



DEPARTMENT OF
**SAVINGS AND
MORTGAGE LENDING**



**STRATEGIC PLAN
FISCAL YEARS 2023-2027**

DEPARTMENT OF
SAVINGS AND MORTGAGE LENDING

**STRATEGIC PLAN
FISCAL YEARS 2023 TO 2027**

Finance Commission of Texas

Commission Members	Dates of Term	Hometown
Phillip A. Holt, Chair	Feb 23, 2016 to Feb 1, 2022	Bonham
George "Cliff" McCauley, Vice Chair	Jun 28, 2018 to Feb 1, 2024	San Antonio
Robin Armstrong, M.D.	Apr 02, 2019 to Feb 1, 2022	Friendswood
Robert (Bob) Borochoff	Feb 22, 2016 to Feb 1, 2022	Houston
Hector J. Cerna	Dec 16, 2015 to Feb 1, 2026	Eagle Pass
William M. (Will) Lucas	Sep 27, 2011 to Feb 1, 2024	Center
Sharon McCormick	Apr 20, 2020 to Feb 1, 2026	Frisco
Roselyn "Rosie" Morris, PhD	Mar 24, 2022 to Feb 1, 2026	San Marcos
Vince E. Puente, Sr.	Aug 25, 2016 to Feb 1, 2024	Ft. Worth
Debbie Scanlon	May 21, 2022 to Feb 1, 2022	Missouri
Laura Nassri Warren	Apr 20, 2020 to Feb 1, 2026	Palmhurst

SUBMITTED: JUNE 1, 2022

Hector Retta, Commissioner

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AGENCY 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 for the purpose of increasing the economic prosperity of the state.

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 Texans, 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

Supervise, regulate, and enforce the organization, operation, and the liquidation of state savings banks and state savings associations.

Action Items to Achieve Goal

- Perform all examinations jointly with federal regulators (FDIC or Federal Reserve) in accordance with the priority schedule to provide consistency between state and federal regulators.
- Examine, monitor, and enforce compliance with applicable laws and regulations including state specific thrift industry requirements, such as, but not limited to:
 - at least 50% of assets in housing related assets or other qualified assets;
 - not more than 40% of total assets in non-real estate commercial lending;

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- consumer complaint notices; and
- indemnity bond coverage requirements.
- Evaluate and monitor the financial health of state-chartered thrifts.
- Initiate supervisory and enforcement action as warranted.
- Monitor ongoing operation of state-chartered thrifts through regular off-site supervision.
- Review and determine statutory requirements of requested inquiries, application, approvals, or non-objection.
- Maintain communication with federal regulators on examination matters, regulatory changes, and supervisory oversight as warranted.
- Encourage awareness of and proactive actions relating to data privacy and cybersecurity concerns in the financial sector.
- Monitor changes in the economy and regulatory arena for impact on the thrift industry.
- Engage and conduct training to increase awareness of changes and innovations in financial products, emerging issues, and economic considerations.
- Participate in compliance examinations with federal regulators (FDIC, Federal Reserve, CFPB) to understand thrifts' compliance with the requirements and prescriptions of federal and state consumer protection laws and regulations.
- Communicate regulatory expectations and changes, both state and federal, to the thrift industry.
- Respond to public information requests.

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.
 - Practice prudent stewardship of financial resources.
 - Provide transparency through reporting.
2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including through the elimination of redundant or non-core functions.
 - Conduct joint examinations with federal regulators to provide consistent and timely findings and recommendations to the state-chartered thrift industry, to minimize duplication of costs, and to limit the frequency regulators are at the institutions.

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- Conduct off-site monitoring to detect risks, at early stages, on specific institutions and the thrift industry as a whole.
 - Provide a flexible work schedule for examiners in order to reduce the impact of travel expenses on the budget.
 - Utilize technology to streamline the examination process.
 - Maintain the Department's Thrift Compliance Examination Program to address industry concerns about federal regulatory burden.
 - Continue to evaluate processes and procedures, as well as new technologies, for added efficiencies.
3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures, and implementing plans to continuously improve.
- Meet or exceed performance measures.
 - Review policies, processes, and procedures and evaluate ways to improve efficiency in fulfilling the goals.
 - Implement resources or tools, as deemed appropriate, to enhance Department operations and efficiency in the Thrift Regulation division.
4. Attentive to providing excellent customer service.
- Provide internal and external training for examination and supervision staff.
 - Serve as resource to the thrift industry concerning regulatory expectations and best practices.
 - Share complaint information with the FDIC and the Federal Reserve.
5. Transparent such that agency actions can be understood by any Texan.
- Communicate on a regular basis with the thrift industry and other stakeholders.
 - 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.
 - Conduct consumer and stakeholders forums on rules and regulations. Publish any proposed rule amendments using clear, understandable language with instructions for the public to submit public comments, and also publish any adopted rules or amendments to rules on the Department's website.

Other Considerations

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

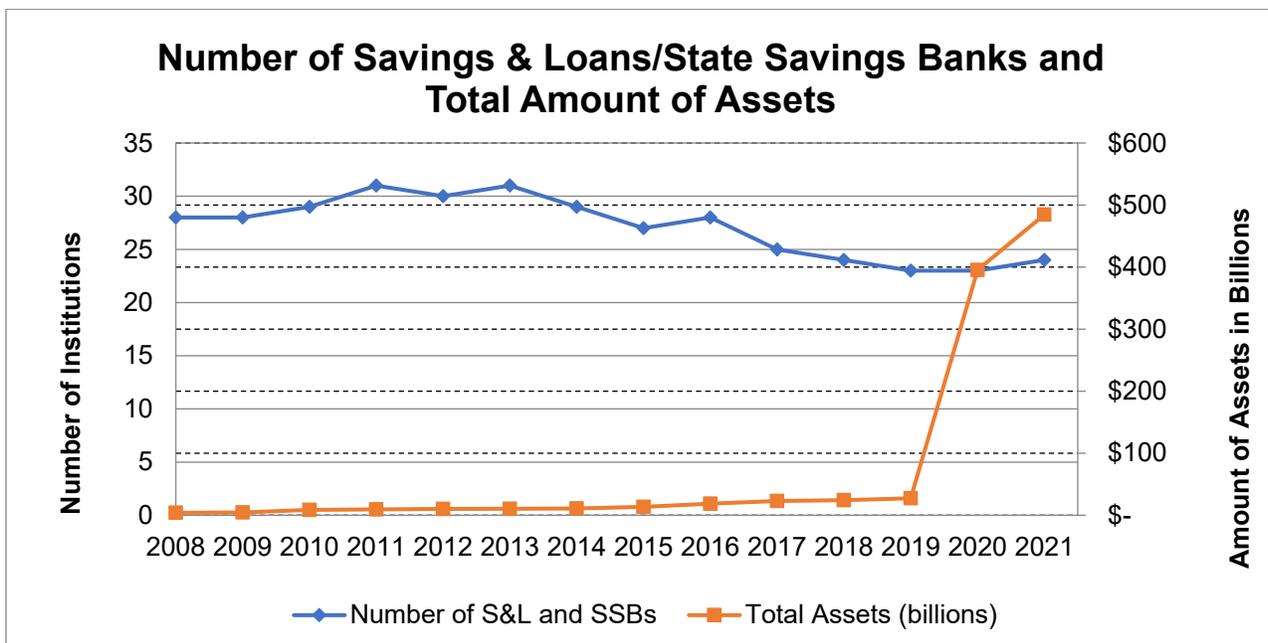
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Department monitors various local, state, and national data sources to gain better understanding of the risks and developments facing the financial services industry and individual thrift institutions. The potential risks that may impact the thrift industry include changes in regulation, interest rates, housing supply and demand, trends in home ownership, fraud, blockchain technology, cybersecurity, data privacy, and innovative products.

Thrift staff communicates regularly with state thrift management, answering questions, and providing feedback about thrift issues and activities. Further, the Department organizes and holds the Thrift Industry Day. At this annual event, state thrift executive management and board members attend to hear Department staff and guest speakers discuss current topics, recent and upcoming events, and regulatory changes affecting the industry. The Department holds regular Emerging Issues meetings with the thrift industry to highlight new regulations, trending compliance matters, and operational updates.

Another priority is maintaining contact and communication with federal counterparts, such as the FDIC, Federal Reserve, CFPB, and other state regulators. This interaction aids the Department in staying current with federal regulations. 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, 2021, the thrift industry in Texas consisted of 24 state thrifts with aggregate assets of \$484.5 billion.



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The COVID-19 challenge has caused significant uncertainty to the economy, including the thrift industry. The Department took proactive measures to allow thrifts to manage the COVID-19 challenge. The Department will continue to pursue practical and adaptive solutions for future challenges including rising interest rates, reduced housing supply, and inflationary pressures that may impact the thrift industry.

Goal: Effective Regulation of the Mortgage Industry

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

Action Items to Achieve Goal

Licensing

- Process, investigate, and take final action on a timely basis on all applications for a license or registration.
- Determine whether licensees or registrants meet the requirements to maintain and renew the license or registration.
- Process, investigate, and take final action on license amendments, sponsorship requests, and sponsorship removals.
- Ensure compliance with licensing standards of conduct.
- Initiate disciplinary or enforcement actions as warranted.
- Communicate regulatory expectations and changes, both state and federal, to the mortgage industry.
- Collaborate with other federal and state regulatory agencies and trade associations on licensing matters, regulatory changes, and policy changes including the implementation and utilization of the Nationwide Multistate Licensing System and Registry (NMLS).
- Train and develop mortgage licensing staff through internal and external programs to increase knowledge and awareness of important issues.
- Respond to public information requests.

Examination

- Examine, monitor, and enforce compliance with applicable state and federal laws and regulations through timely examination.
- Initiate disciplinary and enforcement actions as warranted
- Encourage awareness of and proactive actions relating to emerging issues within the mortgage industry including cybersecurity concerns.

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- Monitor changes in the economy and regulatory arena for impact on the mortgage industry.
- Communicate regulatory expectations and changes, both state and federal, to the mortgage industry.
- Collaborate with other federal and state regulatory agencies and trade associations on examination matters, regulatory changes, and policy changes.
- Train and develop mortgage examination staff through internal and external programs to increase knowledge and awareness of important issues.
- Respond to public information requests.

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 (SDSI) statutory requirements.
 - Practice prudent stewardship of financial resources.
 - Provide transparency through reporting.
2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including through elimination of redundant or non-core functions.
 - Review and evaluate licensing and examination policies, processes, and procedures to streamline operations and initiate changes as needed.
 - Continue to use the Nationwide Multistate Licensing System & Registry (NMLS) to coordinate and share information among regulators, and increase efficiencies for the mortgage industry.
 - Utilize State Examination System (SES) to facilitate multi-state examinations with other state regulators.
 - Utilize technology to streamline the examination process.
3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures, and implementing plans to continuously improve.
 - Meet or exceed performance measures.
 - Review policies, processes, and procedures and evaluate ways to improve efficiency in fulfilling the goals.
 - Implement resources or tools, as deemed appropriate, to enhance Department operations and efficiency in the Mortgage Regulation division.
 - Take disciplinary and enforcement actions as warranted.

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4. Attentive to providing excellent customer service.
 - Be a resource for the mortgage industry as well as federal and state regulators.
 - Provide useful information on the Department's website for consumers and the regulated industry.
 - Provide guidance and resources to the mortgage industry to improve overall compliance in examinations and with licensing standards.
5. Transparent such that agency actions can be understood by any Texan.
 - Communicate on a regular basis with the mortgage industry and other stakeholders.
 - 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.
 - Conduct consumer and stakeholder forums on rules and regulations. Publish any proposed rule amendments using clear, understandable language with instructions for the public to submit public comments, and any adopted rules or amendments to rules, on the Department's website.
 - Publish enforcement order data on the Department's website.

Other Considerations

The Department places a priority on having a knowledgeable, well-trained examination and licensing 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. The potential risks that may impact the mortgage industry include changes in regulation, interest rates, housing supply and demand, trends in home ownership, blockchain technology, cybersecurity, data privacy, and innovative products.

The Mortgage Regulation division communicates regularly with the mortgage industry by answering questions and providing guidance. The Department holds regular meetings with the mortgage industry including periodic Emerging Issues meetings and an annual Mortgage Industry Seminar. During these meetings, the Department presents current compliance considerations and other relevant topics impacting the mortgage industry. The Department also provides presentations to a variety of mortgage industry trade associations.

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The Department conducts examinations to detect, among other things, unlicensed activity, mortgage fraud, consumer harm, and violations of law. As necessary, the Department takes enforcement actions including, but not limited to, issuing cease and desist orders or orders to take affirmative action. If the unlicensed activity or other violations persist, despite the Department's enforcement actions, the Department works with the Office of the Attorney General to take additional legal action to protect consumers and the residential mortgage industry.

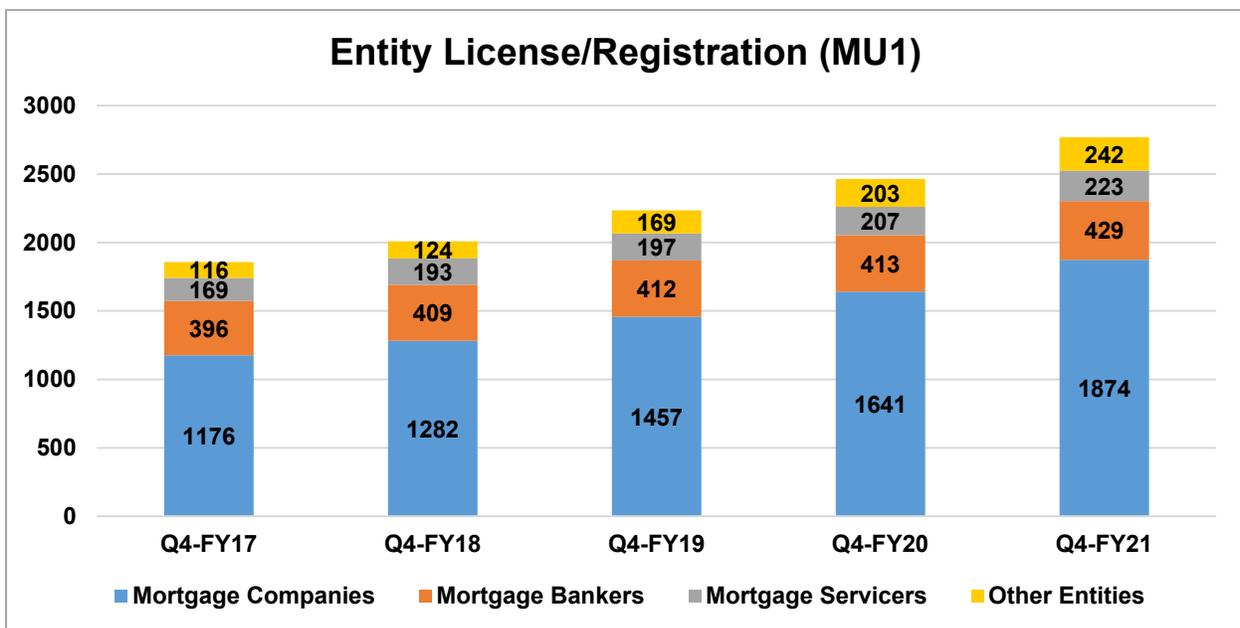
The Department participates in multi-state and Consumer Financial Protection Bureau (CFPB) mortgage examinations as needed and appropriate. As a product of these multi-state examinations, the Department may take enforcement actions in coordination with the CFPB and other state and federal agencies.

The Department utilizes NMLS, which was developed in 2008 to license and register non-depository mortgage entities and its sponsored residential mortgage loan originators. To update NMLS, the Conference of State Bank Supervisors (CSBS) along with the other state regulators are considering necessary upgrades and future enhancements to the system. In coordination with other state regulators, the Department anticipates that the modernized NMLS will require state regulators to consider new ways to work together including the concept of networked supervision. Conceptually, under networked supervision, state regulators would share information and data and rely on each other's work such that the system of supervision acts as a coordinated whole, without limiting the sovereignty and jurisdictional requirements of each state. CSBS has outlined the intended goals of network supervision to: (1) allow for information sharing between the states; (2) eliminate redundancies; (3) permit interdependent reviews; (4) establish common standards; and (5) create data standardization requirements. The Department will work diligently to ensure efficiencies are achieved in this modernized version of NMLS and fulfill the Department's needs.

In March 2020, CSBS along with other states regulators formally launched the State Examination System (SES), a web-based system used to conduct single and multi-state examinations of financial institutions including mortgage companies and mortgage bankers. CSBS's intended goal for SES is to encourage standardized supervision and foster collaboration among state regulators. Practically, SES will reduce the mortgage industry's burden by allowing for standardized information requests and examination processing across all states. The Department is taking steps to adopt the use of SES to conduct multi-state examinations while retaining the ability to conduct single state examinations.

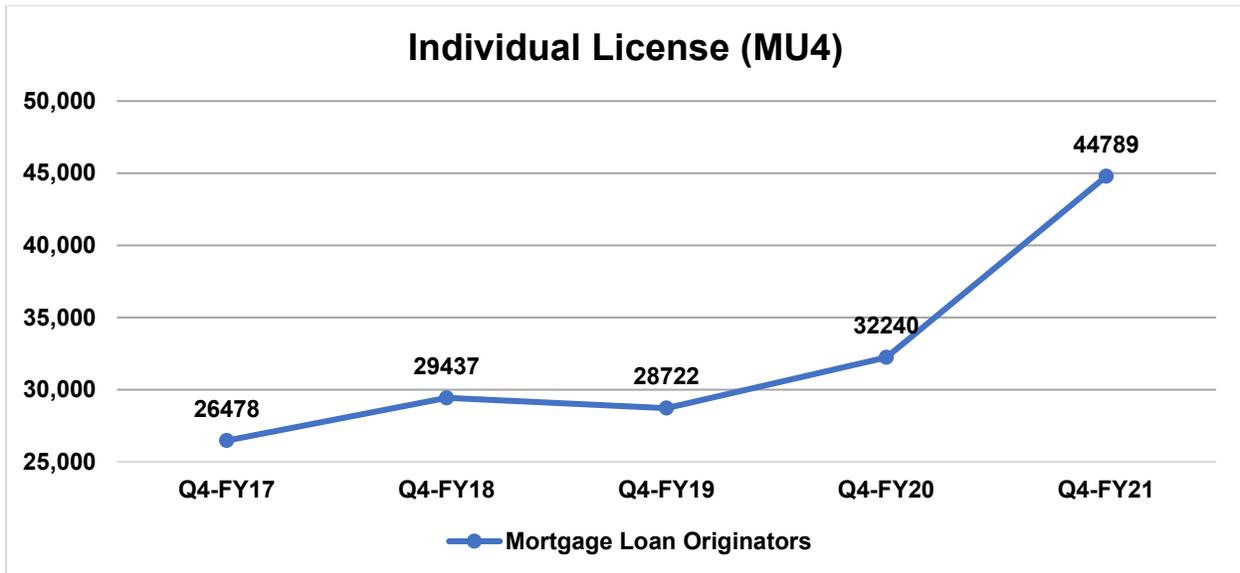
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Another priority is maintaining contact and communication with the CFPB, other state regulators and national associations, such as CSBS and the American Association of Residential Mortgage Regulators (AARMR). The Department’s Director of Mortgage Regulation was appointed to serve on the NMLS Policy Committee that handles regulatory policies and development decisions that involve NMLS and SES. The Department’s Chief Mortgage Examiner currently serves on the AARMR Board of Directors and the Performance Standards Committee of the CSBS Education Foundation. The Department’s Associate General Counsel was appointed to the State Regulatory Registry (SRR) Lawyer’s Committee and participates in emerging issues calls with the CFPB. The Department’s staff constantly explores opportunities for prominent or influential roles in the national and state associations. These interactions aid the Department in staying up to date on federal regulations and emerging issues related to the mortgage industry.



*Other entities include Auxiliary Mortgage Loan Activity Companies, Credit Union Subsidiary Organization, Financial Services Company, and Independent Contractor Loan Processor or Underwriting Companies.

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Over the past two years, the Department has seen an exponential growth in the number of licensees and registrants it regulates. Specifically, the number of residential mortgage loan companies and residential mortgage loan originators increased 43.68% and 70.49% respectively. The extraordinary growth over the past two years was caused by several factors including, but not limited to, the removal of the physical office requirement for mortgage companies, historical low interest rates, and relocation of consumers with greater remote work possibilities.

The COVID-19 challenge has caused significant uncertainty to the economy, including the mortgage industry. The Department took proactive measures to allow the mortgage industry to manage the COVID-19 challenge. The Department implemented new rules (regulations) to provide clear guidance concerning the authorization for the employees and sponsored originators of a mortgage banker or mortgage company to work remotely. During the COVID-19 challenge, many of the participants in the mortgage industry adopted new processes including: (1) the use of more desktop appraisals instead of in-person appraisals; (2) the increased use of remote online notarizations; and (3) the digitalization of the mortgage origination process. These digital strategies and initiatives exposed the mortgage industry to additional risks including data breaches, cybersecurity, and mortgage fraud. To address these increased risks, the Department placed increased scrutiny and review of the mortgage industry's Information Security Programs, remote work policies, and safeguarding policies and procedures. The Department will continue to pursue practical and adaptive solutions in reviewing the industry's activities during the crisis and the following recovery.

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Rising interest rates, reduced housing supply, and inflationary pressures will impact the mortgage industry. The Department also anticipates an increased use of alternative financing methods including private investor-funded and wrap mortgage loans.

Goal: Effective and Efficient Consumer Responsiveness

Provide consumer assistance by ensuring compliance with statutes and regulations and being responsive to inquiries, requests, and complaints from consumers, industry, public officials and other state and federal governmental entities.

Action Items to Achieve Goal

- Review, analyze and respond to complaints timely.
- Track, evaluate and respond to requests and inquiries.
- Conduct investigations of alleged violations that are supported by reasonable cause and within the Department's jurisdiction.
- Maintain regular communication with stakeholders and other regulators.
- Take enforcement actions when warranted.
- Respond to public information requests.

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.
 - Practice prudent stewardship of financial resources.
 - Provide transparency through reporting.
2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including through the elimination of redundant or non-core functions.
 - Evaluate and review investigation, inquiry, request, and related policies, processes and procedures to improve efficiency.
 - Investigate and resolve complaints timely.
 - Provide training for consumer assistance staff.
3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures, and implementing plans to continuously improve.

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- Meet or exceed performance measures.
 - Review policies, processes, and procedures for ways to improve effectiveness and fulfillment of core functions.
 - Take enforcement actions when warranted.
4. Attentive to providing excellent customer service.
- Provide methods to file a complaint or make an inquiry.
 - Provide forms and information in English and Spanish.
 - Ensure staff are accessible, knowledgeable, and responsive.
 - Provide training to consumer assistance, investigative and support staff.
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.
 - Conduct consumer and stakeholder forums on rules and regulations. Publish any proposed rule amendments using clear, understandable language with instructions for the public to submit public comments, and any adopted rules or amendments to rules, on the Department's website.
 - Publish enforcement order data on the Department's website.

Other Considerations

The Department places a priority on having knowledgeable, well-trained consumer assistance, investigation, and other supporting and professional staff. The legal team supports consumer protection by initiating administrative enforcement actions against entities that commit violations. The Department provides internal training and external training as deemed 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. This interaction aids the Department in staying up to date on federal regulations and emerging issues related to the residential mortgage industry.

The complaints received by the Department cover a variety of issues and their complexity range from basic to very complex. Most complaints received relate to

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mortgage loan servicing, which tends to be more complex and take longer to resolve.

In addition to conducting investigations, taking enforcement actions, managing administrative hearings and facilitating the promulgation of rules by the Finance Commission, the Department's legal staff also provides legal support to the Department regarding mortgage and thrift law, as well as other general government and administrative law matters. The Department's legal staff also responds to public information requests, monitors and prepares for legislative, industry, and regulatory changes and provides assistance to the public, members of legislature, industry and to other government officials regarding regulatory questions involving the thrift, and residential mortgage industries.

During the COVID-19 challenge, the Department remained open for operation, providing uninterrupted service to Texas consumers by responding to inquiries and continuing to receive, analyze, and resolve consumer complaints.

Goal: Effective Agency Administration

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

Action Items to Achieve Goal

- Maintain appropriate staffing levels with employees that are competent and well-trained in performing their job duties and responsibilities.
- Coordinate and ensure cross-training in all areas of the Department.
- Monitor fiscal performance.
- Collaborate with Department of Banking and Office of Consumer Credit Commissioner on Finance Commission's efforts to achieve greater efficiencies.

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.
 - Practice prudent stewardship of financial resources.
 - Provide transparency through reporting.
2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including elimination of redundant or non-core functions.

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- Increase efficiency and effectiveness through well-trained staff.
 - Monitor expenditures and revenues on a continual basis.
 - Share information and collaborate with the other Finance Commission agencies.
3. Effective by successfully fulfilling core functions, achieving performance measures, and implementing plans to continuously improve.
- Meet or exceed performance measures.
 - Coordinate and ensure cross-training in order to facilitate succession planning.
 - Review policies, processes, and procedures for ways to improve effectiveness 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 for employees 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 are placed in the Department's account at the Texas Treasury Safekeeping Trust Company. Various provisions in the Texas Finance Code authorize the Commissioner to impose and collect fees to cover the Department's costs of performing its regulatory responsibilities. The Department operates in a prudent and fiscally responsible manner while performing its statutory duties.

In addition, the Department has been a Self-Directed, Semi-Independent (SDSI) agency since 2009. This status has been instrumental in supporting the Department's efforts to fulfill its mission. Being an SDSI agency, the Department is able to respond effectively and timely to the changing dynamics in the economy

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and the regulated industries, including the ability to adjust budgets to implement immediate changes in staffing strategies, as well as to adjust salaries in order to retain and attract qualified personnel and strive for competitive salary levels with other state and federal regulators. Having SDSI status allows the Department to operate more efficiently and provides the flexibility needed to expand or diminish resources in response to changing economic conditions.

The Department develops an annual budget, which is evaluated and reviewed by the Finance Commission, an eleven-member governing body which provides oversight of three state agencies: Department of Savings and Mortgage Lending, Texas 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, open to the public, is held each year.

The Department is headquartered in the Finance Commission Building at 2601 N. Lamar Blvd, which it shares and co-owns with the DSML and OCCC, the other FC agencies. During the 85th Legislature, Regular Session 2017, the Texas Legislature enacted Senate Bill 1349 allowing the Texas Department of Transportation (TxDOT) to sell certain excess land to the FC agencies. The agencies have been in communications with Texas Department of Motor Vehicles and TxDOT regarding the parcel on the Camp Hubbard campus. The site is anticipated to be available in late 2023 or early 2024.

The FC agencies and TxDOT are collaborating to implement an agreement for the Camp Hubbard parcel. With the assistance of a contracted commercial real estate broker, the agencies are considering options that will accommodate the unique requirements of all three agencies. The agencies updated the preliminary space needs and contacted the Texas Facilities Commission for an analysis and evaluation of the proposed project.

Cash reserves have been set aside to cover future expenses related to the purchase or construction of a new building and relocation. As required by SB 646 passed during the 86th Legislature, Regular Session 2019, the agencies made a formal request to the Office of the Governor, to increase the reserves for long-term planning, consistent with the December 2021 action of the FC.

The Department was evaluated by the Texas Sunset Advisory Commission during their 2018 - 2019 review cycle, as required by the Texas Sunset Act. The 86th Legislature extended the existence of the agency through September 1, 2031, under the continued oversight of the FC.

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REDUNDANCIES AND IMPEDIMENTS

Redundancies and Impediments	
Service, Statute, Rule or Regulation (Provide Specific Citation if applicable)	Finance Code Chapter 157, Subchapter C
Describe why the Service, Statute, Rule, or Regulation is Inefficient or Ineffective Agency Operations	<p>The statutory provisions governing mortgage bankers registered with the Department under Finance Code Chapter 157 contemplate the evaluation of consumer complaints against mortgage bankers and the authority to revoke the registration for certain violations (see Tex. Fin. Code §§ 157.0022 and 157.009). The statutory authority to conduct such evaluations includes the right to request documents and other evidence of the mortgage banker necessary to evaluate the complaint (see Tex. Fin. Code § 157.0022). However, unlike mortgage companies licensed by the Department (see Tex. Fin. Code § 156.301), the Department is without statutory authority to directly inspect and examine a mortgage banker's records. While the statute does allow for inspection/examination of licensed residential mortgage loan originators (RMLOs) acting on behalf of a mortgage banker, the Department does not have express authority to mandate corrective actions be taken for violations noted in certain records maintained by the mortgage banker including advertisements and policies and procedures such as identity theft prevention (red flags), anti-money laundering, information security, ability-to-repay, and quality control plans. Direct examination authority will permit the Department the ability to better detect and address violations of law by a mortgage banker, potentially allowing violations to be addressed before consumer harm has occurred and a complaint filed. Direct inspection/examination authority would likely also include express confidentiality protections to facilitate the investigation and analysis of consumer complaints against a mortgage banker that do not currently exist in the statute (see Tex. Fin. Code § 156.301(f) with respect to mortgage companies licensed by the Department).</p>

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<p>Service, Statute, Rule or Regulation (Provide Specific Citation if applicable)</p>	<p>Tex. Fin. Code § 157.005 (compare to Tex. Fin. Code § 156.211)</p>
<p>Describe why the Service, Statute, Rule, or Regulation is Inefficient or Ineffective Agency Operations</p>	<p>Tex. Fin. Code § 156.211 provides that a licensed mortgage company may be assessed a fee of \$25 for certain amendments to its license records. The Department lacks similar authority to assess a fee against mortgage bankers. Changes by a mortgage banker to its registration (for example a change of its name or the addition of an assumed name) can sometimes result in substantial costs for the Department to process and carry out. Without statutory authority to assess fees for this purpose, the costs for this work must be borne by all registered mortgage bankers. Statutory authority to assess a fee to the mortgage banker creating this burden and benefitting from the Department’s work would better align with the Department’s SDSI status and the requirement to be self-leveling.</p>
<p>Service, Statute, Rule or Regulation (Provide Specific Citation if applicable)</p>	<p>Finance Code Chapter 158.</p>
<p>Describe why the Service, Statute, Rule, or Regulation is Inefficient or Ineffective Agency Operations</p>	<p>The statutory provisions governing mortgage servicers registered with the Department under Finance Code Chapter 158 contemplate the investigation of consumer complaints against a mortgage servicer and the authority to issue an order against the mortgage servicer or revoke the mortgage servicer’s registration for certain violations (see Tex. Fin. Code §§ 158.059, 158.102, and 158.103). The statutory authority to conduct complaint investigations includes the right to access the books and records of a mortgage servicer (see Tex. Fin. Code § 158.102(a)(2)). However, this authority exists only in connection with a consumer complaint that has been filed, and the Department is without statutory authority to inspect or examine the records of a mortgage servicer otherwise. General inspection/examination authority (not tied to a complaint) is necessary to better detect and address violations of law by a mortgage servicer, potentially allowing violations to be addressed before consumer harm has occurred and a complaint filed. The lack of general</p>

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inspection/examination authority has a substantial impact on the Department's operations considering that, historically, the majority of complaints filed with the Department involve mortgage servicing issues (64% for FY2021; 63% for FY2020; 63% for FY2019; 69% for FY2018).

The Department's mortgage regulation program was recently reaccredited by the Conference of State Bank Supervisors (CSBS). This accreditation status creates a presumption in federal law (see Regulation H, 12 C.F.R. § 1008.113(b)) that the Department and the State of Texas meets the requirements of the federal Safe and Secure Mortgage Regulation Licensing Act of 2008 (federal SAFE Act; 12 U.S.C. § 5101 et seq.), requiring the licensing of individual residential mortgage loan originators (RMLOs) and establishing certain minimum requirements for licensure. Regulation G and the federal SAFE Act does not govern the servicing of mortgage loans and does not require examination authority for mortgage servicers. As a result, the Department, even without accreditation by CSBS, would likely fulfill the requirements of Regulation H and the federal SAFE Act. However, maintenance of the Department's accreditation status with CSBS ensures that the Department and the State of Texas qualifies for the presumption created under Regulation H, 12 C.F.R. § 1008.113(b), and can continue to implement the requirements of Regulation H and the federal SAFE Act, and regulate the licensing of individual residential mortgage loan originators in Texas. During the reaccreditation process, the Department's lack of statutory authority to inspect and examine mortgage servicers was cited and adversely impacted the Department's accreditation score. CSBS, in its report, specifically stated "[the Department] must have statutory authority to examine mortgage servicers." Taking the foregoing into consideration, the lack of statutory authority to inspect and examine mortgage servicers may threaten the Department's CSBS accreditation status in the future. The Department is scheduled to reenter the CSBS accreditation process in 2026. In the interim, the Department will be subject to annual reviews by CSBS wherein the Department will be required to

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	<p>provide status updates concerning the deficiencies noted in its last accreditation review, including the Department’s lack of statutory authority to inspect and examine mortgage servicers.</p> <p>Pursuant to Tex. Fin. Code § 158.052, mortgage bankers registered with the Department under Finance Code Chapter 157 are exempted from the requirements of Finance Code Chapter 158. In accordance with Tex. Fin. Code § 157.0021, mortgage bankers are permitted to service mortgage loans, and Finance Code Chapter 157 therefore contemplates that mortgage servicing by a mortgage banker is, instead, regulated under that chapter. As a result, this statutory impediment should be read in conjunction with the impediment identified above concerning the lack of statutory authority to directly inspect and examine mortgage bankers, and the Department recommends the impediments be addressed accordingly.</p>
<p>Natural Disaster-Related Redundancies and Impediments</p>	
<p>Service, Statute, Rule or Regulation (Provide Specific Citation if applicable)</p>	<p>Not Applicable.</p>
<p>Describe why the Service, Statute, Rule, or Regulation is Inefficient or Ineffective Agency Operations</p>	<p>None.</p>

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SCHEDULE A: BUDGET STRUCTURE – GOALS, OBJECTIVES AND PERFORMANCE 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-leveling, self-funding, is responsible for all direct and indirect 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 an annual budget, made available to the public on the Department's website and presented to the Finance Commission for evaluation and approval. 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.

Goal: Effective Regulation of the Thrift Industry

Supervise, regulate, and enforce the organization, operation, and if necessary, the liquidation of state savings banks and state savings associations.

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; and
- 100% of applications are processed within the statutory timeframes.

Outcome Measures

- Percentage of state chartered savings institutions receiving examination within the required timeframes
- Percentage of savings institutions classified safe and sound

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- Percent of state chartered savings institution applications processed 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 state chartered savings institution examinations performed
- Number of state chartered savings institution applications processed

Efficiency Measures

- Assets examined per examiner day (in millions)
- Average time (business days) to complete analysis of quarterly financial data

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 consumers through fair and effective regulation of the residential mortgage industry.

Objective: Residential Mortgage Loan Regulation

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

Outcome Measures

- Percentage of satisfactory levels of compliance reported through examination
- Percentage of examinations initiated within established timeframes
- Percentage of applications processed within established timeframes

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Strategy: Mortgage Licensing and Examination

Process, investigate, and take final action on a timely basis on all applications for a license or registration.

Examine, monitor, and enforce compliance with applicable state and federal laws and regulations through timely examination.

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

Output Measures

- Number of applications processed
- Number of examination reports issued

Efficiency Measures

- Average cost per application processed

Explanatory Measures

- Total number of licensees/registrants in an approved status
- Number of licensees examined

Goal: Effective and Efficient Consumer Responsiveness

Provide consumer assistance by ensuring compliance with statutes and regulations and being responsive to inquiries, requests, and complaints from consumers, industry, public officials and other state and federal governmental entities.

Objective: Complaints

Ensure that complaints are timely, efficiently, and appropriately closed.

Outcome Measures

- Percentage of complaints closed within ten business days of receipt of complete information
- Percentage of written complaints closed within 90 days

Strategy: Complaint and Inquiry Process

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

Output Measures

- Number of complaints closed within 90 days

Efficiency Measures

- Average cost per complaint closed

Goal: Effective Agency Administration

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

Objective: Indirect Administration

Monitor and analyze staff turnover and operating budget and take action to ensure improved retention and accurate budgeting.

Outcome Measures

- Percentage of employees separated from the agency
- Percentage of actual expenditures to budgeted expenditures

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SCHEDULE B: BUDGET STRUCTURE – GOALS, OBJECTIVES AND PERFORMANCE MEASURES

Goal: Effective Regulation of the Thrift Industry

OUTCOME MEASURES

Percentage 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

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.

Data Source

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, approximately 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.

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Methodology

The cumulative number of state chartered saving institutions due for examination according to the examination priority schedule examined by the Department, FDIC, or Federal Reserve Bank during the reporting period, divided by the number of savings institutions required to be examined under the Department's priority schedule during the reporting period. The measurement date for timeliness of examinations begins on the transmittal date of the Report of Examination to the institution. Examinations started within 30 days from the date they are due are considered to meet the Department's performance measures.

Data Limitations

None

Calculation Method

Cumulative

New Measure

No

Target Attainment

Higher than target

Percentage of savings institutions classified safe and sound

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

To provide 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.

Data Source

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.

Methodology

The number of safe and sound (rated 1 or 2) institutions is divided by the total number of state chartered savings institutions regulated as reported in the quarterly risk monitoring model.

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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 Method	New Measure	Target Attainment
Non-Cumulative	No	Higher than target

Percentage of state chartered savings institution applications processed 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

To indicate whether the Department is processing applications in a timely manner and informing the applicant of the evaluation and conclusion in a reasonable time.

Data Source

Department staff maintains a log of all application activity, including 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 hearing notices published in the *Texas Register*, when applicable.

Methodology

The application log for the reporting period is reviewed and each application processed during the period is evaluated for compliance with statutory timeframes. The number of applications processed within statutory

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timeframes is divided by the total number of all applications processed during the reporting period.

Data Limitations

None

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

OUTPUT MEASURES

Number of state chartered savings institution 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

To indicate the level of examination activity for the period reviewed as a production volume indicator and in comparison with the total number of state chartered savings institutions; to inform of the examination staff's workload.

Data Source

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.

Methodology

Arithmetically total the number of examinations performed during the reporting period.

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 Method

Cumulative

New Measure

No

Target Attainment

Higher than target

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Number of state chartered savings institution applications processed

Definition

The total number of all applications received by the Department during the reporting period, including, but not limited to, requests to charter a savings institution, establish additional offices, engage in a merger or acquisition transaction, or invest in a subsidiary.

Purpose

To indicate the application workload regarding savings institution corporate transactions. The number of applications processed is directly related to the number of applications received, which 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. Agency staffing can be impacted based upon the number of applications.

Data Source

The Department staff maintains a log of all application activity, including 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, hearing notices published in the Texas Register, when applicable.

Methodology

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

Data Limitations

The Department has no control over the number of applications received and processed. The number of applications could vary significantly over the reporting period; thereby, the measure would vary in a similar manner.

Calculation Method
Cumulative

New Measure
No

Target Attainment
Higher than target

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EFFICIENCY MEASURES

Assets examined per examiner day (in millions)

Definition

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

Purpose

To compare total industry assets examined to the available examination staff days available in order to evaluate the reasonableness of the number of examiners to the size of the industry regulated by the Department.

Data Source

Department staff derives the number of examiner FTEs from a report generated from the statewide payroll system. The total assets of state chartered savings institutions examined are obtained from the Risk Monitoring Model prepared by Department staff and based on quarterly call reports submitted by each institution. The total 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 for each examiner and adding them together.

Methodology

Total assets of state chartered savings institutions examined by the Department during the reporting period 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 regulated by the Department. Significant economic downturns can adversely affect financial institutions in the state system, leading to an increase in the number of staff required to effectively examine and regulate the industry.

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

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

Definition

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

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

Data Source

Call report data serves as the basis for risk monitoring 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 Risk Monitoring Model reports cannot be produced until all call reports are received.

Methodology

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 Risk Monitoring Model report serves as the end date. The count of elapsed business days between the two dates is the measure of performance.

Data Limitations

None

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Lower than target

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EXPLANATORY MEASURES

Number of state chartered savings institutions

Definition

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

Purpose

To assist in evaluating the Department's level of activity in all strategies and other measures related to savings institution regulation - the number of examinations, applications, and complaints correlate in whole or in part to the number of institutions. Agency staffing can be impacted based upon the number of institutions.

Data Source

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

Methodology

Arithmetically count the number of state chartered savings institutions as of the end of the reporting period.

Data Limitations

None

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Dollar amount of assets under regulation (in billions)

Definition

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

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Purpose

The information on the aggregate assets of the state thrift system subject to the Department's jurisdiction and influence serves as an indicator of the appropriateness for the amount of the state resources dedicated to supervising and regulating the industry. Agency staffing can be impacted based upon the amount of assets under regulation.

Data Source

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

Methodology

Arithmetically add the total assets of state savings institutions as of the calendar quarter end.

Data Limitations

None

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Goal: Effective Regulation of the Mortgage Industry

OUTCOME MEASURES

Percentage of satisfactory levels of compliance reported through examination

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

Mortgage examinations help to ensure compliance with legal requirements and standards of conduct. This measure is important because it indicates

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how effectively the Department’s activities deter violations of statutes and rules.

Data Source

Department staff maintains a database of examinations, where detailed information about each examination is entered, including examination dates, examination rating, examiner’s name, and other information. Staff compiles a report, from the database, of all licensees who have received an examination during the reporting period. Data about the level of compliance achieved during the reporting period is derived from the database.

Methodology

The total number of examinations, conducted during the reporting period, with satisfactory 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 makes a determination of compliance levels and uses a rating system to identify licensees with a satisfactory or unsatisfactory level of compliance. The examination ratings are based on the Department’s regulatory analysis. This measure is driven by the level of compliance.

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Percentage of examinations initiated within the established timeframes

Definition

Percentage of examinations initiated within established timeframes.

Purpose

This measure provides information on the Department’s ability to effectively regulate the mortgage licensees and registrants operating in Texas. The examination of mortgage entities and residential mortgage loan originators helps to ensure compliance with legal and statutory standards of conduct. Initial examinations are conducted within an established timeframe to allow for the early detection of any compliance deficiencies. A compliance rating

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is assigned based on the findings of an examination. The compliance rating is an indication of the level of risk associated with the licensees and establishes the timeframe in which re-examination should be initiated.

Data Source

The established initial examination timeframe to conduct an examination is within 12 months of the licensee/registrant reporting sufficient origination production. Sufficient origination production is determined using the NMLS Mortgage Call Reports (MCRs). Sufficient origination production is considered when the residential mortgage loan company or mortgage banker has a cumulative total of 5 or more closed loans reported on the last eight quarterly MCRs. The established re-examination timeframes are as follows: Prior Examination Rating of 5 is examined within 12 months; Prior Examination Rating of 4 is examined within 24 months; Prior Examination Rating of 3 is examined within 36 months; Prior Examination Rating of 2 is examined within 48 months; and Prior Examination Rating of 1 is examined within 60 months.

A report from the database identifies: (1) the date the previous examination report was issued, (2) the rating assigned to the previous examination report, (3) the start date of the examination conducted during the reporting period, and (4) the original license or registration date.

Methodology

A percentage is obtained by dividing the total number of examinations initiated within the established timeframes during the reporting period divided by the total number of examinations issued during the reporting period. The measurement date for timeliness of examinations begins either: (1) on initial examinations, the date the licensee/registrant has sufficient production, or (2) on re-examinations, the issuance date of the Report of Examination for the previous examination. The established timeframe ends on the start date of the subsequent exam. Examinations started within 30 days from the due date are considered to meet the Department's performance measures. The performance measure result is reviewed and certified at least annually.

Data Limitations

The total number of examination reports issued will vary depending on the size and complexity of examinations conducted. This measure would also be affected by other demands on the time of personnel tasked with reviewing

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examination reports before they are issued. The Department will not initiate an examination where there is insufficient production, lapse in licensure for the mortgage entity, or an inactivation of the mortgage entity license or registration.

Calculation Method	New Measure	Target Attainment
Non-cumulative	Yes	Higher than target

Percentage of applications processed within established timeframes

Definition

Percentage of applications processed within established timeframes.

Purpose

To provide an indication of how efficiently the Department processes applications.

Data Source

Company, branch, and mortgage loan originator applications are received through the Nationwide Multi-State Licensing System & Registry (NMLS). An application is deemed received when NMLS assigns a date and a status of “Pending Incomplete” (submission date). When a final determination for an application is made, the final outcome taken on the application and the outcome date is entered into NMLS. A quarterly report for the applications processed during the reporting period is created from the system.

Methodology

The Conference of State Bank Supervisors’ (CBSB) Mortgage Accreditation Program provides for an accreditation standard that applications should be turned around and decisions made within 60 days. Reports are generated from the database that identify the applications processed during a reporting period that include the submission date and the final determination date, regardless of when the application was originally received. The reports are then exported to a spreadsheet where the number of days between the submission date and the final determination date can be ascertained. The data is then sorted by the number of days. Based upon the current CSBS accreditation standard, the percentage of applications processed within established timeframes is determined by dividing the total number of license and registration applications processed in 60 days or less by the total number of license and registration applications processed during the

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reporting period. If the CSBS modifies the accreditation standard, then the Department will modify the standard accordingly. The performance measure result will be reviewed and certified at least annually.

Data Limitations

The Department cannot control the number of applications received and the timeliness of applicant responses to requests for additional information. Mortgage loan originator applications with temporary authority also significantly impact this performance measure as the Department may not withdraw or consider an application to be abandoned until the 120th day after the date on which the individual submits an application. The number of mortgage loan originator applications received with temporary authority will impact this reporting measure. If the CSBS modifies the accreditation standard, then the Department will modify the standard accordingly.

Calculation Method

Non-Cumulative

New Measure

Yes

Target Attainment

Higher than target

OUTPUT MEASURES

Number of applications processed

Definition

The number of applications processed during the reporting period.

Purpose

To provide information on the extent to which the Department fulfills its statutory responsibility to license and regulate the mortgage industry. The number of applications processed is directly related to the number of applications received, which reflects the current size of the regulated industry. Agency staffing can be impacted based upon the number of applications.

Data Source

The Department utilizes the Nationwide Multistate Licensing System & Registry (NMLS) as the system of record. The number of applications processed during the reporting period is determined by preparing a report from a database using NMLS data.

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Methodology

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 of applications varies significantly, either up or down, the measure will vary in a similar manner.

Calculation Method

Cumulative

New Measure

No

Target Attainment

Higher than target

Number of examination reports issued

Definition

The total number of examination reports issued during the reporting period.

Purpose

The purpose of this measure is to track the number of examination reports issued by the Department during the reporting period. This measure provides useful information to management regarding variances and resource allocation.

Data Source

The Department issues an examination report. The issued date for the examination report is entered into the system. A quarterly report is submitted to executive management summarizing this activity. The report serves as the basis for capturing the number of examination reports issued.

Methodology

Arithmetically count the number of examination reports issued during the reporting period. A report from the database identifies the examination reports issued during the reporting period. The performance measure result is reviewed and certified at least quarterly.

Data Limitations

The total number of examination reports issued will vary between quarters depending on the size and complexity of examinations conducted. This measure would also be affected by other demands on the time of personnel

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tasked with reviewing examination reports before they are issued. The Department may include multi-state examinations conducted by other state regulators that are accredited by Conference of State Bank Supervisors (CSBS).

Calculation Method Cumulative	New Measure Yes	Target Attainment Higher than target
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EFFICIENCY MEASURE

Average cost per application processed

Definition

The average cost incurred by the Department per application processed.

Purpose

To provide an indication of how efficiently the Department processes applications.

Data Source

Cost data used to calculate the average cost per application processed is derived from the Department's accounting system. The number of applications processed during the reporting period is determined by preparing a report from a database using NMLS data.

Methodology

Average cost per unit is computed by adding the total direct costs and indirect costs attributable to the licensing strategy, and dividing by the total number of applications processed to a final decision during 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 Method Non-Cumulative	New Measure No	Target Attainment Lower than target
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EXPLANATORY MEASURES

Total number of licensees/registrants in an approved status

Definition

Total number of licensed and registered mortgage entities and mortgage loan originators in an approved status at the end of the reporting period.

Purpose

To assist in evaluating the Department's level of activity in all strategies and other measures related to mortgage regulation - the number of examinations, applications, and complaints correlate in whole or in part to the number of licensees. Agency staffing can be impacted based upon the number of licensees.

Data Source

The Department utilizes the Nationwide Multistate Licensing System & Registry (NMLS) as the system of record. The number of licensees in an approved status during the period is determined by preparing a report from NMLS.

Methodology

Arithmetically count the number of licensees and registrants (entities, branches, and individuals) in an approved status.

Data Limitations

None

Calculation Method

New Measure

Target

Attainment

Non-Cumulative

No

Higher than target

Number of licensees examined

Definition

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

Purpose

The measure indicates the level of examination activity for the period, reviewed as a productivity production volume indicator. An examination is

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the review and evaluation process necessary to determine licensees' compliance with applicable legal and statutory standards.

Data Source

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.

Methodology

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

Data Limitations

The total number of mortgage loan originators examined will vary between quarters depending on the size and complexity of examinations. This measure would also be affected by a significant change in the size of the regulated industry.

Calculation Method	New Measure	Target
Attainment Cumulative	No	Higher than target

Goal: Effective and Efficient Consumer Responsiveness

OUTCOME MEASURE

Percentage of complaints closed within ten business days of receipt of complete information

Definition

The total number of complaints closed within 10 business days of receipt of all needed information, divided by the total number of complaints closed.

Purpose

To indicate whether complaints are being investigated, analyzed, and addressed promptly.

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Data Source

Department staff maintains a database of incoming complaints, where detailed information about each complaint is entered, including date of receipt of complete information and closed date. Data about all complaints closed during the reporting period is derived from the database.

Methodology

The number of days between the date all needed information is received and the date the complaint is closed is calculated for each complaint. The number of complaints closed within 10 business days of receipt of complete information is divided by the total number of complaints closed 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 complex complaint can extend complaint processing time.

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Percentage of written complaints closed within 90 Days

Definition

The percentage of complaints closed within 90 calendar days divided by the total number of all complaints closed within a reporting period.

Purpose

The measure provides detailed information for management purposes and is helpful for determining trends.

Data Source

Department staff maintains a database of complaints, where detailed information about each complaint is entered, including closed date. Data about all complaints investigated during the reporting period is derived from the database.

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Methodology

The number of complaints closed within 90 calendar days is divided by the total number of complaints closed during the reporting period.

Data Limitations

The measure does not take into account the complexity of each complaint. Complaints can require detailed and significant investigation. Therefore, a complex complaint can extend complaint processing time.

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

OUTPUT MEASURE

Number of complaints closed

Definition

The number of complaints closed during the reporting period.

Purpose

To indicate the level of consumer complaints' investigations activity, reviewed as a production volume. The number of complaints closed is directly related to the number of complaints received.

Data Source

Department staff maintains a database of complaints, where detailed information about each complaint is entered, including closed date. Data about all complaints closed during the reporting period is derived from the database.

Methodology

Arithmetically add the number of complaints closed during the reporting period.

Data Limitations

The number of complaints received may fluctuate based on consumer issues during the reporting period. The level of complaints cannot be controlled by the Department.

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

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EFFICIENCY MEASURE

Average cost per complaint closed

Definition

The average cost incurred by the Department per complaint closed.

Purpose

To provide an indication of how efficiently the Department processes complaints.

Data Source

Cost data used to calculate the average cost per complaint closed is derived from the Department's accounting system. The number of complaints closed during the reporting period is derived from the complaints database.

Methodology

Average cost per unit is computed by adding the total direct costs and indirect costs attributable to the complaints strategy, and dividing by the total number of complaints closed during the reporting period.

Data Limitations

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

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Lower than target

Goal: Effective Agency Administration

OUTCOME MEASURES

Percentage of employees separated from the agency

Definition

The employee turnover or the percentage of regular employees separated from the agency during the reporting period.

Purpose

Staff turnover is an indicator of the effectiveness of the Department's human resources management. Excessive turnover can lead to incurring additional

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costs of hiring and training new staff. Poor retention of qualified staff can negatively impact productivity and performance.

Data Source

State Auditor’s Office (SAO) maintains a database for all state agencies’ turnover as reported by each agency. Data for the reporting period is derived from that database.

Methodology

The percentage of employees separated from the agency is calculated by SAO as the number of separated employees, divided by the average number of FTEs for the reporting period.

Data Limitations

The number of separations may fluctuate between reporting periods. Some level of turnover is natural and could have a positive impact on the Department.

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

Percentage of actual expenditures to budgeted expenditures

Definition

The percentage of actual expenditures to budgeted expenditures as of the end of the reporting period.

Purpose

To assist in the review of the budgeting accuracy. An accurate budget allows the Department’s management to make informed and relevant decisions in achieving the Department’s mission, goals and objectives.

Data Source

Data is derived from the Department’s internal accounting system and the statewide accounting system.

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Methodology

The percentage is computed by dividing the total actual expenditures for the reporting period to the total budgeted expenditures for the same reporting period.

Data Limitations

Unanticipated expenditures due to extraordinary events outside of the Department's control can occur during the reporting period.

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

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SCHEDULE C: HISTORICALLY UNDERUTILIZED BUSINESS PLAN

Historically Underutilized Business (HUB) Policy

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 HUBs.

The Department supports efforts by state leadership in their policy directing state agencies to utilize HUBs when awarding state contracts. While the Department has limited opportunities to award contracts, it is the Department's intent to continue its concerted efforts to maximize such utilization.

HUB Goals and Achievements

During fiscal years 2020 and 2021, the Department exceeded the state's annual procurement goals for percentage of funds spent with HUBs in all categories of spending.

Category	State's Goal %	Department's Spending with HUBs %	
		FY2020	FY2021
Professional Services	23.7%	100.0%	100.0%
Other Services	26.0%	39.0%	37.25%
Commodity Purchasing	21.1%	83.1%	50.9%



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**WORKFORCE PLAN
FISCAL YEARS 2023-2027**

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DEPARTMENT OVERVIEW

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 savings and loan associations and state chartered savings banks, 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 examining 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 minimis level of originations, and

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eliminating the exemptions for individuals employed by mortgage bankers under Chapter 157, governmental entities, independent third party processors, and underwriters.

Additionally, the 81st Legislature granted the department a self-directed, semi-independent (SDSI) status, which in effect transferred the responsibility for annual budget and staffing levels' approval to the oversight board of the Department - the Finance Commission of Texas. The SDSI status gives the Department the ability to respond effectively and timely to changes in the regulatory environment, quickly adjust budgets, implement necessary changes in business and staffing strategies, and take actions to maintain competitive salary levels with state and federal counterparts.

The 82nd Legislature created Chapter 158 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 servicer 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.

The Department underwent a review by the Texas Sunset Advisory Commission during their 2018-2019 review cycle, as required by the Texas Sunset Act. The 86th Legislature passed Senate Bill 614 continuing the Department through September 1, 2031, under the continued oversight of the Finance Commission of Texas.

Strategic Structure

GOAL A: EFFECTIVE REGULATION OF THE THRIFT INDUSTRY

Supervise, regulate, and enforce the organization, operation, and if necessary, the liquidation of state savings banks and state savings associations.

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.

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GOAL B: EFFECTIVE REGULATION OF THE MORTGAGE INDUSTRY

Protect Texas consumers 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 all applications for a license or registration; and enforce compliance with licensing requirements.

STRATEGY B-1-2: MORTGAGE INDUSTRY EXAMINATION

Ensure effective and efficient examination of mortgage licensees and registrants through fair, responsible, and comprehensive compliance review; and examine, monitor, and enforce compliance with applicable state and federal laws and regulations through timely examination.

GOAL C: EFFECTIVE AND EFFICIENT CONSUMER RESPONSIVENESS

Provide consumer assistance by ensuring compliance with statutes and regulations and being responsive to inquiries, requests, and complaints from consumers, 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.

GOAL D: AGENCY ADMINISTRATION

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

Core Business Functions

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 majority of residential mortgage lending in Texas.

In order to carry out these responsibilities adequately, the Department employs financial examiners, investigators, and other professional and administrative staff, who all contribute to the fulfillment of the Department's mission.

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Anticipated Changes

The Department does not foresee major changes in its mission and strategic structure, as the need for regulatory oversight over the thrift and mortgage industries continues to exist.

The Department, however, anticipates, prepares for, and continually implements updates in the methods and tools used to perform its core business functions. These updates are necessitated by changes in the regulated industries' business practices and in consumers' needs as a result of evolving information technologies.

EMPLOYEE ENGAGEMENT

The Department conducts a Survey of Employee Engagement (SEE) every biennium. The survey provides insight into the engagement of our workforce and helpful information in the strategic planning and organizational development efforts.

The survey was sent to 59 employees, 57 of which responded for a response rate of 96.6%. Response rates higher than 50% generally suggest soundness. High rates mean that employees have an investment in the organization and are willing to contribute towards making improvements within the workplace.

The Department achieved an overall score of 388, which represented an improvement of 10 points over the overall score from the survey conducted in 2019. Scores above 350 are desirable and scores above 400 are the product of a highly engaged workforce.

The level of employee engagement also improved. The percentage of the employees in the Highly Engaged and Engaged categories increased from 50% to 54%.

The survey items are grouped together and their scores are used to produce 12 construct scores. The lowest score for a construct is 100, while the highest is 500. Scores typically range from 300 to 400, and 350 is a tipping point between positive and negative perceptions. The Department noted improvements in 10 constructs and scored above 400 in four of the constructs, between 350-400 in seven of the constructs, and under 300 in only one construct.

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The survey outlined the constructs with the highest scores as the areas of strength: Workplace, Supervision, and Employee Engagement, with scores 411, 405, and 402, respectively. Internal Communication, Job Satisfaction, and Pay, had the lowest three scores of 383, 371, and 290, respectively.

The Department's management, with the assistance of an ad-hoc staff committee, used the survey results to determine a plan of action for continued improvement of the work climate and the employee engagement.

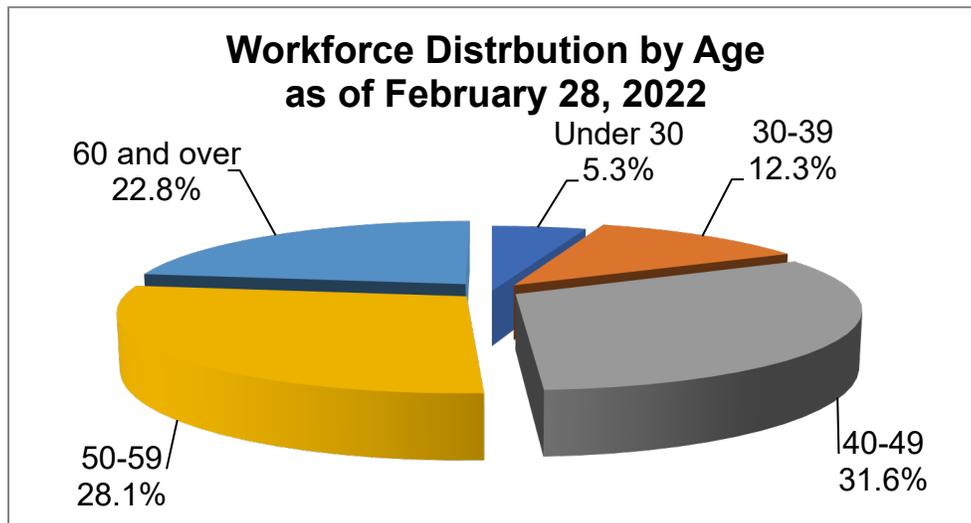
CURRENT WORKFORCE PROFILE

Composition of Department's Staff

DEMOGRAPHICS INFORMATION

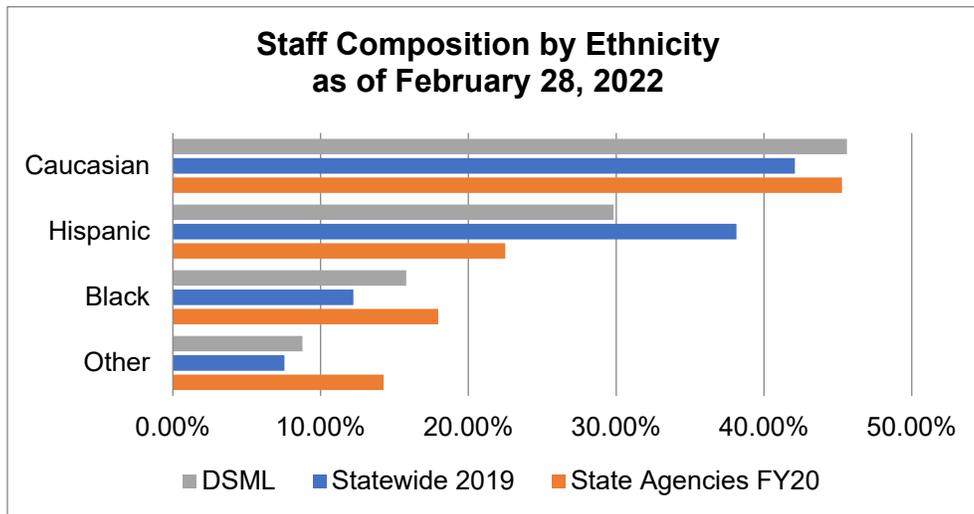
As of February 28, 2022, the Department's workforce is comprised of 57 employees - 30 females (52.6%) and 27 males (47.4%).

The chart below shows the Department staff composition by age. The average age has remained 50 years compared to 2020.



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The following chart compares the agency staff composition by ethnicity as of February 28, 2022, 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 2017-2018.



The employees' length of agency service distribution has shifted significantly due to multiple new hires in existing and newly created positions. As a result, 31.6% (up from 11.5% in fiscal year 2020) of employees have less than two years of agency service, and 54.4% (down from 59% two years ago) now have more than five years of service.

RETIREMENT ELIGIBILITY

Retirement will potentially account for a significant number of separations over the next five years and a critical loss of institutional knowledge and expertise in key positions.

As of February 28, 2022, seven (7) employees or 12.3% are eligible to retire - eight under the rule of 80 or the *age-65-and-10-year-of-service* rule. By the end of fiscal year 2027, eighteen (18) additional employees or 31.6% will become eligible for retirement - six under the rule of 80 or the *age-65-and-10-years-of-service* rule, and twelve under the *age-60-and-five-year-of-service* rule. The total of 25 potential retirees, represent 42.9% of the field staff and 44.4% of the office staff. These employees have extensive tenure with the Department and a wealth of institutional knowledge. The average state service of these employees when they reach

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retirement eligibility is over 12 years. It is important to ensure that this knowledge and organizational experience is not lost.

VETERANS

The 84th Legislature amended and added to Texas Government Code, Section 657.004, requirements for state agencies to meet a veteran employment goal of hiring veterans in full-time positions to equal at least 20% of the total number of employees. The agency takes advantage of the resources of the Texas Veterans Commission and the Texas Workforce Commission. As of February 28, 2022, the Department employs 3 veterans or 5.8%.

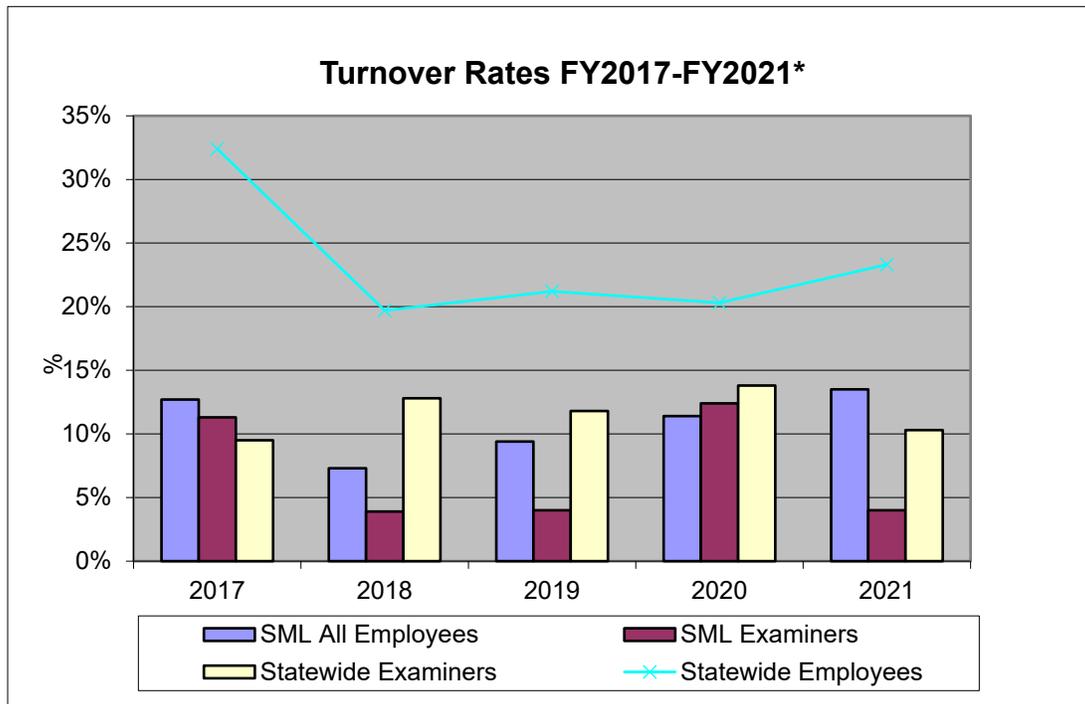
Current and Projected Turnover

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, and 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 flexible work schedules, relaxed dress code, and implementation of a health and 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 and federal regulatory agencies, and the private sector. After a low of 4% in fiscal years 2018 and 2019, the Department experienced 12% of financial examiner turnover in 2020, and 4% in 2021.

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The graph below compares Department turnover to statewide turnover for fiscal years 2017-2021, as well as the financial examiner turnover to statewide financial examiner turnover. Interagency transfers are included as departures even though the employee stayed within the state system.



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

TURNOVER BY LENGTH OF SERVICE FOR FISCAL YEARS 2020-2021

The Department lost six employees during fiscal years 2020 and eight in fiscal year 2021. Employees with five to ten years of experience had the highest Department turnover.

Length of Service	% of SML	% of State Turnover
Less than 2 years	14.3	56.2
2-5 years	14.3	22.3
5-10 years	35.7	8.3
10-15 years	21.4	4.8
15-20 years	14.3	3.4
More than 20	0.0	5.0

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TURNOVER BY AGE FOR FISCAL YEARS 2020-2021

Age	% of SML	% of State Turnover
Under 30 years	7.1	33.6
30-39 years	21.4	21.9
40-49 years	14.3	15.8
50-59 years	28.6	16.58
60 years and over	28.6	11.9

Critical Workforce Skills

The skills listed below are critical to the Department’s ability to perform its core business functions and achieve its mission.

Regulatory

- In-depth knowledge of the thrift and mortgage industries
- Financial institution regulatory processes and examination experience
- Ability to interpret and apply relevant rules, regulations, and statutes

Technical

- Audit and investigative techniques
- Risk assessment modeling
- Information technology expertise
- Accounting and budgeting
- Clear, concise, and accurate reporting and technical writing

Organizational

- Strategic planning
- Performance management

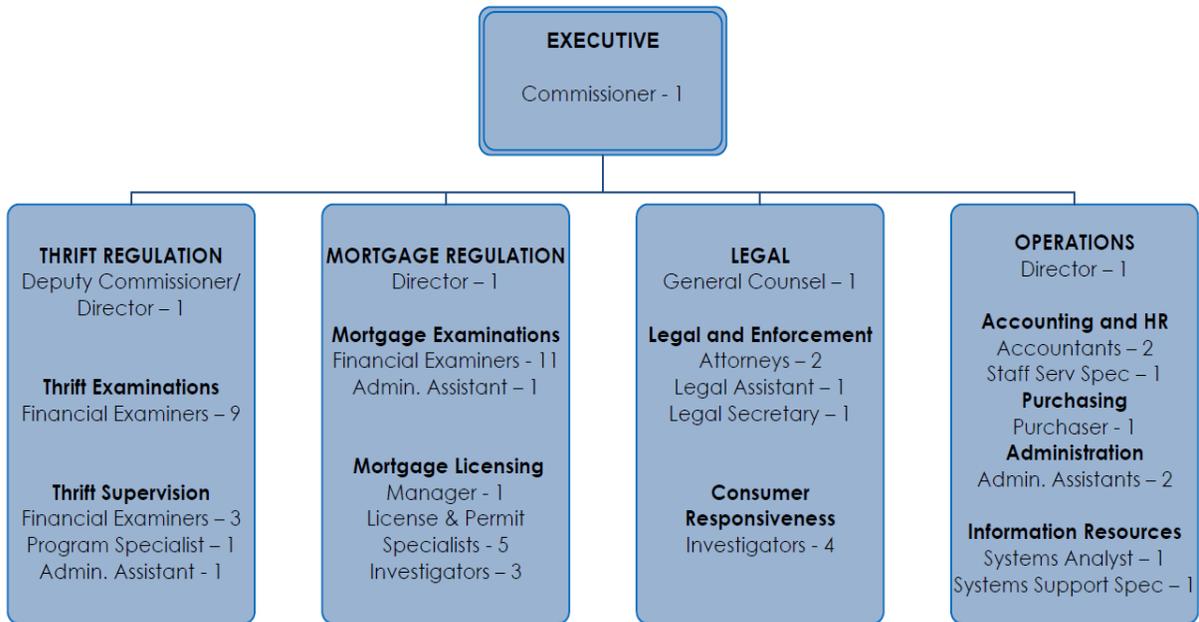
Communications

- Customer service skills
- Effective written and verbal communications
- Multilingual skills

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Workforce Allocation

The chart below depicts the Department's workforce allocation by division as of February 28, 2022.



FUTURE WORKFORCE PROFILE

Factors Influencing the Future Workforce

LARGE FINANCIAL INSTITUTIONS

The Department has recently gained jurisdiction over two large financial institutions as part of the regulated thrift industry. Organic growth and mergers and acquisitions in this industry could lead to other savings banks growing to large bank status. Such large financial institutions require specialized skills and a higher level of expertise.

INFORMATION TECHNOLOGY

As business practices and processes of regulated entities change due to information technology changes, the Department's workforce increasingly needs

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to stay current and update its processes and skills in order to respond to customers, provide quality services, and conduct business. The Department diligently monitors industry changes, identifies necessary adjustments, and uses its resources to implement program changes for the benefit of the public.

DIVERSIFICATION

As Texas' population continues to diversify, the Department continues to tailor programs and services, and develop staff's skills in order to accommodate citizens who do not speak or comprehend English. Increased diversity directly affects the licensing, examination, enforcement, and complaint programs, continuing to require bi- or multilingual staff to offer services in languages other than English.

GENERATIONAL DIFFERENCES

Currently, the Department's workforce is comprised of members of three generations – Baby Boomers, Generation X, and Millennials. As Generation Z is entering the workforce, the generational differences in motivation, communication style, and worldview, require that the Department remains flexible and provides different opportunities for work and professional development as needed. Each generation brings a different perspective and skillset to the workplace, which if managed properly can lead to increased productivity and improved employee retention.

Future Workforce Skills Needed

In addition to the critical workforce skills listed above, the following skills will be necessary to enable the Department to perform its core business functions efficiently and effectively:

- Specialized knowledge in large financial institutions and capital markets
- Increased information technology expertise
- Business process analysis, reengineering, and redesign
- Change management

Anticipated changes in number of employees needed

The Department anticipates hiring additional thrift examination and supervision staff to adequately address the growth in the amount of assets under the Department's jurisdiction. Mortgage examinations and licensing staff will also be hired as needed to address the growth in the licensee population.

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GAP ANALYSIS

Staffing Levels

Current staffing levels, including anticipated new hires, are adequate to perform the Department's core business functions and fulfill the Department's mission.

Future staffing needs are being evaluated on an ongoing basis. If it is determined that changes in staffing levels are necessary, the SDSI status gives the Department the needed fiscal and operational flexibility to address these changes promptly.

Critical skills

LOSS OF KNOWLEDGE DUE TO RETIREMENTS

A significant percentage of employees identified as eligible retirees are in management or senior positions with extensive financial institution, mortgage industry, legislative, management, and state reporting knowledge and experience. The external pool of persons that can effectively step into a management or a senior role with the Department is very small.

INFORMATION RESOURCES RELATED SKILLS

The constant evolution of information technology brings out to the forefront several types of needed skills, knowledge and expertise. As information technology practices in the regulated industries change, Department's staff needs to monitor, analyze, and determine the necessary adjustments the Department's regulatory processes. Business process analysis, reengineering and redesign will be necessary to effectively accommodate the use of new tools or methods. Available information technology products and services need to be evaluated and assessed for applicability to the Department's processes. Finally, implementation of new processes and information resource products and services require appropriate change management skills and training of existing staff.

STRATEGIC DEVELOPMENT

Succession Planning

Succession planning has always been an important and integral part of the Department's strategic and operational planning. The Department continues to ensure existing cross-training program covers all critical skills and functions performed by retirement eligible or soon-to-be eligible staff and develop a structured knowledge transfer between employees.

Employee Development

In order to maintain a competent, engaged, and effective workforce, the Department's focus on employee development and training has been paramount to the continued fulfillment of the Department's mission. In addition to the existing robust training policies and programs, the Department will take the following actions:

- Continue to develop required and actual competencies and proficiency levels for each position.
- Continue to build individually tailored employee development plans to address current competency gaps and further develop critical skills.
- Increase the focus on internal training in order to transfer knowledge.
- Provide multiple opportunities for information resources related training.
- Evaluate and adjust employee development plans regularly to ensure alignment of developmental needs and available opportunities.

Continued Efforts in Hiring and Retention

The Department already utilizes competitive compensation, career development guidance, a multi-pronged wellness program, and in-depth turnover and engagement analysis, as strategies to hire and retain capable and dedicated employees who possess needed critical skills.

Additionally, in order to reach wide audience and attract qualified employees, the Department is utilizing multiple online platforms to publish vacant job postings and raise awareness of existing opportunities. Staff is also developing an internship program for college students in order to introduce and promote government careers to future graduates.

It is the Department's intent to continue the efforts in applying and improving these strategies in order to close any gaps in staffing and critical skills.



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**REPORT ON CUSTOMER SERVICE
FISCAL YEAR 2022**

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CUSTOMER SERVICE 2022
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COMPACT WITH TEXANS

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

EXTERNAL CUSTOMERS AND SERVICES PROVIDED

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.

EXAMINATIONS AND SUPERVISION

There are two direct recipients or customers of examination and supervision - the other regulators 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 and the Federal Reserve Bank. It is important that the quality of the Department examination and supervision staff, their experience, training, and technological resources, ensure the Department's ability to participate fully in examinations with the FDIC and the Federal Reserve Bank and to 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 in order to maintain the state's role in the dual thrift system.

Quality examinations and supervision provide bank 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

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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 regulation include all of the diverse parties that participate in any way in the residential mortgage market and the secondary market for investment in such mortgages.

LICENSING AND EXAMINATION

The mortgage licensing and examination sections directly serve the entities licensed or registered by the Department and indirectly any consumers seeking residential mortgage loans from the Department's licensees and registrants. The customer base - licensees and registrants, and consumers applying for and/or obtaining residential mortgage loans - is too broad to survey, so the Department focused its survey of customer satisfaction on a the licensed and registered mortgage entities and individuals, who had recently gone through the licensing or examination process.

Consumers

COMPLAINT AND INQUIRY PROCESS

The primary customers are consumers doing business with regulated entities or relying on their work. By enforcing the statutory experience, 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.

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INFORMATION GATHERING METHODS

The Department utilizes electronic surveys to collect responses from the Department's customers - thrift institution CEOs, licensed or registered mortgage entities and individuals, and persons filing complaints against entities. The surveys were conducted with varying frequency, depending on the type of customers, as detailed below. 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 customers.

The Department has revised the survey process in order to receive a better statistical representation of the customers' feedback, including expanding the surveyed number of customers and increasing the frequency of the survey, and continues to monitor for possible improvements.

DETAILED CUSTOMER SERVICE INFORMATION

Thrift Industry

Thrift institutions operations are calendar-year based, therefore the thrift industry survey is sent annually after calendar-year end. The table below shows the results from the most recent annual survey.

The link to the online survey was sent to all of the state chartered thrift institutions' chief executive officers, total of 25, and covered the full range of Department activities: examination, monitoring, enforcement, and application processing. The response rate was 68%.

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.

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STATE SAVINGS BANK CHIEF EXECUTIVE OFFICER SURVEY – CY2021

Overall satisfaction with the agency		Very satisfied	Satisfied	Neutral	Unsatisfied	Very unsatisfied	Not Applicable
Questions							
1	How satisfied are you with the agency's facilities, including your ability to access the agency, the office location, signs, and cleanliness?	10	2	3	-	-	2
2	How satisfied are you with agency staff, including employee courtesy, friendliness, and knowledgeability, and whether staff members adequately identify themselves to customers by name, including the use of name plates or tags for accountability?	14	2	-	0	1	0
3	How satisfied are you with agency communications, including toll-free telephone access, the average time you spend on hold, call transfers, access to a live person, letters, electronic mail, and any applicable text messaging or mobile applications?	8	8	1	-	-	0
4	How satisfied are you with the agency's Internet site, including the ease of use of the site, mobile access to the site, information on the location of the site and the agency, and information accessible through the site such as a listing of services and programs and whom to contact for further information or to complain?	8	8	1	-	0	0
5	How satisfied are you with the agency's complaint handling process, including whether it is easy to file a complaint and whether responses are timely?	9	5	0	-	-	3
6	How satisfied are you with the agency's ability to timely serve you, including the amount of time you wait for service in person?	12	4	-	-	-	1
7	How satisfied are you with any agency brochures or other printed information, including the accuracy of that information?	8	6	2	-	-	1
8	Please rate your overall satisfaction with the agency.	14	3	-	-	-	-
Overall Totals		87	34	6	-	1	8
Overall Composite Results		64.0	25.0%	4.4%	0.0%	0.7%	5.9%
Satisfaction with specified services		Strongly Agree	Agree	Disagree	Strongly Disagree	Not Applicable	
Questions							
Examination and Supervision							
9	The scope and goals for each examination are clearly communicated to management prior to the start of the examination.	11	6	-	-	-	
10	Examiner requests for information are timely and reasonable.	9	8	-	-	-	
11	Examiners conduct themselves professionally.	13	4	-	-	-	
12	Examiner communication with management during the examination meets my needs.	11	6	-	-	-	
13	Examiners are informed on current industry issues, adequately trained, and qualified.	11	5	1	-	-	

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14	Examiner findings and concerns are clearly communicated at exit meetings.	10	7	-	-	-
15	Examiner conclusions are well-supported.	7	10	-	-	-
16	Examiner recommendations are clear and reasonable in the circumstances.	7	10	-	-	-
17	Examination time frames are reasonable.	8	9	-	-	-
18	Reports of examination are consistent with findings discussed at exit meetings.	8	9	-	-	-
19	Reports of examination are received timely.	8	6	2	1	-
20	Supervisory action and correspondence is consistent with examination findings.	8	9	-	-	-
Examination and Supervision Totals		111	89	3	1	-
Examination and Supervision Results		81.6%	65.4%	2.2%	0.7%	0.0%
Corporate Activities						
21	Correspondence with the Department regarding routine business matters is handled promptly and effectively.	13	4	-	-	-
22	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.	10	7	-	-	-
23	My calls, e-mails, or letters are routed to the appropriate person.	12	5	-	-	-
24	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.	8	1	-	-	8
	b. Responses to my inquiries were timely, appropriate, and helpful.	8	1	-	-	8
	c. The process was efficient and professional.	8	1	-	-	8
	d. Requests for additional information are reasonable and appropriate.	8	1	-	-	8
Corporate Activities Totals		67	20	-	-	32
Corporate Activities Results		56.3%	16.8%	0.0%	0.0%	26.9%

ANALYSIS OF THE THRIFT INDUSTRY SURVEY

An overwhelming majority of the responding thrift chief executive officers are “very satisfied” or “satisfied” with the Department’s overall performance, and “strongly agree” or “agree” that the examination and supervision and corporate activities services provided were satisfactory. In addition to the answers of the questions above, several of the respondents provided further feedback in the form of comments. Positive feedback was received on the Department staff’s accessibility, knowledge, and responsiveness.

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Mortgage Industry

Surveys were sent to the customers of the Mortgage Examination and the Mortgage Licensing sections, as follows: one survey covering the period January 1 through August 31, 2020, and six quarterly surveys covering the period September 1, 2020, through February 28, 2022. The results below represent the totals from all surveys conducted after December 31, 2019.

The mortgage examination survey population included all regulated mortgage entities that had received a full scope examination between January 1, 2020, and February 28, 2022, total of 940. The survey was sent to the entire population and received by 897 customers. 43 survey invitations were not received due to invalid or duplicative email addresses, or a customer survey opt-out. The average response rate was 27.4%.

MORTGAGE EXAMINATIONS SURVEY – JAN 1, 2020-FEB 28, 2022

Questions		Very satisfied	Satisfied	Neutral	Unsatisfied	Very unsatisfied	Not Applicable
1	How satisfied are you with the agency's facilities, including your ability to access the agency, the office location, signs, and cleanliness?	51	27	11	1	3	153
2	How satisfied are you with agency staff, including employee courtesy, friendliness, and knowledgeability, and whether staff members adequately identify themselves to customers by name, including the use of name plates or tags for accountability?	148	45	11	1	12	29
3	How satisfied are you with agency communications, including toll-free telephone access, the average time you spend on hold, call transfers, access to a live person, letters, electronic mail, and any applicable text messaging or mobile applications?	131	58	11	12	15	19
4	How satisfied are you with the agency's Internet site, including the ease of use of the site, mobile access to the site, information on the location of the site and the agency, and information accessible through the site such as a listing of services and programs and whom to contact for further information or to complain?	82	84	38	12	13	17
5	How satisfied are you with the agency's complaint handling process, including whether it is easy to file a complaint and whether responses are timely?	61	36	26	1	6	116
6	How satisfied are you with the agency's ability to timely serve you, including the amount of time you wait for service in person?	95	60	23	7	8	53
7	How satisfied are you with any agency brochures or other printed information, including the accuracy of that information?	66	51	30	3	11	85
8	Please rate your overall satisfaction with the agency.	118	92	13	6	13	4
Overall Totals		752	453	163	43	81	476
Overall Results		38.2%	23.0%	8.3%	2.2%	4.1%	24.2%

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Field Examination of Loan Files						
12	The scope and goals of the examination were clearly communicated prior to the start.	164	75	1	3	3
13	The examiners conducted themselves professionally, are informed on current industry issues, and adequately trained and qualified.	197	43	2	2	2
14	Examiner findings or conclusions are well-supported and concerns are clearly communicated at exit meetings.	163	69	8	4	2
Examination Totals		524	187	11	9	7
Examination Results		71.0%	25.3%	1.5%	1.2%	1.0%

ANALYSIS OF THE MORTGAGE EXAMINATIONS SURVEY

The majority of the responding licensees were “very satisfied” or “satisfied” with the Department’s overall performance, and “strongly agree” or “agree” that the mortgage examination activities, in particular, are satisfactory. Significant improvement in the satisfaction with the Department’s website was noted after the launch of the new and improved website in October 2021. In addition to the answers of the questions above, multiple respondents provided further feedback in the form of comments to the surveys. Positive feedback was received on the Department staff’s patience, knowledge, and professionalism.

The mortgage licensing survey population included all individuals and entities whose new license or registration applications (MU1, MU3, and MU4) were approved by the Department’s Mortgage Licensing section between January 1, 2020 and February 28, 2022, total of 35,170. The survey was sent to the entire population and received by 31,721 customers. 3,349 survey invitations were not received because they either went to an invalid or duplicative email address, or the customer had opted out from receiving surveys. The average response rate was 7.5%.

MORTGAGE LICENSING SURVEY – JAN 1, 2020-FEB 28, 2022

Overall satisfaction with the agency		Very satisfied	Satisfied	Neutral	Unsatisfied	Very unsatisfied	Not Applicable
1	How satisfied are you with the agency’s facilities, including your ability to access the agency, the office location, signs, and cleanliness?	645	377	224	45	64	1,017
2	How satisfied are you with agency staff, including employee courtesy, friendliness, and knowledgeability, and whether staff members adequately identify themselves to customers by name, including the use of name plates or tags for accountability?	866	494	238	63	95	616

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3	How satisfied are you with agency communications, including toll-free telephone access, the average time you spend on hold, call transfers, access to a live person, letters, electronic mail, and any applicable text messaging or mobile applications?	790	577	288	179	180	358
4	How satisfied are you with the agency's Internet site, including the ease of use of the site, mobile access to the site, information on the location of the site and the agency, and information accessible through the site such as a listing of services and programs and whom to contact for further information or to complain?	800	664	387	139	140	242
5	How satisfied are you with the agency's complaint handling process, including whether it is easy to file a complaint and whether responses are timely?	572	352	302	47	87	1012
6	How satisfied are you with the agency's ability to timely serve you, including the amount of time you wait for service in person?	712	481	313	152	228	486
7	How satisfied are you with any agency brochures or other printed information, including the accuracy of that information?	638	449	316	29	55	885
8	Please rate your overall satisfaction with the agency.	846	708	380	17	155	108
Overall Totals		5,869	4,102	2,44	82	1,004	4,72
Overall Results		30.9%	21.6%	12.9%	4.4%	5.3%	24.9%
Satisfaction with specified services		Strongly Agree	Agree	Dis-agree	Strongly Dis-agree	Not Applicable	
License Processing							
9	Requests for information were clear and timely.	835	882	244	134	277	
10	My license was issued in a reasonable period after all required information was submitted.	756	756	345	394	121	
11	The process was efficient and professional.	836	902	297	203	134	
License Processing Totals		2,427	2,540	886	731	532	
License Processing Results		34.1%	35.7%	12.5%	10.3%	7.5%	

ANALYSIS OF THE MORTGAGE LICENSING SURVEY

The majority of the responding licensees were “very satisfied” or “satisfied” with the Department’s overall performance, and “strongly agree” or “agree” that the licensing activities are satisfactory. In addition to the answers of the questions above, multiple respondents provided further feedback in the form of comments. The Department staff was commended for its professionalism and helpfulness.

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Consumer Complaints

Surveys were sent to the customers of Consumer Complaints section, as follows: one survey covering the period January 1 through August 31, 2020, five quarterly surveys covering the period September 1, 2020, through November 30, 2021, and three monthly surveys for the period December through February 2022. The results below represent the totals from all surveys conducted after December 31, 2019.

The population included all complaints originated by consumers who had provided an e-mail address and whose complaint had been closed between January 1, 2020, and February 28, 2022, total of 2,931. The survey was sent to the entire population and received by 2,634 customers. 297 survey invitations were not received due to invalid or duplicative email addresses, or a customer survey opt-out. The average response rate was 19.86%.

CONSUMER COMPLAINTS SURVEY – JAN 1, 2020-FEB 28, 2022

Questions		Very satisfied	Satisfied	Neutral	Unsatisfied	Very unsatisfied	Not Applicable
1	How satisfied are you with the agency's facilities, including your ability to access the agency, the office location, signs, and cleanliness?	64	43	31	26	49	310
2	How satisfied are you with agency staff, including employee courtesy, friendliness, and knowledgeability, and whether staff members adequately identify themselves to customers by name, including the use of name plates or tags for accountability?	129	84	52	36	65	157
3	How satisfied are you with agency communications, including toll-free telephone access, the average time you spend on hold, call transfers, access to a live person, letters, electronic mail, and any applicable text messaging or mobile applications?	154	100	79	45	81	64
4	How satisfied are you with the agency's Internet site, including the ease of use of the site, mobile access to the site, information on the location of the site and the agency, and information accessible through the site such as a listing of services and programs and whom to contact for further information or to complain?	137	152	105	47	56	26
5	How satisfied are you with the agency's complaint handling process, including whether it is easy to file a complaint and whether responses are timely?	169	112	46	72	118	6
6	How satisfied are you with the agency's ability to timely serve you, including the amount of time you wait for service in person?	145	90	47	57	90	94
7	How satisfied are you with any agency brochures or other printed information, including the accuracy of that information?	67	55	68	24	48	261
8	Please rate your overall satisfaction with the agency.	150	106	50	83	132	2
Overall Totals		1015	742	478	390	639	920

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		Overall Results	24.3%	17.7%	11.4%	9.3%	15.3%	22.0%
Questions	Satisfaction with specified services	Strongly Agree	Agree	Dis-agree	Strongly Dis-agree	Not Applicable		
Consumer Complaints								
9	Requests for information were clear and timely.	134	164	67	78	70		
10	My complaint was resolved within a reasonable period after all required information was submitted.	139	113	69	165	27		
11	The process was efficient and professional.	160	133	77	101	42		
Overall Totals		433	410	213	344	139		
Consumer Complaints Composite Results		27.6%	26.1%	14.4%	21.9%	8.2%		

ANALYSIS OF THE CONSUMER COMPLAINTS SURVEY RESULTS

Customer service is a priority for the Department. The frequency of the surveys was adjusted several times in an attempt to achieve a better response rate. The results are monitored closely to identify possible improvements in the customer service of the Consumer Complaints section. In addition to the answers of the questions above, multiple respondents provided further feedback in the form of comments. Consumers' responses reflect that the investigations process is efficient and professional as well as resolved within a reasonable time.

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CUSTOMER SERVICE PERFORMANCE MEASURES

OUTCOME MEASURES

- Percentage of Surveyed Customer Respondents Expressing Overall Satisfaction with Services Received: The total number of survey respondents indicating that they are satisfied or very satisfied with the agency, divided by the total number of agency survey respondents. 64.7%

OUTPUT MEASURES

- Total Customers Surveyed: The number of customers who receive access to surveys regarding Department's services 35,115
- Response Rate: The percentage of total customers surveyed who completed the survey 9.1%
- Total Customers Served: Total numbers of customers receiving services through Department's programs 39,082

EFFICIENCY MEASURES

- Cost per Customer Surveyed: Total costs for the Department to administer customer surveys divided by the total number of customer surveyed.* \$0

*No identifiable costs were incurred in order to administer the customer surveys.

EXPLANATORY MEASURES

- Total Customers Identified: The total population of customers in all unique customer groups** 39,082
- Total Customer Groups Inventoried: The total number of unique customer groups identified for each Department's program. 4

**The potential customer base is very broad as explained above. Included here are only the direct recipients of the Department's services.