Texas

Department of Banking

2013-2017 Strategic Plan

June 2012

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AGENCY STRATEGIC PLAN

FOR FISCAL YEARS 2013 - 2017

BY THE

TEXAS DEPARTMENT OF BANKING

Finance Commission of Texas

Commission Member	End of Term	Hometown
W. J. (Bill) White, Chair	February 1, 2016	Georgetown, Texas
Susan H. Burton	February 1, 2016	Addison, Texas
Darby Byrd	February 1, 2018	Orange, Texas
Victor E. Leal	February 1, 2018	Amarillo, Texas
Stacy G. London	February 1, 2014	Houston, Texas
Cindy F. Lyons	February 1, 2016	El Paso, Texas
Lori B. McCool	February 1, 2014	Boerne, Texas
Jonathan Bennett Newton	February 1, 2016	Houston, Texas
Larry Patton	February 1, 2014	El Paso, Texas
Paul Plunket	February 1, 2014	Dallas, Texas
Hilliard (Jay) Shands, III	February 1, 2018	Lufkin, Texas

Submitted June 2012

Signed: Charles G. Cooper
Banking Commissioner

Approved: W. J. (Bill) White, Chairman
Finance Commission

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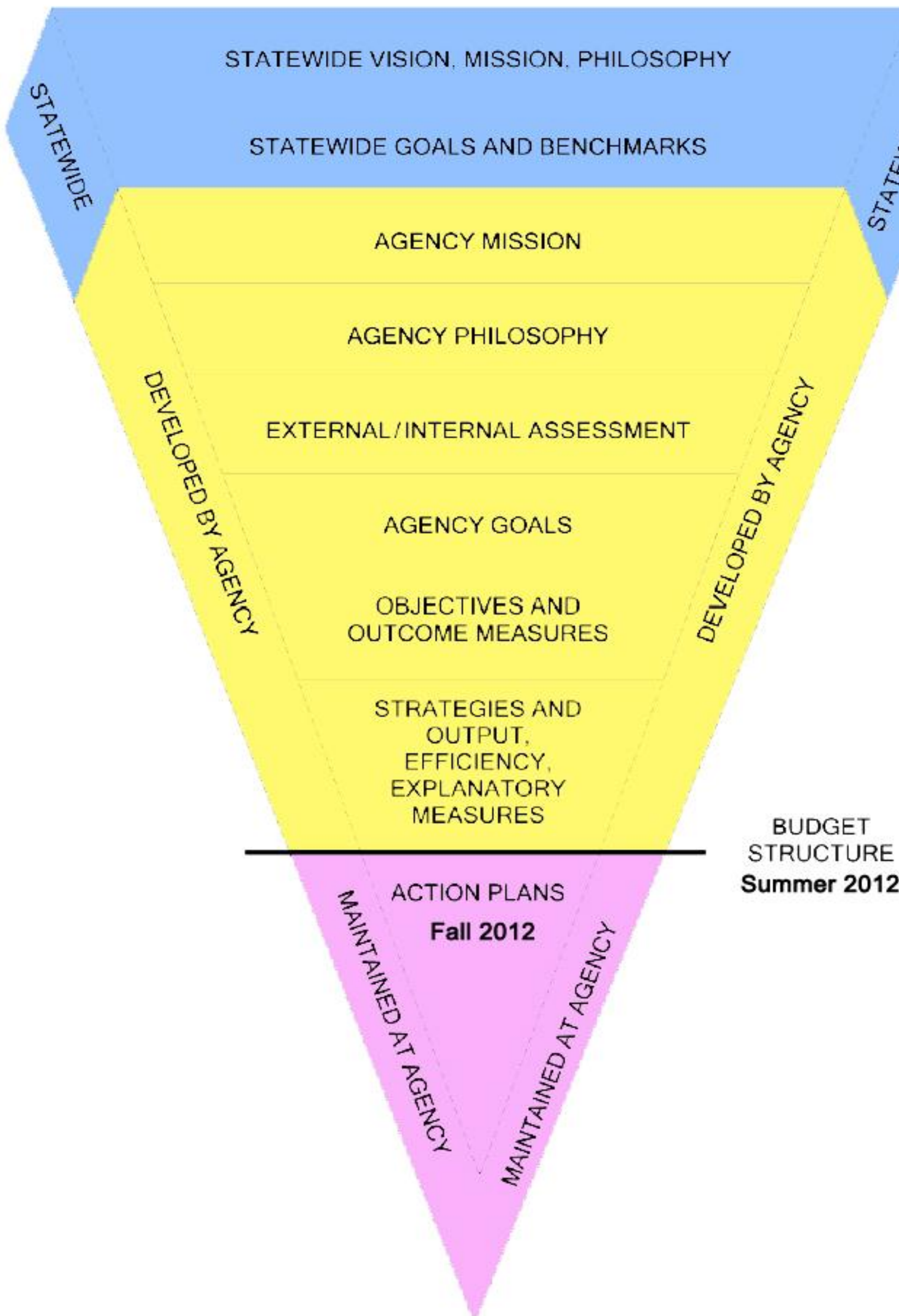
THE PROCESS

The process of developing the strategic plan enhances decision-making and identifies the agency's long-term goals. It also identifies factors affecting the agency and improves agency communication. Strategic planning guides the budget preparation and establishes a basis for measuring success. The planning relies on careful consideration of an agency's capabilities and environment and can lead to priority-based allocation of fiscal, human, technological, capital, and other resources.



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Strengthening our Prosperity

Vision --

"Since the last round of strategic planning began in March 2010, our nation's economic challenges have persisted, but Texas' commitment to an efficient and limited government has kept us on the pathway to prosperity. Our strong economic position relative to other states and the nation is not by accident. Texas has demonstrated the importance of fiscal discipline, setting priorities, and demanding accountability and efficiency in state government. We have built and prudently managed important reserves in our state's "Rainy Day Fund," cut taxes on small businesses, balanced the state budget without raising taxes, protected essential services, and prioritized a stable and predictable regulatory climate to help make the Lone Star State the best place to build a business and raise a family.

Over the last several years, families across this state and nation have tightened their belts to live within their means, and Texas followed suit. Unlike people in Washington, D.C., here in Texas we believe government should function no differently than the families and employers it serves. As we begin this next round in our strategic planning process, we must continue to critically examine the role of state government by identifying the core programs and activities necessary for the long-term economic health of our state, while eliminating outdated and inefficient functions. We must continue to adhere to the priorities that have made Texas a national economic leader:

- Ensuring the economic competitiveness of our state by adhering to principles of fiscal discipline, setting clear budget priorities, living within our means, and limiting the growth of government;
- Investing in critical water, energy, and transportation infrastructure needs to meet the demands of our rapidly growing state;
- Ensuring excellence and accountability in public schools and institutions of higher education as we invest in the future of this state and ensure Texans are prepared to compete in the global marketplace;
- Defending Texans by safeguarding our neighborhoods and protecting our international border; and
- Increasing transparency and efficiency at all levels of government to guard against waste, fraud, and abuse, ensuring that Texas taxpayers keep more of their hard-earned money to keep our economy and our families strong.

I am confident we can address the priorities of our citizens with the limited government principles and responsible governance they demand. I know you share my commitment to ensuring that this state continues to shine as a bright star for opportunity and prosperity for all Texans. I appreciate your dedication to excellence in public service and look forward to working with all of you as we continue charting a strong course for our great state."

Rick Perry, Governor

MISSION --

Texas state government must be limited, efficient, and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of strong family environments for our children. The stewards of the public trust must be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner.

Aim high...we are not here to achieve inconsequential things!

PHILOSOPHY --

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise, and as an enterprise, we will promote the following core principles:

- First and foremost, Texas matters most. This is the overarching, guiding principle by which we will make decisions. Our state, and its future, is more important than party, politics or individual recognition.

- Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.

- Decisions affecting individual Texans, in most instances, are best made by those individuals, their families, and the local government closest to their communities.

- Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. Just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future and the future of those they love.

- Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.

- State government has responsibility to safeguard taxpayer dollars by eliminating waste and abuse and providing efficient and honest government.

- Finally, state government should be humble, recognizing that all its power and authority is granted to it by the people of Texas, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.

PRIORITY GOALS

The following statewide priority goals and related benchmarks are particularly relevant and provide guidance to the Texas Department of Banking in establishing its goals and objectives:

GOAL: REGULATORY

"To ensure Texans are effectively and efficiently served by high-quality professionals and businesses by:

- Implementing clear standards;
- Ensuring compliance;
- Establishing market-based solutions; and,
- Reducing the regulatory burden on people and business."

BENCHMARK:

- Percent of state financial institutions and credit providers rated "safe and sound" and / or in compliance with state requirements.

MISSION –

To ensure Texas has a safe, sound and competitive financial services system.

PHILOSOPHY –

In fulfilling our mission, we will:

- Adhere to the highest ethical and professional standards;
- Be statutorily accountable and responsible;
- Anticipate and respond to a dynamic environment;
- Identify and promote innovative practices;
- Operate efficiently;
- Communicate effectively;
- Foster teamwork while encouraging individual excellence and career development;
- Provide a desirable work environment that values cultural and individual differences; and,
- Seek input from and be responsive to the public, our supervised entities, and State leadership.

OVERVIEW AND KEY RESPONSIBILITIES

With over 100 years of service to the citizens of Texas, the Department of Banking (Department) is entrusted with ensuring the safety of the public's money held by businesses that provide financial services. The Department's supervisory authority is exercised over 1,178 financial service providers that control approximately $404.2 billion in financial assets as of December 31, 2011. Table 1 provides a listing of each entity the Department has authority to charter or license. Private child support enforcement agencies and check verification companies are required to register with the Department, but the agency's statutory authority is limited in regard to these entities. Table 2 on page 7 provides information about these entities.

The Texas Finance Commission (Commission), an eleven member governing body, is responsible for overseeing and coordinating the activities of the three state agencies under its control: the Texas Department of Banking; the Department of Savings and Mortgage Lending; and the Office of Consumer Credit Commissioner. Each agency was granted Self-Directed, Semi-Independent (SDSI) status in the 81st Legislative Session. The Commission appoints the Banking Commissioner, who is charged with carrying out the mission of the agency. An organizational chart is provided in Appendix B.

As a result of the SDSI status, the Department is not required to have its budget approved by the Legislature. The Commission is responsible for annually setting the spending authority or limits for the agency. Pursuant to *Texas Finance Code* Chapter 31.106, the Commissioner is authorized to impose and collect fees to cover only the cost of examination, the equitable or proportionate cost of maintenance and operation of the Department, and the cost of enforcement. The entire agency's operating funds are generated from fees assessed on the businesses supervised by the Department and are used to fund both direct and indirect costs. No general revenue funds are used to support agency operations. The Department matches revenues with expenditures to ensure that licensed entities are not charged more than is required to maintain the agency's operations and meet its statutory mandates.

Total expenditures in fiscal year 2011 were $20.8 million. For the fiscal year ending August 31, 2011, 93% of the Department's expenses were for salaries, other employee benefits and travel costs. For fiscal year 2012, the Department used the baseline for the prior year's approved expenditures and adjusted for deferred maintenance costs for the building, travel, projected retirements and salaries for limited term positions. The agency's final budget for fiscal 2012 approved by the Commission was $23.1 million. The current assessment structure is sufficient to cover this level of expenditures. Further discussion of the agency's SDSI status and budget process can be found under the Internal Factors section of this plan.

Total approved staffing for the agency is 196 full-time employees. Approximately 62% of the agency's staff are financial examiners who perform on-site examinations of chartered or licensed entities under the Department's jurisdiction, and a large percentage of the agency's budget supports this staff and the examination function.

In situations where an unlicensed or noncompliant business is discovered, the Department has statutory authority to take enforcement action. Other services offered by the Department include assistance with consumer inquiries and resolution of disputes with regulated entities. State leadership and other interested parties are routinely provided information about our regulated industries, and the associated laws, rules, policies, and practices of the agency.

CHARTERED OR LICENSED ENTITIES

These entities receive examinations to ensure they are operating in a safe and sound manner and are in compliance with state and federal laws. Agency personnel also investigate consumer complaints and attempt to facilitate amicable resolutions with regard to these entities.

Financial Service Provider	No. of Entities / Assets Under Administration (In Millions)	Applicable Law Requiring Examination and / or Licensing
State-Chartered Banks[1]	302 $170,401	Chapter 31 of the *Texas Finance Code* (TFC) requires the Commissioner to examine each state bank annually or more often as necessary to safeguard the interests of depositors, creditors, shareholders, participants and participant-transferees. Under certain circumstances, the timeframe between examinations may be extended to 18 months.
Trust Companies	22 nonexempt $20,438 20 exempt[2]	Chapter 181 of the TFC requires the Commissioner to examine each state trust company annually or more often as necessary to safeguard the interests of clients, creditors, shareholders, participants and participant-transferees. The banking commissioner may defer an examination for not more than six months if he considers the deferment necessary.
Offices of Foreign Bank Agencies (FBAs)	10 $92,987 16 Representative Offices[3]	Chapter 204 of the TFC requires the Commissioner to examine each Texas state branch, agency or representative office of a foreign bank annually or more often as necessary to determine if the office is operated in a safe and sound manner.
Money Services Businesses[4] *(MSBs)*	130 $81,036	Chapter 151 of the TFC requires that the Banking Commissioner examine each money service business licensee annually or at other times as the Commissioner may reasonably require protecting and safeguarding customer funds and prevent money laundering and funding of terrorist activities.
Prepaid Funeral Contract Sellers (PFCs)	396 $3,102	Chapter 154 of the TFC stipulates that the records of prepaid funeral contract sellers are subject to examination at least once every eighteen months or more frequently under certain circumstances and as considered necessary to protect the prepaid funds and to assure that the contracted services and merchandise are provided at the time of death.
Perpetual Care Cemeteries (PCCs)	243 $244	Chapter 712 of the Texas Health and Safety Code requires that the Banking Commissioner examine each perpetual care cemetery on a periodic basis as the Commissioner considers necessary to protect the interest of plot owners and safeguard the perpetual care trust funds and to assure that the fund income is used to maintain and support cemetery maintenance.

Table 1 Information is as of December 31, 2011

[1] *Information derived from FDIC database.*
[2] *Assets under administration not available.*
[3] *Assets not reported.*
[4] *Includes currency exchange, transmission and transportation businesses, gift cards, stored value card, money order sellers, and companies that deal in travelers' checks, drafts, and bill payments. The Department does not license companies that cash checks, authorized delegates of licensed businesses, or companies that issue stored value cards in a "closed" system. Authorized delegates are, however, subject to examination.*

OTHER REGISTERED ENTITIES

Private child support enforcement agencies are required to register with the Department, however, enforcement authority is limited. Agency personnel investigate consumer complaints and attempt to facilitate amicable resolutions with regard to these entities. Additionally, the legal staff reviews contract forms for clarity and suitability. Check verification entities are also required to register with the Department for the purpose of receiving notice of closed account information from financial institutions through a secure electronic notification system.

Financial Service Provider	No. of Entities / Assets Under Administration (In Millions)	Applicable Law Requiring Examination and / or Licensing
Private Child Support Enforcement Agencies (PCSEAs)	10 N/A	Chapter 396 of the TFC requires the Banking Commissioner to monitor private child support enforcement agencies through registration and investigation of consumer complaints.
Check Verification Entities (CVEs)	4 N/A	Chapter 11 of the TFC requires the Banking Commissioner to register check verification entities.

Table 2 Entities Registered with the Department
Information is as of May 31, 2012

ORGANIZATION

To accomplish our mission, agency staff is divided into several divisions as noted in the organizational chart provided in Appendix B. The two largest areas are the Bank and Trust Supervision Division and the Special Audits Division.

BANK AND TRUST SUPERVISION

As of April 30, 2012, the Bank and Trust Supervision Division accounted for 65% of the agency's 183 current employees. Field examiners make up 82% of the Division's total staffing. Assessments to commercial banks, foreign banks and trust companies provide the revenue for this area.

SPECIAL AUDITS

As of April 30, 2012, the Special Audits Division accounted for 11% of the agency's 183 current employees. Field examiners make up 75% of the Division's total staffing. The Division supervises the activities of MSBs, PFCs and PCCs and assessments of these licensed entities provide the revenue for this area.

SUNSET REVIEW

The 82nd Legislature[5] extended the existence of the Commission and the agencies over which it has jurisdiction until September 1, 2015.

[5] *Texas Finance Code §12.109*

COOPERATING WITH ORGANIZATIONS, TRADES, AND STATE AND FEDERAL AGENCIES TO FULFILL AGENCY MISSION

In order to accomplish its mission, it is imperative that the agency monitor and be versed in regulatory changes as well as state and national conditions. Through participation in various organizations, trade groups, and with other state and federal agencies, the Department remains informed of important matters affecting the regulated industries.

ORGANIZATIONS AND TRADE GROUPS

Conference of State Bank Supervisors (CSBS)	
Texas Bankers Association (TBA)	Independent Bankers Association of Texas (IBAT)
Money Transmitter Regulators Association (MTRA)	North American Death Care Regulators Association (DCRA)

Organizations and trade groups, such as those listed above allow the agency to strengthen its understanding of regulatory changes affecting the regulated industries. These relationships allow the Department the opportunity to provide input with respect to best business practices for the industries.

CSBS, a professional trade organization for U.S. state banking departments, provides insight on changes in federal banking regulations, and offers training on current and emerging issues for the agency's examination staff. CSBS was responsible for all 50 state banking departments signing the 1997 Nationwide Cooperative Agreement and Nationwide State-Federal Agreement, allowing for seamless supervision. Departmental staff actively participates on a variety of committees, workgroups and task forces on subjects relating to legislative and regulatory matters. The Texas Banking Commissioner, Charles G. Cooper, is the Chairman of the CSBS Legislative Committee through December 2013, and a member of the CSBS Board of Directors through May 2013. The Department continues to maintain its accreditation member status with CSBS and will be undergoing re-accreditation in 2013.

TBA and IBAT are two Texas banking trade groups the Department works closely with to gauge bank concerns and opinions. The Department and trade groups provide speakers for each other's conferences, seminars, or other speaking events. Often the trade groups inform staff of legislative initiatives and other important matters relating to their membership. More importantly, the trade groups provide assistance in soliciting industry input on important rulemaking and policy issues. The agency also coordinates with the trade groups to provide financial literacy information to our supervised entities, and other trade group members. Less formally, Department staff frequently consults with the trade groups on matters relating to issues dealing with bank operations, consumer complaints, and emerging industry concerns.

Since 1989, the Department has been an active MTRA member, participating in various programs. Membership enables the Department to discuss issues and concerns with other state agencies that license MSBs, and enhances its ability to effectively regulate this industry. Additionally, agency staff participates in interstate coordinated examinations. Through MTRA, states have developed standardized examination procedures, uniform ratings, and training courses for examiners. The agency provides instructors for these classes. Deputy Commissioner Stephanie Newberg serves as Secretary of MTRA until October 2013.

The Department is also a member of the DCRA which provides a forum for discussion on the efficiency and effectiveness of regulation of the death care industry in the United States and Canada. DCRA membership consists of state regulatory authorities and Canadian provinces in charge of regulating perpetual care and endowment care cemeteries. The Department has been a member for over 16 years.

STATE AND FEDERAL AGENCIES

The Texas Bankers Electronic Crimes Task Force (Task Force) was formed in April 2010 by the Texas Banking Commissioner in cooperation with the U.S. Secret Service to develop recommended practices to mitigate the risks of electronic crimes such as Corporate Account Takeover. The Task Force consists of: senior bank officers with technology oversight from a diverse group of banks in terms of size, complexity, and market environment, and representatives from Texas Bankers Association, Independent Bankers Association of Texas, and SWACHA. The task force developed a list of “Best Practices to Reducing the Risks of Corporate Account Takeovers” in September 2011 and continues to work with the U.S. Secret Service to assist the industry in rapidly combating new electronic criminal activities as they emerge.

The Department is a member of the Residential Mortgage Fraud Task Force, which was established by the Texas Attorney General. The intent of the task force was to improve the collaboration between state, federal, and local law enforcement agencies. The group examines how to track and reduce mortgage fraud in Texas. The Department modified examination procedures to include a review of bank practices in this area. Our consumer assistance area routinely submits suspected mortgage fraud complaints to the Attorney General for review by the Task Force.

With regard to the MSB area and its regulatory responsibilities, the Department cooperates with the Internal Revenue Service (IRS), Financial Crimes Enforcement Network (FinCEN) and numerous other federal agencies. The agency also serves on Suspicious Activity Report (SAR) review teams. These relationships allow for open discussions on proposed federal rules affecting MSBs and prosecution of illegal activities.

The PFC area actively participates in regulatory activities with the Texas Funeral Service Commission (TFSC) and the Texas Department of Insurance (TDI) through a Joint Memorandum of Understanding. The Special Audits Division has worked closely with TDI on matters affecting licensed insurance-funded PFC sellers. Likewise, Division staff frequently works with the TFSC on matters regarding funeral directors who have failed to adhere to applicable rules and regulations. As a result of the increase in defalcation activity and unlicensed activity, the cooperation with these two state agencies has proven to be vital in our supervision and regulation of PFC sellers.

THE BANKING INDUSTRY

THE TEXAS BANKING INDUSTRY AND THE TEXAS ECONOMY

Community banks have been a safe haven throughout the financial crisis for depositors. Since the financial crisis began, bank balance sheets have slowly rebounded and have begun to show improvement. In Texas, state-chartered banks are healthier than institutions in many other parts of the nation, as Texas experiences a modest economic growth pattern. Profitability has improved for state-chartered banks and in the last year, net income increased $340 million. Some of the recent improvement has been the result of lower loan loss provisions reflecting improved credit quality. Capital has also increased steadily over the last four years, and asset quality and liquidity positions have improved. As the economy continues on the path of recovery, financial institutions will continue to exhibit improvement in their balance sheets.

An area that banks may consider expanding into for additional income is mortgage servicing. The existing low prices for mortgages may encourage more banks to retain servicing on the loans they sell, in anticipation of higher prices when rates rise in the future. Mortgage servicing can be done safely and profitably, but to do so requires specialized expertise in operations, accounting, and sometimes hedging. Booking mortgage servicing rights frequently introduces higher levels of volatility into bank earnings, due to the fluctuation in these assets' fair value as interest rates change.

Texas economic indicators are positive, signifying that the state is in a recovery after the national recession that began in December 2007. By year-end 2011, Texas employment numbers were at pre-recessionary levels, and economists were predicting continued job growth into 2012. But as the state began a recovery, the 2011 Texas drought, discussed later in the plan, delivered a setback to many areas and continues to have a lingering impact on the Texas economy. Substantial agricultural losses impacted farmers, while ranchers were affected by the forced sales of cattle due to poor pasture conditions. The lack of rainfall and excessive heat caused numerous wildfires, leaving behind four million charred acres. While much needed winter rains fell in dry and parched fields throughout the Lone Star State, much more is needed for a full recovery.

The energy industry aided the state's economy with specific geographical areas realizing significant gains. Employment growth in the oil and natural gas industries helped lower the unemployment rate. However, it should be noted that Texas' unemployment rate has not dropped as quickly as economists forecasted. Dropping to 7.1% in February 2012, the rate is still higher than the 4.4% it was in January 2008. As one of the factors that initially created deterioration in credit quality, the banking industry will have to monitor this economic component until employment growth strengthens. The industry, as well as the Department, must continue to monitor economic changes as any unexpected disruptions to the national economy could send negative ripple effects into the state.

THE COMPOSITION OF THE TEXAS BANKING INDUSTRY

As of December 31, 2011, 302 Texas state-chartered banks with 2,010 branches held assets equaling $170.4 billion. This was an increase of $7.6 billion over the previous fiscal year. Of the $750.2 billion in assets held by federally insured Texas financial institutions, state-chartered banks hold approximately 23% (see Figure 1 on next page). The Department anticipates that the percentage of assets under its jurisdiction will continue to increase in the next five years partly due to investor interest in the Texas banking market.

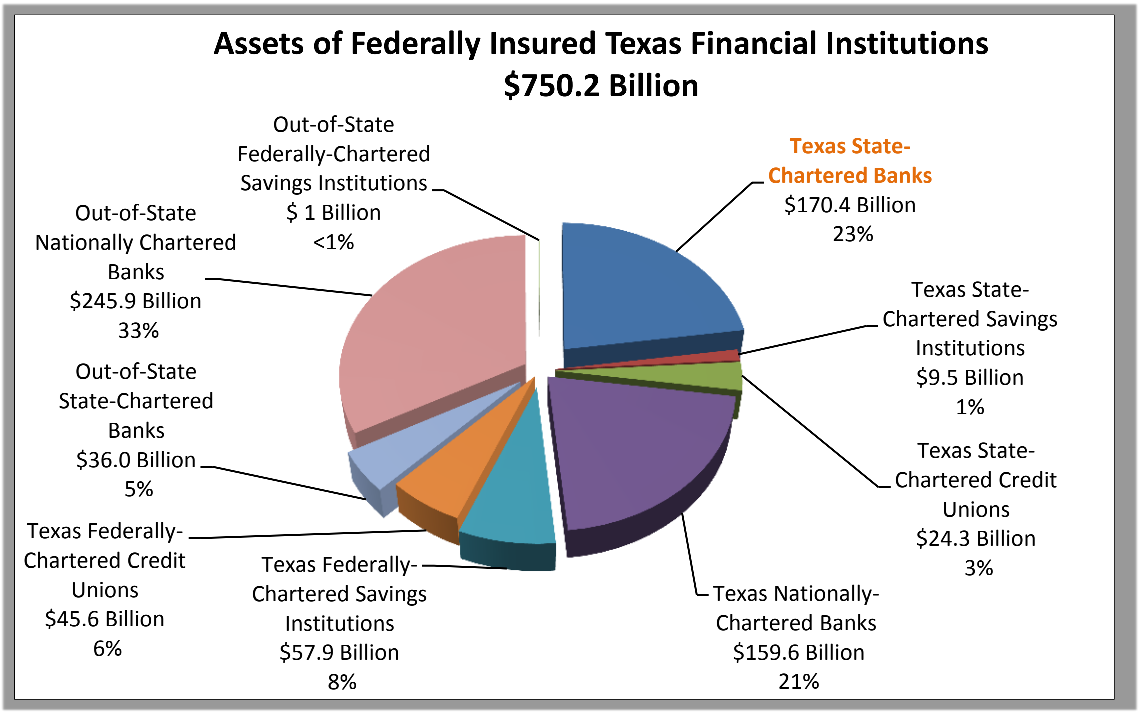

Figure 1: As of December 31, 2011
Source: FDIC

The number and size of institutions under the Department's supervisory authority is illustrated in Table 3. A comparison to the previous strategic plan shows a decline in smaller sized financial institutions, and a 32% increase in institutions $500 million and over. The migration to larger sized institutions can be attributed to the lack of de novo bank activity since the first half of 2009 as well as sales and mergers within the last two years.

Size of Institution	# of Banks as of 12/31/09	# of Banks as of 12/31/11
$100 or less	136	105
$100-$250	100	101
$250-$500	45	47
$500-$1 billion	21	30
Over $1 billion	16	19
Total	318	302

Table 3 State-Chartered Banks by Size at year-end 2011
Source: Texas Department of Banking

Merger Activity

Merger activity resulted in a decline in Texas state-chartered banks from 314 at year-end 2010 to 302 at year-end 2011. However, as previously mentioned, the number of assets under the Department's supervisory authority grew between December 2010 and December 2011. The Department expects to see a modest number of mergers as bank boards and management adjust to the post Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) federal regulatory environment. These regulatory actions have increased compliance costs and decreased overall profitability. As a result, it is expected that the number of Texas state banks will continue to decline as banks merge to achieve better economies of scale and improve profitability.

The number of Texas state banks is expected to continue on a slow downward trend for other reasons as well. Small rural banks are experiencing difficulties in attracting replacement management teams as existing management ages and retires. Family-owned banks are increasingly unable to locate or recruit successors to operate a bank in a rural area. Management and board fatigue, as a result of the regulatory and business environment, are also driving consolidations and acquisitions. The decline in new bank charters is also a contributing factor to the decrease in state banks.

On a positive note, interest in conversions to state banking charters is expected to offset the decline in the number of banks. The latest example is the recent February 2012 charter conversion application from The Frost National Bank, having $20.4 billion in total banking assets. Interest in acquiring small or troubled institutions by investor groups to gain access to a Texas bank charter is also expected to continue. The pace of Texas' economic recovery may also make Texas banks more attractive to banks located in other states. Staffing levels to accommodate sizable new entries into the state system will be monitored by the Department.

Table 4 illustrates the departmental asset growth projections for fiscal years 2013-2017. Over the next five years, the number of Texas state-chartered banks is expected to decline at an annualized rate of 1.5% to 3%. Absent any bank conversions of significant size, however, the assets of Texas state-chartered banks are expected to grow from 3% to 5% annually.

Period Ending	Number of Banks At 3% Net Attrition Rate	Number of Banks At 1.5% Net Attrition Rate	Assets ($MM) At 3% Annual Growth Rate	Assets ($MM) At 5% Annual Growth Rate
9/30/2012	297	297	193	193
9/30/2013	288	293	199	203
9/30/2014	279	288	205	213
9/30/2015	271	284	211	224
9/30/2016	263	280	218	235
9/30/2017	255	275	224	247

Table 4 Asset Growth Projections for the Next Five Years

PROBLEM BANKS

Due to internal deficiencies and the lingering effects of the economy, a few community banks continue to be under financial stress. Overall, however, community banks have made improvements to their balance sheets and as a result the number of problem banks[6] has stabilized and is on a gradual decline, as illustrated in Figure 2 on page 13.

Diligence in monitoring problem institutions, and anticipating and responding to regulatory issues has been a vital action necessary to help weaker institutions. Although measures are taken to offer guidance

[6] *Problem banks are defined by the Department as any institution that has been assigned a Uniform Financial Institutions Composite Rating of 3, 4, or 5.*

and assistance to troubled institutions, failures have occurred. In 2011, one bank failed, bringing the total in Texas since 2008 to nine. It remains a fact that Departmental examination staff continue to experience elevated workloads as regulated entities with a composite rating of 3, 4, or 5 continue to receive an examination every 6 months. In addition, banks with a Management component rating of 3, 4, or 5 receive an examination every 12 months. Supervisory agreements and periodic reports are also a part of monitoring the condition and progression of problem entities. The current challenge to the Department will be to complete additional examinations and perform the necessary problem bank monitoring, while handling any conversions or mergers.

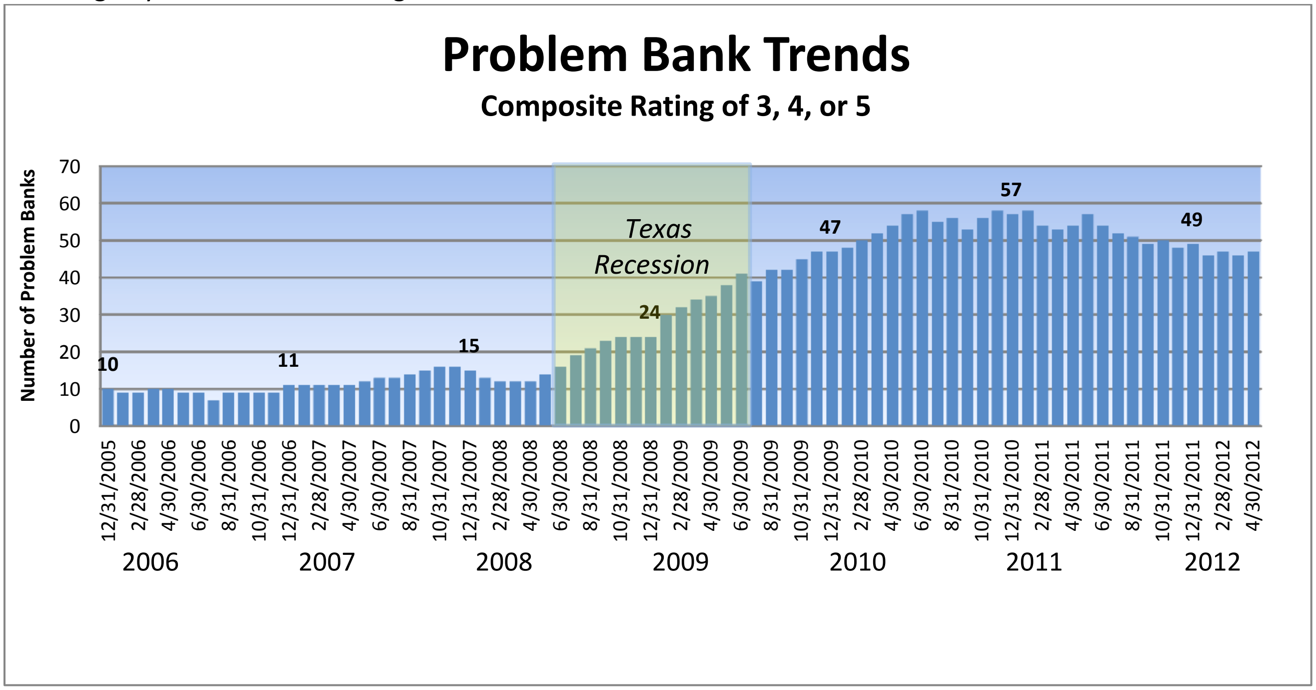

Figure 2 Historical Problem Bank Activities as of April 30, 2012

EXPANSION OF FOREIGN BANKING OPERATIONS (FBOS) ACTIVITIES

Foreign banks are permitted by Texas law to conduct banking operations through a branch, an agency, or a representative office. The Department issues a license for these operations and then conducts on-site examinations of their activities jointly with the Federal Reserve Bank of Dallas. All FBOs are presently located in either Houston or the Dallas metropolises. Twenty-one different foreign banks conduct business in Texas. Overall, the dollar volume of business activity conducted by offices located in Texas is small in relation to the overall size of these foreign bank organizations.

Foreign Bank Activity

Type	Houston	Dallas	Total
Agencies	7	2	9
Representative Offices	12	4	16
Branch	1	-	1

Table 5 Breakdown of Foreign Bank Activity

Assets in FBOs as of August 31, 2011, totaled $93 billion and consisted of $69 billion on-book assets and $24 billion off-balance sheet assets. Since August 31, 2007, one new agency and two new representative offices have been established; however, five representative offices have closed. While the number of representative offices has declined slightly, overall assets booked in Texas by foreign banks have grown. Also, there have been inquiries from other foreign banks regarding establishing a branch in Texas.

One foreign bank agency in Houston offers a variety of banking products including accepting deposits of foreign customers. Texas laws governing asset pledging and asset maintenance are structured in a way to fulfill the Department's regulatory responsibilities without placing undue burden on the FBOs. The Department monitors the activities of FBOs through on-site examinations, financial reports submitted quarterly, and asset pledging reports for those that accept deposits.

The establishment of FBOs by European banks in Texas is difficult to forecast as the European financial crisis may keep entities from investing in overseas operations. However, over the next few years, it is expected that more agencies and branches of foreign banks already operating in Texas will expand their activities to include deposit taking, thus requiring additional resources to be directed to this area.

TRUST INDUSTRY ACTIVITIES AFFECTED BY DEMOGRAPHIC CHANGES

As illustrated in Table 6, 41 state-chartered banks with trust departments, 22 state-chartered trust companies, and 20 state-chartered exempt family-owned trust companies are overseen by the Department. Pending approval, a large national bank converting to a state charter in mid-2012 will add over $24 billion in fiduciary assets. Two de novo public trust companies opened for business in 2011 and presently report fiduciary assets in excess of $207 million.

Trust assets are expected to increase at a faster pace in the near future as the "baby boomer" generation continues to age, and a significant part of estate planning utilizes various trusts to preserve and transfer wealth. The growth of trust assets will continue to put stress on existing regulatory personnel and resources.

	State-Chartered Banks with Active Trust Departments	Trust Companies	Exempt Family Trust
Number of Entities	41	22	20
Fiduciary Assets (in billions)	$105	$20	N/A

Table 6 Trust Industry Activity and Assets
As of December 31, 2011

Capital markets concerns and global economic worries have a major impact on the fiduciary assets that are invested. Examiners will have to become more proficient in the capital markets arena as a result of the volatility that can be experienced over time. The risk to the industry becomes greater when market valuations change frequently as a result of our litigious environment and the perception that institutions have "deep pockets." Consumer confidence in equity investments remains very low as a result of the recession. The ability of our trust specialists to identify appropriate investment strategies and fiduciary practices utilized by our regulated entities will continue to be of the utmost importance.

The cost of examining these entities has increased substantially; however, the Department's fee structure has not changed in over ten years. Various changes are being considered and analyzed to cover examination expenses in an equitable manner.

MONEY SERVICES BUSINESSES (MSBS)

CHALLENGES FOR MSBS

The early identification of possible money laundering activities by terrorists or drug traffickers has placed a heightened sense of purpose and importance on the actions of the Special Audits Division. Globalization and technological advances continue to impact the industry. New business plans, products and services are being developed by companies attempting to gain an edge over competitors, while technology has paved the way for more sophisticated methods to transfer money for consumers.

The Special Audits Division issues licenses and performs examinations of money services businesses*, or MSBs. This includes entities that engage in the following:

- currency exchange
- transmission
- transportation of funds
- gift cards
- prepaid access (stored value cards)
- money order sellers
- travelers' checks, drafts, and bill payments

**Texas check cashers and companies that issue prepaid access in a closed system are not subject to Departmental examinations.*

The Department continues to experience increased activity in the prepaid access arena. Prepaid access refers to a wide range of devices that facilitate consumer access to money electronically, including general purpose reloadable cards, payroll cards, government benefit cards, retail gift cards, mobile phones, and Internet sites. Licensed MSBs are increasingly marketing these services to customers who historically only used money transfer services involving person-to-person transfers funded by cash.

MSBs offering prepaid access products or devices need comprehensive risk management programs to identify, measure, monitor, and control the risks related to these products. The lack of adequate risk management programs escalates the chances that MSBs will be conduits for individuals who may want to conduct illegal activities through prepaid access products. Because prepaid access is a relatively new product that is growing so rapidly, both industry and regulators are challenged with staying informed to ensure all parties involved in a prepaid access transaction are protected. MSB staff continues to seek ways to gain knowledge of the prepaid industry through examinations, as well as by becoming familiar with applicable federal recordkeeping rules recently imposed on prepaid access sellers and providers. Nevertheless, until federal authorities provide guidance on the newly issued recordkeeping rules, the Department will continue to be faced with regulatory challenges as they pertain to these products.

Another area undergoing change is remittances. Licensed MSBs have indicated that overall remittances are down and the economic downturn continues to negatively impact their financial condition. This has led to some MSBs surrendering their licenses while others have been forced to make capital contributions to meet statutory net worth requirements. Some of the entities that surrendered their licenses have become authorized delegates of larger MSBs, allowing them to continue to provide services to their customers. The agency is however experiencing increased MSB application activity as Texas' economic recovery continues.

The Department continues to be at the forefront of MSB regulation and remains committed to working with other state and federal regulatory agencies in an effort to be effective and efficient in regulating its license holders. The Department recently signed a cooperative agreement with CSBS, which established a national supervision system and protocols for standardized multi-state examinations. The CSBS agreement is expected to strengthen the way multi-state exams are planned, coordinated, and performed. These changes may impact the Department's timing and staffing as it relates to examinations of Texas-based entities that do not operate in multi-states.

PREPAID FUNERAL CONTRACT AND PERPETUAL CARE CEMETERY INDUSTRIES (PFC/PCC)

CHALLENGES FOR PFCS/PCCS

The licensing and supervision of prepaid funeral contract (PFC) sellers, both trust-funded and insurance-funded, and perpetual care cemeteries (PCC) is also the responsibility of the Special Audits Division. Economic conditions, as well as new rules and regulations related to the financial condition of the licensees are challenges impacting the PFC/PCC industry.

Economic Impact

The drought and economic recession impacted the death care industry and its business strategies. PCC certificate holders faced higher maintenance costs due to the excessive triple-digit heat and the historic drought of 2011. Low returns on investments also proved to be challenging for funeral homes and cemeteries that were pressed to offset their inflationary costs associated with servicing PFCs upon maturity and/or providing adequate maintenance and care for PCCs. Additional financial pressure was placed on the funeral industry as an increased number of consumers opt for cremations in lieu of a more traditional funeral service. Historically cremations reduced profit margins as they are less expensive when compared to a traditional funeral service. The increased number of cremation services coupled with record low interest rates has required PFCs/PCCs to revise their business models to remain profitable. To ensure the PFC/PCC industry remains viable, demonstrates financial capacity and the general fitness to meet its ongoing obligations to the public, the Department reviews PFC/PCC financial statements during on-site examinations and at each renewal.

Consumer Awareness

As a result of increasing PFC package sales, a new package pricing rule was adopted to prevent any potential harm to consumers. PFC sellers are required to inform a consumer that a refund or credit will not be issued for any unused packaged goods or services, unless the goods or services were itemized in the PFC.

Additionally, the number of PFCs with non-guaranteed cash advance items is expected to increase as funeral homes now have the option to place cash advance items on the non-guaranteed portion of the contract. To ensure consumers are not overcharged and receive all pricing information, it is imperative that non-guaranteed cash advance items are properly disclosed. Departmental examination procedures are continuously being refined to address issues such as package sales and non-guaranteed cash advance items.

Regulations

As the number of funeral homes selling insurance-funded PFCs increased, regulatory amendments were needed to the Texas Finance Code to further protect consumers. House Bill (HB) 3004, effective September 1, 2011, extended guaranty fund coverage to consumers who purchase a PFC written by a third party funeral provider who sells PFCs under an insurance-funded permit holder. The statutory change also established actions the permit holders must attempt prior to seeking the assistance of the guaranty fund, which include finding a new funeral provider willing to assume the contractual obligations of the defaulting funeral provider.

In an effort to provide enhanced regulatory oversight for the PCC industry, HB 2495, containing several changes to Chapters 711 and 712 of the Texas Health and Safety Code, was passed and became effective September 1, 2011. The most significant of these changes was the implementation of an ongoing minimum capital and financial fitness requirement for all PCCs. Prior to this, a PCC only had to meet the requirements at the time of licensing.

Over the next several years, the Department will continue to face challenges in identifying non-licensed entities and fraudulent activities. Finding creative and innovative ways to educate the industry and public, as well as communicating openly with each of them will be crucial to the Department in preventing and managing illegal activities.

OTHER EXTERNAL FACTORS AFFECTING REGULATED INDUSTRIES

FINANCIAL CRIMES

Financial crimes consist of several broad categories such as fraud, money laundering, and corruption with dozens of subcategories such as Ponzi schemes, terrorist financing, identity theft, structuring, kickbacks, commercial bribery, and tax evasion. Numerous schemes and fraudulent activities, such as those monitored, have been exposed during the recent financial crisis. The U.S. government has powerful weapons to pursue financial criminals and the framework to force financial institutions and businesses into compliance with a wide range of laws, such as the Bank Secrecy Act/Anti-Money Laundering (BSA/AML) and USA PATRIOT Act. Financial crimes are a key threat for industries and regulatory authorities alike. Having a knowledgeable and fully trained staff that understands the risks and how they can be managed is essential.

Electronic crimes are on the rise, and the Department has taken steps to promote awareness and prevention in this area. In January 2012, Texas Banking Commissioner Charles G. Cooper and Edna J. Perry, Special Agent in Charge of the U.S. Secret Service Dallas Field Office, jointly announced efforts to assist financial institutions in adopting practices designed to reduce the risks and to protect businesses of corporate account takeover, including the “Best Practices” recommendations of the Texas Bankers Electronic Crimes Task Force (Task Force). Cyber criminals attack corporate customers performing online banking transactions, targeting those businesses with limited or no computer safeguards. In corporate account takeovers, cyber thieves gain access to a business computer system to steal confidential banking information in an effort to impersonate the business and conduct unauthorized electronic transactions. Losses can be staggering if banks and their customers are not diligent in managing the risks. Customer awareness of online threats and education about common account takeover methods are helpful measures to protect against these threats. There is no single measure to stop these thefts entirely. This is due to the dependence of banks on sound computer and disbursement controls of their customers. Multiple controls or a “layered security” approach is required. The Department adopted the Task Force’s recommendations for “Best Practices for Reducing the Risks of Corporate Account Takeovers.” Through the issuance of a Supervisory Memorandum, Texas state-chartered banks are required to implement minimum standards for a risk management program to specifically reduce the risks of corporate account takeovers. The best practice recommendations from the Task Force assists banks in achieving these minimum standards.

DOMESTIC AND WORLD EVENTS

Staying informed of both domestic and world events is essential to the financial industry. Information is readily available in today’s society as a result of 24-hour news channels, the Internet, and social media. Regulated entities, the Department, and general financial system transactions can be quickly affected by disruptions in local and/or world economies. Keeping staff and our regulated entities abreast of the issues/events that could disrupt or hamper the normal course of business is a priority of this agency. Examples of such events are listed below.

European Crisis

As the U.S. economy begins its slow recovery, disruptions overseas can hinder the progress. The European debt crisis and the stability of European banks can affect banks in the U.S. that have outstanding loans or investments in countries that could be compelled into default if the crisis escalates. These loans and investments are spread among foreign banks, governments and corporations. Complex financial arrangements, such as hedge funds, credit default swaps, and insurance, exist between U.S. companies and European financial institutions. Should the financial situation in Europe deteriorate further, European demand for U.S. products could weaken, reducing U.S. exports.

Energy

Political unrest in countries where the world's oil production is controlled can likely drive up the price of gas and other petroleum-related products. As gasoline prices increase, inflation is likely to reduce consumer purchasing power. If oil prices continue in an upward trend, a significant change in the monetary policy would be required by the Federal Reserve to temporarily curtail inflation. Analysts indicate that for every $10 increase per barrel of oil, the gross domestic product (GDP) growth decreases one-half to two-thirds of a percentage point. In a year's time, this could very well be a full point. The GDP is one of the primary indicators used to gauge the health of a country's economy.

U.S. Monetary Policy

Changes in domestic interest rates could result in unexpected liquidity issues for banks and further affect earnings. The current low interest rate environment has compressed net interest margins for financial institutions. The sluggish U.S. economic recovery may require the Federal Reserve to continue its monetary policy of short-term interest rates near zero to bolster growth beyond the end of 2014. Some officials and investors warn, however, that the Federal Reserve may need to raise interest rates well before the end of 2014 to prevent an increase in the rate of inflation. The Department must monitor monetary policy and capital market activities as financial institutions seek income producing opportunities.

Texas Drought

The severe to extreme drought plaguing parts of Texas and other southern states caused substantial losses for a variety of industries. In 2011, Texas suffered over $7.62 billion in crop and livestock losses, surpassing its record loss of $4.1 billion in 2006. By the end of August 2011, a ban on outdoor burning was in effect for 251 of the 254 Texas counties. Aquifer and lake levels in Texas declined, leaving some virtually dry. Severe water rationing was mandated in communities throughout the state. Some improvement was exhibited this spring as much needed precipitation fell in the eastern portions of the state. The seasonal dryness of May and June leaves little opportunity for changes in longer-term drought conditions.

REGULATORY REFORM AND GOVERNMENT-MANDATED CHANGES

The Department is closely monitoring the impact of Dodd-Frank[7], signed by the President on July 21, 2010. Certain provisions were not immediately effective, however, there are provisions that impact state law that became effective on the "Transfer Date" (July 21, 2011). These provisions include the following:

Ability of State to Enforce

- If a majority of the states enact a resolution in support of a consumer protection standard, the Consumer Financial Protection Bureau (CFPB) must issue a notice of proposed rulemaking to implement that standard.[§1041]
- A state Attorney General may sue to enforce the consumer protection provisions of Title X, including regulations issued by the CFPB, subject to certain limits if the defendant is a national bank or federal savings association. A state Attorney General may sue a national bank or federal savings association to enforce the CFPB's regulations (but not the underlying statute) or any other applicable state or federal law.[§§1042(a); 1047]
- A state regulator (other than an Attorney General) with appropriate jurisdiction and authority may sue a state-chartered, incorporated or licensed entity, or another entity doing business under state law (other than a national bank or federal savings association), to enforce Title X and the CFPB's regulations.[§1042(a)]

Change in Preemption of State Laws

- Title X provides that a state consumer protection law is preempted if:
  - (i) application of the law would have a discriminatory effect on national banks or federal savings associations;
  - (ii) the law is preempted by a provision of federal law other than the National Bank Act; or
  - (iii) in accordance with *Barnett Bank v. Nelson*, the state law "prevents or significantly interferes" with the exercise of a national bank or its powers.
- If asked to make a preemption determination, the Office of the Comptroller of the Currency (OCC) must act on a "case by case" basis, meaning the OCC determination must relate to a particular state law, but can also relate to the laws of another state with substantively equivalent terms (after consulting with the CFPB). [§§1044; 1046]
- A preemption determination by the OCC is subject to judicial review. The court may not uphold a determination to preempt a state law unless it finds the determination is supported by substantial evidence. The court is directed to assess the validity of the preemption determination, depending upon:
  - ➢ the thoroughness evident in the agency's consideration,
  - ➢ the reasoning of the agency,
  - ➢ the consistency of the decision with other determinations, and
  - ➢ other factors the court may find persuasive. [§1044]
- State consumer financial laws (including licensing statutes) apply to national bank subsidiaries, affiliates and agents.[§§1044(e); 1045]

The Department is monitoring the implementation of the CFPB. The Department signed a Memorandum of Understanding (MOU) in January 2011 between the CSBS and the CFPB to establish and enhance the cooperative relationship between the CFPB and state regulators of consumer financial products and services. The CFPB has direct supervision over all depository institutions with assets over $10 billion and as of this plan, three state-chartered banks fall within this category. Pursuant to Dodd-Frank, the CFPB

[7] *All citations in brackets are references to the Dodd-Frank Wall Street Reform and Consumer Protection Act*

has rulemaking authority over numerous consumer protection laws, which will apply to all financial institutions regardless of size. The CFPB will set the standard for compliance examination, modifying consumer protection laws, regulations, and policies along the way. These changes will directly impact management and the providers of consumer financial products and services. The Department is monitoring the CFPB's actions in this regard to determine if the agency should become involved in compliance supervision.

Other Dodd-Frank provisions that have been implemented and are impacting state-chartered banks include the following:

- Debit interchange fees (also known as swipe fees) were capped for large financial institutions (those with assets greater than $10 billion), as mandated by the Durbin Amendment. [§1075]
- Stress Testing [§165]:
  - The Federal Reserve Board is required to conduct annual stress tests of (1) bank holding companies with total consolidated assets of $50 billion or more and (2) significant nonbank financial companies as determined by the Financial Stability Oversight Council. These institutions must also conduct their own stress test semiannually.
  - State banks, state-chartered savings associations and national banks with total consolidated assets of more than $10 billion will be required to conduct their own annual capital-adequacy stress tests.

Going forward, statute or rule changes may be necessary to implement other provisions of Dodd-Frank. For example, by January 21, 2013, the state legal lending limit must take into consideration credit exposure of derivative transactions.

FEDERAL SUPERVISORY POLICIES AND AGENCY RESOURCES

In an effort to reduce regulatory burden and improve examination efficiency, the Department participates in an alternating examination program with the FDIC and the Federal Reserve Bank (FRB). The general practice of this program is to alternate on-site examinations between the Department and the FDIC or, if the institution is a member bank, with the FRB. This program works well, given the limited resources available to each agency. Federal regulators have historically shifted resources in times of crisis, which impact the Department's resources, as was exhibited in the recent financial crisis. Should the FDIC find it necessary to continue this reallocation of resources and be unable to conduct their required examinations, the Department would be required to make up this shortfall.

In addition to safety and soundness examinations of commercial banks, the Department also conducts specialty examinations. Foreign bank examinations, for instance, are conducted jointly with the FRB. As in the case of the FDIC, should the FRB decide to reallocate resources to other banking issues not related to foreign banks, the Department would still be responsible for conducting these examinations. Shifts in resources for IT and trust examinations can also impact the Department. With the increase in electronic crimes, more resources could be focused on IT examinations, as examination procedures are expanded to address these new risks. A shift in specialty resources from the federal regulators will impact the Department as examination mandates for these specialty examinations would still need to be met. The Department would be challenged to meet these examination requirements with limited specialty examination staff.

The examination frequency, length, and resources vary depending upon the condition of the bank. Problem banks require more resources as these banks are examined more frequently and are also subject to off-site monitoring. Increased examination frequencies impact the Department's examination schedule, resources, and ability to meet examination requirements. This becomes more of a challenge when federal regulator resources are also shifting.

As financial crimes escalate, monitoring compliance with BSA/AML regulations for MSBs as well as banks continues to be an area of importance. As technological advances are made in the financial payments arena, the BSA/AML examination program will expand. FinCEN continues to develop guidances to address current issues. Additional resources will be required at examinations to ensure our regulated entities comply with these regulations. Furthermore, the Department has information sharing agreements in place with FinCEN and the IRS which place additional monitoring and reporting requirements on the Department's resources.

ENFORCEMENT ACTIONS

A regulatory response tool employed by the Department is the issuance of enforcement actions. Department resources, specifically in the Legal Division, are heavily used when issuing an enforcement action. With the broadened authority given to the Commissioner in regard to both financial institutions and PCCs, it may necessitate additional staffing in the Legal Division. The type of enforcement action most often used varies depending on the situation and type of regulated entity.

Banks and Trust companies

Enforcement actions used with bank and trust companies usually require corrective actions designed to improve the institution's condition. These enforcement actions typically include goals and time frames for achievement, and require management to provide progress reports to the regulator.

Statutory changes were made to Chapters 35, 185, and 202 of the Texas Finance Code, which broaden the conduct justifying removal or prohibition of bank or trust affiliated individuals from industries regulated by the Department, expand the effect of the conduct necessary to justify removal or prohibition, and give the Commissioner flexibility in determining the length and conditions of prohibition orders. With regard to penalties, the changes allow imposition of a penalty on an individual, expand violations that can result in a penalty, increase the maximum penalty, and allow the Commissioner to publish a final penalty order. Also, an enforcement action can be taken against an officer, director, employee, or controlling shareholder of a bank holding company.

Prepaid funeral benefits seller

A large number of the enforcement actions issued by the Commissioner relate to sellers of prepaid funeral benefits. These actions typically result in orders to cease and desist illegal activities, to seize records and funds, and, ultimately, to pay restitution and penalties. When criminal activities have occurred, referrals are made to the appropriate district attorney for prosecution. The Department expends significant resources in bringing its own enforcement actions as well as preparing cases for referral to law enforcement.

Perpetual care cemeteries

Chapter 712 of the Texas Health and Safety Code was amended to require perpetual care cemeteries to annually renew their certificates of authority. To qualify for renewal, a perpetual care cemetery must satisfy the same criteria that apply to a new applicant. As renewal applications are being reviewed, the Department is finding that many certificate holders do not meet all the required criteria. Therefore, the Department will begin issuing many more enforcement actions than normal against this regulated industry.

Money Services Businesses

With the growth in Internet money services businesses, the Department has been challenged with pursuing several unlicensed sellers. The actions against these sellers are cease and desist orders as well as referrals to the Attorney General's Office for possible criminal activity.

DEMOGRAPHICS

After the 2010 Census, it was announced that Hispanics are the nation's largest minority group. In Texas, the Hispanic population has increased by 41.8% since 2000 and accounts for approximately 38% of the state's population. Changing Texas demographics will require agencies to change and adapt their ways of communicating with the public. Potential language barriers will reduce communication effectiveness and the quality of services to the general public. Our agency currently offers consumer complaint services, financial education, and various prepaid funeral contract forms in Spanish. As a regulatory agency that has oversight over industries that provide services aimed at the Hispanic population, multilingual training and information is an increasing necessity to conduct business.

SELF-DIRECTED, SEMI-INDEPENDENT (SDSI)

The Texas Department of Banking was designated "self-directed and semi-independent" by the 81st Legislative Session. SDSI agencies are not required to have their Appropriations Request approved by the Legislature. Instead, the agency's oversight board sets the spending authority or limits.

The Department continues to be self-funding, self-leveling. All revenues for operations are derived from assessments paid by regulated entities. The assessments are placed in a separate account at the Texas Treasury Safekeeping Trust Company and not in General Revenue. Biennial reporting to the Legislature and Governor regarding agency activities, financials, and audits are mandated. Annual reporting to the Governor's Office, the House Appropriations Committee, the Senate Finance Committee, and the Legislative Budget Board on salaries, travel expenses for employees and Commission members, the agency operating plan and annual budget, and a detailed report on revenue are required.

Although the agency is no longer subject to certain state requirements, the agency opted to continue operating as normal with minimal changes. A sample of continued compliance and reporting include:

- Following the State Payroll, Travel, Purchasing and Procurement rules and standards for all agency expenditures;
- Submitting quarterly agency financial statements, including budget variance analysis, to the Commission for review and approval;
- Calculating and maintaining data for performance measures, which is submitted quarterly to the Commission; and,
- Coordinating with the Texas Facilities Commission for regional office lease spaces.

The agency remains focused on emphasizing transparency and accountability. Opportunities for public participation in the budgeting process, through an annual public hearing, have been successful and will continue. The budgeting process for fiscal year 2013 will begin in the summer of 2012, with a public hearing to be held at the end of July. The final budget will be presented to the Commission at its August 2012 meeting. It is anticipated that the budget request will include additional expenditures for experienced staff who are needed to adequately supervise banks and oversee new conversions. At the same time, the assessment structure will be reviewed to ensure revenues are sufficient to meet expected expenditures.

DEVELOPING AND RETAINING QUALIFIED STAFF

As a mid-size state agency, it is important to continue to focus on retaining qualified staff at all levels. Financial examiner turnover had historically been a problem, specifically those employed for five years or less. The SDSI status afforded the agency the ability to adjust salaries in an effort to retain qualified personnel and strive for salary levels that are competitive with the FDIC. After several years of instituting this policy, the agency has reached an average salary for each financial examiner level within 90% of the comparable FDIC scale. As a result, examiner retention within the 5-9 and 10-14 year ranges has gradually improved, as evidenced in Figure 3 on page 25**.** In order to continue exhibiting this level of success, the agency must continue to sustain competitive salaries and a optimal workforce. With regard to the salary administration of examination supervisors, there remains opportunities for further improvement as these salaries are not competitive with the FDIC.

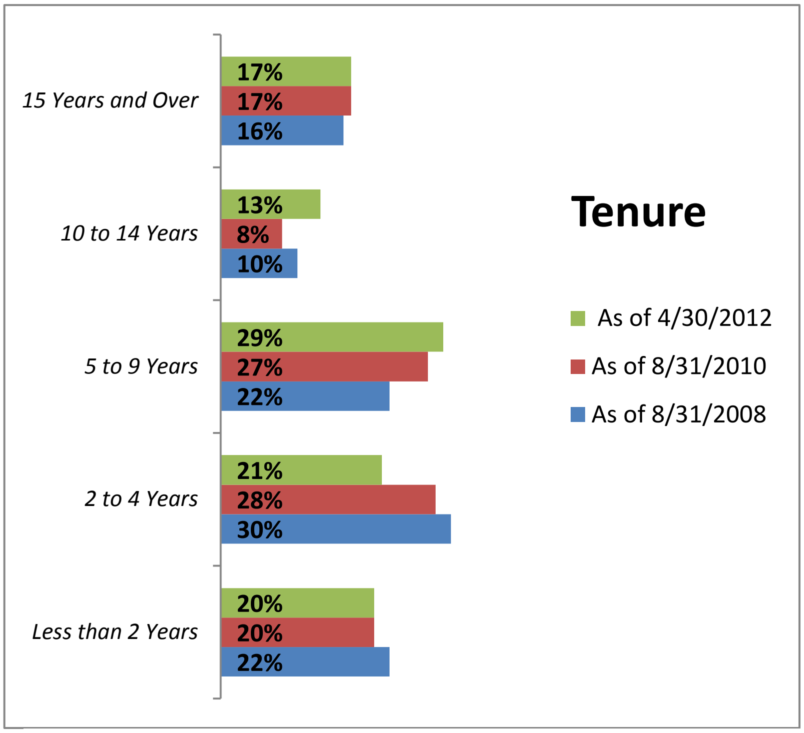

Figure 3 Department of Banking Tenure *Source: Human Resources*

Of importance to retaining qualified employees is the reward systems utilized by management. Providing rewards and incentives have proven to be helpful to the agency, and it is believed that employees take these into consideration when evaluating their job and overall satisfaction. As described in the Appendix F, the Department's Employee Advisory Council (EAC) has been an effective resource in identifying the rewards and incentives valued by staff. Meeting on an annual basis to discuss the results of employee satisfaction surveys, the EAC communicates specific employee concerns and recommendations for improvement to senior management.

In response to EAC suggestions and to accurately assess staff member performance and maintain the agency's creditability, the evaluation system used to monetarily reward employees is undergoing revision. The first phase included changes to the Summary Scoring Range which is used to determine if the overall performance is viewed as Exceeds Standards, Meets Standards, or Needs a Performance Improvement Plan. These revisions are a work in progress and future modifications will include weighting the individual elements used to evaluate overall performance and analyzing historical scores in relation to the new format. It is a priority task to continue to improve the performance system.

Other examples of the agency's efforts that have been implemented include:

- Promotion notifications to employees
- Noncompetitive through Financial Examiner VI positions
- Specialty career paths into– IT, Trust, Bank Secrecy, Capital Markets, and Large Bank Supervision
- Updates to the Commissioning Process
- Frequent overnight stay-out travel stipend program, if funds are available
- Casual dress
- Paid leave award for outstanding performance
- Flexible work schedules
- One-time performance merits, if funds are available

Administrative staff only qualifies for a select few of the rewards and incentives listed above. The agency does closely monitor this staff's salary structure to remain competitive with the state market. As career advancement opportunities are limited with the relatively small administrative staff, the potential for turnover in this group remains an issue.

STAFFING NEEDS

As noted, the economy impacts regulated entities and their business models. Changes that affect the stability or organizational structure of a regulated entity can cause an increase in Departmental staff workload. Problem banks require experienced field examiners and legal staff to spend a significant amount of time performing examinations and handling enforcement actions. Currently, the agency's staffing plan allows for 109.5 field examiners, including specialty examiners. The Department has been effective in convincing many retirees to return-to-work in a reduced capacity to assist in examination and training after their official departure. While this program has been successful, it is not likely that all retiring employees will want to take on the workload and travel requirement of active staff. In addition, the hiring of limited term positions comprised of experienced bankers or examiners has also been productive.

To further improve the Department's productivity, reduce the number of past due examinations, reemphasize training, work on special assignments, and handle growth in the system, 10 additional examination related staff are needed. Funding for the additional staffing would require an increase in assessments between 7.5% and 10.9%.

Staffing will likely be affected by applications and conversions from larger and/or more complex entities choosing a state charter. A 10-15% increase in assets would require additional staffing in our Corporate Division to keep pace with the growth. This will call for a tenured individual who has a sufficient amount of banking experience to evaluate additional complex applications. Furthermore, as the CFPB begins to formulate compliance standards and conduct examinations on regulated entities, the Department may need to become involved in compliance examinations. Entering into compliance examinations will require the hiring of financial examiners with compliance related experience.

Similar to the Bank and Trust Supervision Division, the Special Audits Division must adjust to changes in the financial markets and other regulatory mandates. Licensees continue to expand their use of new technologies, especially MSBs, creating a challenge for existing examination staff. An additional MSB examiner may be needed in the future as the complexity of examinations increases and new products require more time be dedicated at each examination. Additionally, the need for the assistance of a Bank and Trust Supervision IT examiner to assist with the review of entity systems remains a necessity.

Over the next five years, the Department will continue to be challenged to provide additional resources to help identify areas of fraud. Due to the increased workload from problem institutions, the Department has had to reallocate the internal Fraud Specialist to problem bank monitoring. The Department does, however, have a number of IT Specialists and commercial examiners that have the expertise in assessing the vulnerabilities of supervised entities. Ideally, the agency could benefit from at least one fraud specialist or investigator as fraudulent and illegal activity increases. Examiners must remain watchful of fraudulent schemes and suspicious activities during examinations. The agency expects increased involvement in fraud detection and prevention over the years covered by this Strategic Plan.

As the need for more staffing arises, the Department will present its needs and justification for these positions to the Finance Commission. Adding staff will require coordination to ensure productivity is not disrupted, and training and funding are available.

EFFECTS OF RETIREMENTS

Retirements and the inevitable loss of accumulated agency knowledge/expertise is a primary concern for the Department over the next five years. The agency's goal to have a staff with evenly distributed tenure is being challenged, as more senior staff become eligible to retire. The general practice is to receive notice of the intent of retirement approximately one to two months in advance, making it difficult to successfully prepare existing staff for the loss of experienced personnel. A challenge when evaluating the number of potential retirees is employees who have purchased service credit and have not reported it to the agency. They are not recognized in the retiree assessment. Furthermore, legislative changes to state benefits will determine how soon eligible retirees begin to exit the state workforce.

	Number Eligible to Retire	% of Current Employees (183 as of April 2012)
FY 12	36	20%
FY 13-17	26	14%
Total	62	34%

Table 7 Retirements between 2012 and 2017

An evaluation of the Department's workforce shows that 36 staff members in varying positions qualify to retire in fiscal year 2012; this includes 11 return-to-work retirees. As of April 2012, seven staff members have retired this fiscal year or announced their intent to retire by August 2012. For the time period covered by this plan, 26 additional staff members will reach retirement eligibility, for a total of 62 staff members or 34% of the current workforce. In terms of agency leadership and management, 11 of the 14 senior level management positions are included in the potential retiree figure.

Administrative Division As of April 2012	% of Division Eligible to Retire within 5 Years
Administrative Services	60%
Bank and Trust Supervision- HQ and Support Staff	60%
Corporate	43%
Executive	80%
Legal	78%
MIS	50%
Special Audits - HQ	38%
Strategic Support	33%

Table 8 Administrative Retirements

In previous plans, the focus was on the impact of retiring financial examiners in the Bank and Trust Supervision Division. Impending retirements are now also affecting other divisions of the agency. A further analysis of potential retirees reveals that 37 employees and related directors in administrative divisions can retire within five years. This severely impacts not only those administrative divisions but the agency as a whole.

While the retention levels in the Bank and Trust Supervision Division's mid-level examination staff are improving; the Department is still faced with the inevitable fact that a substantial number of more tenured examination staff is becoming eligible for retirement. The Department relies upon experienced employees to take the lead in the more complicated examinations while, at the same time, training the large number of less tenured employees. An early loss of even a few of these highly tenured employees will leave a significant void in the agency's expertise and ability to train staff. The Special Audits Division is faced with a similar scenario, as more of its experienced examination staff can retire in the next few years.

Examiners and Related Directors Eligible to Retire As of April 2012	
Bank and Trust Field Staff	**% of Division Eligible to Retire within 5 Years**
Arlington	19%
Houston	23%
Lubbock	13%
San Antonio	16%
Special Audits	
MSB	67%
PFC/PCC	25%

Table 9 Examiner Retirements

The Department will be challenged to develop the knowledge base and skill set of its less tenured examiners to replace this talent. In light of the anticipated departing knowledge and expertise, the agency is focusing on recruiting, retaining, and developing staff. The SDSI designation has permitted the agency to adjust salaries to retain and attract qualified personnel and provided for competitive salary levels with the FDIC. Cross-training and management succession planning are tools currently in use to prepare and develop existing staff for progression into higher level positions.

Cross-training of staff to become more familiar with other aspects of the agency is a priority as the exchange of knowledge vertically, as opposed to laterally, may create interest in senior management positions. It is critical to identify the skills, knowledge, and abilities needed to maintain organizational excellence and to strengthen those skills for up and coming staff. As part of the agency's management succession plan, select staff members have attended courses sponsored by the Governor's Center for Management Development, and are also provided other educational opportunities to expand their management skills. For new recruits, applicants who are being considered for employment are required to complete a work style profile. The purpose of this recruitment tool is to ensure that the agency is selecting candidates for employment who are well suited for the position, thereby improving employee retention.

BALANCING PRODUCTIVITY OBJECTIVES WITH TRAINING NEEDS

At the end of fiscal 2011, 11 commercial banks out of 271 were past due for examinations. The agency, nevertheless, met its performance measure of examining at least 95% of the commercial banks that were due for examinations. For fiscal 2012, the Bank and Trust Supervision Division anticipates a slightly larger number of commercial bank examinations being past due at fiscal year-end, likely resulting in not meeting its performance goals. This is primarily due to the reallocation of examination resources. It has yet to be determined how conversions and new state charters will further affect examination priorities.

At the end of fiscal 2011, the Special Audits Division was not able to perform all of the required examinations due for the following regulated entities: 29 PFC permit holders out of 396; 69 PCC certificate holders out of 245; and 5 MSB license holders out of 128. The Division was able to meet its performance measures of examining at least 90% of licensees that were due for examination in the MSB and PFC areas. However, the PCC performance measure of examining 90% of certificate holders due for examination was not met. The number of past due examinations in fiscal year 2011 can be mainly attributed to employee turnover and the allocation of resources to training of new staff. For fiscal 2012, the Division anticipates meeting its performance measures for the PFC and PCC areas. However, due to the resignation of a MSB examiner in mid-fiscal year 2012 and the retirement of another, along with more time involved in performing joint examinations with multiple states and the IRS, and the increased complexity of MSB products, it is anticipated that the MSB performance measure will not be met. Two new MSB examiners are currently receiving training and will begin performing examinations on their own by 2013.

Performing the most technical examination procedures, handling administrative responsibilities, and providing training to less tenured employees are duties of the most experienced staff. It is vital that our assistant examiners receive this training and transfer of knowledge from our more tenured staff members to ensure the Department can effectively supervise its regulated entities. Staffing changes due to retirements and newly hired assistant examiners will impact the agency's ability to meet its examination priorities and training needs.

The agency's general policy is to provide approximately two weeks of formal training to examiners each year in addition to a staff conference. Internal examiner training courses may be offered depending on developmental needs, agency resources, and other circumstances. Internal schools are typically taught by the more experienced staff and impact examination scheduling and resources. In the future, the cost of providing training for new examiners, who may also be replacing retirees, will impact training costs as more external sources of training will be utilized. Estimated direct and indirect costs of training a new Bank and Trust Supervision examiner through the first several years of employment are identified in Table 10.

Direct Costs	After Year 1	After Year 2	After Year 3	After Year 4
Trainee – *Salary Expense*	**$47**	**$54**	**$59**	**$72**
- Travel Expense	**$9**	**$9**	**$9**	**$9**
*Percent Attributed to OJT**	*80%*	*60%*	*40%*	*20%*
Net OJT Costs	**$45**	**$38**	**$27**	**$16**
Training Costs – *Schools – Travel and Classroom*	**$3**	**$3**	**$3**	**$3**
Estimated Direct Costs	**$48**	**$41**	**$30**	**$19**
Indirect Costs				
Trainers – *Salary Expense*	**$77**	**$77**	**$77**	**$77**
- Travel Expense	**$11**	**$11**	**$11**	**$11**
*Percent Attributed to OJT**	*40%*	*30%*	*35%*	*20%*
Estimated Indirect Costs	**$35**	**$26**	**$31**	**$18**
Estimated Total Costs	**$83**	**$67**	**$61**	**$37**
Cumulative Costs	**$83**	**$150**	**$211**	**$248**

Table 10 Cost of Training Financial Examiners (in thousands) *As of April 2012*

Training of a single Bank and Trust Supervision financial examiner is costly, and therefore, it is vital to retain these employees. Turnover among the less tenured examiners directly affects productivity and results in a financial loss to the agency since a significant amount of agency resources and time are used to properly train each examiner.

IMPROVING EFFICIENCY AND COMMUNICATION WITH TECHNOLOGY

Benefits of Email

- Enhanced interaction with regulated entities via a secure mailbox system.
- Improved communication of policy or rule changes, upcoming events, and other important news

Technological advances adopted by the Department have improved efficiencies throughout the agency. The Department must continue to utilize new technology to streamline processes for consistency and to achieve legislative mandates. Benefits from streamlined operations have already been observed by staff, regulatory counterparts, and regulated entities. For example, communications with regulated industries and other federal counterparts have improved as delivery of information is quicker since the Department implemented a secure email system.

As the examination process evolves, it is becoming more reliant on technology. Several examination tools developed in the past few years are now in the process of being updated. ALERT, also known as the Automated Loan Examination Review Tool, is an automated line sheet program by the FDIC that aids examiners in the loan review process and is scheduled to be upgraded in August 2012. The update will allow for the electronic storage of data and the electronic submission of completed line sheets, providing immediate accessibility to examination staff. As a result, the tracking of an examination's workflow will improve; work products can be distributed electronically and therefore provide for a more cost efficient examination process.

The FDIC's GENESYS program, which the Department utilizes to generate examination reports, is being replaced with Supervisory Application Generating Exams (SAGE) at the end of 2013. GENESYS often had compatibility issues with other software used by examination staff. These issues have been addressed in SAGE. Other enhancements to the SAGE program include:

- Sharing electronic work papers allows instant access to previous examination findings and work papers.
- Template creator/builder function permitting regulators to customize report pages.
- Templates will automatically update to incorporate Call Report changes, which previously required costly program updates.
- SAGE is not reliant on specific versions of Microsoft products and software, which historically created compatibility issues and delayed the examination process.

Examiner accessibility to email and the Internet while in the field has become critical in the examination function as more examination tools are made available online. The Department continues to improve availability by providing each regional office and specialty examiners with Mobile Wi-Fi Hotspots. For cost-effectiveness, each office is provided with a limited number of Hotspots.

Benefits of Imaging

- Minimizes and prevents lost records
- Saves storage space
- Manages records easily
- Finds documents quickly
- Makes images centrally available

The ability to image files and other documents has allowed the Department's efficiency to improve as examination information is more easily accessible to staff. All historical examination reports have been imaged, no longer requiring the Department to store files at the state's records retention center. Gathering information for public record requests has also been improved as a result of having a centralized location for agency files. The FDIC's document imaging program, known as Regional Automated Document Distribution and Imaging System or RADD, was created to improve workflow distributions. Correspondence and other documentation is sent electronically, rather than handling, copying, and mailing physical information. The dissemination of imaged documents in an electronic transmission from the FDIC regional offices has improved communication efforts and reduced the amount of time it takes Department staff to image a document internally, by importing electronic files directly into our imaging system. In accordance with the retention schedule requirement, documents are destroyed once the retention period is met.

In an effort to enhance the Department's services to the PCCs, an online renewal service was launched in January 2012. This online process brings the benefits of e-government to certificate holders, while reducing the paper burden placed on them at renewal. The Department believes this initiative will improve processing times and provide certificate holders with a convenient way to renew every year. The online renewal service was expanded in late spring 2012 to include all PFC and MSBs as well.

INCREASED DEMAND FOR CONSUMER ASSISTANCE

By rule, regulated state-chartered entities are required to disclose how a consumer may file a grievance against the state-chartered entity. Regulatory Guidance 3005, adopted by the agency, explains the requirements of the rule and provides model disclosures for entities to utilize. Demand for assistance continues as the agency's contact information is provided annually to customers. Figure 4 depicts the volume of consumer activity for the last ten years. The anomaly in the 2010 volume was related to one state-chartered bank issuing privacy notices to a specific customer base. The privacy notice has since been modified to clarify the purpose.

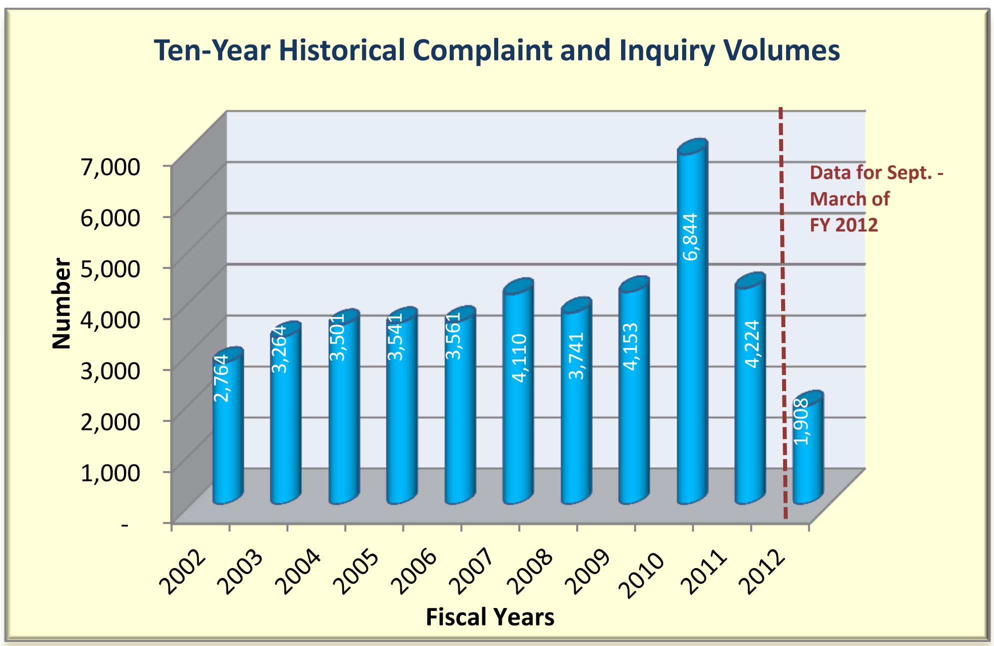

Figure 4 Consumer and Inquiry Volumes

Pursuant to statute, the Department accepts complaints against regulated entities and attempts to mediate a fair and equitable resolution. Entities are contacted and given an opportunity to respond to a consumer's concern or inquiry. Entities regularly offer a resolution in good faith. For complaints filed against state-chartered banks and trust companies in fiscal year 2011, less than 1% of the regulated entities were found to be at fault. For the same time period, MSB and PCC/PFC regulated entities had a 50% error rate. In some cases, consumer complaints have prompted the Department to issue an enforcement action against companies operating illegally or without proper licensing.

To be responsive to consumer needs in the consumer protection environment, it is imperative for staff to have an understanding of existing laws, as well as the new requirements under Dodd-Frank. Rulemaking authority over numerous consumer protection laws has been given to the Consumer

Financial Protection Bureau, which will apply to all financial institutions regardless of size. To ensure staff is abreast of amendments and new regulations, supplemental training will be required.

As the agency observes more entities entering into the state-chartered system, emerging product lines and technological advances will challenge the Department's knowledge base and lengthen complaint processing times.

OPPORTUNITIES FOR INPUT ON AGENCY SERVICES

A variety of methods are utilized to solicit feedback from entities and consumers on services rendered. Feedback received is made available to the public through the agency's website.

An Internet-based survey was offered to regulated entities in 2011. The input received provides for improvement of the agency's services offered to stakeholders. The agency's survey process and results are fully described in Appendix G.

EFFICIENCY IN ADMINISTRATION

The Department shares resources, when possible, with the other two Commission agencies in an effort to eliminate unnecessary processes and maximize efficiency and productivity. Building maintenance and receptionist duties are currently shared between the three agencies. In 2012, the Department and Office of Consumer Credit Commissioner began sharing imaging duties for efficiency.

Streamlined examination procedures are utilized and are continually modified to focus bank examinations on higher risk areas. By utilizing a pre-examination program for off-site reviews, the agency has reduced the amount of time examiners remain on-site and travel expenses. Additionally, more institutions are providing requested items electronically, further reducing overall costs and allowing off-site training opportunities.

As mentioned previously, the Special Audits Division launched its online renewal service for all of its regulated entities in the first half of 2012. This online process will allow applicant information to automatically populate internal databases and streamline the renewal process.

Additional opportunities to improve efficiencies continue to be evaluated and implemented when feasible as the agency continually strives to eliminate unnecessary processes.

OFFICE SPACE AND PARKING NEEDS

Technological capabilities, service patterns, legislative responsibilities and workloads have changed over the years for the Department. The agency's headquarters and regional office spaces, however, have not kept pace with these changes.

Housed on the third floor of the Finance Commission building, the Headquarters office space is not adequate to accommodate all staff. In October 2009, the agency began leasing space at a neighboring building known as the Nob Hill complex for additional office and parking spaces. In 2011, the number of employees working in the building increased and the parking space shortage rose to 33 spaces. This facility is no longer meeting the needs of the agency. A collective decision was made by all three agencies and the Finance Commission to sell the building and purchase another property that fits the needs of Commission agencies. The Finance Commission building was listed for sale in April 2012 and the search for a new facility is underway. Expenses related to the building and relocation of the three Commission agencies may impact future budgets.

With more examiners on staff, regional offices have also outgrown their work space. Within the next two years, three of the four regional offices will be seeking to expand by acquiring additional square footage or moving to a larger facility.

AGENCY USAGE OF HISTORICALLY UNDERUTILIZED BUSINESSES (HUBS)

The Department has limited opportunities to award contracts; however, whenever possible and practical, the agency purchases from HUBs regardless of dollar value.

Statewide HUB Goals for Procurement Categories

Pursuant to 34 TAC§20.13

	State	Department of Banking			
		FY 2011	FY 2010	FY 2009	FY 2008
Professional Services Contracts	23.6%	100%	100%	100%	100%
Commodities Contracts	21.0%	64.2%	66.2%	72.6%	86.1%

Table 11 Statewide HUB Goals and Departmental Achievements by Fiscal Year

The Department has adopted a policy to achieve the proportional HUB expenditure targets established by the Texas Comptroller of Public Accounts and monitors its progress toward achieving these goals. Over the last several years, the Department has exceeded its HUB targets in the categories of Professional Services and Commodities Contracts. Beginning in 2010, Dell (non-HUB) took over the contract for Microsoft products from SHI (HUB). Therefore, purchases made from Dell in fiscal year 2010 and 2011 raised the agency's non-HUB numbers and lowered the HUB numbers.

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GOAL AND PERFORMANCE MEASURES

GOAL: EFFECTIVE REGULATION

To ensure timely, fair, and effective supervision and regulation of the financial institutions and other licensees under our jurisdiction in order to promote a stable banking and financial services environment and provide the public with convenient, safe, and competitive financial services.

OBJECTIVE

A-1 Quality Bank Regulation: To provide quality regulation and maintain the credibility of the Department with the public, industries we regulate, federal banking regulators and other government agencies by striving that through 2017:

- ★ Examinations of regulated entities will be performed when due;
- ★ Correction-oriented enforcement action will be taken against regulated entities that demonstrate higher than normal weakness or risk;
- ★ Accreditation status by the Conference of State Bank Supervisors (CSBS) is maintained; and
- ★ Agency will strive to attract and retain qualified employees.

STRATEGY

A-1.1 Bank Examination: Conduct commercial bank, trust company, foreign bank agency, and foreign representative office examinations, in cooperation with federal regulatory entities, in conformance with the Department's examination priority schedule. Maintain national accreditation. Maintain contact with, and monitor the condition of, regulated entities between examinations. Optimize efficiencies in the examination process, including automating examination procedures and reference materials. Research and report on changing industry and economic conditions. Provide the industry with electronic access to regulatory and supervisory information through the website. Monitor industry status and activities through an off-site monitoring system and engage in regular communication with federal regulators.

A-1.2 FDIC / Industry Deterioration / Federal Regulatory Consolidation Contingency Plan: Maintain a contingency plan to provide additional regulatory resources in the event of further industry deterioration or systemic industry problems, the reallocation of federal regulatory resources, a significant increase in the regulated asset base or a substantial loss of examiners.

OUTCOME MEASURES

- ★ Percentage of banks receiving examinations when due. 01-01.01
- ★ Percentage of foreign bank agencies receiving examinations when due. 01-01.02
- ★ Percentage of trust companies receiving examinations when due. 01-01.03
- ★ Percentage of problem institutions with appropriate supervisory actions in place. 01- 01.04
- ★ Certificate of accreditation by CSBS maintained in good standing. 01-01.05

OUTPUT MEASURES

- ★ Number of bank and foreign bank examinations performed. 01-01.06
- ★ Number of trust company, trust department, and information technology examinations or certifications and other specialized reviews performed. 01-01.07

EXPLANATORY MEASURES

- ★ Percentage of assets in banks classified safe and sound. 01-01.10
- ★ Number of state-chartered banks in Texas. 01-01.11
- ★ Total assets (dollars in billions) in state-chartered banks in Texas. 01-01.12

EFFICIENCY MEASURES

- ★ Average cost per bank examination. 01-01.08
- ★ Assets examined per examiner day (in millions). 01-01.09

GOAL: EFFECTIVE REGULATION

To ensure timely, fair, and effective supervision and regulation of the financial institutions and other licensees under our jurisdiction in order to promote a stable banking and financial services environment and provide the public with convenient, safe, and competitive financial services.

OBJECTIVE

A-2 Quality Non-bank Regulation: To provide quality regulation and maintain the credibility of the Department with the public, the industries we regulate, and other government agencies by striving that through 2017:

- ★ Examinations of regulated entities will be performed when due; and,
- ★ Correction-oriented enforcement action will be taken against regulated entities that demonstrate higher than normal weakness or risk.

STRATEGY

A-2.1 Non-bank Examination: Conduct PCC, PFC and MSB examinations, in cooperation with federal and other state regulatory entities, in conformance with the Department's examination priority schedule. Maintain contact with, and monitor the condition of regulated entities between examinations. Optimize efficiencies in the examination process, including automating examination procedures and reference materials. Research and report on changing industry and economic conditions. Ensure proper enforcement actions are taken against unlicensed entities.

OUTCOME MEASURES

- ★ Percentage of MSB licensees examined when due. 01-02.01
- ★ Percentage of PFC licensees examined by Special Audits when due. 01-02.03
- ★ Percentage of PCC licensees examined by Special Audits when due. 01-02.04

OUTPUT MEASURES

- ★ Number of Special Audits licensees examined. 01-02.06
- ★ Number of Special Audits licensees examined by DOB. 01-02.07
- ★ Number of Special Audits licensees. 01-02.08

EXPLANATORY MEASURE

- ★ Dollar amount (billions) of PFC in force. 01-02.10

EFFICIENCY MEASURE

- ★ Average direct cost per PFC and PCC licensee examination. 01-02.09

GOAL: EFFECTIVE REGULATION

To ensure timely, fair, and effective supervision and regulation of the financial institutions and other licensees under our jurisdiction in order to promote a stable banking and financial services environment and provide the public with convenient, safe, and competitive financial services.

OBJECTIVE

A-3 Corporate Activities: To provide convenient and competitive financial services and protect the public by striving through 2017, that all applications receive a timely and thorough review resulting in knowledgeable and competent recommendations.

STRATEGY

A-3.1 Application Processing: Enhance current systems through the automation of applications and request processing by the efficient utilization of computer resources and programs. Process applications and information requests timely and thoroughly, resulting in knowledgeable and competent recommendations.

OUTCOME MEASURE

★ Percentage of bank and trust, MSB, check verification company, and private child support enforcement agency registration and renewal applications completed within statutory time periods. 01-03.01

OUTPUT MEASURE

★ Number of bank and trust applications, notices, and filings; MSB license, check verification company, and private child support enforcement agency registration and renewal applications completed. 01-03.02

EXPLANATORY MEASURE

★ Number of requests for information received. 01-03.03

TECHNOLOGY INITIATIVE ASSESSMENT AND ALIGNMENT

1. Initiative Name:	
Maintain an up-to-date computer system and equipment.	
2. Initiative Description:	
The Department will continue to provide superior service and maintain the agency's technology systems in a manner that allows maximum efficiency and minimum down time. To accomplish this, the Department will continue to upgrade old equipment, invest in a new network infrastructure and provide new web services to our customers and the public.	
3. Associated Project(s):	
Name	**Status**
Replace outdated computers and servers.	Ongoing
Upgrade data lines for headquarters and regional offices.	Will be completed by 3rd quarter 2012
Provide additional web based services to customers.	Ongoing
4. Agency Objective(s):	
To meet the Department's objectives to provide quality regulation, maintain the Department's credibility and to ensure timely, fair, and effective supervision and regulation, it is important to maintain up-to-date computer technology. Computers are necessary tools that allow staff to meet their responsibilities successfully. Maintaining proven and functional hardware and software that is up-to-date allows Department staff to conduct business efficiently.	
5. Statewide Technology Priority(ies): • P6 – Mobility • P7 – Network	
6. Guiding Principles:	
Having computer equipment that is functional and current enables Department employees to be innovative and deliver a product quicker and more professionally.	
7. Anticipated Benefit(s):	
Maintaining up-to-date computer systems keeps our employees productive. Slow computers and networks waste valuable time. By replacing old and out-dated equipment, employees spend more time on their duties and less time waiting.	
8. Capabilities or Barriers:	
The Department has developed a computer life cycle. The life cycle enables the Department to maintain an up to date computer system.	

1. Initiative Name:	
Implement FDIC's Examination Tools Suite (ETS) system	
2. Initiative Description:	
The ETS program is a substantial modernization initiative for bank examination applications. The program is a collaboration effort between the FDIC and the State Banking Departments to replace legacy exam systems. The new system has new features including enhanced security, increase accuracy checking, and improved collaboration of findings among examination staff and review examiners.	
3. Associated Project(s):	
Name	**Status**
Replacement of outdated laptops.	Ongoing
Upgrading existing laptops with new software to support the new system.	Ongoing
4. Agency Objective(s):	
The FDIC's ETS systems will support the Agency's objectives, Quality Bank Regulation and Corporate Activities. The Department works closely, including conducting joint examinations, with the FDIC. Using a common examination tool (ETS) enables the Department to easily share information in the examination process. Another benefit of using ETS is the program's flexibility in allowing the Department to customize certain components while not incurring high costs to maintain the core program.	
5. Statewide Technology Priority(ies):	
• P3 – Data Sharing • P5 – Legacy Applications • P6 – Mobility	
6. Guiding Principles:	
The ETS system follows the state's guiding principles in innovation and delivery. The ETS system is being developed to more efficiently coordinate and compile examination findings between examiners within the Department and between state and federal agencies. The system is designed to accommodate the challenges of a mobile examination staff. The system allows for collaborating among examination staff and the review process.	
7. Anticipated Benefit(s):	
The Department will benefit greatly by using the FDIC's ETS system. By using the system the Department saves development cost and examiner time by automating tasks that are currently done manually. Other benefits include enhanced sharing of data, improving the ease of access and reporting, enhanced data security, and reducing the risk of technological obsolescence.	
8. Capabilities or Barriers:	
The Department works closely with the FDIC in the design and testing phase. By being included in the design phase, the Department ensures the requirements of the Department are included in the system.	

APPENDICES

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STRATEGIC PLANNING PROCESS

Appendix A

The Texas Department of Banking is committed to the principles of establishing clearly defined objectives, goals, and strategies. This strategic plan, which helps to communicate these important ideas to our customers, employees, Finance Commission members, and state leadership, could only be made possible with the insightful contributions of the Strategic Planning Task Force. Great care is taken to ensure that all agency employees are given the opportunity to voice their opinions about the future direction of the organization, its mission, goals and priorities. Feedback is solicited through each division, and every division selects a representative to voice common concerns or ideas to the Strategic Planning Task Force. Special thanks go to the following members of the Strategic Planning Task Force and industry representatives for their invaluable assistance:

2012 Strategic Planning Task Force

Bob Bacon	Deputy Commissioner
Kyle Bengtson	Management Information Systems – Headquarters
Elizabeth Cogwin	Accounting – Headquarters
Charles G. Cooper	Commissioner
Bobby Davenport	Regional Director – Houston
Patrick Dunne	Financial Examiner – Dallas
Dan Frasier	Director of Corporate – Headquarters
Phillip Hinkle	IT Certified Information Security Examiner – Dallas
Michelle Hodge	Financial Examiner – San Antonio
Jay Kim	Financial Examiner – Special Audits - Austin
Debby Loomis	Assistant General Counsel
Gary May	Capital Markets Specialist – Headquarters
Stephanie Newberg	Deputy Commissioner
Kurt Purdom	Director of Bank and Trust Supervision – Headquarters
Polly Randall	Administrative Assistant – Headquarters
David Reed	Regional Review Examiner – Lubbock
Russell Reese	Director of Special Audits – Headquarters
Wendy Rodriguez	Director of Strategic Support
Shelby Rogers	Financial Examiner – Dallas
Hilda Tovar	Consumer Assistance Specialist – Headquarters
Greg Wisian	Financial Examiner – Houston
Lori Wright	Human Resources Officer – Headquarters
Kevin Wu	Bank and Trust Supervision Review – Headquarters
Jim Yarbro	Chief Trust Examiner – Lubbock

Special thanks to Finance Commission Strategic Planning Committee Members:

Stacy London	Jonathan Newton	Jay Shands	Susan Burton
Mortgage Member	Public Member	Banking Member	Public Member
Houston	Houston	Lufkin	Addison

Special thanks to Industry Representatives:

Chris Brown, Netspend, Austin

Jon Stephenson, President and Chief Operating Officer, Mount Olivet Cemetery Association, Fort Worth

Donny Palmer, Executive Vice President and Public Members, Texas Bankers Association

Celeste Embrey, Assistant General Counsel, Texas Bankers Association

Steve Scurlock, Executive Vice President, Independent Bankers Association of Texas

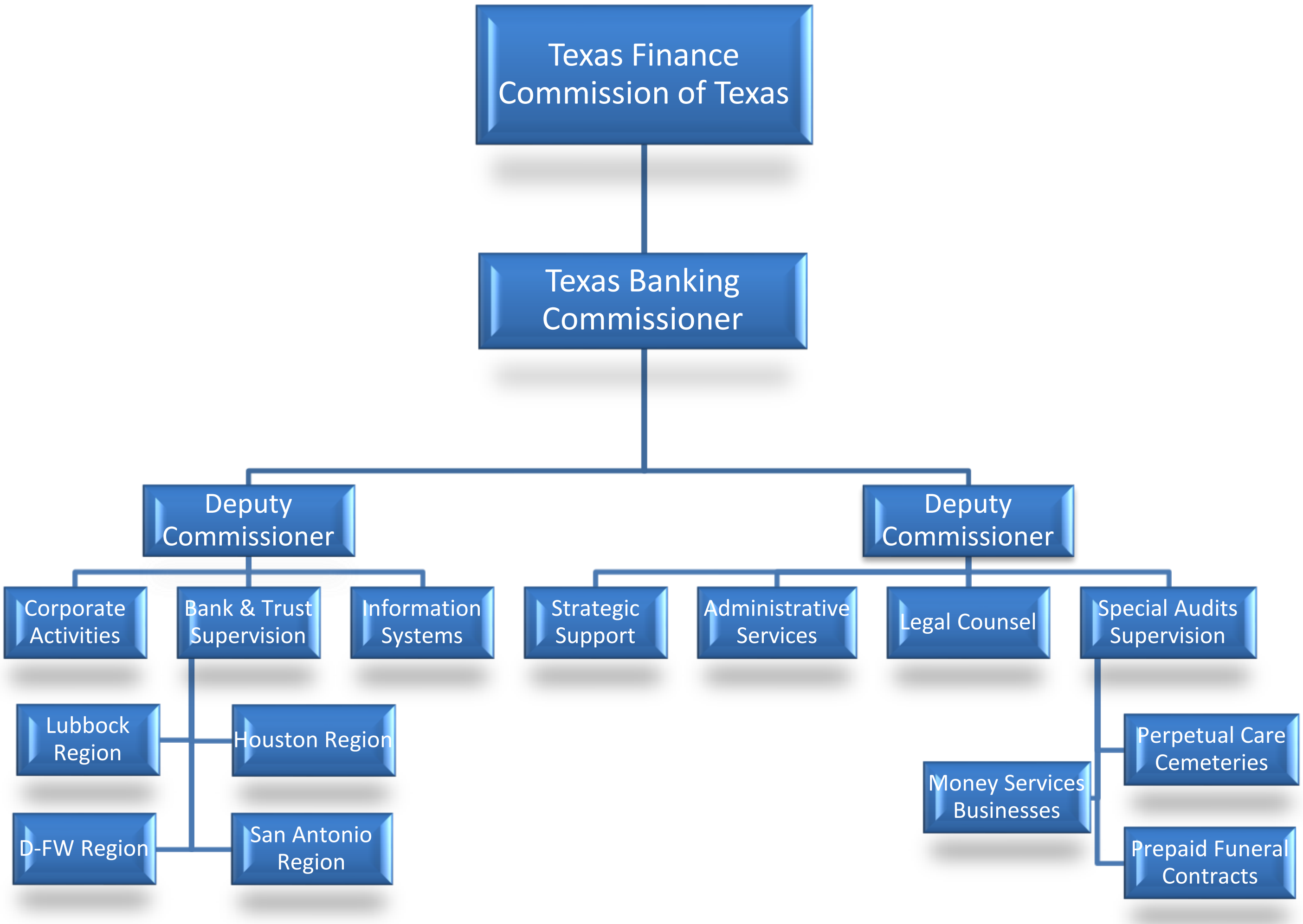
Shannon Phillips, Deputy General Counsel, Independent Bankers Association of Texas

Rodney G. Kroll, President and Chairman, Texas First State Bank, Riesel

Date	Action
December 19, 2011	Commissioner sends information out to all employees describing the strategic planning process. He requests that employees review the strategic plan, discuss it with coworkers, and be prepared to provide input about it during planned division meeting.
January 30, 2012	Deadline for divisions to hold meetings with their employees to discuss and seek feedback about the agency's strategic plan.
February 1, 2012	Deadline for divisions to submit names of division representatives and summaries of the ideas discussed at the regional or division meetings.
February 22-23, 2012	First meeting of Strategic Planning Task Force. This task force, which is made up of representatives from each division, will discuss the recommendations received from the divisions and begin the process of drafting the strategic plan. Finance Commission and industry members will be invited to attend the meeting and provide input.
March 12, 2012	Deadline to seek input from industry representatives.
May 7, 2012	Deadline for the first draft of the revised strategic plan to be submitted to task force and industry representatives for review.
May 15, 2012	Second meeting for Strategic Planning Task Force.
May 16, 2012	Deadline for first draft of Information Resources, Workforce Plans and Customer Satisfaction Sections.
May 22, 2012	Second draft of strategic plan submitted to the task force and industry representatives.
May 25, 2012	Deadline for comments about revised strategic plan.
June 1, 2012	Strategic Plan is submitted to Finance Commission for approval at their meeting.
June 25, 2012	Submission of final plan to state leadership.

ORGANIZATIONAL CHART

Appendix B



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OUTCOME MEASURES

Appendix C

OUTCOME MEASURE	FY'13	FY'14	FY'15	FY'16	FY'17
Percentage of banks receiving examinations when due	95%	95%	95%	95%	95%
Percentage of foreign bank agencies receiving examinations when due	95%	95%	95%	95%	95%
Percentage of trust companies receiving examinations when due	90%	90%	90%	90%	90%
Percentage of problem institutions with appropriate supervisory actions in place	100%	100%	100%	100%	100%
Certificate of accreditation by CSBS maintained in good standing	Yes	Yes	Yes	Yes	Yes
Percentage of money service business licensees examined when due	90%	90%	90%	90%	90%
Percentage of prepaid funeral contract licensees examined by Special Audits when due	90%	90%	90%	90%	90%
Percentage of perpetual care cemetery licensees examined by Special Audits when due	90%	90%	90%	90%	90%
Percentage of bank and trust, money service business, check verification company and private child support enforcement agency applications completed within statutory time periods	90%	90%	90%	90%	90%

Each percentage used in the Outcome Measures table is based on the agency's evaluation of risk and existing resources. The risk analysis for each strategy is detailed below.

Bank and Trust Supervision Strategies[8]:

At 95% for banks and foreign banks receiving examinations when due:

- The risk of not timely identifying a material problem due to a short delay in beginning an on-site examination is considered minimal.
- Off-site monitoring is used to identify and prioritize potential problems.
- The average number of days past due for banks at fiscal year-end 2011 was 69 days.
- If a bank is not examined when due, the Department's goal is to examine those within 60 days.

At 90% for trust companies receiving examinations when due:

- The risk of not timely identifying a material problem due to a short delay in beginning an on-site examination is considered minimal.
- Trust examinations that are delayed are on trust companies with Uniform Interagency Trust Composite ratings of 1 or 2, meaning that they are not troubled companies.
- Very few trust companies are rated as problem institutions.
- Due to the small number of trust companies, even a few past due examinations can result in performance outside of the 90% target.
- If a trust company is not examined when due, the Department's goal is to examine those within 60 days.

Resources needed to examine 100% of the financial institutions when due:

- Significant additional resources, in terms of staffing, equipment, facilities and funding, would be required to achieve 100% compliance. We estimate that 10 additional examiners would be needed at a cost of approximately $1.5 million.
- Assessments would need to be increased by approximately 7.5% to cover the increased costs and would require amendments to the current assessment rule.

Special Audits Strategies[8]:

At 90% for MSBs, PFCs, and PCCs receiving examinations when due:

- The risk of not timely identifying a problem MSB, PFC, or PCC due to a short delay in beginning an examination is minimal.
- Examinations that are delayed are on MSBs, PFC, or PCCs with ratings of 1 or 2, meaning that they are not troubled entities.
- Less than satisfactorily rated entities are examined within the statutory period.
- Over the past five years, delinquent examinations have not revealed any misappropriations of funds.
- By statute, examination frequency can be set at the discretion of the Commissioner for MSBs and PFCs.
- Delinquent examinations are approximately 45 days past due as of February 28, 2012.
- If an examination is past due, the Department's goal is to examine those within 60 days.

[8] *See page 6 for the applicable law requiring an examination.*

Resources needed to examine 100% of the nonbank regulated entities when due:

- Additional resources, in terms of staffing, equipment, and funding, would be required. We estimate that 2 additional examiners would be needed and additional funding of $164,000 would be required to cover the increased costs.
- The additional funding would result in an approximate 9% increase in assessments to regulated industries and would require amendments to the current assessment rules.

Corporate Strategies:

The statutes and rules related to corporate notice filings and applications generally require that we accept for processing or return the original submission within 15 days of receipt and approve or deny the filing/application within 30-60 days after the date all required documents have been submitted.

At 90% target for processing filing within timeframes established by statute or rule:

- Many of the applications not processed within established timelines are due to conscious decisions to take additional time to make sure that the Department has fully evaluated and acknowledges the risk in more complex or riskier type applications.
- There is not a framework for reasonable exceptions to the established timeframes.
- For those applications not completed within the statutory timeframes, the Department's goal is to complete the processing within 60 days.

Resources needed to process 100% of the applications within statutory time periods:

- Additional resources, in terms of staffing, equipment, facilities and funding, would be required. We estimate that ½ of a full-time employee in the form of a corporate analyst would be needed and additional funding of $46,000 would be required to cover the increased costs.
- The additional funding would require increases to the application fee rules.
- Rule changes are needed to add flexibility for complex applications.

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01-01.01 Percentage of Banks Receiving Examinations When Due

Short Definition: The number of banks due for examination per the examination priority schedule (described in Policy Memorandum 1003) and examinations started by the Department of Banking, FDIC, or Federal Reserve Bank over the 12-month period preceding the cut-off prior to the reporting date, divided by the number of banks required to be examined under the Department's examination priority schedule as of the cut-off date, less banks in liquidation or forfeiture of charter. An examination is the process by on-site or off-site review, to review and evaluate the records of a regulated entity to the extent necessary to determine compliance with applicable laws.

Purpose/Importance: The Department is under a statutory mandate regarding examination frequency. This measure indicates how well the agency is meeting its mandate.

Source/Collection of Data: Division staff enters into the Department's Examination Division Information System on the Network (EDISON) all commercial examinations started and completed by the Department of Banking, FDIC or Federal Reserve. Data is maintained on the total number of banks due for examinations per examination priority schedule. The number of examinations in the numerator and denominator includes banks examined by the Department of Banking and federal agencies, whether joint or independent. Past due banks include those banks with examinations held in abeyance pending their exit from the state system.

Method of Calculation: A percentage of banks receiving examinations when due is obtained by dividing the total number of banks examined during the 12-months preceding the fiscal quarter-end by the number of banks examined during the same 12-month period plus the banks past due at fiscal quarter-end.

Data Limitations: The number of banks receiving an examination when due could significantly decrease in the event of:

- Material deterioration in the overall condition of the state's financial institutions which would require a more frequent examination schedule;
- An inability of the federal banking authorities to meet their examination responsibilities due to a reallocation of personnel to other priorities; and
- A significant increase in the number of new bank charters.

Calculation Type: Noncumulative

New Measure: No

Target Attainment: Higher than target

01-01.02 Percentage of Foreign Bank Agencies Receiving Examinations When Due

Short Definition: Number of foreign bank agencies due examinations per examination priority schedule and examinations started by the Department of Banking, FDIC, or Federal Reserve Bank over the 12-month period preceding the cut-off prior to the reporting date, divided by the number of foreign bank agencies required to be examined under the Department's examination priority schedule as of the cut-off date. An examination is the process by on-site or off-site review, to review and evaluate the records of a regulated entity to the extent necessary to determine compliance with applicable laws.

Purpose/Importance: The Department is under a statutory mandate regarding examination frequency. This measure indicates how well the agency is meeting its mandate.

Source/Collection of Data: Division staff enters into the Department's database (EDISON) all foreign bank agencies examinations performed by the Department of Banking or federal agencies, whether joint or independent. Data is maintained on the total number of foreign bank agencies due for examinations per examination priority schedule and includes all agencies examined by the Department or the federal agencies.

Method of Calculation: To calculate the percentage of foreign bank agencies receiving examinations when due, divide the total foreign bank agencies examined during the 12-months preceding the fiscal quarter-end by the number of foreign bank agencies examined during the 12-months preceding the fiscal quarter-end plus agencies past due at fiscal quarter-end.

Data Limitations: The number of foreign bank agencies receiving an examination when due could significantly decrease in the event of:

- Material deterioration in the overall condition of the state's financial institutions which would require a more frequent examination schedule;
- An inability of the federal banking authorities to meet their examination responsibilities due to a reallocation of personnel to other priorities; and
- A significant increase in the number of new foreign bank agency entities.

Calculation Type: Noncumulative

New Measure: No

Target Attainment: Higher than target

01-01.03 Percentage of Trust Companies Receiving Examinations When Due

Short Definition: Number of trust companies due examinations per examination priority schedule (described in Policy Memorandum 1004) and examinations started by the Department of Banking, FDIC, or Federal Reserve Bank over the 12-month period preceding the cut-off prior to the reporting date, divided by the number of trust companies required to be examined under the Department's examination priority schedule as of the cut-off date, less trust companies in liquidation or forfeiture of charter. An examination is the process by on-site or off-site review, to review and evaluate the records of a regulated entity to the extent necessary to determine compliance with applicable laws.

Purpose/Importance: The Department is under a statutory mandate regarding examination frequency. This measure indicates how well the agency is meeting its mandate.

Source/Collection of Data: Division staff enters into the Department's database (EDISON) all trust companies examinations performed by the Department of Banking or federal agencies, whether joint or independent. Data is maintained on the total number of trust companies due for examinations per examination priority schedule and includes all trust companies examined by the Department or the federal agencies.

Method of Calculation: To determine the percentage of trust companies receiving examinations when due, divide the total number of trust companies examined during the 12-months preceding the fiscal quarter-end by the number of trust companies examined during the 12-months preceding the fiscal quarter-end plus trust companies past due at fiscal quarter-end.

Data Limitations: The number of trust companies receiving an examination when due could significantly decrease in the event of:

- Material deterioration in the overall condition of the state's trust companies which would require a more frequent examination schedule; and
- A significant increase in the number of new trust companies.

Calculation Type: Noncumulative

New Measure: No

Target Attainment: Higher than target

01-01.04 Percentage of Problem Institutions with Appropriate Supervisory Actions in Place

Short Definition: Number of banks with a composite CAMELS (Capital, Asset Quality, Management, Earnings, Liquidity, and Sensitivity) rating of 3, 4, or 5 with Cease & Desist Orders, Determination Letters, Memorandums of Understanding, Commitment Letters, Board Resolutions, or Letters of Agreement in effect at the time of the cut-off date for the reporting period, divided by number of banks with a composite CAMELS rating of 3, 4, or 5 as of the cut-off date.

Purpose/Importance: It is the Department's policy to impose a supervisory action on an institution which is not operating safely and soundly, to encourage and assist the institution in taking corrective action to improve its condition.

Source/Collection of Data: Agency headquarters staff enters into the Department's database (EDISON) rating information about the condition of each bank after an examination is completed by the Department of Banking, FDIC, or the Federal Reserve. Data is maintained on the CAMELS rating of each institution.

Method of Calculation: To calculate the percentage of problem institutions with appropriate supervisory actions, divide the number of 3, 4, or 5 rated banks with one of the administrative actions shown above either open or pending as of the fiscal quarter end by the total number of banks rated a composite 3, 4, or 5 as of the same fiscal quarter end date.

Data Limitations: This number could naturally increase if there were a substantial deterioration in the condition of the banking industry.

Calculation Type: Noncumulative

New Measure: No

Target Attainment: Meet target

01-01.05 Certificate of Accreditation by CSBS Maintained in Good Standing

Short Definition: Department is accredited by the Conference of State Bank Supervisors (CSBS) as of the end of the reporting period. 100% - Department is accredited. 0% - Department is not accredited.

Purpose/Importance: CSBS accreditation is a national standard of excellence among financial regulators. The Department must maintain its accreditation in order to participate in supervision of interstate banking, and maintain credibility among federal regulators and the national Congress.

Source/Collection of Data: A certificate of accreditation is awarded to the Department. This is displayed in the reception area of the agency's headquarters building.

Method of Calculation: Determine if the annual CSBS accreditation is in good standing. If so, answer "YES."

Data Limitations: None

Calculation Type: Noncumulative

New Measure: No

Target Attainment: To remain accredited

01-01.01 Number of Bank and Foreign Bank Examinations Performed

Short Definition: Number of regular, limited, abbreviated, joint, and concurrent examinations of banks and offices of foreign bank corporations by the Department of Banking started during the reporting period. An examination is the process by on-site or off-site review, to review and evaluate the records of a regulated entity to the extent necessary to determine compliance with applicable laws.

Purpose/Importance: This measure is an indication of the volume of examination activity. It consists of the number of commercial examinations performed by the Department including joint examinations with a federal agency during the fiscal quarter. Foreign bank agency examinations and representative office examinations are included in this measure.

Source/Collection of Data: Division staff enters into the Department's database (EDISON) all bank and foreign bank examinations conducted by the Department of Banking, FDIC, or the Federal Reserve. Data is maintained on the total number of banks examined within any given time period.

Method of Calculation: The measure is obtained by counting all independent Department of Banking and joint examinations performed during the fiscal quarter from the exam started reports for commercial, foreign bank agency, and foreign bank representative office examinations.

Data Limitations: Consolidation from mergers and acquisitions within these entities could significantly reduce the number of institutions and therefore reduce the number of examinations performed.

Calculation Type: Cumulative

New Measure: No

Target Attainment: Higher than target

01-01.02 Number of Trust Company, Trust Department, and Information Technology Examinations or Certifications and Other Specialized Reviews Performed

Short Definition: Number of trust company, trust department, and Information Technology (IT) examinations or certifications and other specialized reviews by the Department of Banking started during the reporting period. This measure includes joint examinations with a federal agency and the annual review of financial statements submitted by exempt trust companies.

Purpose/Importance: This measure is an indication of the volume of examination activity.

Source/Collection of Data: Division staff enters into the Department's database (EDISON) all trust company, trust department, and IT examinations conducted by the Department of Banking, FDIC, or the Federal Reserve. Data is maintained on the total number of banks examined within any given time period.

Method of Calculation: The total number is obtained by counting all independent Department of Banking examinations and joint examinations from the exam started reports for trust companies, trust departments, and IT examinations. The number of entities who paid the $100 financial state filing fee is also included in this measure.

Data Limitations: The number of trust company, trust department, and IT examinations could significantly decrease in the event of:

- Material deterioration in the overall condition of these entities, which would require more field office time to investigate the safety and soundness concerns;
- A significant change in services or powers that could necessitate expanded examination time periods in order to fully investigate these new activities;
- An inability of the federal banking authorities to meet their examination responsibilities due to a reallocation of personnel to other priorities (applicable to trust departments only); and
- Consolidation of regulated entities through mergers and acquisitions.

On the other hand, the number of trust company, trust department, and IT examinations could increase in the event of a significant influx of new charters.

Calculation Type: Cumulative

New Measure: No

Target Attainment: Higher than target

01-01.01 Average Cost per Bank Examination

Short Definition: Total direct bank examination costs, expressed as a ratio of the number of examinations performed over the reporting period.

Purpose/Importance: To assist in review of the efficiency of the Department's examinations, and to benchmark against other regulators.

Source/Collection of Data: Field personnel prepare detailed time and expense reports about their duties. Monthly, this information is transferred into a Departmental database that is maintained by the Information Technology Division of the agency.

Method of Calculation: Monthly staffing reports are used to determine the number of examiners allocated to commercial examinations during the fiscal quarter. The number of available commercial examiner work hours is based on the available workdays during the fiscal quarter. The percentage of hours allocated to commercial examinations is derived by dividing the number of examiners allocated to commercial examinations by the available number of examiner work hours. This percentage is then applied to total available hours in the entire bank and trust division. Then, apply that percentage to the total bank and trust expenses for the fiscal quarter. Divide that result by the number of exams performed.

Data Limitations: Legislative increases in allowable travel expenses or statewide merit increase could increase this measure.

Calculation Type: Noncumulative

New Measure: No

Target Attainment: Lower than target

01-01.02 Assets Examined per Examiner Day

Short Definition: Total assets examined by the Department over the reporting period, divided by the days (hours divided by 8) related to those specific bank examinations.

Purpose/Importance: To assist in review of the efficiency of the Department's examinations, and to benchmark against other regulators.

Source/Collection of Data: Bank financial information is obtained during each examination and is uploaded into the Department's database.

Method of Calculation: To calculate the assets examined per examiner day, run the Exams Completed Report for the appropriate fiscal quarter. Divide the sum of the total assets examined by the total exam hours and again divided by eight.

Data Limitations: This number could change dramatically if mergers and consolidation increase the asset size of a majority of our regulated entities. Further, the need to train examiners in new issues or an increase in the risk profile of institutions requiring more oversight could also affect this calculation.

Calculation Type: Noncumulative

New Measure: No

Target Attainment: Higher than target

01-01.01 Number of Banks Classified Safe and Sound

Short Definition: The total number of state-chartered banks with a composite CAMELS rating of 1 or 2 and non-rated (new charters), divided by the total number of state-chartered banks as of the most recent calendar-quarter-end data available preceding the reporting period cut-off date.

Purpose/Importance: This measure is indicative of the condition of the state banking system.

Source/Collection of Data: Agency headquarters' staff enters into the Department's database, EDISON, rating information about the condition of each bank after an examination is completed by the Department of Banking, FDIC, or the Federal Reserve. Data is maintained on the CAMELS rating of each institution.

Method of Calculation: Divide the total number of state-chartered banks rated 1 or 2 and non-rated (new charters) by the total number of state-chartered banks at the end of the reporting period. It should be further noted that new banks who have not yet been examined are considered safe and sound and/or in compliance with state requirements for calculation of this measure.

Data Limitations: The overall condition of a material number of institutions could deteriorate due to adverse economic conditions and substantially increase the percentage of banks not classified as safe and sound.

Calculation Type: Noncumulative

New Measure: No

Target Attainment: Higher than target

01-01.02 Number of State-Chartered Banks in Texas

Short Definition: The total number of state-chartered banks as of reporting period cut-off date.

Purpose/Importance: This measure is indicative of the volume of banks under the agency's supervision.

Source/Collection of Data: The Entity Count Report on agency's EDISON database.

Method of Calculation: Run the Entity Count Report as of the last day of the appropriate fiscal quarter. Take the figure shown for state banks and subtract any limited banking associations limited to trust powers.

Data Limitations: The number of state chartered banks in Texas could materially increase with an influx of new charter or conversion activity and substantially decrease due to significant merger and acquisition activity.

Calculation Type: Noncumulative

New Measure: No

Target Attainment: Higher than target

01-01.03 Total Assets (Dollars in Billions) in State-Chartered Banks in Texas

Short Definition: Total assets of all state-chartered banks as of the calendar-quarter-end immediately preceding the reporting period cut-off date.

Purpose/Importance: This measure is indicative of the volume of bank assets under the agency's supervision.

Source/Collection of Data: The *All State Banking Activity in Texas Report* produced by the Strategic Support Division as found on the agency's website.

Method of Calculation: The performance measure is the subtotal in the total asset column of the *All State Banking Activity in Texas Report* for total Texas state bank activity. This incorporates banks chartered by other states with branches in Texas.

Data Limitations: Total assets of state chartered banks in Texas could materially increase with an influx of new charter or conversion activity or substantially decrease due to significant merger and acquisition activity with national banks.

Calculation Type: Noncumulative

New Measure: No

Target Attainment: Higher than target

01-02.01 Percentage of Money Service Businesses Licensees Holders Examined When Due

Short Definition: The Department has 12-month and 18-month examination cycles. The number of Money Service Businesses (MSB) license holders with examinations started by the Department of Banking, another state agency, the federal government, or an independent accounting firm over the 12-month period preceding the cut-off prior to the reporting date, divided by the number of MSB license holders required to be statutorily examined as of the cut-off date. An examination is the process by on-site or off-site review to review and evaluate the records of a licensee that relate to the regulated activity to the extent necessary to determine compliance with applicable laws.

Purpose/Importance: This measure provides information regarding the extent to which the Department is adhering to the statutory requirements regarding examination frequency and demonstrates the effectiveness of the Department.

Source/Collection of Data: Examination data is provided to staff at Headquarters who enter this information into a customized Oracle database. The Oracle database produces customized reports that: (1) lists all examinations started during the 12-month period preceding the cut-off prior to the reporting date and (2) lists the MSB license holders MSBs required to be examined as of the cut-off date.

Method of Calculation: The percentage is calculated by dividing the examinations started during the 12-month period preceding the cut-off prior to the reporting date (Report 1 above) by the number of MSBs required to be statutorily examined as of the cut-off date (Report 2 above).

Data Limitations: Standards have been established in statute and by rule to ensure that examinations are performed within acceptable timeframes; however, the level of experience and efficiency of each examiner, along with retaining and hiring qualified examiners, can be limiting factors. This measure would also be affected by a significant increase or decrease in licensees.

Calculation Method: Noncumulative

New Measure: No

Target Attainment: Higher than target

01-02.03 Percentage of Prepaid Funeral Contract Licensees Examined by Special Audits When Due

Short definition: The Department has 12-month and 18-month examination cycles. The number of prepaid funeral contract (PFC) license holders with examinations started by the Department of Banking over the 12-month period preceding the cut-off prior to the reporting date, divided by the number of PFC license holders required to be statutorily examined as of the cut-off date. An examination is the process by on-site or off-site review, by which the Department reviews and evaluates the records of a licensee that related to the regulated activity to the extent necessary to determine compliance with applicable laws.

Purpose/Importance: This measure provides information regarding the extent to which the Department is adhering to the statutory requirements regarding examination frequency and demonstrates the effectiveness of the Department.

Source/Collection of Data: Examination data is provided to staff at Headquarters who enter this information into a customized Oracle database. The Oracle database produces customized reports that: (1) lists all examinations started during the 12-month period preceding the cut-off prior to the reporting date and (2) lists the PFCs license holders required to be examined as of the cut-off date.

Method of Calculation: The percentage is calculated by dividing the examinations started during the 12-month period preceding the cut-off prior to the reporting date (Report 1 above) by the number of PFC required to be statutorily examined as of the cut-off period (Report 2 above).

Data Limitations: Standards have been established in statute and by rule to ensure that examinations are performed within acceptable timeframes; however, the level of experience and efficiency of each examiner along with retaining and hiring qualified examiners can be limiting factors. This measure would also be affected by a significant increase or decrease in licensees.

Calculation Type: Noncumulative

New Measure: No

Target Attainment: Higher than target

01-02.04 Percentage of Perpetual Care Cemetery Licensees Examined by Special Audits When Due

Short definition: The number of perpetual care cemeteries (PCC) license holders with examinations started by the Department of Banking over the 12-month period preceding the cut-off prior to the reporting date, divided by the number of PCCs license holders required to be statutorily examined as of the cut-off date. An examination is the process by on-site or off-site review, by which the Department reviews and evaluates the records of a licensee that related to the regulated activity to the extent necessary to determine compliance with applicable laws.

Purpose/Importance: This measure provides information regarding the extent to which the Department is adhering to the statutory requirements regarding examination frequency and demonstrates the effectiveness of the Department.

Source/Collection of Data: Examination data is provided to staff at Headquarters who enter this information into a customized Oracle database. The Oracle database produces customized reports that (1) lists all examinations started during the 12-month period preceding the cut-off prior to the reporting date and (2) lists the PCCs license holders required to be examined as of the cut-off date.

Method of Calculation: The percentage is calculated by dividing the examinations started during the 12-month period preceding the cut-off prior to the reporting date (Report 1 above) by the number of PCCs required to be statutorily examined as of the cut-off period (Report 2 above).

Data Limitations: Standards have been established in statute and by rule to ensure that examinations are performed within acceptable timeframes; however, the level of experience and efficiency of each examiner along with retaining and hiring qualified examiners can be limiting factors. This measure would also be affected by a significant increase or decrease in licensees.

Calculation Type: Noncumulative

New Measure: No

Target Attainment: Higher than target

01-02.04 Percentage of Perpetual Care Cemetery Licensees Examined by Special Audits When Due

Short definition: The number of perpetual care cemeteries (PCC) license holders with examinations started by the Department of Banking over the 12-month period preceding the cut-off prior to the reporting date, divided by the number of PCCs license holders required to be statutorily examined as of the cut-off date. An examination is the process by on-site or off-site review, by which the Department reviews and evaluates the records of a licensee that related to the regulated activity to the extent necessary to determine compliance with applicable laws.

Purpose/Importance: This measure provides information regarding the extent to which the Department is adhering to the statutory requirements regarding examination frequency and demonstrates the effectiveness of the Department.

Source/Collection of Data: Examination data is provided to staff at Headquarters who enter this information into a customized Oracle database. The Oracle database produces customized reports that (1) lists all examinations started during the 12-month period preceding the cut-off prior to the reporting date and (2) lists the PCCs license holders required to be examined as of the cut-off date.

Method of Calculation: The percentage is calculated by dividing the examinations started during the 12-month period preceding the cut-off prior to the reporting date (Report 1 above) by the number of PCCs required to be statutorily examined as of the cut-off period (Report 2 above).

Data Limitations: Standards have been established in statute and by rule to ensure that examinations are performed within acceptable timeframes; however, the level of experience and efficiency of each examiner along with retaining and hiring qualified examiners can be limiting factors. This measure would also be affected by a significant increase or decrease in licensees.

Calculation Type: Noncumulative

New Measure: No

Target Attainment: Higher than target

01-02.01 Number of Special Audits Licensees Examined

Short Definition: The aggregate number of money service businesses, prepaid funeral contract and perpetual care cemetery examinations started by the Department of Banking or of another state agency or of the federal government or of an independent accounting firm in the reporting period. An examination is the process by on-site or off-site review, to review and evaluate the records of a licensee that relate to the regulated money service businesses, prepaid funeral contract and perpetual care cemetery businesses to the extent necessary to determine compliance with applicable laws.

Purpose/Importance: This measure shows the total number of examinations started during a reporting period and can also be used to determine the percentage of licensees examined during that same period. This data is used by management to determine examiner efficiency, evaluate staffing requirements, schedule future examinations, and to assess the overall effectiveness of Special Audit's examination program.

Source/Collection of Data: Examination data is provided to staff at the headquarters office who enter this information into customized Oracle databases. The Oracle databases produce customized reports that list all examinations started for any given reporting period for each regulated area of Special Audits. Totals from these reports are combined to arrive at the total number of Special Audit Licensees examined during the reporting period.

Methodology of Calculation: Customized Oracle reports that list and detail the start date of each examination for a reporting period are generated and the totals from these reports are added together to determine the number of Special Audits examinations performed during a reporting period.

Data Limitations: Standards have been established in statute and by rule to ensure that examinations are performed within acceptable timeframes; however, the level of experience and efficiency of each examiner, along with retaining and hiring qualified examiners, can be limiting factors. This measure would also be affected by a significant increase or decrease in licensees.

Calculation Method: Cumulative

New Measure: No

Target Attainment: Higher than target

01-02.02 Number of Special Audit Licensees Examined by Department of Banking

Short Definition: The aggregate number of money service businesses, prepaid funeral contract and perpetual care cemetery examinations started by the Department of Banking in the reporting period. An examination is the process by on-site or off-site review, by which the Department of Banking reviews and evaluates the records of a licensee that relate to the regulated money service businesses, prepaid funeral contract and perpetual care cemetery businesses to the extent necessary to determine compliance with applicable laws.

Purpose/Importance: This measure shows the total number of examinations started during a reporting period and can also be used to determine the percentage of licensees examined during that same period. This data is used by management to determine examiner efficiency, evaluate staffing requirements, schedule future examinations, and to assess the overall effectiveness of Special Audit's examination program.

Source/Collection of Data: Examination data is provided to staff at the headquarters office who enter this information into customized Oracle databases. The Oracle databases produce customized reports that list all examinations started for any given reporting period for each regulated area of Special Audits. Totals from these reports are combined to arrive at the total number of Special Audit Licensees examined during the reporting period.

Methodology of Calculation: Customized Oracle reports that list and detail the start date of each examination for a reporting period are generated and the totals from these reports are added together to determine the number of Special Audits examinations performed during a reporting period.

Data Limitations: Standards have been established in statute and by rule to ensure that examinations are performed within acceptable timeframes; however, the level of experience and efficiency of each examiner, along with retaining and hiring qualified examiners, can be limiting factors. This measure would also be affected by a significant increase or decrease in licensees.

Calculation Method: Cumulative

New Measure: No

Target Attainment: Higher than target

01-02.03 Number of Special Audit Licensees

Short Definition: Total number of Special Audit licensees as of the reporting period cut-off date.

Purpose/Importance: Provides an indication of the total number of entities licensed by the Department of Banking and under the supervision of the Special Audits Division. This measure is useful for determining industry trends and growth patterns of the three areas (Perpetual Care Cemetery, Prepaid Funeral Contracts, and Money Service Business) within the Special Audits Division. Information is also useful to assess personnel needs and to evaluate regulatory policies and procedures for each area.

Source/Collection of Data: Each of the three areas within the Special Audits Division maintains an Oracle database master list, which shows each licensed entity. An entity is transferred to the master list upon becoming an active license.

Method of Calculation: Totals from each area's master listing of licensees as of the reporting period cut-off date are combined to arrive at the total number of Special Audits Division licensees as of the reporting period cut-off date.

Data Limitations: The number of licensees could fluctuate depending on the number of new licensees and/or the surrendering or revocation of licenses.

Calculation Type: Cumulative

New Measure: No

Target Attainment: Higher than target

01-02.01 Average Direct Cost per Prepaid Funeral Contract and Perpetual Care Cemetery Licensee Examination

Short Definition: Total direct prepaid funeral contract (PFC) and perpetual care cemetery (PCC) licensee examination costs, divided by the number of examinations started by the Department of Banking over the reporting period. An examination is the process by on-site or off-site review to review and evaluate the records of a licensee that related to the regulated activity to the extent necessary to determine compliance with applicable laws.

Purpose/Importance: To measure the average direct cost of each PFC and PCC licensee's examination performed over the reporting period. This measure provides an indication of the Department's use of its resources, personnel, and time as it relates to the examination of PFC and PCC licensees.

Source/Collection of Data: Data used to calculate the average cost per PFC and PCC licensee examination is derived from the Department's MIP (Micro Information Products) accounting system which allocates all direct costs incurred by the Department which are associated with the examination of any PFC and PCC licensee during the reporting period. Data is collected and summarized by the MIP accounting system as costs are incurred and charged as expenses. The number of licensee examinations performed over the reporting period is derived from a customized Oracle database report which lists each examination performed during the period and which provides a total of the number of examinations performed over the reporting period.

Method of Calculation: The total direct costs associated with the examination of any PFC and PCC licensee are divided by the number of examinations performed over the reporting period. The resulting figure is an average direct cost per PFC and PCC licensee examination.

Data Limitations: Legislative increases in allowable travel expenses or a statewide merit increase could increase this measure.

Calculation Type: Noncumulative

New Measure: No

Target Attainment: Lower than target

01-02.10 Dollar Amount (Billions) of Prepaid Funeral Contracts in Force

Short Definition: The total dollars (aggregate) in prepaid funeral contracts held by prepaid funeral contract licensees regulated by the Department of Banking at the close of the most recent calendar year.

Purpose/Importance: Provides an indication of the dollar volume of prepaid funeral contracts regulated by the Department of Banking. This measure assists in determining industry trends and growth patterns, assessing personnel needs, and evaluating examination policies and procedures.

Source/Collection of Data: Data is derived from the most recent Departmental examination report of each licensee. The reports contain the total dollar amount and number of prepaid funeral contracts held by the licensee as of the most recent examination. Data contained in the reports entered in an Oracle customized database that produces a report summarizing the total number of prepaid contracts and dollars sold.

Method of Calculation: A customized Oracle database containing each licensee's total number of outstanding contracts and total dollar amount of outstanding contracts produces a report which provides a total of the aggregate total dollar amount in prepaid funeral contracts held by prepaid funeral contract licensees.

Data Limitations: The number of contracts and/or the dollar amount of outstanding contracts reported by each licensee at the most recent examination is dependent on information provided by the licensee.

Calculation Type: Noncumulative

New Measure: No

Target Attainment: Higher than target

<u>01-03.01 Number of Bank and Trust Applications, Notices, and Filings, Money Service Business License, Check Verification Company and Private Child Support Enforcement Agency Registration and Renewal Applications Completed</u>

Short Definition: Number (aggregate) of Bank & Trust applications, notices, and filings completed; the total number of money service business (MSB) new license applications completed; and the number of check verification company (CVE) and private child support enforcement agency (PCSEA) initial and renewal applications completed in the reporting period.

Purpose/Importance: This data is used to judge not only the types of activities undertaken by the regulated entities, but to predict future performance of the regulated industries. In most instances the Texas public will feel the effect of these actions and the economic health of the state will be affected. Agency staffing and training requirements can also be impacted based upon the types of filings.

Source/Collection of Data: The source of data is derived from the Oracle databases referred to as “CATS”, “MSB” and “PCSEA”. Agency staff makes the initial entry including received date for all corporate filings from information supplied by applicants. Additional entries are made to indicate acceptance for filing, requests for additional information and date of decision.

Methodology of Calculation: A pre-defined report format for this measure is contained within the CATS database. The report allows the user to select a beginning and ending date, which is typically a fiscal quarter. The resulting report then lists, by type of application or filing, the respective number of corporate filings by one of the following five categories: “approved,” “denied,” “information,” “notice,” or “withdrawn.” The report also provides a total for each type as well as a grand total. The number used for the performance measure takes the total for the number of filings less the total number of “information” and “withdrawn” filings for the applicable reporting period. Numbers for MSB and PCSEA must be manually calculated.

Data Limitations: Standards are established in statute and by rule to ensure corporate filings are timely performed; however, we have no control over the number or types of applications submitted during a particular time period. In some instances the Corporate Division is dependent upon the actions of others in order to reach a decision. For example, a conversion examination by the Bank and Trust Division must be completed before a decision can be rendered on an application. Additionally, because the Commissioner is the only person authorized to make decisions on some types of applications, processing may extend beyond the required timeframe because of scheduling problems. Further, the number and timing of filings received by the Corporate Division is a function of the private sector and, as such, is beyond the control of the Corporate Division. Withdrawn applications are not counted even though much time may have been expended in their review.

Calculation Method: Cumulative

New Measure: No

Target Attainment: Higher than target

01-03.01 Number of Requests for Information Received

Short Definition: The number of requests received over the reporting period, open records requests and the number of consumer complaints and inquiries.

Purpose/Importance: This measure shows the frequency and type of information, which the Department supplies. The public depends upon this data to facilitate commercial transactions such as loan closings, title releases, etc. This information also reflects the volume and types of complaints and inquiries received from the public regarding the entities that we license and/or regulate.

Source/Collection of Data: Data is derived from divisional databases administered by the Strategic Support, Special Audits, and Legal Divisions. The information requests and related processing information, such as entity involved and response date is input into the applicable database by an administrative assistant.

Method of Calculation: The measure is calculated as the sum of: (1) the total number of complaints and inquiries processed by the Strategic Support, and Special Audits Divisions and (2) the total number of open records requests received by the Legal Division during the fiscal quarter reporting period.

Data Limitations: Protocols are established to help ensure information requests are captured; however, no mechanism exists to ensure such information is always appropriately noted.

Calculation Type: Cumulative

New Measure: No

Target Attainment: Lower than target

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WORKFORCE PLAN 2013-2017

Appendix E

TABLE OF CONTENTS

I. Department Overview

The Department is one of three Self-Directed, Semi-Independent (SDSI) agencies operating under oversight of the Texas Finance Commission. As a SDSI agency, the Department is not required to have its budget approved by the Legislature. The Finance Commission is responsible for setting the spending authority or limits for the agency each year.

The agency's mission is carried out through chartering, licensing, examination and supervision, and customer assistance. Regulated entities receive examinations to ensure they are operating in a safe and sound manner and are in compliance with state and federal laws. The ability to adequately supervise the entities under the Department's jurisdiction requires that sufficient support be provided to our financial examiners, as well as the regulated entities through professionalism, technology, legal services, communication and administrative services.

The Department competes with financial service providers, other state agencies and the federal regulatory agencies for its professional examination staff. The agency is approved to have 196 full-time equivalent (FTE) employees and as of April 30, 2012, employs 183 individuals. This includes 14 limited term examination related staff that provide oversight for problem state-chartered banks. Field examiner staffing for the Bank and Trust Supervision Division is 109.5 and 13.5 for the Special Audits Division. However, actual field examiner staffing as of April 30, 2012, was 109, leaving 14 vacant financial examiner positions.

In order to reduce historical turnover among the financial examiner series, the Department, with the support of the Finance Commission, sought to receive approval to initiate examiner salary adjustments. On January 1, 2008, the agency issued equity adjustments for the examiner and related director series. Examiner turnover subsequently decreased during fiscal 2009. To better align Financial Examiner VIIs and related directors with federal counterparts, approval for additional equity adjustments was given in September 2009, becoming effective for fiscal year 2010. The decline in examiner turnover continued for fiscal year 2010 but rose in fiscal year 2011 to 11.4% (3% from involuntary separations and retirements). As of April 30, 2012, the financial examiner turnover for fiscal year 2012 was 8.5% (4.6% from involuntary separations and retirements).

The Department has worked diligently to reduce and abate turnover, and must continue the same efforts to sustain a qualified workforce. Problems in the banking system coupled with expanded specialty examination areas in Bank Secrecy Act/Anti-Money Laundering, bank holding company and related organizations, trusts, and Information Technology continue to increase the demand to attract and retain experienced and knowledgeable staff. In an effort to remain competitive with federal banking regulators, the agency continues efforts to maintain examiner salaries at no less than 90% of the FDIC salaries, with a goal of achieving parity. With the SDSI status, the agency now has the ability to adjust salaries as needed to remain competitive.

Offering better incentives and staff opportunities remains a priority. Although the burden cannot be fully eliminated, the Department continues to search for avenues to reduce the onus and necessity of travel. Examining personnel spend a significant amount of their time away from home to conduct on-site examinations. To reduce travel time, and provide a more family-friendly arrangement, all offices have implemented flexible schedules that allow either every Friday, or every other Friday, off. The PREP Program was also implemented. Examiners can now perform certain procedures prior to traveling on-site to the bank. Enhanced imaging methods used by banks to provide documents in advance has also contributed in reducing travel. Continuing improvements to infrastructure such as increasing headquarters and regional offices bandwidths will be needed to fully realize this method of information exchange.

II. WORKFORCE PLAN FOCUS

Key economic and environmental factors affecting the Department's workforce over the next five years include: an improving economy, turnover and retention of financial examiners, and an aging workforce in both the financial examiner series and administrative staff. As each year passes and the Department moves toward 2017, the economy is likely to recover and unemployment rates fall, resulting in more competition for qualified workers. Resurgence in banks seeking to hire examiners at a higher rate of compensation could affect the Department's ability to retain experienced examiners. The agency's challenge will be to maintain a lower turnover rate while preparing for the impact of the departure of significant numbers of retiring workers. If the economic recovery involves a significant inflationary impact, many retirement eligible employees may need to postpone retirement. Alternatively, if the legislature makes significant changes to the retirement system or retirement eligibility requirements, this could hasten the retirement of approximately 20% of the current workforce eligible to retire today. The Department needs to plan for an array of possibilities for future retention and adjustment initiatives.

Financial Examiner Turnover by Fiscal Year					
FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012*
7.8%	11.3%	8.8%	6.2%	11.4%	8.5 %

**As of April 30, 2012*

Fiscal year 2011 financial examiner turnover included two retirements and two involuntary separations. Four individuals left for employment with banks, one for a federal regulatory agency, and one for private industry. The remaining five cited personal reasons, some related to travel.

A. TRENDS AND FACTORS AFFECTING THE RETENTION OF FINANCIAL EXAMINERS

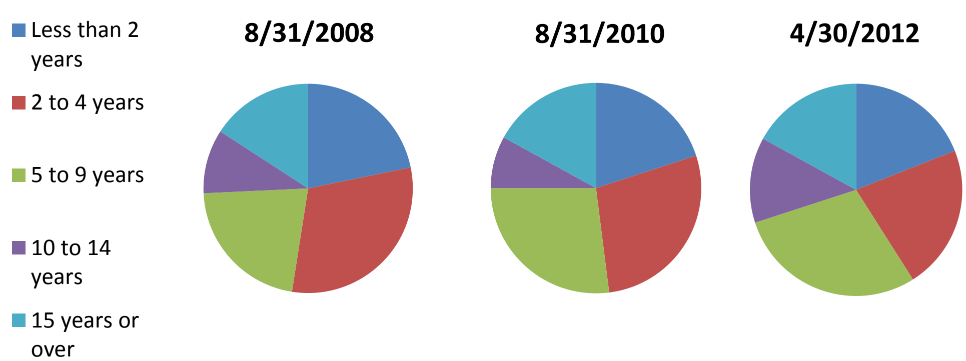
The Department's examiner positions require highly skilled and educated employees. The competition to hire and retain these workers is an on-going challenge. The Department continually reviews its training programs and compliments external curriculums with in-house schools that target specific training needs of the examiners. The Department has also implemented a Financial Examiner III-B level within the classification of the financial examiner series which allows for a salary increase after passing Phase I of the Bank Examination Testing System (BETS). Providing rewards and incentives has also helped the agency's retention of qualified staff. Examples of the agency's effort that have been implemented include:

- Noncompetitive through Financial Examiner VI positions.
- Development of career paths into specialty areas – IT, Trust, Bank Secrecy, Capital Markets, and Large Bank Supervision.
- Frequent overnight stay-out travel stipend program, if funds are available.
- Paid leave award for outstanding performance.
- Flexible work schedules to accommodate employees and their families.
- One-time merits for outstanding performance, if funds are available.

The Department continues to use a work style profile in the hiring process to try to identify candidates that have inherent work style characteristics conducive to our supervisory responsibilities, a propensity for the rigors of frequent travel and desire to establish a long term career with one employer. The screening appears to be an asset to help identify candidates best suited for our employment. The Department also includes prior work experience, preferably with a financial institution, and bilingual skills as preferred qualifications of potential candidates. Possible revision of screening and interviewing techniques may help the Department better identify the most qualified and potentially successful candidates for hire and will be reviewed in fiscal 2013.

The Department must continue to curb turnover at the lower and mid financial examiner levels. These examiners must be cultivated, trained, and retained to replace departing and retiring employees. A new internal policy prescribes that an assistant examiner has seven years to complete the core training curriculum and pass an internal test to become a qualified "commissioned" examiner. Without continued competitive salaries, the Department will have difficulty retaining trained personnel and competing for qualified candidates. Education trends indicate that the number of workers in the prime age category who have attended college is not expected to increase over the coming decades, even though demand for highly educated workers will continue to grow. Further, it is expected that there will be much greater demand and competition for highly-skilled workers.

B. Department of Banking Tenure



The goal of the Department is to achieve a two to one ratio of commissioned examiners to assistant examiners. A large balance of less tenured staff as shown in the 2008 chart puts a large burden on the more experienced to provide training to newer examiners and to provide the expertise needed for more complex assignments. The charts show a positive movement towards a more experienced tenure ratio. The goal of the Department is to retain the large group of commissioned examiners with five to twelve years of experience which helps the agency move to the staffing plan goal of 79% of commissioned examiners.

C. Trends and Factors Related to the Aging Workforce

Within the next five years, 34% of the Department's workforce will be eligible to retire. Twenty percent of this group is eligible to retire today. The loss of these employees represents a combined 678 years of experience.

Most demographic experts estimate that the number of people over the age of 65 will double over the next few decades. The impact of this shift will affect the workplace in a number of ways. The aging workforce and issues related to succession planning will become crucial as large numbers of baby boomers are expected to retire at the same time. In response to these trends, the Department is furthering the development of the succession plan and bringing retirees back into the workforce. Retired financial examiners (state and federal) are recruited to work as limited term examiners or trainers for assistant examiners; thus we fill the gap between examiners early in their careers and the long tenured experienced examiners. This facilitates and expedites the education process of new examiners and relieves experienced examiners of some training duties, allowing them to focus on other assignments.

The ability to maintain competitive salaries with federal counterparts also increases the Department's ability to recruit commissioned examiners from federal employers and gain employees with training and experience.

The aging workforce necessitates developing non-traditional workplace and employment relationships, such as short-term assignments and consulting agreements with retired employees. There are state law constraints regarding return-to-work retirees and contracting limitations but we will work within the system to best utilize this talent pool.

Succession planning is a priority as retirement and other turnover factors continue to rise. In the next five years 78.6% of senior management is eligible to retire. Preparing qualified staff to carry on these roles will require training programs such as sponsoring eligible employees for the Governor's Center for Management Development schools and other educational opportunities to develop management skills. Pertinent to the success of this transition is retaining mid-level examiners to then replace high level examiners who move into these leadership roles.

D. Increasing Diversity

The Department continues to emphasize the need for workplace diversity and to strive for a workforce reflective of the racial composition of the population. According to the May 2011 Issue of the 2010 Census Briefs, Hispanics are now the nation's largest minority group and account for the majority of births in some states. The 2010 Census reports that the Hispanic population accounted for over half the growth of the total population in the United States between 2000 and 2010. The Texas Hispanic population has increased by 41.8% since 2000. As a percentage of the United States Hispanic population, Texas is home to 18.7% of the country's Hispanics, second to California's 27.8%. In addition to a workforce that mirrors the population, this shift in demographics increases the demand for multilingual training and information. The Department includes fluency in Spanish as a preferred qualification for all jobs postings. Recruiting activities include representation at job fairs as many diverse universities in the state and distribution of job announcements to minority organizations.

III. AGENCY MISSION

To ensure Texas has a safe, sound and competitive financial services system.

IV. STRATEGIC GOALS AND OBJECTIVES

Goal 1: Effective Regulation	To ensure timely, fair, and effective supervision and regulation of the financial institutions and other licensees under our jurisdiction in order to promote a stable banking and financial services environment and provide the public with convenient, safe, and competitive services.
Objective	**A-1 Quality Bank Regulation:** To provide quality regulation and maintain the credibility of the Department with the public, the industries we regulate, federal banking regulators, and other government agencies by striving that through 2017: • Examinations of regulated entities will be performed when due. • Correction-oriented enforcement action will be taken against regulated entities that demonstrate higher than normal weakness or risk. • Accreditation status by the Conference of State Bank Supervisors (CSBS) is maintained. • Agency will strive to attract and retain qualified employees.
Strategies	**A-1.1 Bank Examination:** • Conduct commercial bank, trust company, foreign bank agency, and foreign representative office examinations, in cooperation with federal regulatory entities, in conformance with the Department's examination priority schedule. • Maintain national accreditation. • Maintain contact with, and monitor the condition of, regulated entities between examinations. • Optimize efficiencies in the examination process, including automating examination procedures and reference materials. • Research and report on changing industry and economic conditions. • Provide the industry with electronic access to regulatory and supervisory information though the website. • Monitor industry status and activities through an off-site monitoring system and engage in regular communication with federal regulators. **A-1.2 FDIC/Industry Deterioration/Federal Regulatory Consolidation Contingency Plan:** • Maintain a contingency plan to provide additional regulatory resources in the event of further industry deterioration or systemic industry problems, the reallocation of federal regulatory resources, a significant increase in the regulated asset base or substantial loss of examiners.
Objective	**A-2 Quality Non-bank Regulation**: To provide quality regulation and maintain the credibility of the Department with the public, the industries we regulate and other government agencies by striving that through 2017: • Examinations of regulated entities will be performed when due. • Correction-oriented enforcement action will be taken against regulated entities that demonstrate higher than normal weakness or risk. • Agency will strive to attract and retain qualified employees.

Strategies	**A-2.1 Non-bank Examination:** • Conduct PCC, PFC, and MSB examinations, in cooperation with federal and other state regulatory entities, in conformance with the Department's examination priority schedule. • Maintain contact with, and monitor the condition of regulated entities between examinations. • Optimize efficiencies in the examination process, including automating examination procedures and reference materials. • Research and report on changing industry and economic conditions. • Provide the industry with electronic access to regulatory and supervisory information though the website.
Objective	**A-3 Corporate Activities:** To provide convenient and competitive financial services and protect the public by striving through 2017, that all applications receive a timely and thorough review resulting in knowledgeable and competent recommendations.
Strategies	**A-3.1 Application Processing:** • Enhance current systems through the automation of applications and request processing by the efficient utilization of computer resources and programs. • Process applications and information request timely and thoroughly, resulting in knowledgeable and competent recommendations.

V. ANTICIPATED CHANGES IN STRATEGIES

The emphasis on Bank Secrecy Act/Anti–Money Laundering monitoring continues, requiring specialized staff in order to comply with this mandate. Technology and electronic payment systems are rapidly changing in banking and the money service business industries. As new forms of payments arise, the Department must devote additional resources to evaluating licensing and regulation issues, monitoring risks associated with emerging technologies, and education and training of staff to keep up with these new products.

Furthermore, as the CFPB begins to formulate compliance standards and conduct examinations on regulated entities, the Department may need to become involved in compliance examinations.

VI. SUPPLY ANALYSIS - CURRENT WORKFORCE PROFILE

A. CRITICAL WORKFORCE SKILLS

As mentioned in the Departmental Overview, as of April 30, 2012, the Department employs 183 individuals. Several critical skills are vital to maintaining the Department's ability to operate effectively and efficiently. Without these, the Department could not provide basic business functions. The skills are:

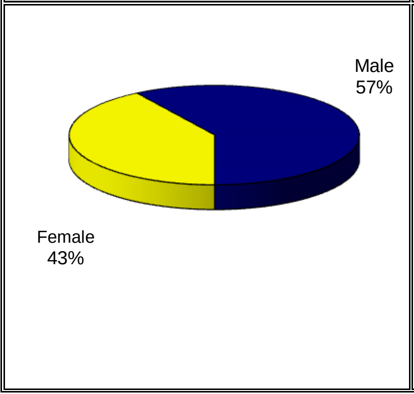
- Financial examination experience and expertise
- Customer service expertise
- Information technology expertise
- Financially related legal knowledge
- Database development and maintenance expertise
- Regulatory and accounting experience and expertise
- Financial regulatory legal expertise

B. WORKFORCE DEMOGRAPHICS (AS OF APRIL 30, 2012)

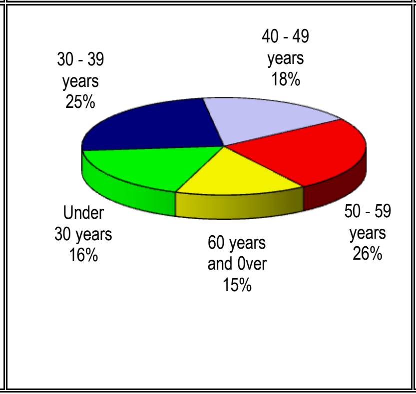
Workforce Breakdown: The following chart profiles the Department's current workforce that includes both full and part-time employees. The Department's workforce is comprised of 57% males and 43% females. Approximately 59% of our workforce is over the age of 40 and approximately 41% have less than five years of Department service. Over 78% of these less-tenured employees represent financial examiners. This percentage is high enough to warrant strong programs to ensure examiner retention.

Workforce Breakdown at April 30, 2012

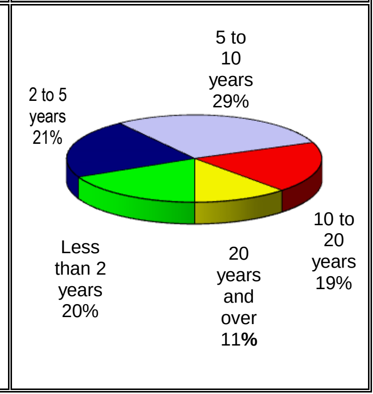
Gender



Age



Department Tenure



Department Workforce by Job Category: The following table compares African-American, Hispanic American, and female Department staffing as of April 30, 2012, to the statewide civilian workforce as reported by the Texas Workforce Commission, Civil Rights Division. The Department strives to meet various diversity targets. The Department's percentage of African-American employees in the Technical job category exceeds the state civilian workforce. The agency lags, however, in the Official/Administrative, Professional and Administrative Support categories. Hispanic Americans are under-represented in all job categories except Administrative Support as compared to the state civilian workforce. Females are under-represented in all categories except Administrative Support. The Department is vigilant in its effort to continue to monitor, address, recruit, and improve the minority representation.

Department Workforce by Job Category as of April 30, 2012

Job Category Employee Count	African-American		Hispanic American		Females	
	Department %	Civilian Workforce	Department %	Civilian Workforce	Department %	Civilian Workforce
Official/Administration 14	7%	8%	7%	21%	21%	38%
Professional 136	7%	10%	15%	19%	35%	53%
Technical 5	40%	14%	0%	27%	20%	54%
Admin. Support 28	11%	13%	36%	32%	93%	67%

C. EMPLOYEE TURNOVER

The turnover rate for FY 2011 was 10.3%, an increase from the prior two years, as reflected in the next chart. Economic indicators suggest competition for financial examiner job skills will continue. The Department must be vigilant in researching and refining retention methods.

Twelve Year Turnover: The following chart compares the Department's turnover to that of the state over the last twelve years.

Twelve Year Turnover		
Fiscal Year	Department Turnover Rate	State Turnover Rate*
FY 2011	10.3%	17.7%
FY 2010	6.2%	15.9%
FY 2009	7.1%	15.6%
FY 2008	13.6%	19.3%
FY 2007	10.8%	19.2%
FY 2006	15.8%	17.9%
FY 2005	20.9%	19.1%
FY 2004	14.4%	41.8%**
FY 2003	10.2%	17.9%
FY 2002	14.1%	15.3%
FY 2001	22.0%	18.5%
FY 2000	23.8%	18.9%

* Information obtained from the State Auditor's Office E-Class System including interagency transfers.

** The exceptionally high statewide turnover in FY 2004 is due to the reorganization of the health and human services agencies.

FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE
AS OF AUGUST 31, 2011
(The denominator for the turnover percentages is the beginning balance for the period.)

Years of Service	# of Financial Examiners	% of Financial Examiners	Financial Examiner Turnover Rate FY 2011
Less than 2 years	34	26%	12%
2 – 5 years	28	22%	12%
5 – 10 years	34	26%	9%
10 – 15 years	14	11%	17%
15 – 20 years	6	5%	20%
20 years and over	13	10%	7%
TOTAL	**129**	**100%**	

FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE
FOR CERTAIN FISCAL YEARS
(The denominator for the turnover percentages is the beginning balance for the period.)

Years of Service	Financial Examiner Turnover Rate FY 2010	Financial Examiner Turnover Rate FY 2011	Financial Examiner Turnover Rate FY 2012*
Less Than 2 yrs	11%	12%	3%
2 – 5 years	6%	12%	21%
5 – 10 years	4%	9%	6%
10 – 15 years	10%	17%	14%
15 – 20 years	0%	20%	0%
20 yrs and over	0%	7%	0%

** FY 2012 data as of April 30, 2012*

Financial Examiner Turnover: The financial examiner series is the largest component of the Department's workforce. Turnover in this group is most costly to the Department because examiners receive extensive professional training and direct supervision in the first four to five years of employment, which requires substantial monetary commitment by the Department.

As of August 31, 2011, 74% of financial examiners had tenure of ten years or less and constitute 33% of the turnover for FY 2011, an increase over the 21% turnover in the same category in fiscal year 2010. As of April 2012, the turnover in the 10-year and below tenure category is 30% of total turnover.

NON-FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE
AS OF AUGUST 31, 2011

(The denominator for the turnover percentages is the beginning balance for the period.)

Years of Service	# of Non-Examiner Employees	% of Non-Examiner Employees	Non-Examiner Turnover Rate FY 2011
Less than 2 years	6	11%	20%
2 – 5 years	10	18%	0%
5 – 10 years	21	37%	14%
10 – 15 years	8	14%	0%
15 – 20 years	4	7%	0%
20 years and over	7	13%	0%
TOTAL	**56**	**100%**	

NON-FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE
FOR CERTAIN FISCAL YEARS

(The denominator for the turnover percentages is the beginning balance for the period.)

Years of Service	Non-Examiner Turnover Rate FY 2010	Non-Examiner Turnover Rate FY 2011	Non-Examiner Turnover Rate FY 2012*
Less than 2 yrs	20%	20%	0%
2 – 5 years	0%	0%	0%
5 – 10 years	0%	14%	5%
10 – 15 years	0%	0%	0%
15 – 20 years	29%	0%	0%
20 yrs and over	0%	0%	0%

** FY 2012 data as of April 30, 2012*

Non-Financial Examiner Turnover: The low turnover rate across the board is likely a reflection of the economic situation and the Department's retention efforts. The Department has implemented additional flexible schedules and a work-at-home policy to encourage retention of this employee group. It is expected that non-examiner turnover will increase with time due to retirement eligibility and an improved job market.

All Employee Turnover: Overall turnover has increased since FY 2010. During FY 2011, 13% of the employees resigning their positions had been with the Department for less than two years, but there is still less than optimal turnover in all tenure categories. The Department must continue to provide incentives for employees to make employment with the Department an attractive long-term career choice.

ALL EMPLOYEE TURNOVER BY LENGTH OF SERVICE
AS OF AUGUST 31, 2011
(The denominator for the turnover percentages is the beginning balance for the period.)

Years of Service	# of All Department Employees	% of All Department Employees	% of State Employees	Department Turnover Rate FY 2011	State Turnover Rate FY 2011*
Less than 2 years	40	22%	17%	13%	40%
2 – 5 years	38	20%	20%	9%	19%
5 – 10 years	55	30%	18%	11%	12%
10 – 15 years	22	12%	15%	11%	10%
15 – 20 years	10	5%	13%	11%	8%
20 years and over	20	11%	17%	5%	15%
TOTAL	**185**	**100%**	**100%**		

*Information obtained from the State Auditor's Office E-Class System including interagency transfers.

Workforce by Age: Employees over the age of 40 comprised 55% of the Department's workforce as of August 31, 2011. Employees under the age of 30 comprised 21% of the workforce.

WORKFORCE BY AGE AS OF AUGUST 31, 2011
(The denominator for the turnover percentages is the beginning balance for the period.)

Age Groups	# of All Department Employees	% of All Department Employees	% of All State Employees	Department Turnover Rate FY 2011	State Turnover Rate FY 2011*
Less than 30	39	21%	16%	17%	34%
30 – 39	44	24%	21%	5%	17%
40 – 49	31	17%	28%	15%	11%
50 – 59	45	24%	26%	5%	14%
60 and over	26	14%	9%	14%	24%

*Information obtained from the State Auditor's Office E-Class System including interagency transfers.

D. Retirement Eligibility

Thirty-one employees were qualified to retire in FY 2011. As of August 31, 2011, two of the qualifying employees retired. Since August 31, 2011, three more have retired.

Retirement from the Department does not account for the majority of separations. For this fiscal year through April 30, 2012, seven staff members have retired or announced their intent to retire before year-end. Over the next five years our pool of retirement eligible employees increases. With these retirements, we will lose substantial institutional knowledge and expertise. As of April 30, 2012, the Department has 62 employees, including 28 financial examiners that could potentially retire within the next five years. Furthermore, 20% of this group is eligible to retire today. Approximately 22% of the financial examiner workforce is eligible to retire within the next five years. Of increasing concern is that 78.6 % of current Directors are eligible to retire within the next five years.

VII. Demand Analysis - Future Workforce Profile

Assessing the future workforce requirements of the Department encompasses a broad range of issues. These issues have been identified through the Department's strategic planning process, interaction and discussion with federal banking regulators, input of agency management, and input from industry representatives. The evolution of the financial services industry means the Department will need an experienced and qualified professional staff to meet anticipated growth and change in the industry.

A. Critical Functions

- Increased Information Technology (IT) examination activity at the regulated entity and service provider level including PFC/PCC researching illegal activities and technological changes in the money services businesses.
- Increased demand on supervisory resources due to changes in national, regional and local economic and regulatory conditions.
- Increased examination activity in supervision of problem banks.
- Increased trust examination activity as the population ages and the state's wealth increases.
- Increased examination activity in the money services businesses area.
- Increased demand for Bank Secrecy Act/Anti-Money Laundering Specialists.
- Increased need for Fraud Specialists.

B. Expected Workplace Dynamics

- Increased use of technology to maximize efficiency.
- Increased use of subject matter specialists.
- Greater focus on risk assessments and problem resolution of our regulated entities.
- Greater need to investigate unlicensed activity.

C. Anticipated Increase in Number of Employees Needed

- Number of unlicensed money services businesses continues to increase.
- Assets of state-chartered banks under supervision will increase.
- Federal counterpart priorities and reallocation of examination resources.
- Training needs increase.

D. Future Workforce Skills Needed

A competent and knowledgeable staff is necessary to efficiently and effectively supervise the variety of entities under the Department's oversight and to respond to changes in these industries. Employees must increase skills in the following areas:

- Comprehensive understanding of IT risk in a constantly changing environment.
- Changing technology and diversity of products offered.
- Knowledge of financial crimes and risks.
- Project management.
- Process analysis.
- Change management.
- Management and supervision of staff.

VIII. GAP Analysis

A. Anticipated Shortage of Workers or Skills

1. Recruiting experienced examiners remains a significant challenge.
2. An imbalance of experience exists between Bank and Trust Supervision assistant examiners and commissioned examiners.
    - Noncommissioned examiners make up 42% of the bank and trust examiner workforce while commissioned examiners account for the remaining 58%. The Department's staffing plan calls for 21% assistant examiners and 79% commissioned examiners. Closing this gap requires the Department to effectively retain assistant examiners and transition them to commissioned examiners.
3. Increased staffing needs due to the following:
    - Elevated workloads due to banks with 3, 4, and 5 ratings are currently being subsidized by limited term examiners.
    - Increase in assets under the Department's supervision.
    - The anticipated addition of $20.4 billion assets from the Frost National Bank conversion.

Gap Analysis: The Department's analysis of the current Finance Commission approved FTEs and anticipated workforce needs are presented in the chart below.

Gap Analysis
As of April 30, 2010

Division	Executive			Professional			Technical			Administrative			Total		
	Authorized	Need	Gap	Authorized	Need	Gap	Authorized	Need	Gap	Authorized	Need	Gap	Authorized	Need	Gap
Executive / Admin	3	3	0	0	0	0	0	0	0	2	2	0	5	5	0
Legal	0	0	0	6	6	0	0	0	0	3	3	0	9	9	0
Admin Services	0	0	0	4	4	0	0	0	0	5	5	0	9	9	0
IT Division	0	0	0	1	1	0	5	5	0	0	0	0	6	6	0
Division of Strategic Support	0	0	0	3	3	0	0	0	0	5	5	0	8	8	0
Corporate Activities	0	0	0	5	5	0	0	0	0	3	3	0	8	8	0
Bank Supervision	2	2	0	96.5	106.5	10	0	0	0	6	6	0	104.5	114.5	10
Limited Term Examiners	0	0	0	14	14	0	0	0	0	0	0	0	14	14	0
Foreign Bank Supervision	0	0	0	1	1	0	0	0	0	0	0	0	1	1	0
Trust Company/ Dept Supervision	0	0	0	6	6	0	0	0	0	0	0	0	6	6	0
IT Examinations	0	0	0	6	6	0	0	0	0	0	0	0	6	6	0
PFC/PCC	0	0	0	10	10	0	0	0	0	4.5	4.5	0	14.5	14.5	0
MSB	0	0	0	5	5	0	0	0	0	0	0	0	5	5	0
Total Department of Banking	**5**	**5**	**0**	**157.5**	**167.5**	**10**	**5**	**5**	**0**	**28.5**	**28.5**	**0**	**196**	**206**	**10 ***

** An additional 12.5 employees would be needed to achieve 100% compliance with our outcome measures. See discussion in Appendix C.*

IX. Strategy Development

Gap	Current staffing levels contain an experience imbalance.
Goal	Reduce the existing experience gap within the Department.
Rationale	Closing the gap will reduce the impact of retirements or other loss of the most experienced personnel on the knowledge base and skill sets and preserve the Department's ability to act on and react to deterioration that might occur in regulated entities as a result of economic weakness or other factors not directly related to the economy.
Action Steps	• Continue a program that allows retirees to return-to-work in a limited term status to train less tenured employees. • Continue a program that allows time for senior personnel to mentor less tenured employees to insure knowledge and lessons learned from the past are appropriately considered in present day evaluations. • Allow mid-level managers to be in-charge of problem or more complex situations and confer with senior staff on findings. • Create a "spilled milk" notebook to record and memorialize historical approaches to problem and complex situations. • More aggressively recruit mid-level managers from outside the Department. • Continue to refine and improve our succession plan. • Implement BETS timeline for commissioning.

Gap	Current employees lack critical skills.
Goal	Develop a competent, well-trained workforce.
Rationale	The presence of a well-trained workforce is absolutely critical not only to the success of the Department, but also to the credibility of the agency and condition of the industry. The success of the Department is not only measured by whether and how well it meets its goals and objectives, but the level of credibility it maintains with its federal counterparts. The level of credibility maintained by the Department has a direct correlation on the cost of supervision and regulation to regulated entities. A loss of credibility could result in a higher volume and more frequent supervision by federal regulators and therefore increase regulatory burden upon the supervised businesses operating in Texas.
Action Steps	• Identify skills required to meet changes that have occurred and are anticipated in the financial services industries. • Expand core training programs to include more in-depth and comprehensive courses in areas of identified weakness. • Develop additional in-house training programs to supplement programs offered by CSBS and federal regulatory agencies. • Conduct a risk assessment to determine the level of risk facing the Department regarding the potential loss of knowledge and the areas of knowledge gaps. • Continue to refine and improve our succession plan. • Develop a knowledge transfer strategy that may include: documenting process, steps, dates, relationships, players, contacts, form and files. • Institute checklists, flowcharts, reference guides and job pairing to provide easy to access resources.

Gap	Attracting and retaining the right employees.
Goal	Become an employer of choice.
Rationale	There is competitive job market for qualified individuals with the skills required to perform the duties of an examiner.
Action Steps	• Continue efforts to maintain examiner salaries at no less than 90% of the FDIC salaries, with a goal of achieving parity. • Work in partnership with universities to recruit through job fairs and internship programs. • Continue to offer and expand family friendly schedules. • Continue to mitigate travel exposure with alternative work methods and technology. • Provide training in specialized areas related to the examination process.

Gap	Leadership Development
Goal	Identify high potential employees for succession to Director positions
Rationale	78.6% of current Directors are eligible to retire within the next five years.
Action Steps	• Identify the knowledge, skills and abilities of current successful leadership positions. • Identify high potential staff who possess or could more readily acquire the necessary abilities and knowledge. • Institute development plans into performance management. • Provide training, experience, or job shadowing on assignments.

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SURVEY OF EMPLOYEE ENGAGEMENT

Appendix F

During the strategic planning process, the Department encourages all employees to participate and provide feedback about the strategic plan. Throughout the year, employees are encouraged to provide feedback and input on agency's policies and procedures. Annual surveys and year-round access to the agency's online suggestion box provide each employee with an opportunity to provide feedback and input.

The most recent opportunity for employee input was in late October 2011. Staff participated in the biennial *University of Texas Survey of Employee Engagement (SEE).* This employee assessment tool is designed to solicit candid feedback from staff on a variety of areas and seeks to identify where employees may be generally satisfied and which areas can be improved. With over 92% of staff participating, the October 2011 survey results did not identify any significant areas of concern. Senior management nevertheless remains committed to continually improving working conditions for all employees.

The SEE results are provided to staff. The agency's Employee Advisory Council, or EAC, reviews the findings and provides feedback to senior management. This group is an employee working group composed of non-senior executive managerial representatives from each region. Each regional representative meets with their peers in smaller groups to further explore the results and obtain additional feedback. All EAC members then meet to analyze the survey results. EAC representatives then meet formally with executive management to discuss the findings and make recommendations.

Over the years, the EAC has brought to management's attention specific employee opinions and priorities for improvement. These include, but are not limited to the following:

- Examiner training deficiencies
- Personnel policy changes
- Communication during report reviews
- Training manuals for Special Audits
- Improved information technology

Several recommendations have resulted in new programs and incentives for staff, including:

- An employee recognition program where individuals are acknowledged for their contributions to the agency
- Payment of a travel stipend
- Revision of the commissioning program
- Flexible work schedules to accommodate employees and their families
- Casual dress code
- Improved performance appraisal rating and scoring system

SEE SURVEY OF EMPLOYEE ENGAGEMENT

Texas Department of Banking

Executive Summary

2011

EMPLOYEE ENGAGEMENT
INSTITUTE FOR ORGANIZATIONAL EXCELLENCE

REPORT ID: 451

Texas Department of Banking | 2011

Executive Summary
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EMPLOYEE ENGAGEMENT
INSTITUTE FOR ORGANIZATIONAL EXCELLENCE

Introduction

Thank you for your participation in the Survey of Employee Engagement (SEE). We trust that you will find the information helpful in your leadership planning and organizational development efforts. As an organizational climate assessment, the SEE represents an employee engagement measurement tool based on modern organizational and managerial practice and sound theoretical foundations. In short, the SEE is specifically focused on the key drivers relative to the ability to engage employees towards successfully fulfilling the vision and mission of the organization.

Participation in the SEE indicates the willingness of leadership and the readiness of all employees to engage in meaningful measurement and organizational improvement efforts. The process is best utilized when leadership builds on the momentum initiated through the surveying process and begins engagement interventions using the SEE data as a guide. Contained within these reports are specific areas of organizational strengths and of organizational concern.

The SEE Framework initially consists of a series of items to ascertain the demography of the respondents. The purpose is to measure whether or not a representative group of respondents participated. The second section contains 71 primary items. These are used to assess essential and fundamental aspects of how the organization functions, the climate, potential barriers to improvement, and internal organizational strengths. The items are all scored on a five-point scale from Strongly Disagree(1) to Strongly Agree(5) and are averaged to produce various summary measures - Constructs, Climate indicators, and the Synthesis Score.

The SEE has 14 Constructs which capture the concepts most utilized by leadership and those which drive organizational performance and engagement. These constructs are: Supervision, Team, Quality, Pay, Benefits, Physical Environment, Strategic, Diversity, Information Systems, Internal Communication, External Communication, Employee Engagement, Employee Development, and Job Satisfaction. In the Climate section of the reports are the Climate indicators: Atmosphere, Ethics, Fairness, Feedback, and Management.

Workplace Dimensions
Survey Constructs

Work Group
Supervision
Team
Quality

Accommodations
Pay
Benefits
Physical Environment

Organization
Strategic
Diversity

Information
Information System
Internal Communication
External Communication

Personal
Employee Engagement
Employee Development
Job Satisfaction

Organization Profile

Texas Department of Banking

Organizational Leadership:

- Charles Cooper, Commissioner

Benchmark Groups

The most current benchmark data are provided in your report. To get a better idea of how this organization compares to others like it, we provide three types of benchmark data: organizations with a similar size, similar mission, and organizations belonging to a special grouping.

The Benchmark Categories for this organization are:

- **Organization Size:** Size category 3 includes organizations with 101 to 300 employees.
- **Mission Category:** Mission 8 (Regulatory)
  The Regulatory category includes organizations involved in the regulation of medical, financial, and other service industries.
- **Special Grouping:** None

Survey Administration

Collection Period:
10-24-2011 through 11-11-2011

Additional Items and Categories (if applicable) may be used to target areas specific to the organization. Refer to the Appendix of the Data Report for a complete listing.

- 6 additional items
- Category 1 (6 codes)

Survey Liaison:
Wendy Rodriguez (512) 475-1320
Director - Strategic Support
2601 N. Lamar Blvd.
Austin, TX 78705

Wendy.Rodriguez@dob.texas.gov

Overall Score and Participation

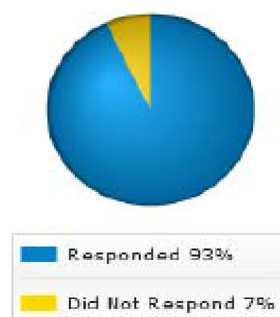
Overall Score

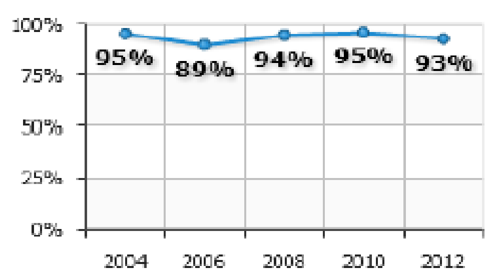
The overall survey score is a broad indicator for comparison with other entities. The Overall Score is an average of all survey items and represents the overall score for the organization. For comparison purposes, Overall scores typically range from 325 to 375.

Response Rates

Overall Response Rate
Out of the 183 employees who were invited to take the survey, 170 responded. As a general rule, rates higher than 50 percent suggest soundness. Rates lower than 30 percent may indicate problems.

At 93%, your response rate is considered high. High rates mean that employees have an investment in the organization, want to see the organization improve, and generally have a sense of responsibility to the organization. With this level of engagement, employees have high expectations from Leadership to act on the survey results.



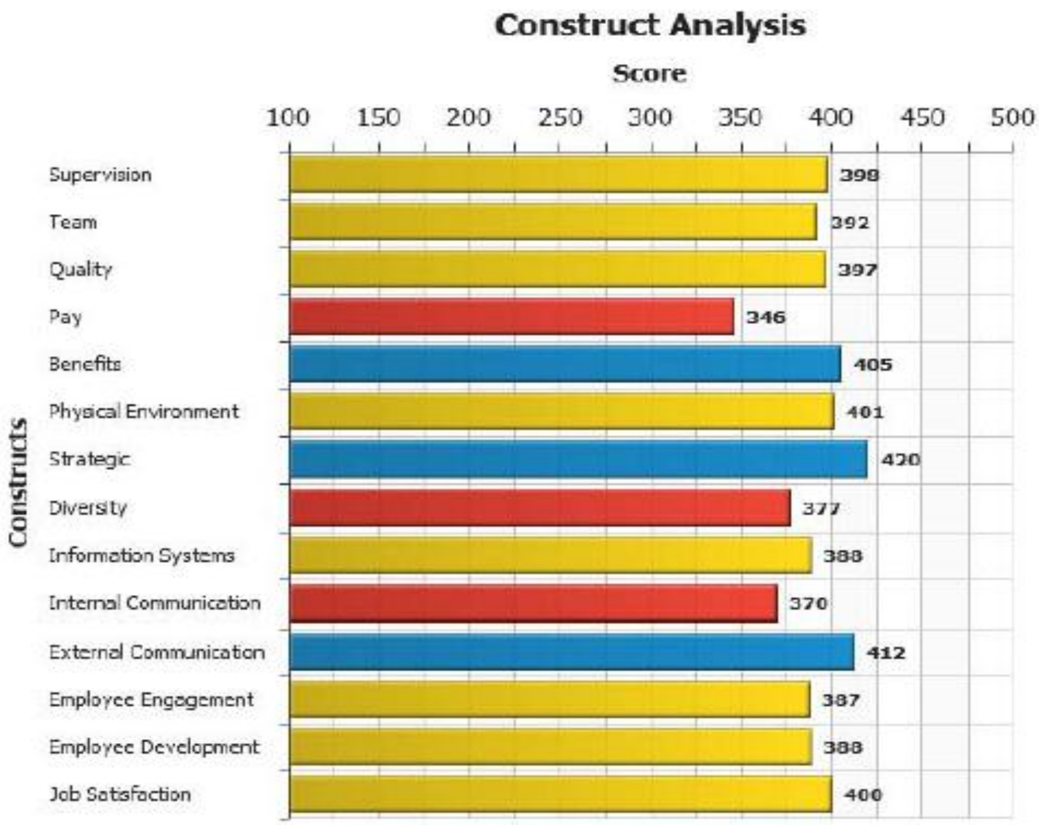


Response Rate Over Time
One of the values of participating in multiple iterations of the survey is the opportunity to measure organizational change over time. In general, response rates should rise from the first to the second and succeeding iterations. If organizational health is sound and the online administration option is used, rates tend to plateau around the 60 to 65 percent level. A sharp decline in your response rate over time can be a significant indicator of a current or potential developing organizational problem.

Construct Analysis

Constructs have been color coded to highlight the organization's areas of strength and areas of concern. The 3 highest scoring constructs are blue, the 3 lowest scoring constructs are red, and the remaining 8 constructs are yellow.

Each construct is displayed below with its corresponding score. Highest scoring constructs are areas of strength for this organization while the lowest scoring constructs are areas of concern. Scores above 350 suggest that employees perceive the issue more positively than negatively, and scores of 375 or higher indicate areas of substantial strength. Conversely, scores below 350 are viewed less positively by employees, and scores below 325 should be a significant source of concern for the organization and should receive immediate attention.



Organizational Typology: Areas of Strength

The following Constructs are relative strengths for the organization:

Strategic **Score:420**

The Strategic construct reflects employees' thinking about how the organization responds to external influences that should play a role in defining the organization's mission, vision, services, and products. Implied in this construct is the ability of the organization to seek out and work with relevant external entities.

High scores indicate employees view the organization as able to quickly relate its mission and goals to environmental changes and demands. It is viewed as creating programs that advance the organization and having highly capable means of drawing information and meaning from the environment. Maintaining these high scores will require leadership to continually assess the ability of the organization and employees at all levels to test programs against need and to continue to have rapid feedback from the environment.

External Communication **Score:412**

The External Communication construct looks at how information flows into the organization from external sources, and conversely, how information flows from inside the organization to external constituents. It addresses the ability of organizational members to synthesize and apply external information to work performed by the organization.

High scores indicate that employees view their organization as communicating effectively with other organizations, its clients, and those concerned with regulation. Maintaining these high scores will require leadership to be alert to change and maintain strong and responsive tools to assess the external environment.

Benefits **Score:405**

The Benefits construct provides a good indication of the role the benefit package plays in attracting and retaining employees in the organization. It reflects employees' perceptions of how well their benefits package compares to those of other organizations.

High scores indicate that employees view the benefits package positively. The benefits package (health care, vacation, retirement, etc.) is seen as appealing and providing appropriate flexibility. Important benefit items are available at a fair cost. To maintain these scores, it is important to regularly check benefits provided by competing organizations, as well as, examine environment factors that may make existing benefits less desirable.

Organizational Typology: Areas of Concern

The following Constructs are relative concerns for the organization:

Pay — Score: 346

The Pay construct addresses perceptions of the overall compensation package offered by the organization. It describes how well the compensation package 'holds up' when employees compare it to similar jobs in other organizations.

Average scores suggest that pay is not a central concern or reason for satisfaction or discontent. In some situations pay does not meet comparables in similar organizations. In other cases individuals may feel that pay levels are not appropriately set to work demands, experience and ability. Cost of living increases may cause sharp drops in purchasing power and as a result, employees will view pay levels as unfair. Remedying Pay problems requires a determination of which of the above factors are serving to create the concerns. Use the employee feedback sessions to make a more complete determination of the factors that influence your Pay score.

Internal Communication — Score: 370

The Internal Communication construct captures the organization's communications flow from the top-down, bottom-up, and across divisions/departments. It addresses the extent to which communication exchanges are open, candid, and move the organization toward its goals.

Average scores suggest that employees feel information does not arrive in a timely fashion and often it is difficult to find needed facts. In general, Internal Communication problems stem from these factors: an organization that has outgrown an older verbal culture based upon a few people knowing "how to work the system", lack of investment and training in modern communication technology and, perhaps, vested interests that seek to control needed information. Triangulate low scores in Internal Communication by reviewing existing policy and procedural manuals to determine their availability. Assess how well telephone systems are articulated and if e-mail, faxing, and Internet modalities are developed and in full use.

Diversity — Score: 377

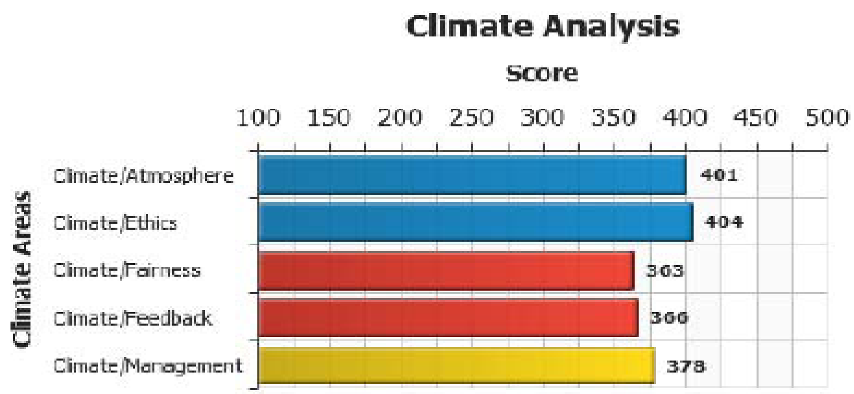
The Diversity construct addresses the extent to which employees feel personal differences, such as ethnicity, social class or lifestyle, may result in alienation from the larger organization and missed opportunities for learning or advancement. It examines how the organization understands and uses creativity coming from individual differences to improve organizational effectiveness.

High scores indicate that employees view the diversity within the work setting, work teams and supervisory process positively. It means individuals feel that the cultural, gender, and income variations within organization reflect the relative diversity within the community.

Climate Analysis

The climate in which employees work does, to a large extent, determine the efficiency and effectiveness of an organization. The appropriate climate is a combination of a safe, non-harassing environment with ethical abiding employees who treat each other with fairness and respect. Moreover, it is an organization with proactive management that communicates and has the capability to make thoughtful decisions. Climate Areas have been color coded to highlight the organization's areas of strength and areas of concern. The 2 highest scoring climate areas are blue (Ethics, Atmosphere), the 2 lowest scoring climate areas are red (Fairness, Feedback), and the remaining climate area is yellow (Management).

Each Climate Area is displayed below with its corresponding score. Scores above 350 suggest that employees perceive the issue more positively than negatively, and scores of 375 or higher indicate areas of substantial strength. Conversely, scores below 350 are viewed less positively by employees, and scores below 325 should be a significant source of concern for the organization and should receive immediate attention.



Climate Definitions:
Atmosphere: The aspect of climate and positive Atmosphere of an organization must be free of harassment in order to establish a community of reciprocity.

Ethics: An Ethical climate is a foundation of building trust within an organization where not only are employees ethical in their behavior, but that ethical violations are appropriately handled.

Fairness: Fairness measures the extent to which employees believe that equal and fair opportunity exists for all members of the organization.

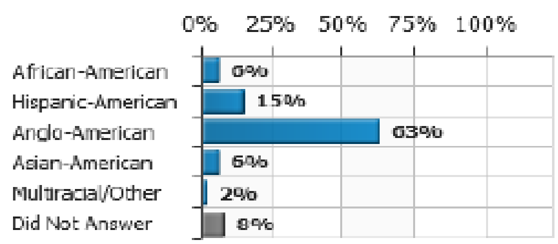
Feedback: Appropriate feedback is an essential element of organizational learning by providing the necessary data in which improvement can occur.

Management: The climate presented by Management as being accessible, visible, and an effective communicator of information is a basic tenant of successful leadership.

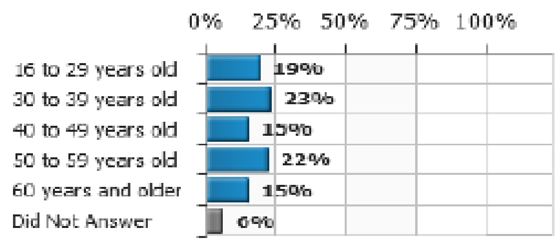
Participant Profile

Demographic data helps one to see if the Survey response rate matches the general features of all employees in the organization. It is also an important factor in being able to determine the level of consensus and shared viewpoints across the organization. It may also help to indicate the extent to which the membership of the organization is representative of the local community and those persons that use the services and products of the organization.

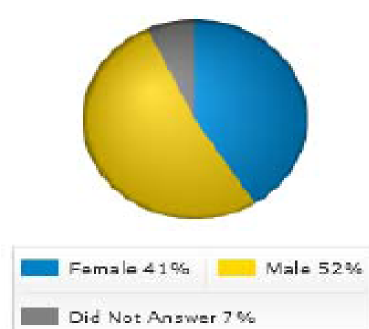
Race/Ethnic Identification
Racial/Ethnic diversity within the workplace provides resources for innovation. A diverse workforce helps ensure that different ideas are understood, and that the community sees the organization as representative of the community.



Age
Age diversity brings different experiences and perspectives to the organization, since people have different challenges and resources at various age levels. Large percentages of older individuals may be a cause of concern if a number of key employees are nearing retirement age.



Gender
The ratio of males to females within an organization can vary among different organizations. However, extreme imbalances in the gender ratio when compared to actual gender diversity within your organization should be a source of concern and may require immediate attention as to why one group is responding at different than anticipated rates.



Benchmark Data and Other Resources

Benchmark Categories:

Benchmark Data composed of the organizations participating in the survey are provided in your reports. Benchmarks are used to provide a unit of comparison of organizations of similar mission and size. If you selected to use organizational categories, internal benchmarks between categories as well as over time data illustrate differences and changes along item and construct scores. Our benchmark data are updated every two years and are available from our website at www.survey.utexas.edu.

Reporting and Other Resources:

A Data Report accompanies this summary. The data report provides greater detail than the executive summary. The data report is largely a quantitative report of the survey responses. Demographic data are presented in percentages and real numbers. Construct means and benchmark comparison numbers are provided on all variables. Item data are broken into mean, frequency counts, standard deviations, and number of respondents. Item benchmark data are also displayed.

Electronic Reports are provided in two formats. First, all executive and data reports are included in pdf files for ease in distribution and for clear printability. This file format is widely used, and a free pdf reader called Adobe Acrobat reader is available from www.adobe.com. The second type of electronic reports are in Microsoft Excel format. These reports are construct and item survey data in a flat spreadsheet format. This allows the user to sort highs and lows, search for individual items, or create custom reports from the survey data.

Using the Survey as a Catalyst for organizational improvement is essential to the survey process. The survey creates momentum and interest. At the end of the executive summary report is a series of suggested next steps to assist in these efforts.

Additional Services are available from our group. We conduct 360-Degree leadership and supervisory evaluations, special leadership assessments, customer and client satisfaction surveys along with the ability to create and administer a variety of custom hardcopy and online survey instruments. Consultation time for large presentations, focus groups, or individual meetings is available as well. For additional information, please contact us at anytime.

Next Steps: Interpretation and Intervention

After the survey data has been complied, the results are returned to the survey liaison, executive director, and board or commission chair approximately one to two months after data collection stops. These individuals are strongly encouraged to share results with all survey participants in the organization. Survey results are provided in several formats to provide maximum flexibility in interpreting the data and sharing the data with the entire organization. The quick turnaround in reporting allows for immediate action upon the results while they are still current.

The Executive Summary provides a graphical depiction of the data. Graphical data can easily be reproduced in a company newsletter or website. For additional detailed data, the Data Report is useful for examining survey data on the individual item level. Response counts, averages, standard deviations, and response distributions are provided for each item. Excel files provide electronic access to scores. Scores can be sorted in various ways to help determine strengths and areas of concern. The electronic data can also be used by Excel or other software to create additional graphs or charts. Any of these formats can be used alone or in combination to create rich information on which employees can base their ideas for change.

Benchmark data provide an opportunity to get a true feel of the organization's performance. Comparing the organization's score to scores outside of the organization can unearth unique strengths and areas of concern. Several groups of benchmarks are provided to allow the freedom to choose which comparisons are most relevant. If organizational categories were used, then internal comparisons can be made between different functional areas of the organization. By using these comparisons, functional areas can be identified for star performance in a particular construct, and a set of "best practices" can be created to replicate their success throughout the organization.

These Survey Data provide a unique perspective of the average view of all participants. It is important to examine these findings and take them back to the employees for interpretation and to select priority areas for improvement. This is an opportunity for the organization to recognize and celebrate areas that members have judged to be areas of relative strength. By seeking participation and engaging people on how the organization functions, you have taken a specific step in increasing organizational capital. High organizational capital means high trust among employees and a greater likelihood of improved efforts and good working relationships with clients and customers.

Ideas for getting employees involved in the change process:

- Hold small focus groups to find out how the employees would interpret the results
- Conduct targeted follow-up surveys to collect additional information including comments
- Provide employees with questionnaires/comment cards to express their ideas

Ideas for sharing data with the organization:

- Publish results in an organizational newsletter or intranet site
- Discuss results in departmental meetings
- Create a PowerPoint presentation of the results and display them on kiosks

Timeline

November and December: Interpreting the Data

- Data are returned to survey liaisons, executive directors and board members
- Review Survey data including the Executive Summary with executive staff
- Develop plans for circulating all the data sequentially and provide interpretations for all staff

January: Distributing Results to the Entire Organization

- Implement the plans for circulating the data to all staff
- Create 3 to 4 weekly or monthly reports or organization newsletters
- Report a portion of the constructs and items, providing the data along with illustrations pertinent to the organization
- Select a time to have employees participate in a work unit group to review the reports as they are distributed to all staff, with one group leader assigned to every group. The size of the groups should be limited to about a dozen people at a time. A time limit should be set not to exceed two hours.

February: Planning for Change

- Designate the Change Team composed of a diagonal slice across the organization that will guide the effort
- Identify Work Unit Groups around actual organizational work units and start each meeting by reviewing strengths as indicated in the data report. Brainstorm on how to best address weaknesses
- Establish Procedures for recording the deliberations of the Work Unit Group and returning those data to the Change Team
- Decide upon the Top Priority Change Topic and Methods necessary for making the change. Web-based Discussion Groups and Mini-Surveys are convenient technologies
- First change effort begins
- Repeat for the next change target

March and Beyond: Implementation and Interventions

- Have the Change Team compile the Priority Change Topics and Methods necessary for making the change and present them to the executive staff
- Discuss the administrative protocols necessary for implementing the changes
- Determine the plan of action and set up a reasonable timeline for implementation
- Keep employees informed about changes as they occur through meetings, newsletters, or intranet publications
- Resurvey to document the effectiveness of the change

REPORT ON CUSTOMER SERVICE

Appendix G

The managers and organizers of the financial service providers licensed or regulated by the Department of Banking, as well as consumers that have registered complaints about those providers, are given the opportunity to submit comments. Pursuant to Section 2114 of the Texas Government Code, the Department provides different methods for customers to supply feedback about the agency's operations and services. Agency employees are also given an opportunity to provide information that may lead to improvements within the organization.

The following details a description of the Department's survey process.

INVENTORY OF CUSTOMERS BY STRATEGY

Strategy	Customer
Bank Examination	Licensed entities: state-chartered banks, state-chartered trust companies, foreign bank agencies licensed by the state.
Communications – Bank Customers	Customers of licensed entities (represented by written complaints received): state-chartered banks, state-chartered trust companies, foreign bank agencies licensed by the state.
Non-Bank Examination	Licensed entities: money services businesses, prepaid funeral benefit contract sellers, perpetual care cemeteries licensed by the state.
Communications – Non-Bank Customers	Customers of licensed entities (represented by written complaints received): money services businesses, prepaid funeral benefit contract sellers, perpetual care cemeteries, private child support enforcement agencies.
Application Processing	State-chartered banks, state-chartered trust companies, foreign bank agencies, money services businesses, and private child support enforcement agencies licensed by the state.

DESCRIPTION OF OUR EXTERNAL CUSTOMERS

BANK EXAMINATION

The primary beneficiary or customer of the Department’s safety and soundness financial entity examination is the state of Texas and its citizens, borrowers and depositors. A safe and sound banking system helps ensure a stable economic environment for employers and jobs for their employees, while assuring a safe place for depositors' money and a consistent source of credit.

Direct recipients or customers of examination and supervision are the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Bank (FRB) of Dallas, and the institutions under regulation.

The Department conducts examinations jointly with the FDIC and FRB. It is important that the quality of our examination and supervision staff, their experience, training, and technological resources are comparable to our federal counterparts to ensure that we are allowed to continue this joint participation. The Department has successfully met this challenge as evidenced by the success of the joint examination and supervisory programs for state-chartered banks. The agency must meet the highest expectations for this strategy to maintain the state's role in the dual banking system.

Our examination must be thorough and substantive, balancing safety and soundness with each institution's need for minimum regulatory burden. Quality examinations and supervision provide management and directors 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, arbitrary, or arrogant requests for information can inconvenience, disrupt and even damage institutions. Other concerns include: blatantly authoritative requests, inconsistently applied statutes, regulations and procedures. Accordingly, bank chief executive officers of institutions under the Department's jurisdiction are the customer constituency we survey to monitor our performance.

COMMUNICATIONS – BANK CUSTOMERS

The primary customer served in this regard is the public, borrowers and depositors, and those doing business with agency regulated financial institutions. Surveys assess customer satisfaction with the complaint process.

NON-BANK EXAMINATION

The primary beneficiary or customer of the Department's non-bank examination is the state of Texas and its citizens, and those doing business with licensed money service businesses, prepaid funeral benefit contract sellers and perpetual care cemeteries.

Each licensee receives a Department examination or inspection. It is imperative that our examination and supervision staff, their training, and technological resources be sufficient to provide a quality examination. Balancing compliance standards and financial stability with the institution's need for minimum regulatory burden, thorough and substantive examinations provide management and directors an independent assessment with regard to their compliance with state and federal statutes and regulations.

COMMUNICATIONS – NON-BANK CUSTOMERS

The primary customer served in this regard is the public, and those doing business with licensed money services businesses, prepaid funeral benefit contract sellers, perpetual care cemeteries, and private child support enforcement agencies. Surveys assess customer satisfaction with the complaint process.

APPLICATION PROCESSING

The service to financial institutions, including attorneys, accountants and others who assist those institutions, includes an assessment of risk to ensure that regulated entities operate in a safe and sound manner. The timely processing of applications and information requests ensures knowledgeable and competent recommendations. The application procedure is designed to serve customers in developing information for various financial entity applications (new charters, branch offices, mergers and acquisitions, etc.).

DESCRIPTION OF INFORMATION GATHERING TECHNIQUES

Rate the Department

Under this method, regulated entities are sent an electronic invitation by email or mailed an invitation to participate in an online survey called "Rate the Department Survey." Unless the respondent provides contact information, responses are anonymous. Completed surveys are tabulated automatically by the Department's contract survey service provider and results are posted on the Department of Banking's website. While this methodology of data collection does not follow random sampling guidelines, it does allow 100% of our regulated entities the opportunity to respond. In 2011, regulated entities were asked to complete the survey between November 14, 2011 and December 16, 2011.

Banks and Trust Companies

Survey requests are sent annually to all banks and trust companies holding a charter issued by the Department. This customer service survey has been conducted since 1995. In 2011, 317 regulated entities were asked to complete the survey. The Department received 111 responses or 35% of the total number of chartered institutions who received our survey request.

Money Services Business Licensees (MSB)

In 2011, notices were sent to all 132 regulated MSBs asking them to complete our online survey, with only 15 responses being received. This accounts for 11% of the total number of licensees. Since 1997, the agency has provided all MSBs the opportunity to provide feedback regarding their experience in communicating and working with Department personnel.

Prepaid Funeral Contract Licensees (PFC) and Perpetual Care Cemeteries (PCC)

All PFC and PCC have been surveyed since 1997 regarding their experiences communicating and working with Department personnel. For the 2011 survey notices were sent to 636 PFCs and PCCs. Twenty-three responded, less than 4% of the total number of licensees.

Commissioner's Banking Examination Survey – Banks, Trust, and IT

As a part of an ongoing effort to improve on-site examinations and the examination report process, the Banking Commissioner also solicits input regarding the supervision provided by the Texas Department of Banking through a separate survey. The goal of this survey is to help target areas for improvement, as well as to identify what parts of the existing examination process are working well. Surveys are mailed to each bank or trust company within 30 to 45 days after the completion of an examination. The survey contains 18 questions covering three areas: the examination process, examination reports, and the examination scope and correspondence.

Survey of Consumer Complainants

Since 1998, customer service surveys have been sent to complainants of state-chartered banks, trust companies, foreign bank agencies, MSB, PFC and PCC. While this methodology of data collection does not follow random sampling guidelines, it does allow 100% of the complainants the opportunity to respond. No deadline for a response is given and the name of the respondent is optional. The most recent survey period was September 2010 to August 2011.

Banks, Trust Companies and Foreign Bank Agencies

Thirty days after a written consumer complaint is closed, a survey form is mailed to the complainant. For fiscal year 2011, 83 surveys were mailed and 28 were returned, for a 34% response rate.

MSB, PFC and PCC

A survey form is mailed to the complainant when the written complaint is closed. For fiscal year 2011, 64 surveys were sent to all consumers and 17 responses were received, for a 28% response rate.

DEPARTMENT PROVIDES MANY OPPORTUNITIES FOR INPUT FROM STAKEHOLDERS

The Department utilizes many different methods to seek feedback from its regulated entities. As discussed above, the agency uses a much less labor intensive process via an electronic Internet-based survey. If a response from a stakeholder is requested, the process allows the agency the ability to immediately follow-up after receiving the survey. Other methods used to solicit feedback:

Banker Economic and Business Survey

The Department requests specific information from our banks about the local economy and business climate. For purposes of this survey, banks are divided into seven regions based upon similar business and regional activities. Bankers submit this information each quarter on a sample basis. In turn it is used by the agency as an early-warning system to assess changes in the economy and our supervisory requirements. Survey results are posted on the Department's website.

Appeals Process

In the event of a material disagreement regarding an examination finding or rating, Department policy offers regulated entities the opportunity to file a request for Reconsideration (REF). Although the Department has not received an REF request from a regulated entity since 2009, this function provides an effective forum for addressing industry concerns and in identifying potential problems in the implementation of Department policies.

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ANALYSIS OF BANKS, TRUST COMPANIES, AND FOREIGN BANK AGENCIES SURVEYS

Rate the Department Analysis

The Department received 111 responses from 317 banks and trust companies. An overwhelming majority of the respondents “strongly agree” or “agree” that the Department is conducting its affairs in a satisfactory manner. The commendable findings affirm the examination staff’s professionalism. An overwhelming satisfactory response – 95 percent of respondents – agreed that significant changes to Department rules, policies, and procedures were communicated and explained in a timely manner. Five percent registered no opinion.

Commissioner’s Banking Examination Survey

One month after mailing the report of examination, a separate questionnaire concerning the examination process is mailed to each bank and trust company. For fiscal year 2011, 291 surveys were mailed and 193 responses were received for a 66% response ratio. Overall, the responses complimented the examining staff’s professionalism and knowledge with positive responses exceeding 89% in all categories.

"Rate the Department" Survey - 2011

Banks and Trust Companies

Instructions: Please take a moment to complete the survey to reflect your experience in communicating or working with Department personnel over the last 12 months. Surveys should be completed by December 16, 2011. Survey results will be tabulated and released through a future issue of the Texas Bank Report. Please call Phil at 512-475-1336 if you have any questions.

1. Person Completing the Survey?

87 Responses

2. The regional office that directly supervises your institution?

Dallas	49	44%
Houston	21	19%
Lubbock	18	16%
San Antonio	23	21%
Total	111	100%

Bank and Trust Communication & Correspondence

3. Did you receive a call or visit from the regional director of your region within the last 12 months in reference to the Department's offsite call monitoring program? If no, skip to question #6

Yes	81	73%
No	30	27%
Total	111	100%

4. I appreciate the opportunity to discuss matters of interest in a non-exam setting.

Strongly Agree	55	69%
Agree	24	30%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	1	1%
Total	80	100%

5. How could the program be improved?

24 Responses

RATE THE DEPARTMENT
BANKS AND TRUST COMPANIES

6. Material changes to the Department's rules, policies and procedures are communicated to us in a timely fashion.		
Strongly Agree	38	34%
Agree	68	61%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	5	5%
Total	111	100%

7. Regional office staff is generally accessible.		
Strongly Agree	73	66%
Agree	37	33%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	1	1%
Total	111	100%

8. Headquarters staff is generally accessible.		
Strongly Agree	51	46%
Agree	52	47%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	8	7%
Total	111	100%

9. Regional office staff provide timely and accurate feedback/answers.		
Strongly Agree	66	59%
Agree	43	39%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	2	2%
Total	111	100%

10. Headquarters office staff provide timely and accurate feedback/answers.		
Strongly Agree	50	45%
Agree	52	47%
Disagree	1	1%
Strongly Disagree	0	0%
No Opinion	8	7%
Total	111	100%

11. Correspondence within the Department regarding routine business matters is handled in a prompt and effective manner.		
Strongly Agree	46	41%
Agree	59	53%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	6	5%
Total	111	100%

12. Do you use the Department's secure email system?		
Yes	66	59%
No	45	41%
Total	111	100%

13. What issues should be addressed by the Department to improve or strengthen the banking/trust systems in Texas?
46 Responses

14. What issues should be addressed by the Department to reduce or minimize regulatory burden?
57 Responses

15. Other suggestions or comments regarding communication and correspondence.
30 Responses

Corporate Activities Division

16. Have you used the services of our Corporate Division within the last 12 months? If no, skip to the next section		
Yes	36	32%
No	75	68%
Total	111	100%

17. The Corporate Division is generally accessible.		
Strongly Agree	19	39%
Agree	19	39%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	11	22%
Total	49	100%

18. Responses are generally timely.		
Strongly Agree	21	45%
Agree	17	36%
Disagree	1	2%
Strongly Disagree	0	0%
No Opinion	8	17%
Total	47	100%

19. The content and substance of responses are appropriate.		
Strongly Agree	22	47%
Agree	16	34%
Disagree	1	2%
Strongly Disagree	0	0%
No Opinion	8	17%
Total	47	100%

20. The Corporate staff handles my affairs professionally.		
Strongly Agree	23	49%
Agree	16	34%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	8	17%
Total	47	100%

21. The process of handling requests is efficient.		
Strongly Agree	22	49%
Agree	15	33%
Disagree	1	2%
Strongly Disagree	0	0%
No Opinion	7	16%
Total	45	100%

22. Requests for information are reasonable.		
Strongly Agree	18	38%
Agree	19	40%
Disagree	1	2%
Strongly Disagree	0	0%
No Opinion	9	19%
Total	47	100%

23. The Department's web site for corporate application forms and related information is informative and easy to use.		
Strongly Agree	15	32%
Agree	19	40%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	13	28%
Total	47	100%

24. Other suggestions or comments regarding the corporate division.
2 Responses

Legal Division

25. Have you used the services of our Legal Division within the last 12 months? If no, skip to the next section		
Yes	16	14%
No	95	86%
Total	111	100%

RATE THE DEPARTMENT
BANKS AND TRUST COMPANIES

26. The Legal Division is accessible.		
Strongly Agree	7	33%
Agree	8	38%
Disagree	1	5%
Strongly Disagree	0	0%
No Opinion	5	24%
Total	21	100%

27. Responses are generally timely.		
Strongly Agree	7	35%
Agree	8	40%
Disagree	1	5%
Strongly Disagree	0	0%
No Opinion	4	20%
Total	20	100%

28. The content and substance of responses are appropriate.		
Strongly Agree	8	40%
Agree	7	35%
Disagree	0	0%
Strongly Disagree	1	5%
No Opinion	4	20%
Total	20	100%

29. The Legal staff handles my affairs professionally.		
Strongly Agree	8	40%
Agree	8	40%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	4	20%
Total	20	100%

30. The process of handling requests is efficient.		
Strongly Agree	6	30%
Agree	9	45%
Disagree	0	0%
Strongly Disagree	1	5%
No Opinion	4	20%
Total	20	100%

31. Requests for information are reasonable.		
Strongly Agree	7	35%
Agree	8	40%
Disagree	0	0%
Strongly Disagree	1	5%
No Opinion	4	20%
Total	20	100%

32. The Department's web site for legal statutes, rules, and legal opinions is informative and easy to use.		
Strongly Agree	6	30%
Agree	9	45%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	5	25%
Total	20	100%

33. Other suggestions or comments regarding the legal division.
0 Responses

Overall Department Effectiveness

34. Overall, Department personnel are responding satisfactorily to my needs.		
Strongly Agree	61	55%
Agree	49	44%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	1	1%
Total	111	100%

35. Overall, my institution's communication with the Department is generally satisfactory.		
Strongly Agree	66	59%
Agree	45	41%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	111	100%

RATE THE DEPARTMENT
BANKS AND TRUST COMPANIES

36. The publications below provided by the Department are informative and meet our needs.

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Strongly Agree	Agree	Disagree	Strongly Disagree	No Opinion
Texas Bank Report	32 29%	72 65%	0 0%	0 0%	7 6%
Corporate Activities Bulletin	22 20%	70 63%	0 0%	0 0%	19 17%
Annual Report	29 26%	71 64%	1 1%	0 0%	10 9%

37. List any suggestions for improving agency publications.

3 Responses

38. I find the Department's web site easy to navigate.

Strongly Agree	25	23%
Agree	68	61%
Disagree	1	1%
Strongly Disagree	0	0%
No Opinion	17	15%
Total	111	100%

39. I or my staff have visited the Department's website approximately XX times during the last 12 months.

None	14	13%
1 to 10	74	67%
11 to 20	19	17%
21 to 50	4	4%
51+	0	0%
Total	111	100%

40. What information is the most useful on the Department's web site?

19 Responses

41. What information is the least useful on the Department's web site?

4 Responses

42. What other type(s) of information would you like to see on the Department's web site?
5 Responses

43. Are there any areas (e.g., examination procedures, evaluation techniques, or statutory issues) that the Department needs to become better versed or knowledgeable about to better serve the banking/trust system in Texas?
11 Responses

44. Have you corresponded with the Department about a consumer complaint issue within the last 12 months? (If no, skip to the next section)

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Strongly Agree	Agree	Disagree	Strongly Disagree	No Opinion
Requests for information were reasonable.	3 10%	8 26%	0 0%	0 0%	20 65%
The issue was handled in a professional manner.	4 19%	7 33%	0 0%	0 0%	10 48%
The Department's findings were based on a logical interpretation of applicable law.	3 15%	7 35%	0 0%	0 0%	10 50%
The Department's suggestion for resolving the matter was reasonable.	3 15%	7 35%	0 0%	0 0%	10 50%

45. Other suggestions or comments regarding overall Department effectiveness.
5 Responses

46. Does your bank currently have a financial literacy program and/or COMET?

Yes	26	23%
No	85	77%
Total	111	100%

47. If you answered yes to the question above, when was the program established and who is the contact person at your bank? Please provide us their name, phone number and email.
23 Responses

48. If there is any feedback that you would like to provide or other areas on which you would like to comment, please take this opportunity to let us know. Also, if you would like the Commissioner or one of the Deputy Commissioners to call you on a specific question or comment, please indicate below. Note that you must provide your name if you want a call back.
6 Responses

COMMISSIONER'S BANKING EXAMINATION SURVEY

COMMISSIONER'S BANKING EXAMINATION SURVEY RESULTS
COMPARISON 2010 to 2011

193 Responses or 66.3% Response Rate - 2011
200 Responses or 66.2% Response Rate - 2010

CONSOLIDATED ALL REGIONS, TRUST & IT

I. EXAMINATION PROCESS	# of Responses	Year	Strongly Agree	Agree	Disagree	Strongly Disagree	Yes	No Opinion
1. The examiners clearly communicated the examination scope and goals to management prior to the start of the examination.	193	2011	69%	30%				1%
	200	2010	70%	28%	1%	1%		
2. The examiners requests for information prior to and during the examination were timely and reasonable.	193	2011	66%	32%	1%			1%
	200	2010	68%	32%	0%			
3. The examination team acted in a professional and courteous manner during the examination.	193	2011	78%	20%	1%			1%
	200	2010	81%	17%	1%			1%
4. The examiners communicated with management throughout the examination.	193	2011	72%	25%	1%	1%		1%
	200	2010	74%	24%	1%			1%
5. The examiners are informed of current industry issues and were knowledgeable of your bank.	193	2011	58%	34%	1%	1%		6%
	200	2010	63%	34%	1%	1%		1%
6. In what areas, if any, do you feel the examiners need additional training or education? Attach additional paper if necessary:	193	2011						
	200	2010						
7. The examiners remain focused on the key issues confronting your institution.	193	2011	62%	34%	2%			2%
	200	2010	64%	33%	2%			1%
8. The examiners clearly and effectively communicated their findings and concerns at the exit and board meetings.	193	2011	75%	23%	1%			1%
	200	2010	74%	24%	1%			1%
9. Conclusions regarding the bank's condition were well supported.	193	2011	58%	35%	4%	1%		2%
	200	2010	65%	31%	3%	1%		
10. Recommendations for corrective actions were reasonable.	193	2011	55%	37%	3%			5%
	200	2010	60%	33%	2%	1%		4%
11. Did any events or comments take place during the examination that you felt were surprising, unfair, unreasonable or not in conformance with exam policy?	193	2011	95%				4%	1%
	200	2010	89%				4%	7%
			NO				YES	

II. EXAMINATION REPORTS	# of Responses	Year	Strongly Agree	Agree	Disagree	Strongly Disagree	Yes	No Opinion
1. The examination report was received in a timely fashion.	193	2011	66%	28%	3%			3%
	200	2010	64%	29%	4%	1%		2%
2. The report of examination clearly communicates the examination findings and provides useful information.	193	2011	66%	30%	1%			3%
	200	2010	65%	32%	1%			2%
3. The tone and content of the report of examination is consistent with the board and/or exit meetings.	193	2011	68%	27%	2%			3%
	200	2010	67%	27%	3%			3%

CONSOLIDATED ALL REGIONS, TRUST & IT

III. EXAMINATION SCOPE AND CORRESPONDENCE	# of Responses	Year	Strongly Agree	Agree	Disagree	Strongly Disagree	Yes	No Opinion
1. The examination was conducted without placing an undue burden on the institution.	193	2011	55%	40%	3%	1%		1%
	200	2010	57%	41%	2%			
2. The on-site portion of the examination was completed in a reasonable timeframe.	193	2011	66%	30%	1%	1%		2%
	200	2010	64%	33%	1%	1%		1%
3. The use of pre-examination time through gathering documents and working off-site worked well and saved the bank time.	193	2011	62%	33%	4%			1%
	200	2010	63%	31%	2%			4%
4. The Regional Office and Headquarters staff were readily accessible and helpful to discuss exam findings.	193	2011	62%	28%	1%			9%
	200	2010	64%	32%				4%

ANALYSIS OF CONSUMER COMPLAINANTS OF BANKS, TRUST COMPANIES AND FOREIGN BANK AGENCIES

Approximately 67% of complainants found it relatively easy to file a complaint with our office. Overall, 48% of respondents were satisfied with the assistance received from the Department, while 36% were dissatisfied. Only 16% indicated having no opinion on the service. More than half of the responses to this survey indicate that the consumer assistance staff handled their problem in a professional manner.

To address any concerns by a complainant with regard to the underlying basis of their complaint and the results of our review, the Department attempts to contact the complainant by phone to explain the issues to them prior to receiving our response letter. To the extent that this is possible, consumers are provided with a synopsis of the results, and if applicable, any referral information. Consumers have been receptive to this approach.

Survey Results from Consumer Feedback Forms for Fiscal Year 2011

Questions	Tot. # of Responses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	N/A
It was relatively easy to file a complaint with the Department	28	46%	21%	14%	11%	7%	
I had adequate access to the Consumer Assistance Staff	25	36%	28%	20%	4%	12%	
The Consumer Assistance staff handled my problem in a professional manner	26	42%	12%	23%	8%	15%	
Overall, I was satisfied with the Department's assistance	25	44%	4%	16%	12%	24%	

Questions	Tot. # of Responses	Web Site	Notice From Bank	Friend Neighbor	Referred by Other Agency	Other
How did you find out about us?	28	18%	29%	0%	21%	32%

Questions	Tot. # of Responses	Mail	Email	In Person	Other
How did you file your complaint?	27	59%	19%	4%	19%

By Telephone:

Questions	Tot. # of Responses	Yes	No
Did you use the agency's toll free number	19	68%	32%
If not, were you informed about the agency's toll free number?	12	50%	50%
Were you asked to submit a complaint form to begin an investigation?	18	72%	28%

Questions	Tot. # of Responses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	N/A
The Department's automated menu was relatively easy to use	20	30%	15%	10%	20%	15%	10%
The Consumer Assistance staff adequately identified themselves	21	33%	29%	10%	10%	10%	10%
The Consumer Assistance staff was courteous and friendly	21	38%	19%	10%	10%	10%	14%

Not In Favor:

Questions	Tot. # of Responses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	N/A
I feel the Consumer Assistance staff understood the basis of my complaint	19	21%	16%	21%	5%	26%	11%
The response provided by the Department addressed the important aspects of my complaint and provided useful information	18	22%	6%	28%	11%	22%	11%
A copy of applicable laws was included in the Department's response	18	11%	17%	17%	22%	17%	17%
The Consumer Assistance staff was knowledgeable about the laws affecting my complaint	19	11%	16%	26%	11%	16%	21%
An explanation was given as to why the Department could not resolve my complaint	18	0%	22%	17%	6%	33%	22%
The explanation given was fair and objective	18	6%	6%	22%	22%	33%	11%
Options were offered to help me resolve my problem	18	6%	17%	11%	22%	33%	11%
I received a response within the timeframes disclosed to me	18	11%	28%	22%	11%	17%	11%

Appendix G

ANALYSIS OF CONSUMER COMPLAINANTS OF BANKS, TRUST COMPANIES AND FOREIGN BANK AGENCIES

In Favor:

I feel the Consumer Assistance staff understood the basis of my complaint	21	48%	29%	14%	5%	5%	0%
The response provided addressed the important aspects of my complaint and provided useful information	21	43%	10%	29%	5%	14%	0%
A copy of applicable laws was included in the Department's response	19	37%	11%	5%	26%	11%	11%
The Consumer Assistance staff was knowledgeable about the laws affecting my complaint	17	47%	6%	24%	6%	6%	12%
The resolution was fair considering applicable laws	18	44%	11%	11%	6%	11%	17%
I received a response within the timeframes disclosed to me	18	56%	11%	22%	6%	6%	0%

Web Site:

I found the web site easy to use	17	41%	12%	6%	6%	6%	29%
Adequate information was found on the web site to assist in responding to the complaint/inquiry or contacting the correct person at the agency	17	41%	12%	6%	6%	6%	29%

***Reflects summary responses from 28 surveys received or 34% of the 83 surveys mailed*.**

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Appendix G

ANALYSIS OF MSB SURVEY

Rate the Department Analysis

Notices were sent to 132 MSBs requesting that they complete the online survey. Only 15 responses were received, accounting for 11% of the total number of licensees. Overall, the industry responded positively to the agency, with 93% indicating overall satisfaction with the Department’s effectiveness. The MSB area continues to receive excellent ratings regarding the Department’s examination and support functions. Only two respondents had any negative criticism.

Special Audits "Rate the Department" Survey - 2011 MSB

Please take a moment to complete the survey to reflect your experience in communicating or working with Department personnel over the last 12 months. Surveys should be completed by December 16, 2011. Please call Phil at 512-475-1336 if you have any questions.

1. Person Completing the Survey?

10 Responses

Communication & Correspondence

2. Material changes to the Department's rules, policies and procedures are communicated and explained to us in a timely fashion.

Strongly Agree	7	47%
Agree	6	40%
Disagree	0	0%
Strongly Disagree	2	13%
No Opinion	0	0%
Total	15	100%

3. Headquarters staff is accessible.

Strongly Agree	10	67%
Agree	4	27%
Disagree	1	7%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	15	100%

4. Headquarters office staff provide timely and accurate feedback/answers.

Strongly Agree	9	60%
Agree	6	40%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	15	100%

Appendix G

RATE THE DEPARTMENT MSB

5. Correspondence regarding routine business matters are handled in a prompt and effective manner.		
Strongly Agree	9	60%
Agree	5	33%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	1	7%
Total	15	100%

6. What issues need to be addressed by the Department to improve the money services business industry in Texas?

9 Responses

7. What issues need to be addressed by the Department to reduce or minimize regulatory burden?

9 Responses

8. Other suggestions or comments regarding communication and correspondence.

8 Responses

EXAMINATION COMMUNICATION

9. The scope and goals of examinations are clearly communicated to management prior to the start of the examination.		
Strongly Agree	7	47%
Agree	8	53%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	15	100%

10. Examiners' requests for information prior to and during the examinations are timely and reasonable.		
Strongly Agree	8	53%
Agree	7	47%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	15	100%

11. The Examiner-in-Charge and the examination team acted in a professional and courteous manner during the examination.		
Strongly Agree	8	53%
Agree	5	33%
Disagree	1	7%
Strongly Disagree	1	7%
No Opinion	0	0%
Total	15	100%

12. Examiners adequately communicated with management throughout the examination.		
Strongly Agree	9	60%
Agree	6	40%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	15	100%

13. Examiners appear to be informed of current industry issues and are adequately trained and qualified to examine the licensee.		
Strongly Agree	10	67%
Agree	4	27%
Disagree	0	0%
Strongly Disagree	1	7%
No Opinion	0	0%
Total	15	100%

14. In what areas, if any, do you feel examiners need additional training or education?
6 Responses

15. Examiners remained focused on the key issues confronting your company.		
Strongly Agree	7	47%
Agree	7	47%
Disagree	1	7%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	15	100%

RATE THE DEPARTMENT MSB

16. The examiners clearly and effectively communicated their findings and concerns at the exit meeting.		
Strongly Agree	10	67%
Agree	4	27%
Disagree	1	7%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	15	100%

17. Conclusions regarding the company's condition were well supported.		
Strongly Agree	9	60%
Agree	6	40%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	15	100%

18. Recommendations for corrective actions were reasonable.		
Strongly Agree	8	53%
Agree	6	40%
Disagree	1	7%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	15	100%

19. Did any events or comments take place during the examination that you felt were surprising, unfair, unreasonable or not in conformance with examination policy?
7 Responses

20. The report of examination was received in a timely fashion.		
Strongly Agree	9	60%
Agree	5	33%
Disagree	1	7%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	15	100%

21. The report of examination clearly communicated examination findings, and corrective actions management needs to take.		
Strongly Agree	9	60%
Agree	6	40%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	15	100%

22. The tone and content of the report of examination were consistent with the exit meeting.		
Strongly Agree	9	60%
Agree	6	40%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	15	100%

23. The examination was conducted without placing undue burden on the company.		
Strongly Agree	6	40%
Agree	9	60%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	15	100%

24. The on-site time-frame for the examination was reasonable.		
Strongly Agree	6	40%
Agree	9	60%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	15	100%

25. Other suggestions or comments regarding examination communication.
7 Responses

Corporate Activities Division

26. Have you used the services of our Corporate Division within the last 12 months? If no, skip to the next section		
Yes	1	7%
No	14	93%
Total	15	100%

27. The Corporate Division is accessible in meeting my needs.		
Strongly Agree	3	60%
Agree	1	20%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	1	20%
Total	5	100%

28. Responses are generally timely.		
Strongly Agree	2	40%
Agree	2	40%
Disagree	1	20%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	5	100%

29. The content and substance of responses are appropriate.		
Strongly Agree	2	40%
Agree	3	60%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	5	100%

30. The Corporate staff handles my affairs professionally.		
Strongly Agree	2	40%
Agree	2	40%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	1	20%
Total	5	100%

31. The process of handling requests is efficient.		
Strongly Agree	2	40%
Agree	2	40%
Disagree	1	20%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	5	100%

32. Requests for information are reasonable.		
Strongly Agree	2	40%
Agree	3	60%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	5	100%

33. The Department's web site for corporate application forms and related information is informative and easy to use.		
Strongly Agree	1	20%
Agree	2	40%
Disagree	1	20%
Strongly Disagree	0	0%
No Opinion	1	20%
Total	5	100%

34. Other suggestions or comments regarding the corporate division.
1 Responses

Legal Division

35. Have you used the services of our Legal Division within the last 12 months? If no, skip to the next section		
Yes	0	0%
No	15	100%
Total	15	100%

Appendix G

RATE THE DEPARTMENT MSB

36. The Legal Division is accessible in meeting my needs.		
Strongly Agree	0	0%
Agree	1	50%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	1	50%
Total	2	100%

37. Responses are generally timely.		
Strongly Agree	1	50%
Agree	0	0%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	1	50%
Total	2	100%

38. The content and substance of responses are appropriate.		
Strongly Agree	1	50%
Agree	0	0%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	1	50%
Total	2	100%

39. The Legal staff handles my affairs professionally.		
Strongly Agree	1	50%
Agree	0	0%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	1	50%
Total	2	100%

40. The process of handling requests is efficient.		
Strongly Agree	1	50%
Agree	0	0%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	1	50%
Total	2	100%

41. Requests for information are reasonable.		
Strongly Agree	1	50%
Agree	0	0%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	1	50%
Total	2	100%

42. The Department's web site for legal statutes, rules, and legal opinions is informative and easy to use.		
Strongly Agree	0	0%
Agree	1	50%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	1	50%
Total	2	100%

43. Other suggestions or comments regarding the legal division.
1 Responses

OVERALL DEPARTMENT EFFECTIVENESS

44. Overall, Department personnel are responding satisfactorily to my needs.		
Strongly Agree	9	60%
Agree	5	33%
Disagree	1	7%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	15	100%

RATE THE DEPARTMENT MSB

45. Overall, my institution's communication with the Department is satisfactory.		
Strongly Agree	9	60%
Agree	6	40%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	15	100%

46. I find the Department's web site easy to navigate.		
Strongly Agree	9	60%
Agree	5	33%
Disagree	1	7%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	15	100%

47. I or my staff have visited the Department's website approximately XX times during the last 12 months.		
None	2	13%
1 to 10	6	40%
11 to 20	6	40%
21 to 50	1	7%
51+	0	0%
Total	15	100%

48. What information is the most useful on the Department's web site?
4 Responses

49. What other type of information would you like to see on the Department's web site?
4 Responses

50. Have you corresponded with the Department on a consumer complaint issue within the last 12 months? (If no, skip to the next section)

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Strongly Agree	Agree	Disagree	Strongly Disagree	No Opinion
Requests for information were reasonable.	2 67%	0 0%	0 0%	0 0%	1 33%
The issue was handled in a professional manner.	2 67%	0 0%	0 0%	0 0%	1 33%
The Department's findings were based on a logical interpretation of applicable law.	2 67%	0 0%	0 0%	0 0%	1 33%
The Department's suggestion for resolving the matter was reasonable.	2 67%	0 0%	0 0%	0 0%	1 33%

51. Other suggestions or comments regarding overall Department effectiveness.

3 Responses

52. If there is any feedback that you would like to provide or other areas on which you would like to comment, please take this opportunity to let us know. Also, if you would like the Commissioner or one of the Deputy Commissioners to call you on a specific question or comment, please indicate below. Note that you must provide your name if you want a call back.

2 Responses

Appendix G

ANALYSIS OF PFC/PCC SURVEY

Rate the Department Analysis

To obtain feedback for the 2011 survey, notices were sent to 636 PFCs and PCCs requesting each entity to complete the online survey. Only 23 responses were received, accounting for less than 4% of the total number of licensees. Overall, the results were positive. The agency received a high satisfactory performance rating for the overall effectiveness of the Department in responding to licensee needs. Responses reflect that these areas perform quality examinations and deliver support functions well within the industry's approval. Only two respondents had negative criticisms.

Special Audits "Rate the Department" Survey - 2011 PFC/PCC

Please take a moment to complete the survey to reflect your experience in communicating or working with Department personnel over the last 12 months. Surveys should be completed by December 16, 2011. Please call Phil at 512-475-1336 if you have any questions.

1. Person Completing the Survey?

18 Responses

COMMUNICATION & CORRESPONDENCE

2. Material changes to the Department's rules, policies and procedures are communicated and explained to us in a timely fashion.

Strongly Agree	8	35%
Agree	14	61%
Disagree	1	4%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	23	100%

3. Headquarters staff is accessible.

Strongly Agree	11	48%
Agree	12	52%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	23	100%

4. Headquarters office staff provide timely and accurate feedback/answers.

Strongly Agree	11	48%
Agree	12	52%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	23	100%

RATE THE DEPARTMENT PFC/PCC

5. Correspondence regarding routine business matters are handled in a prompt and effective manner.		
Strongly Agree	11	48%
Agree	12	52%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	23	100%

6. What issues need to be addressed by the Department to improve the prepaid funeral contract or perpetual care cemetery industries in Texas?
11 Responses

7. What issues need to be addressed by the Department to reduce or minimize regulatory burden?
8 Responses

8. Other suggestions or comments regarding communication and correspondence.
7 Responses

Examination Communication

9. The scope and goals of examinations are clearly communicated to management prior to the start of the examination.		
Strongly Agree	9	39%
Agree	14	61%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	23	100%

10. Examiners' requests for information prior to and during the examinations are timely and reasonable.		
Strongly Agree	11	48%
Agree	12	52%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	23	100%

11. The Examiner-in-Charge and the examination team acted in a professional and courteous manner during the examination.		
Strongly Agree	13	57%
Agree	10	43%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	23	100%

12. Examiners adequately communicated with management throughout the examination.		
Strongly Agree	11	48%
Agree	10	43%
Disagree	2	9%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	23	100%

13. Examiners appear to be informed of current industry issues and are adequately trained and qualified to examine the licensee.		
Strongly Agree	11	48%
Agree	11	48%
Disagree	1	4%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	23	100%

14. In what areas, if any, do you feel examiners need additional training or education?
6 Responses

15. Examiners remained focused on the key issues confronting your company.		
Strongly Agree	10	43%
Agree	12	52%
Disagree	1	4%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	23	100%

RATE THE DEPARTMENT PFC/PCC

16. The examiners clearly and effectively communicated their findings and concerns at the exit meeting.		
Strongly Agree	12	52%
Agree	11	48%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	23	100%

17. Conclusions regarding the company's condition were well supported.		
Strongly Agree	9	39%
Agree	14	61%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	23	100%

18. Recommendations for corrective actions were reasonable.		
Strongly Agree	7	30%
Agree	13	57%
Disagree	1	4%
Strongly Disagree	0	0%
No Opinion	2	9%
Total	23	100%

19. Did any events or comments take place during the examination that you felt were surprising, unfair, unreasonable or not in conformance with examination policy?
6 Responses

20. The report of examination was received in a timely fashion.		
Strongly Agree	13	57%
Agree	9	39%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	1	4%
Total	23	100%

21. The report of examination clearly communicated examination findings, and corrective actions management needs to take.		
Strongly Agree	10	43%
Agree	11	48%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	2	9%
Total	23	100%

22. The tone and content of the report of examination were consistent with the exit meeting.		
Strongly Agree	12	52%
Agree	10	43%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	1	4%
Total	23	100%

23. The examination was conducted without placing undue burden on the company.		
Strongly Agree	10	43%
Agree	13	57%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	23	100%

24. The on-site time-frame for the examination was reasonable.		
Strongly Agree	12	52%
Agree	11	48%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	23	100%

25. Other suggestions or comments regarding examination communication.
4 Responses

Legal Division

26. Have you used the services of our Legal Division within the last 12 months? If no, skip to the next section		
Yes	0	0%
No	23	100%
Total	23	100%

27. The Legal Division is accessible in meeting my needs.		
Strongly Agree	1	12%
Agree	1	12%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	6	75%
Total	8	100%

28. Responses are generally timely.		
Strongly Agree	1	12%
Agree	3	38%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	4	50%
Total	8	100%

29. The content and substance of responses are appropriate.		
Strongly Agree	1	12%
Agree	3	38%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	4	50%
Total	8	100%

30. The Legal staff handles my affairs professionally.		
Strongly Agree	1	12%
Agree	2	25%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	5	62%
Total	8	100%

31. The process of handling requests is efficient.		
Strongly Agree	1	12%
Agree	3	38%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	4	50%
Total	8	100%

32. Requests for information are reasonable.		
Strongly Agree	1	12%
Agree	3	38%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	4	50%
Total	8	100%

33. The Department's web site for legal statutes, rules, and legal opinions is informative and easy to use.		
Strongly Agree	1	12%
Agree	5	62%
Disagree	1	12%
Strongly Disagree	0	0%
No Opinion	1	12%
Total	8	100%

34. Other suggestions or comments regarding the legal division.
2 Responses

OVERALL DEPARTMENT EFFECTIVENESS

35. Overall, Department personnel are responding satisfactorily to my needs.		
Strongly Agree	10	43%
Agree	13	57%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	23	100%

RATE THE DEPARTMENT PFC/PCC

36. Overall, my institution's communication with the Department is satisfactory.		
Strongly Agree	13	57%
Agree	10	43%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	23	100%

37. I find the Department's web site easy to navigate.		
Strongly Agree	7	30%
Agree	13	57%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	3	13%
Total	23	100%

38. I or my staff have visited the Department's website approximately XX times during the last 12 months.		
None	4	17%
1 to 10	14	61%
11 to 20	3	13%
21 to 50	1	4%
51+	1	4%
Total	23	100%

39. What information is the most useful on the Department's web site?
9 Responses

40. What other type of information would you like to see on the Department's web site?
4 Responses

41. Have you corresponded with the Department on a consumer complaint issue within the last 12 months? (If no, skip to the next section)

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	**Strongly Agree**	**Agree**	**Disagree**	**Strongly Disagree**	**No Opinion**
Requests for information were reasonable.	1 50%	1 50%	0 0%	0 0%	0 0%
The issue was handled in a professional manner.	1 50%	1 50%	0 0%	0 0%	0 0%
The Department's findings were based on a logical interpretation of applicable law.	1 50%	1 50%	0 0%	0 0%	0 0%
The Department's suggestion for resolving the matter was reasonable.	1 50%	1 50%	0 0%	0 0%	0 0%

42. Other suggestions or comments regarding overall Department effectiveness.

0 Responses

43. If there is any feedback that you would like to provide or other areas on which you would like to comment, please take this opportunity to let us know. Also, if you would like the Commissioner or one of the Deputy Commissioners to call you on a specific question or comment, please indicate below. Note that you must provide your name if you want a call back.

2 Responses

Appendix G

ANALYSIS OF CONSUMER COMPLAINANTS OF MSB, PFC AND PCC LICENSEES

Four surveys were sent to complainants of MSBs; however, no feedback was received from them.

PFC and PCC complainants responded to the survey (60 were mailed and 17 responded). Overall, 86% of respondents were satisfied with the Department's assistance. There was some dissatisfaction from three individuals whose complaints were not resolved in their favor and felt the Department's response did not explain laws/issues in an understandable manner. To ensure consumers are provided with the information necessary to clearly understand the Department's statutory authority and review, copies of relevant laws and regulations are provided.

Special Audits Consumer Feedback Survey - Comparison
Prepaid Funeral Benefits & Perpetual Care Cemeteries

Reflects summary responses from 17 2010-2011surveys received or 28% of the 60 surveys mailed.

Complaints opened in FY-2011

	# of Responses	Year	Strongly Agree/Yes	Agree	Neutral	Disagree/ No	Strongly Disagree	No Opinion
General Feedback:								
1. It was relatively easy to file a complaint with the Department.	16	2011	69%	31%	0%	0%	0%	0%
2. I had adequate access to the Consumer Assistance staff.	14	2011	64%	36%	0%	0%	0%	0%
3. The Consumer Assistance staff handled my problem in a professional manner.	14	2011	71%	29%	0%	0%	0%	0%
4. Overall, I was satisfied with the Department's assistance.	15	2011	73%	13%	0%	7%	7%	0%

	# of Responses	Year	Web-Site	Notice from Bank	Friend/ Neighbor	Referred by Another Agency	Other
5. How did you find out about us?	17	2011	29%	0%	6%	12%	53%

	# of Responses	Year	Mail	E-mail	In Person	Other
6. How did you file your complaint?	16	2011	88%	6%	0%	6%

	# of Responses	Year	Strongly Agree/Yes	Agree	Neutral	Disagree/ No	Strongly Disagree	No Opinion
If you contacted the Department by telephone:								
7. Did you use the agency's toll-free number	7	2011	71%	0%	0%	29%	0%	0%
8. If not, were you informed about the agency's toll-free number?	2	2011	100%	0%	0%	0%	0%	0%
9. Were you asked to submit a complaint form to begin an investigation?	8	2011	100%	0%	0%	0%	0%	0%
10. The Department's automated menu was relatively easy to use.	7	2011	71%	0%	14%	0%	0%	14%
11. The Consumer Assistance staff adequately identified themselves.	7	2011	86%	0%	0%	0%	0%	14%
12. The Consumer Assistance staff was courteous and friendly.	7	2011	86%	0%	0%	0%	0%	14%

	# of Responses	Year	Strongly Agree/Yes	Agree	Neutral	Disagree/ No	Strongly Disagree	No Opinion
If your complaint was NOT resolved in your favor:								
13. I feel the Consumer Assistance staff understood the basis of my complaint.	3	2011	0%	33%	0%	33%	33%	0%
14. The response provided by the Department addressed the important aspects of my complaint and provided useful information.	3	2011	0%	0%	0%	67%	33%	0%
15. A copy of applicable laws was included in the Department's response.	2	2011	0%	100%	0%	0%	0%	0%
16. The Consumer Assistance staff was knowledgeable about the laws affecting my complaint.	2	2011	0%	50%	50%	0%	0%	0%
17. An explanation was given as to why the Department could not resolve my complaint.	2	2011	0%	0%	0%	50%	50%	0%
18. The explanation given was fair and objective.	2	2011	0%	0%	0%	50%	50%	0%
19. Options were offered to help me resolve my problem.	2	2011	0%	0%	0%	0%	50%	50%
20. I received a response within the timeframes disclosed to me.	2	2011	0%	50%	0%	0%	50%	0%

ANALYSIS OF CONSUMER COMPLAINANTS OF MSB, PFC AND PCC LICENSEES

If your complaint was resolved in your favor:	# of Responses	Year	Strongly Agree/Yes	Agree	Neutral	Disagree/ No	Strongly Disagree	No Opinion
21. I feel the Consumer Assistance staff understood the basis of my complaint.	13	2011	92%	8%	0%	0%	0%	0%
22. The response provided addressed the important aspects of my complaint and provided useful information.	12	2011	92%	8%	0%	0%	0%	0%
23. A copy of applicable laws was included in the Department's response.	13	2011	46%	0%	8%	0%	0%	46%
24. The Consumer Assistance staff was knowledgeable about the laws affecting my complaint.	13	2011	92%	0%	8%	0%	0%	0%
25. The resolution was fair considering applicable laws.	12	2011	92%	0%	8%	0%	0%	0%
26. I received a response within the timeframes disclosed to me.	13	2011	85%	15%	0%	0%	0%	0%

If you accessed the Department via the Internet:	# of Responses	Year	Strongly Agree/Yes	Agree	Neutral	Disagree/ No	Strongly Disagree	No Opinion
27. I found the website easy to use.	4	2011	25%	50%	0%	0%	0%	25%
28. Adequate information was found on the website to assist in filing a complaint and contacting the correct person at the agency.	3	2011	67%	33%	0%	0%	0%	0%

Customer Relations Representatives

The following personnel are the agency's Customer Relations Representatives for customers of the following regulated industries:

Texas Department of Banking
2601 N. Lamar Blvd.
Austin, Texas 78705

www.dob.texas.gov
Toll Free: 877-276-5554

For state-chartered banks, trust companies, and foreign bank agencies, and private child support enforcement agencies operating in Texas:	For perpetual care cemeteries and prepaid funeral benefit contract licensees operating in Texas:	For money services businesses operating in Texas:
Ms. Hilda Tovar 512-475-1115 512-475-1313 (fax) consumer.complaints@dob.texas.gov	Mrs. Rebecca McCready 512-475-1287 512-475-1288 (fax) pfcpcc@dob.texas.gov	Ms. Mary Ann Gonzales 512-475-1291 512-475-1288 (fax) msb@dob.texas.gov

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SDSI VISION, MISSION, PURPOSE, AND GOALS

Appendix H

VISION

As a Self-Directed, Semi-Independent (SDSI) agency, we envision a more effective, responsive, and accountable system for the oversight of our regulated industries.

MISSION

To enable the SDSI agency to respond more effectively and proactively to the changing needs of our regulated entities, the agency, and the public.

PURPOSE

The SDSI status demonstrates the effectiveness of operating independently of the appropriations process. Additionally, it demonstrates that an agency operating independently can be more accountable and responsive to the stakeholders and the legislature.

GOALS

- Provide high quality administration through effective programs and services
- Conduct business in a timely, efficient, and cost effective manner
- Strengthen the public's trust and confidence in the regulated entities
- Improve communication and customer service to all stakeholders
- Protect the public interest through fair and forthright enforcement activities
- Improve operational efficiencies by sharing best practice between the SDSI agencies
- Provide for long term planning to be responsive to a changing global financial environment
- Develop metrics for continuous self-assessment

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