the online survey was sent to twenty-five or 100% of state chartered thrift institutions' chief executive officers and covered the full range of Department activities: examination, monitoring, enforcement and application processing. The response rate was 64%.

The state chartered thrift industry is a small population with a well-established regulatory program. Because transactions are few in number but complex, institution executives have substantial one-on-one communication with the commissioner, general counsel, examiners, and monitoring staff.

THRIFT CHIEF EXECUTIVE OFFICER SURVEY – 2018

<u>Questions</u>		<u>Strongly Agree</u>	<u>Agree</u>	<u>Disagree</u>	<u>Strongly Disagree</u>	<u>Not Applicable/ No Answer</u>
Overall Department Performance						
1	Overall, I am satisfied with the effectiveness and responsiveness of the Department.	12	4	-	-	-
2	The staff is knowledgeable and able to answer my questions.	12	3	1	-	-
3	The staff is helpful, courteous, and responsive to requests.	13	3	-	-	-
4	The staff demonstrates a willingness to assist.	13	3	-	-	-
5	The staff is responsive to complaints and addresses them in a reasonable manner.	12	3	-	-	1
6	The website provides the information I need.	9	7	-	-	-
7	The website is easy to use and well organized.	9	7	-	-	-
8	The website contains clear and accurate information.	9	7	-	-	-
9	Telephones, letters and e-mails are answered within a reasonable period.	12	4	-	-	1
10	Responses to my questions or concerns meet my needs.	12	4	-	-	-
11	Information published by the Department is clear, thorough, accurate, and understandable.	12	4	-	-	-
12	Published materials, primarily bulletins and newsletters, meet my institution's needs.	11	5	-	-	-
	Overall Composite Results	70.5%	28.0%	0.5%	0.0%	1.0%

<u>Questions</u>		<u>Strongly Agree</u>	<u>Agree</u>	<u>Disagree</u>	<u>Strongly Disagree</u>	<u>Not Applicable/ No Answer</u>
Examination and Supervision:						
13	The scope and goals for each examination are clearly communicated to management prior to the start of the examination.	12	4	-	-	-
14	Examiner requests for information are timely and reasonable.	9	6	1	-	-
15	Examiners conduct themselves professionally.	13	3	-	-	-
16	Examiner communication with management during the examination meets my needs.	12	3	1	-	-
17	Examiners are informed on current industry issues, adequately trained, and qualified.	12	3	1	-	-
18	Examiner findings and concerns are clearly communicated at exit meetings.	12	3	1	-	-
19	Examiner conclusions are well-supported.	7	8	1	-	-
20	Examiner recommendations are clear and reasonable in the circumstances.	7	8	1	-	-
21	Examination time frames are reasonable.	8	8	-	-	-
22	Reports of examination are consistent with findings discussed at exit meetings.	10	5	-	1	-
23	Reports of examination are received timely.	10	5	1	-	-
24	Supervisory action and correspondence is consistent with examination findings.	11	4	1	-	-
Examination & Supervision Composite Results		64.1%	31.3%	4.2%	0.5%	0.0%
Corporate Activities						
25	Correspondence with the Department regarding routine business matters is handled promptly and effectively.	12	4	-	-	-
26	Responses to my questions or requests for interpretation (written or verbal) of applicable statutes and regulations are timely and can be relied upon to be accurate.	11	5	-	-	-
27	My calls, e-mails, or letters are routed to the appropriate person.	11	4	-	-	1
28	If you have filed an application or requested supervisory approval for matters subject to regulatory discretion, answer the following:					
	a. The staff was accessible and provided helpful assistance in complying with requirements.	7	-	-	-	2
	b. Responses to my inquiries were timely, appropriate, and helpful.	6	1	-	-	2
	c. The process was efficient and professional.	7	-	-	-	2
	d. Requests for additional information are reasonable and appropriate.	6	1	-	-	2
Corporate Activities Composite Results		71.4%	17.9%	0.0%	0.0%	10.7%

Comments:
The TDSML is a valuable resource and really beneficial during our exams, because they understand our bank. FDIC really struggles to understand our bank so it is helpful to have this department around to explain things.
We appreciate the accessibility of the TDSML leadership and staff. They seem to work hard to create an environment of being there for banks like us to ensure our compliance and success.
The agency and our bank have a good working relationship.
This department has been an essential factor to the success of my bank. The dual system of oversight between Texas and Washington and the cooperation and communication thereof is of paramount importance to an outcome that is positive for the banking industry. I have experienced times when Washington's agenda has been short sighted or politically driven that were not positive for the industry, not positive for individual states and certainly not for Texas community banks. I would whole heartedly support and encourage the expansion of the role of the Texas Department of Savings and Mortgage Lending. The commissioner and her staff are doing a exemplary job.
The department could focus on ways to make their charter more appealing than State charters. Exam differences in the two charters and find ways to have parity or even more advantageous practices/regulations.
We are very pleased with the knowledge and professionalism of the agency's staff and leadership. They are consistently focused on the financial health of the industry, combined with an understanding of the important role thrifts play in providing essential loan and deposit services to individuals and small businesses in Texas. They also possess an understanding of the particular financial needs of Texans and the characteristics of the state's economic environment, which tends to be generally combined into a national comparative point of view by federal regulators.
The Department is operated in a highly professional maner. The office staff has been very responsive in all interactions and the on-site examiners are similarly knowledgeable and professional in all their interactions with the Bank's management team. Department personnel work effectively with their federal counterparts. We also appreciate that the Commissioner and members of her senior leadership team visited the Bank to have a dialogue with our senior leadership team.
The Department does a great job. Staff is always informed about current regulatory matters, examiners always make certain that they understand the full scope of any given issue before making a decision, and [REDACTED] and [REDACTED] are always very helpful.
The Department takes a very common-sense approach during examinations and the fulfillment of regulatory requirements. I appreciate their presence when dealing with FDIC.

Analysis of the Thrift Industry Survey

Overwhelming majority of the responding thrift chief executive officers “strongly agree” or “agree” that the Department’s overall performance, and the examination and supervision and corporate activities, in particular, are satisfactory. High ratings were received on the Department staff’s communication and professionalism.

MORTGAGE INDUSTRY

The population included all regulated mortgage entities that had received a full scope examination between January 1, 2017 and December 31, 2017, total of 530. The survey sample of 150 licensees was chosen using a random number generator. The response rate was 26%.

MORTGAGE INDUSTRY SURVEY – FY2018

	<u>Questions</u>	<u>Strongly Agree</u>	<u>Agree</u>	<u>Disagree</u>	<u>Strongly Disagree</u>	<u>Not Applicable/ No Answer</u>
1	Overall, I am satisfied with the effectiveness and responsiveness of the Department.	15	17	4	2	-
2	The staff is accessible and provides helpful assistance in complying with licensing requirements.	20	13	2	4	-
3	The staff is knowledgeable and able to answer my questions.	22	13	3	1	-
4	The staff is helpful, courteous, and responsive to requests.	22	12	4	1	-
5	The staff demonstrates a willingness to assist.	23	11	4	1	-
6	The staff is responsive to complaints and addresses them in a reasonable manner.	14	10	4	1	10
7	The website provides the information I need.	6	21	10	1	-
8	The website is easy to use and well organized.	4	21	11	2	-
9	The website contains clear, up-to-date, and accurate information.	7	22	7	1	1
10	Telephones, letters, faxes, and e-mails are answered within a reasonable period.	12	19	4	1	-
11	Responses to my questions or concerns address my situation.	13	18	2	4	1
12	Information published by the Department is clear, thorough, accurate, and understandable.	9	20	7	1	1
<i>Overall Composite Results</i>		36.2%	42.7%	13.9%	4.4%	2.8%

		<u>Strongly Agree</u>	<u>Agree</u>	<u>Disagree</u>	<u>Strongly Disagree</u>	<u>Not Applicable/ No Answer</u>
License Processing						
13	Requests for information were clear and timely.	9	20	7	1	1
14	My license was issued in a reasonable period after all required information was submitted.	11	14	1	5	7
15	The process was efficient and professional.	15	15	3	3	2
License Processing Composite Results		30.7%	43.0%	9.6%	7.9%	8.8%
Field Examination of Loan Files						
16	The scope and goals of the examination were clearly communicated prior to the start.	15	20	1	1	1
17	The examiners conducted themselves professionally, are informed on current industry issues, and adequately trained and qualified.	23	11	2	1	1
18	Examiner findings conclusions are well-supported and concerns are clearly communicated at exit meetings.	17	16	3	1	1
Field Examination Composite Results		48.3%	41.2%	5.3%	2.6%	2.6%

Comments:
I recently changed employers and the licensing staff made the move seamless. They processed the sponsorship change quickly. I had no downtime with work.
Our examiner was excellent.
The licensing area was very helpful regarding a recent merger our company went through. The department worked with us and were able to approve several branches and accept sponsorships for many employees on the day the merger happened. This was a great help to our company and meant that we were able to continue business as usual. Thanks for your help.
Great Job
With reference to new applications for licensing and transitions; the turnaround time is extremely long. Running a minimum of (60) for new applications and if there are issues; we are not getting notified timely which further delays the process and approvals. Transitions are not as long as "new" applications but still longer that they should take. Email requests for updates and status are not timely and the limited time we can call the state is difficult to work around. Can be somewhat frustrating at times.
For the life of me cannot understand the excessive timeframe for issuance of licenses. My CPA license is issued within hours of renewal completion, same for other's I have or do hold, Why does it take three weeks to issue renewal, Would like a response, I made a mistake with my 2018 renewal as the NMLS system failed to update my entity email address and never saw the notice or something that had failed to renew. Cost me about \$10K in fees due to not having current license available for the entity. [REDACTED]
The auditor was great. He sent me a list of items that he needed prior to the audit and I had them back to him the same day. Once he was in my office the audit went smooth and he was very informative on the couple of things that I lacked which I corrected immediately.

<p>██████████ that did my audit was extremely kind, efficient and got the job done in a timely manner.</p>
<p>Unfortunately software updates occasionally changes our settings on various forms, we try to review and catch those issues. However, when a box is not checked in some files, when there is evidence that it has been checked on the same forms in other files, and we have the form in the file and signed by the borrowers, I would like partial credit in compliance instead of reading "failure to provide form X" in our official review post audit. It is obvious we did not fail to provide, and I have addressed this with the software provider that these changes when updated to the newest version for compliance in other areas causes problems. Unfortunately, the software we use is the most accepted software by all our investors. Other than that the audit process flows well and the auditors I have had in my office for the last three audits have been very professional, courteous and helpful when we have questions.</p>
<p>Being a small mortgage company these audits are a training source for us and helpful. This last examiner was very clear and took the time to explain things more than at other examinations.</p>
<p>There are some very unique laws regarding financing in Texas. A grid of the different type loans i.e. purchase, refinance, cash out, Heloc with the requirements and specific disclosures would be most helpful.</p>
<p>The examiner did not treat me fairly, equally, and did not report accurately the information. She stated statements that are not correct for the mortgage industry and will put the consumer in a hardship. The state gave 30 days to answer and correct what she thought was deceptive actions, however, I was penalized before the 30 days. The intimidated report and intimidate letter that I received resulted in a financial hardship as a single Hispanic mother with no child support. In addition, I went into a coma stage on December 24th due to the stress that all of the above issues caused me. I worked with Mortgage brokers in the past and they were treated differently. It definitely changed my life. I hired and talk to people that have been a lobbyist for the mortgage industry. When I exposed my case, they were out of words. I started going to school since I felt I was discriminated for having an accent, been a minority group. The same examiner has been with brokers that are not a minority such as white, male, however, the examiner did not take action for the violations that they are doing. I have two young kids that I need to support. The financial hardship took me to the extreme to get food stamps to feed my kids. I hire a company that does my compliance and reports and review my files to help me not be vulnerable to the government department such as the Texas Department Savings and Mortgage Lending. I have helped low-income families that other lenders did not want to give them the time of the day because their loan was pretty small. I still have PTSD of how horrible this audit went, The Examiner sent me a message stating that on h</p>
<p>My examiner was superb. He helped me through some questions that I had re. compliance. However, when I call the department's helpline, it's deplorable. And, I have trouble getting clear info from the web site - e.g., a clear posting of the recently edited Home Equity Disclosure. I have heard the commissioner speak several times - she's superb, clear, interesting. I wish the site and the info line were as good as the Commissioner and our Auditor. Then, you're golden. Thanks --</p>
<p>To be clear visiting auditor was great. Very professional. The office in Austin is where improvement is needed. They never accept phone calls, never respond and take TOO long to process applications and renewals. It's almost impossible to get any answers.</p>
<p>the person conducting the review, was on the phone texting, I provided items prior to exit she requested, stated she would review and we should be fine without having additional marks. She never responded or reviewed to my knowledge</p>
<p>Thank you!</p>
<p>THANK YOU</p>

Analysis of the Mortgage Industry Survey

Majority of the responding licensees “strongly agree” or “agree” that the Department’s overall performance, and the mortgage examination and licensing activities, in particular, are satisfactory. High ratings were received on the Department staff’s communication, professionalism and helpfulness.

CONSUMER COMPLAINTS

The population included all complaints originated by consumers who had provided an e-mail address and whose complaint had been resolved between January 1, 2017, and December 31, 2017, total of 1044. The survey sample of 200 complaints was chosen using a random number generator. The overall response rate was 7%.

CONSUMER COMPLAINT SURVEY – FY2018

	<u>Questions</u>	<u>Strongly Agree</u>	<u>Agree</u>	<u>Disagree</u>	<u>Strongly Disagree</u>	<u>Not Applicable/ No Answer</u>
1	Overall, I am satisfied with the effectiveness and responsiveness of the Department.	3	2	0	6	2
2	The staff was accessible and provided helpful assistance.	3	3	1	5	2
3	The staff was knowledgeable and able to answer my questions.	2	4	0	5	3
4	The staff was helpful, courteous, and responsive to requests.	3	4	1	5	1
5	The staff demonstrated a willingness to assist.	3	4	0	6	1
6	The website provided the information I need.	1	6	1	3	2
7	The website was easy to use and well organized.	2	5	0	3	3
8	The website contains clear and accurate information.	2	5	1	3	2
9	Telephones, letters, and e-mails were answered within a reasonable period.	2	8	1	2	0
10	Responses to my questions or concerns met my needs.	4	1	3	5	0
11	If the Department determined that your complaint was outside its jurisdiction or authority, was an explanation given or were other resources or sources of potential help provided? (Referred to another state or federal agency.)	Yes 5		No 2	-	6
12	Requests for information were clear and timely. Requests for information were clear and timely.	1	4	3	3	2
13	My complaint was resolved within a reasonable period after all required information was submitted.	1	4	2	5	1
14	The process was efficient and professional.	2	5	2	4	0
15	Did you use the Department's toll-free hotline?	Yes 3		No 10	-	0
16	If not, were you informed about the Department's toll-free hotline?	Yes 2		No 6	-	5
Overall Composite Results		18.4%	25.9%	15.6%	25.9%	14.2%

Comments:

I submitted two letters to the Texas Dept of Savings and Mortgage Lending regarding loans given me by ██████ Bank of ██████, Texas. Please refer to these letters for a history of this situation. I was told that ██████ Bank would do it's own forensic accounting for \$30/hour cost to me, and I was told this AFTER I was told: "we (including someone from ██████ Bank) all looked at your loans and it all appeared in order". I do not believe anyone could consider it legal or ethical that a bank could do it's own forensic accounting. Let me repeat: I WAS NOT paid the total dollar amount of \$247,000+ listed on my loans from ██████. Period. I DID NOT GET THAT MONEY, only a portion of it at the very beginning. THESE LOANS ARE INACCURATE and I request again that a forensic accounting be done by an outside accounting firm. As well, I was told that I should have received about \$30,000 when I signed the paperwork for the final home equity loan - I did not receive ANY money at this time either - and have since learned that ██████ who handled that paperwork was indicted for fraud, she was keeping client's money; in the local Marfa newspaper, The ██████, her now-ex-husband said that "all persons have been paid" - but I did not even hear from them. I don't know how much more clear I can be about this bank fraud and subsequent home equity fraud. I have all the documents yet, all my deposit slips from that time, all my paperwork to the bank regarding my questions, and more. As well, ██████ who was the CEO (taking over from ██████), agreed with a handshake to my lawyer ██████ and myself, that the bank would agree to a Deed in Lieu of Foreclosure since the dollar amount ██████ claims I owe them is so significantly less than the appraised value of this property. Instead, ██████ foreclosed, and did not follow legal protocol regarding timing, courtroom appearance, auction etc. ██████ told me at one point that "they have a buyer", and indeed my property was seized less than a month after my last meeting with them, and this property is listed as sold and closed within 6 weeks after my early forced departure. PLEASE help me sort this out. You will find this dollar amount was never paid out to me by ██████, instead, I sincerely believe that \$100,000.00 was falsely put into my name and loan documents as ██████ was trying to recover from a million-dollar-plus bankruptcy by someone in Ft. Davis, Texas. Thank you. Sincerely, ██████

No real, satisfactory answer was ever provided. The Mortgage company, without stating reason, suddenly provided a satisfactory response, as if magic. No confirmation of contact between them and your agency was ever received. They would not acknowledge that they changed their position due to any contact from you or anyone else. Merely stated they were changing their policy after giving me the run around for close to 3 months.

Assign an investigator who actually cares to take time to review factual information that has been provided.

I have been treated unfairly by ██████, LLC (██████), however, I was unable to receive help in the situation when I submitted a grievance to Texas Department of Savings and Mortgage Lending. I am grateful for this followup.

I truly appreciate your time and this email in regards my case. I was helped by the investigator ██████, and my experience over all was very degrading. in addition to this we feel traumatized, humiliated, offended and without no sense of respect towards a veteran of the country and an elderly person like us. The worst part of it all was the fact that ██████, decided to avoid the sufficient proofs that we have sent over to her like: 1. obtaining a loan with false signatures. 2. forger our signatures in all of the documents 3. submitted all the paperwork with false signatures and information. 4. Gave me a check with no funds 5. double charging amounts that were already paid to him and keeping the money 6. obtaining points for the loan without our authorization 7. lying in regards to a second title company. I have plenty of proof to show you that ██████ committed fraud with our loan and he took advantage of our age, race, lack of knowledge, and lack of the language. I'm asking you to please re-open my case with a different investigator that really cares

about the customers, has respect for others and has work ethics. Waiting on a positive answer [REDACTED]
On the web page for [REDACTED] it states to contact you with questions or concerns. I did just that and was told that you were unable to help. The company is still not crediting my account for payments made even though I call and write constantly. I just don't know what to do anymore. [REDACTED]
I am in disbelief that a mortgage company can disregard the Texas Constitution and not face any consequences from any state agency. Why do they exist if they are of no help.
Not enough space in the online form for a comprehensive complaint.

Analysis of the Consumer Complaints Survey

Customer service is a priority of the Department. Out of the 200 surveys sent only 7% (14) responded. Overall, 44.3% of the respondents indicated either they “Strongly Agree” or “Agree” with positive responses, 41.5% of the respondents “Disagree” or “Strongly Disagree”, and 14.2% either marked “Not Applicable” or did not answer the question(s). This Customer Survey response rate was low. Due to inherent nonresponse bias, low response rates can skew the results of a survey either to the negative or positive.

The Department has reviewed all responses and comments carefully and has determined that all policies and procedures have been followed. Staff continues to review the Department’s consumer complaint policies, procedures, and processes, in order to enhance them.

High ratings were received on the Department staff’s timely response and website content.