

EXAMINATION
BEST PRACTICES AND
COMMON VIOLATIONS

Elena Meier

Chief Mortgage Examiner

OVERVIEW

- Most common exam findings
 - Unlicensed / Unauthorized Activity
 - Unlicensed Independent Processor
 - Texas Mortgage Banker Disclosure
 - Conditional Letters
 - Written Provider Lists / Tolerance Violations
 - Social Media
- Do's and Don'ts
- Updates

UNLICENSED / UNAUTHORIZED ACTIVITY

- Unlicensed Activity
 - Originate before license approval
 - Originate with an expired license
 - Not licensed in Texas
 - Assumed Temporary Authority without submitting all requirements in NMLS
- Unauthorized Activity
 - Inactive license
 - Sponsorship changes
- Unlicensed Independent Processor
 - Contract processor or processing company not properly licensed
 - Contract processor licensed in other state but not in Texas

TEXAS MORTGAGE BANKER DISCLOSURE

- 7 Texas Administrative Code §81.200(a)
 - Altered
 - Incomplete
 - Not delivered
 - Deliver the wrong version – Company version instead of Banker version

TEXAS MORTGAGE BANKER DISCLOSURE

Residential Mortgage Loan Originator: _____

NMLS ID: _____

Pursuant to the requirements of Section 157.0021 of the Mortgage Banker Registration and Residential Mortgage Loan Originator License Act, Chapter 157, Texas Finance Code, you are hereby notified of the following:

CONSUMERS WISHING TO FILE A COMPLAINT AGAINST A MORTGAGE BANKER OR A LICENSED MORTGAGE BANKER RESIDENTIAL MORTGAGE LOAN ORIGINATOR SHOULD COMPLETE AND SEND A COMPLAINT FORM TO THE TEXAS DEPARTMENT OF SAVINGS AND MORTGAGE LENDING, 2601 NORTH LAMAR, SUITE 201, AUSTIN, TEXAS 78705. COMPLAINT FORMS AND INSTRUCTIONS MAY BE OBTAINED FROM THE DEPARTMENT'S WEBSITE AT WWW.SML.TEXAS.GOV. A TOLL-FREE CONSUMER HOTLINE IS AVAILABLE AT 1-877-276-5550.

THE DEPARTMENT MAINTAINS A RECOVERY FUND TO MAKE PAYMENTS OF CERTAIN ACTUAL OUT OF POCKET DAMAGES SUSTAINED BY BORROWERS CAUSED BY ACTS OF LICENSED MORTGAGE BANKER RESIDENTIAL MORTGAGE LOAN ORIGINATORS. A WRITTEN APPLICATION FOR REIMBURSEMENT FROM THE RECOVERY FUND MUST BE FILED WITH AND INVESTIGATED BY THE DEPARTMENT PRIOR TO THE PAYMENT OF A CLAIM. FOR MORE INFORMATION ABOUT THE RECOVERY FUND, PLEASE CONSULT THE DEPARTMENT'S WEB SITE AT WWW.SML.TEXAS.GOV.

THIS DISCLOSURE WAS DELIVERED TO THE CONSUMER:

- IN PERSON
- BY FAX
- BY E-MAIL
- OTHER _____

DATE DELIVERY INITIATED: _____

CONDITIONAL LETTER REQUIREMENTS

- Requirements for Conditional Letters (Form A and Form B) apply to: Pre-Qualification / Qualification / Pre-Approval / Approval / Mortgage Commitment Letters
- There is no requirement to issue a written notification of pre-qualification or loan approval.
- IF a letter is issued, it must contain the information in either Form A or Form B.
- The Form itself can be utilized or an alternate format that includes all the information from the sample form.
- Letters may be customized or modified by adding terms, conditions, requirements or any additional aspects of the loan as long as not misleading.
- Updated Forms effective May 1, 2020

CONDITIONAL PRE-QUALIFICATION (FORM A)

7 Texas Administrative Code §81.201(a)

(a) Except as otherwise provided by subsection (c) of this section, when provided to a mortgage applicant or prospective mortgage applicant written confirmation of conditional pre-qualification shall include the information in Form A, Figure: 7 TAC §81.201(a). This information can be provided by utilizing Form A or an alternate form that includes all of the information found on Form A. There is no requirement to issue a written confirmation of conditional pre-qualification. Form A or an alternate form may be modified by adding any of the following as needed:

- (1) Any additional aspects of the loan as long as not misleading;
- (2) Any additional items that the originator has reviewed in determining conditional qualifications; or
- (3) Any additional terms, conditions, and requirements.”

CONDITIONAL APPROVAL (FORM B)

7 Texas Administrative Code §81.201(b)

(b) When provided to a mortgage applicant or prospective mortgage applicant, written notification of conditional loan approval on the basis of credit worthiness, but not on the basis of collateral, shall include the information in Form B, Figure 7: TAC §81.201(b). This information can be provided by utilizing Form B or an alternate form that includes all of the information found on Form B. There is no requirement to issue a written notification of conditional loan approval. Form B or an alternate form may be modified by adding the additional information permitted by subsection (a)(1) - (3) of this section, or disclosure of fees charged. A disclosure of fees charged, on Form B or an alternate form, does not serve as a substitute for any fee disclosure required by state or federal laws or regulations. A conditional loan approval should not be issued unless the company or originator has verified that, absent any material changes prior to closing, the mortgage applicant or prospective mortgage applicant has satisfied all loan requirements related to credit, income, assets, and debts. Verification may be conducted manually or by electronic means.

(c) Subsection (a) of this section does not apply to "firm offers of credit," as that term is defined in 15 U.S.C. §1681a(1).

Conditional Pre-Qualification Letter

This is not a loan approval or commitment to lend

Date:

Prospective Applicant(s) / Applicant(s):

Mortgage Banker:

NMLS ID #

Loan Details:

Loan Amount:

Qualifying Interest Rate:

Term:

Maximum Loan-to-Value Ratio:

Loan Type and Description:

Mortgage banker ___ has ___ has not reviewed the prospective applicant's / applicant's credit report and credit score

The prospective applicant(s) / applicant(s) has provided the mortgage banker with the following information:

Income ___ Yes ___ No ___ Not applicable

Available cash to close ___ Yes ___ No ___ Not applicable

Debts ___ Yes ___ No ___ Not applicable

Assets ___ Yes ___ No ___ Not applicable

Based on the information that the prospective applicant(s) / applicant(s) has provided, the mortgage banker has determined that the prospective applicant(s) / applicant(s) is eligible and qualified to meet the financial requirements of the loan.

This is not a loan approval or a commitment to lend on the terms described in the Loan Details section.

Approval of the loan requires:

1. Receipt of a complete loan application and all supporting documents requested
2. Lender verification of the information that the prospective applicant(s) / applicant(s) has provided

3. The prospective applicant's / applicant's financial status and credit report to remain substantially the same until the loan closes

4. The collateral for the loan to satisfy the lender's requirements

5. The loan, as described, to remain available in the market

6. The prospective applicant(s) / applicant(s) to execute all documents the lender requires

7. The following additional items (list):

This conditional pre-qualification expires on _____

Residential Mortgage Loan Originator Name

Mailing address

Phone number

e-mail address

NMLS ID #

Form B

Conditional Approval Letter

Date:

Prospective Applicant(s) / Applicant(s):

Mortgage Banker:

NMLS ID #

Loan Details:

Loan Amount:

Interest Rate*:

Term:

Interest Rate Lock Expires (if applicable):

Maximum Loan-to-Value Ratio:

Loan Type and Program:

*Interest rate is subject to change unless it has been locked

Has a subject property been identified? ___ Yes ___ No

Mortgage banker has:

Reviewed prospective applicant's / applicant's credit report and credit score: ___ Yes ___ Not applicable

Verified prospective applicant's / applicant's income: ___ Yes ___ Not applicable

Verified prospective applicant's / applicant's available cash to close: ___ Yes ___ Not applicable

Verified prospective applicant's / applicant's debts and other assets: ___ Yes ___ Not applicable

Prospective applicant(s) / applicant(s) is **approved** for the loan provided that creditworthiness and financial position do not materially change prior to closing and **provided that**:

1. The subject property is appraised for an amount not less than \$_____
2. The lender receives an acceptable title commitment
3. The lender receives an acceptable property survey
4. The subject property's condition meets lender's requirements

5. The subject property is insured in accordance with lender's requirements

6. The prospective applicant(s) / applicant(s) executes all the documents the lender requires and

7. The following additional conditions are complied with (list):

This conditional approval expires on _____.

Residential Mortgage Loan Originator Name

Mailing address

Phone number

e-mail address

NMLS ID #

WRITTEN PROVIDER LISTS & TOLERANCE VIOLATIONS

- Written Provider List Violations:
 - Does not include providers for services listed in Section C of the Loan Estimate
 - Service Provider listed does not provide services where the property is located
 - No contact information listed (telephone number or website)
 - Service Provider listed is out of business
- Tolerance Violations:
 - Provider list inaccuracies may result in a tolerance overage – 10% tolerance category
 - Appraisal increase from Loan Estimate to Closing Disclosure with no valid change of circumstance

SOCIAL MEDIA FINDINGS

- Missing Originator and/or Company NMLS ID
- Missing Texas Consumer Complaint / Recovery Fund Notice
 - TX Notice must be displayed or contain an interactive hyperlink that links directly to the company's webpage that houses the Notice
- LinkedIn – most overlooked platform
- Personal Facebook pages containing advertising posts
- Yelp / Alignable / Facebook Local Pages – “claimed”
- Advertising rates – no APR / details
- Triggering terms

DO'S AND DON'TS

- Pre-Exam
 - Consider the amount of time needed to bundle & upload files
 - Transaction log – list the initial MLO
 - Avoid additional file selection
- Exam
 - Incomplete files
 - Missing documents:
 - Preliminary CD / evidence of receipt
 - TX Mortgage Banker Disclosure
 - Change of Circumstance documentation
 - Disclosure tracking
 - Missing invoices – credit report & appraisal
- Notify Examiner of any issues that may cause delays

UPDATES

- Removal of the requirement for advertisements to include a physical address
- Social media requirement to display the TX Consumer Complaint/Recovery Fund Notice
 - display or interactive hyperlink that links directly to the webpage that houses the TX Notice
- All correspondence from an originator to a mortgage applicant must include:
 - Originator name & NMLS ID
 - Sponsoring entity name & NMLS ID
- Initial loan application must be signed by the applicants & originator
- Mortgage Compliance Guide (new mortgage company licenses)
 - Available on the Department website under Mortgage Examination Resources
- Emerging Issues Call held monthly on the 3rd Tuesday at 9:30 a.m.
 - Email smlinfo@sml.texas.gov to sign-up for the Mortgage Contact Group
- Remote Work

DEPARTMENT RESOURCES

- Website: www.sml.texas.gov
 - Mortgage Regulation
 - Mortgage Origination
 - Examination

QUESTIONS?



DEPARTMENT OF
**SAVINGS AND
MORTGAGE LENDING**

Consumer Compliance- Mortgage Servicing & Consumer Complaints

Bill Poe
Supervisory Compliance Examiner

COVID-19 Pandemic and Mortgage Loan Servicing

- CARES Act
- Joint Policy Statements, Interim Rules, FAQs
- Enterprises and Agencies implemented safeguards
- State and local requirements
- 2021 Mortgage Servicing COVID-19 Rules

DSML Oversight of Mortgage Loan Servicing

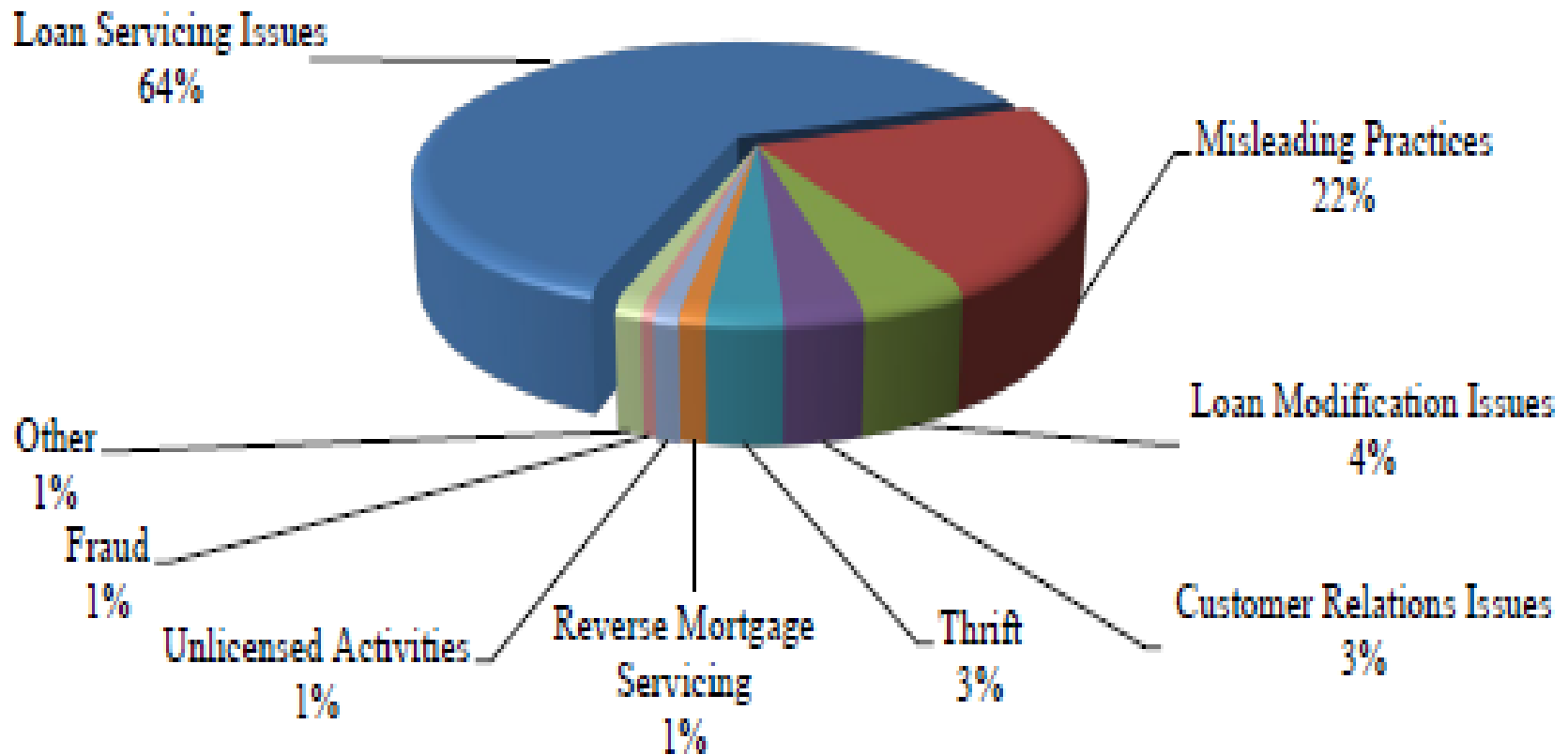
- Examination Authority- Limited to Participation in Multi-State Mortgage Examinations
- Investigation of Consumer Complaints

Consumer Complaints- Mortgage Loan Servicing & Modifications

- FY 2021- 951
- FY 2020- 902
- FY 2019- 800

Nature of Complaints Received - FY2021

Total Complaints Received in FY2021 = 1,389



Common Mortgage Loan Servicing Complaint Issues

- Payment applied incorrectly
- Refund of payoff overage
- Cancellation of Private Mortgage Insurance
- Escrow issues
- Release of insurance claim proceeds
- Inaccurate credit reporting



Communication Breakdown!



Bill Poe
Supervisory Compliance Examiner

bpoe@sml.texas.gov

512.964.8847

Licensing Update and Issues

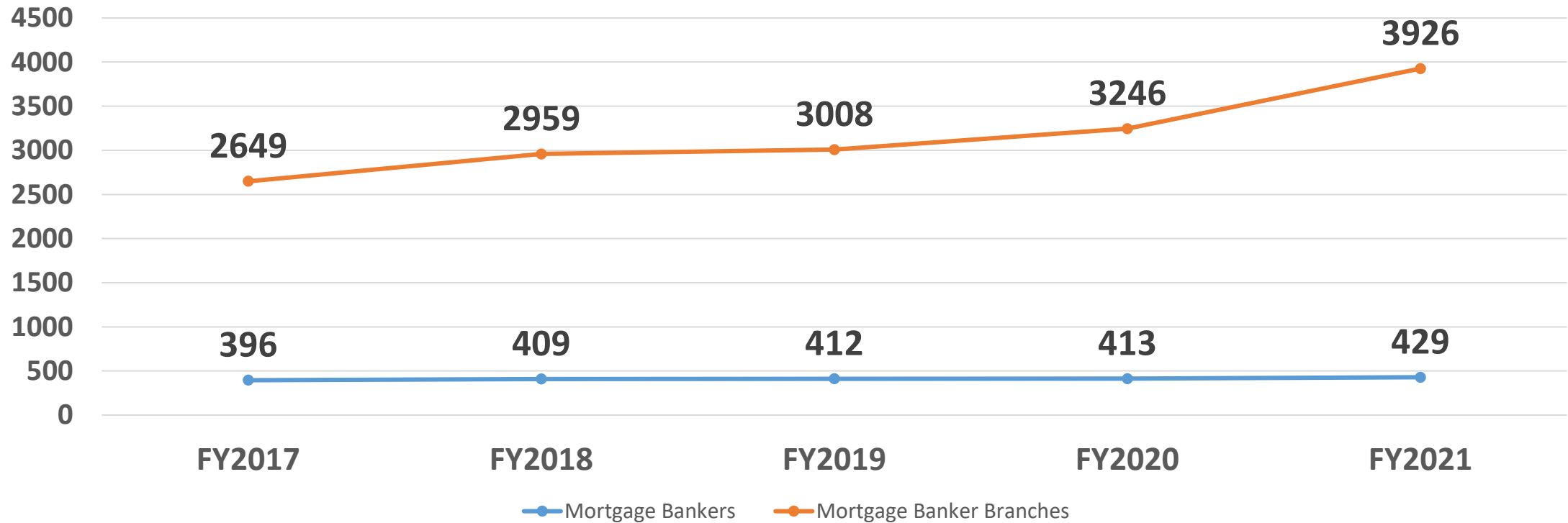
DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

Chris Osuna

Manager of Licensing

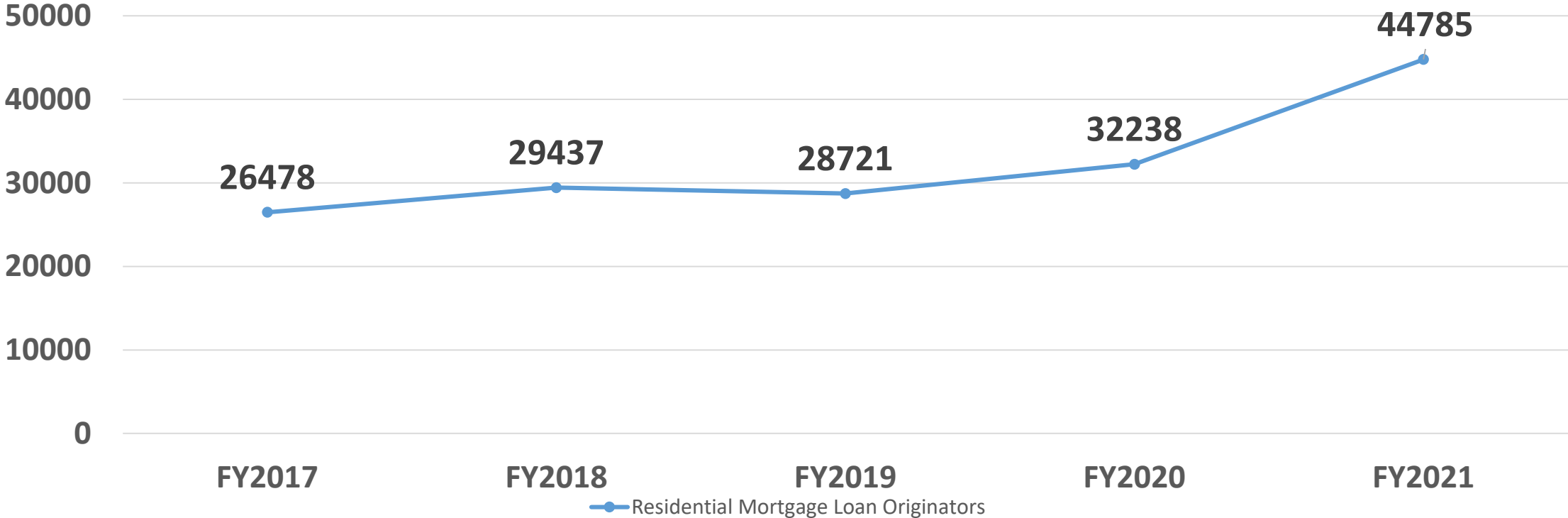
Number of Mortgage Bankers and Branches

5-Year History of Mortgage Banker Registrations and Mortgage Banker Branches
As of Fiscal Year End (08/31)



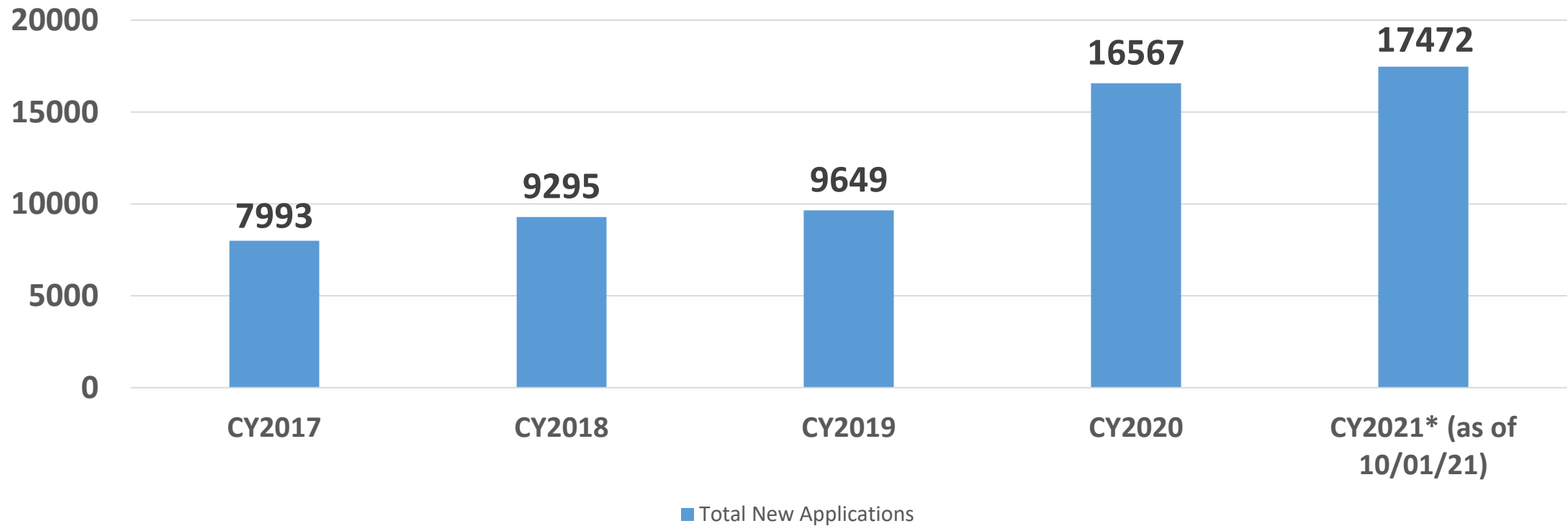
Number of Residential Mortgage Loan Originators

Number of Texas-licensed Residential Mortgage Loan Originators
5-Year History as Fiscal Year End (08/31)



Total New Applications Received

Total New Applications (Calendar Year)





2021 Licensing Data

As of August 31, 2021,

- 14% of Texas–licensed Mortgage Bankers are based in Texas.
- 48% of Texas-licensed Mortgage Servicers are based in Texas.



2021 Licensing Data

For FY2021 (09/01/2020 to 08/31/2021), the Department processed 20,373 applications.



2021 Licensing Data

What was the Department's response to the increase in Licensing Request?

- Shifted 10 non-licensing staff employees to help process MU4 applications.
- Employed 2 Temporary Employees.
- Hired 2 new full time employees.
- Offered staff the ability to work overtime.



2021 Licensing Data

As of November 4, 2021, the Department is performing the initial processing of the applications as of the following date:

- Company – (42 days)
- RMLOs – (55 days)



2021 Licensing Data

As of November 4, 2021,

- 97 pending Company License Request.
- 1,445 pending RMLO License Request.



RMLO Licensing Issues

- Mailing address does not match residential address.
- Current employer information does not match the Registered Location information.
- Changing personal name without providing supporting documents.



RMLO Licensing Issues

- Not providing documents in reference to Citizenship when an RMLO answers that they are not a US Citizen.
- Not providing documents in reference to Disclosure Questions that were answered “Yes”.
- ACH payment pending for the Sponsorship Request or the License Request. (10 calendar day hold on the receipt of the funds.)
- Credit Report & CBC Reviews.



2021 Renewal Cycle

The Renewal Period will run from November 1st to December 31st. Items that could delay renewal of a license:

- Outstanding Requirements.
- Continuing Education.



2021 Renewal Cycle

Things to remember about License Renewal:

- File Renewal Request as soon as possible.
- Reinstatement Period runs from January 1, 2022 to February 28, 2022.



Questions

Questions



Remote Work Requirements and Information Security Issues

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

WILLIAM PURCE

DIRECTOR OF MORTGAGE REGULATION

November 8, 2021



Cost and Factors of a Data Breach

- On July 28, 2021, IBM Security released a report about the cost of data breaches.
- The study determined that:
 - Average cost per incident - \$4.24 million
 - Highest cost - 17-year history of the report
 - 60% of the organizations moved into cloud-based activities and remote work arrangement since pandemic
 - Remote work was a factor in 20% of the data breaches

Cybersecurity Attacks

Cybersecurity attacks may occur using numerous methods including:

- ❖ Malware (spyware, ransomware, viruses, and worms)
- ❖ Phishing (spear phishing, whaling, vishing, email phishing)
- ❖ Denial of Service (DoS) – an attempt to overwhelm a website with requests
- ❖ Insider Threats (a disgruntled employee)
- ❖ Password Attacks

Cybersecurity Attacks

Employees working remotely and using cloud-based technologies increase the risk of cybersecurity attacks and create new security challenges.

Remote Work Regulation

7 TAC §81.206

- Effective November 4, 2021, a new regulation addressing employees working from a remote location was promulgated.
- The new regulation permits residential mortgage loan originators (RMLOs) and other employees of a mortgage banker to work remotely; however, the regulation imposes requirements on the mortgage banker to create policies and procedures that safeguard non-public personal information.



Remote Work Regulation

7 TAC §81.206

The remote work regulation reads:

“(c) Authorization for Remote Work. The employees of a mortgage banker and its sponsored originators may conduct business and work from a remote location to the same extent as if such employee or originators were physically present at a licensed or registered office of the mortgage banker; provided:

- (1) maintains appropriate safeguards for the mortgage banker and its consumer data, information, and records, including the use of secure virtual private networks and data storage encryption (including cloud storage) where appropriate;
- (2) employs appropriate risk-based monitoring and oversight processes for work performed from a remote location and maintains records of those processes;
- (3) ensures that physical records containing consumer information are not maintained at a remote location (as defined by this section) and any electronic records containing consumer information located at or accessible from the remote location are secured;
- (4) ensures that consumer information and records of the mortgage banker, including written procedures and training for work from remote locations authorized under this section, are accessible and available to the Commissioner or the Commissioner's designee on request;
- (5) provides appropriate training to its employees and sponsored originators to ensure that remote employees or sponsored originators work in an environment conducive and appropriate to consumer privacy; and
- (6) adopts, maintains, and follows written procedures to ensure that:
 - (A) the mortgage banker and its employees and sponsored originators comply with this section; and
 - (B) the employees and sponsored originators do not perform an activity from a remote location that would be prohibited at a registered office or administrative office of the mortgage banker.”

Remote Work Regulation

7 TAC §81.206

A “remote location” is defined as “a location other than a registered office or an administrative office of the mortgage banker from which the employees or sponsored originators of the mortgage banker conduct residential mortgage loan business as provided by subsection (c) of this section.”

Remote Work Regulation

7 TAC §81.206

- Mortgage bankers will be responsible for adopting, maintaining, and adhering to written procedures to safeguard non-public personal information.
- Information Security Plan is already required by FTC Safeguard Regulation, 16 C.F.R. §314.1 et seq.
- Regulation was recently updated.

General Statement

- The information and guidance provided in this presentation is only intended to provide a general outline and should not be considered legal advice.
- Your company should also seek guidance from cybersecurity professionals and lawyers knowledgeable with cybersecurity issues to provide legal advice.

Information Security Plan

In developing an acceptable Information Security Plan, a mortgage banker must:

- designate a qualified individual responsible for overseeing and implementing your information security program (The qualified individual may be an employee of your company, an affiliate, or a service provider assuming certain requirements are met.);
- identify and assess reasonable internal and external risks to the security, confidentiality, and integrity of customer information that could result in the unauthorized disclosure, misuse, alteration, destruction or other compromise of such information, and assess the sufficiency of any safeguards in place to control these risk (A written assessment is required if your business has 5,000 or more consumers.);
- periodically perform additional risk assessment to determine if the information security plan is sufficient;
- design and implement safeguards to control the identified risks determined in the risk assessment;
- regularly test or otherwise monitor the effectiveness of the safeguard's key controls, systems, and procedures including those to detect actual and attempted attacks on, or intrusions into, information systems;

Information Security Plan

In developing an acceptable Information Security Plan, a mortgage banker must:

- implement policies and procedures to ensure that personnel are able to enact the information security program;
- oversee service providers by: (1) taking reasonable steps to select and retain service providers that are capable of maintaining appropriate safeguards; (2) requiring the service providers to implement and maintain appropriate safeguards; and (3) periodically assessing service providers' ability to continue to comply with your company's safeguards;
- evaluate and adjust the program in light of relevant circumstances, including changes in the firm's business or operations, or the results of security testing and monitoring; and
- establish a written incident response plan designed to promptly respond to, and recover from, any security event (A written plan is required to be in writing if the business has 5,000 or more consumers).

Develop Policies and Procedures

- Information Security, Anti-virus, and Firewall
- Change Management
- Software Development and Maintenance
- Vendor Management
- Business Continuity/Disaster Recovery/Emergency Preparedness/Incident Response Plans
- Remote Access for Employees and Customers
- Data Backups
- Data Retention and Disposal
- Acceptable Use, Rules of Behavior, and Clean Desk
- Encryption/Data at Rest and Data in Motion
- Mobile Device Management, including Bring Your Own Device

Designation of Employees

- A qualified individual must be designated to oversee and implement the information security program.
- The qualified person(s) should:
 - have the ability to implement actions on a 24-7 basis;
 - have sufficient access and ability to attend ongoing training sessions in cybersecurity; and
 - have access to senior-level management including the board of directors.

Hiring of Employees

- The success of the Information Security Plan is largely dependent on the employees that implement the Plan.
- A mortgage banker should consider:
 - checking references or doing background checks before hiring employees especially non-RMLO employees;
 - asking new employees to sign a confidentiality and security standards policy; and
 - limiting access to non-public personal information to employees who have a business reason to see it.

Identify and Assess Risks

- Identify all hardware (equipment), software, and data used by the mortgage banker and its service providers (keep an ongoing inventory)
- Identify all users, accounts, and associated credentials that have access to the data (remove anyone that does not need access anymore)
- Identify all non-public personal information that is obtained from applicants, borrowers, and other parties
- Identify where all of the data or information is stored
- Identify all points or locations where non-public personal information may be accessed or viewed
- Identify how often and where backup records are stored

Remote Access

- Identify all remote users, accounts, and associated credentials
- Utilize enhanced or multi-factor authentication and lock down credentials
- Minimize direct connection to critical assets
- Trust but verify – keep an eye remote users. Access monitoring and session recording can facilitate the identification of unauthorized activity
- Deploy analytics tools. Monitoring user and application patterns can help establish more accurate user roles and profiles.
- Ensure that physical records are not maintained at a remote location

Cloud Services

- Enable multi-factor authentication for all users
- Assign Administrator roles using Role-based Access Control (RBAC)
- Enable alerts for suspicious activity
- Incorporate Microsoft Secure Score

Protection of Non-Public Information

- Segment your computer network (limit access privileges to certain portions of the network to the appropriate employees – no flat network)
- Use security software to protect data (anti-virus, anti-spyware, network security, internet security, malware/spamware removal programs)
- Check with software vendors regularly to get and install patches that resolve software vulnerabilities (automatic updates are best)
- Maintain up-to-date firewalls
- Ensure devices are properly configured. Disable ports and protocols that are not being used
- Encrypt sensitive data, at rest and in transit

Protection of Non-Public Information

- Maintain offline, encrypted backups of data and regularly test your backups (maintain the backup at a secure offsite location)
- Maintain records in a secure manner (electronic and paper)
- Encrypt devices (If the device is lost, the data will be encrypted)
- Use multi-factor authentication to gain access to your network
- Use secure virtual private networks (VPNs) when accessing records remotely
- Secure wireless router connections (change default name and password and turn off remote management)
- Use at least WPA2 encryption on your wireless network connections

Protection of Non-Public Information

- Require use of strong, complex, and unique passwords (12 characters that are mix of numbers, symbols, and capital and lowercased letters)
- Use a legitimate password manager, if possible
- Limit the number of unsuccessful log-in attempts before lock-out
- Use a password-activated screen savers to lock employee's computers after a period of inactivity
- Use a Secure Sockets Layer (SSL) or other secure connection so that the information is protected in transit (online credit applications)
- Deactivate former or terminated employees access to your network
- Implement filters at the email gateway to filter out emails with known malicious indicators

Training of Employees

Employees of the mortgage banker should be periodically trained to:

- follow the mortgage banker's information security plan;
- identify phishing or other cybersecurity attacks;
- lock rooms and file cabinets where records are kept;
- not share or openly post passwords in work areas;
- only share non-public personal information with the employees that need the information to perform their duties;
- encrypt sensitive customer information when it is transmitted electronically via public networks;
- dispose of records in a proper method (record retention and destruction policy);
- refer calls or other requests for customer information to designated individuals who have been trained in how your company safeguards personal data; and
- report suspicious attempts to obtain customer information to designated personnel.

Vendor Management Service Providers

- Limit access to records necessary for the Service Providers to perform their service for your company
- Ensure that the Service Providers have sufficient policies and procedures in place to protect non-public personal information
- Ensure that contracts with Service Providers contain provisions to maintain confidentiality and security of records, and report security breaches
- Perform routine oversight to ensure that the Service Providers are adhering to the policies

Oversight or Detection Procedures

The appropriate oversight and detection procedures should be in place including:

- keeping Activity Logs for your network and monitoring them for signs of unauthorized access to customer information;
- using an up-to-date intrusion detection system and program(s) to alert you of attacks;
- monitoring both in- and out-bound transfers of information for indications of a compromise, such as unexpectedly large amounts of data being transmitted from your system to an unknown user; and
- checking your network for unauthorized users and connections.

Oversight or Detection Procedures

The appropriate oversight and detection procedures should be in place including:

- implementing periodic vulnerability scanning to identify and address vulnerabilities, especially on internet-facing devices and applications;
- implementing a cybersecurity user awareness and training program that includes guidance on how to identify and report suspicious activity;
- conducting periodic organization-wide phishing tests to gauge user awareness and reinforce the importance of identifying potentially malicious emails; and
- periodically testing the incident response plan and update with lessons learned from the tests and real life events

Disposal of Records

- Mortgage bankers may legally dispose of records after the required retention period by law has lapsed.
- In disposing of records, a mortgage banker should:
 - consider designating or hiring a records retention manager to supervise the disposal of records containing customer information. (If you hire an outside disposal company, conduct due diligence beforehand by checking references or requiring that the company be certified by a recognized industry group);
 - burn, pulverize, or shred papers containing customer information so that the information cannot be read or reconstructed; and
 - destroy or erase data when disposing of computers, disks, CDs, magnetic tapes, hard drives, laptops, PDAs, cell phones, or any other electronic media or hardware containing customer information.

Security or Cybersecurity Breach

If a security breach or cybersecurity attack occurs, a mortgage banker should:

- take immediate action to secure any information that has or may have been compromised (For example, if a computer connected to the Internet is compromised, disconnect the computer from the Internet.);
- notify senior management of the security breach as soon as possible;
- implement its cybersecurity attack or security breach policy;
- preserve and review files or programs that may reveal how the breach occurred;
- if feasible and appropriate, bring in security professionals to help assess the breach as soon as possible;
- notify the Department of Savings and Mortgage Lending, appropriate law enforcement, and other parties of the security breach and/or cyberattack (who, what, when, where, and why);
- notify the affected consumers of the security breach including an explanation of the breach; and
- update the cybersecurity policy and information security plan with the lessons learned.

Other Resources

- [FTC Cybersecurity For Small Business](#)
- [CSBS Baseline Nonbank Cybersecurity Exam Work Program](#)
- [FFIEC Cybersecurity Awareness Guidance](#)
- [NIST Cybersecurity Framework](#)

Questions

Questions





Agency Contact Information

SML website: www.sml.texas.gov

SML E-Mail: smlinfo@sml.texas.gov

Main Phone: 512-475-1350

Office Location: 2601 N. Lamar Blvd.
Austin, TX 78705