AGENCY STRATEGIC PLAN

FOR FISCAL YEARS 2015 – 2019

BY

TEXAS DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

Finance Commission of Texas

Submitted July 7, 2014

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William J. (Bill) White, Chairman	**February 1, 2016**	**Georgetown, Texas**
Susan Burton	**February 1, 2016**	**Addison, Texas**
Victor Leal	**February 1, 2018**	**Amarillo, Texas**
Stacy G. London, CMC	**February 1, 2020**	**Houston, Texas**
William M. (Will) Lucas	**February 1, 2018**	**Center, Texas**
Cindy F. Lyons	**February 1, 2016**	**El Paso, Texas**
Lori B. McCool	**February 1, 2020**	**Boerne, Texas**
Jonathan B. Newton	**February 1, 2016**	**Houston, Texas**
Larry Patton	**February 1, 2020**	**El Paso, Texas**
Paul Plunket	**February 1, 2020**	**Dallas, Texas**
Hilliard J. (Jay) Shands III	**February 1, 2018**	**Lufkin, Texas**

Submitted July 7, 2014

Signed: Caroline C. Jones

Caroline C. Jones
Savings and Mortgage Lending Commissioner

Approved: William J. White

William J. White
Chairman, Finance Commission

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STATEWIDE VISION, MISSION AND PHILOSOPHY

VISION

Over the last several years, families across this 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 the 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the core programs and activities necessary for the long-term economic health of our state, while eliminating outdated and inefficient functions.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 a 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.

RELEVANT STATEWIDE GOALS AND BENCHMARKS

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

PRIORITY GOAL: ECONOMIC DEVELOPMENT

To provide an attractive economic climate for current and emerging industries and market Texas as a premier business expansion and tourist destination that fosters economic opportunity, job creation, and capital investment by:

- Promoting a favorable business climate and a fair system to fund necessary state services;
- Addressing transportation needs;
- Maintaining economic competitiveness as a key priority in setting State policy; and
- Developing a well-trained, educated, and productive workforce.

BENCHMARKS

- Texas unemployment rate
- Median household income
- Per capita gross state product
- Number of new small businesses created

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.

BENCHMARKS

- Percentage of state professional licensee population with no documented violations
- Percentage of new professional licensees as compared to the existing population
- Percentage of documented complaints to professional licensing agencies resolved within six months
- Percentage of individuals given a test for professional licensure who received a passing score
- Percentage of new and renewed professional licenses issued online
- Percentage of state financial institutions and credit providers rated "safe and sound" and/or in compliance with state requirements
- Percentage increase in utilization of the state business portal

GOAL: GENERAL GOVERNMENT

To provide citizens with greater access to government services while reducing service delivery costs and protecting the fiscal resources for current and future taxpayers by:

- Supporting effective, efficient, and accountable state government operations.

BENCHMARKS

- Total state spending per capita
- Percentage change in state spending, adjusted for population and inflation
- Number of state employees per 10,000 population
- Number of state services accessible by Internet
- Total savings realized in state spending by making reports/documents/processes available on the Internet and accepting information in electronic format

AGENCY MISSION AND PHILOSOPHY

MISSION

The Department of Savings and Mortgage Lending's mission is to ensure the safety and soundness of state chartered savings institutions in Texas and provide consumer protection for citizens acquiring mortgage loan products through residential mortgage loan originators, and utilizing the services of mortgage servicing companies. The Department seeks to promote and enhance the savings bank charter, residential mortgage loan originators' and mortgage servicers' operations to provide the credit necessary to support the residential housing and real estate finance needs of an expanding Texas economy.

PHILOSOPHY

The Texas Department of Savings and Mortgage Lending is fundamentally committed to the comprehensive regulation of the state's savings institutions, mortgage loan originators, and mortgage servicers to protect the financial interests of depositors, creditors, and borrowers. The Department will act in accordance with the highest standards of ethics and integrity, and will at all times remain accessible and responsive to the public, the industry, other government agencies, and public officials. The Department will strive to recruit and retain qualified professional staff that share its philosophy and are highly motivated to carry out its mission.

The Department strives to realize this philosophy in achieving its mission by applying the following attitudes and characteristics in the performance of its duties and responsibilities, and in all of its dealings:

- ☐ Fairness
- ☐ Ethical Conduct
- ☐ Professionalism
- ☐ Responsiveness
- ☐ Quality
- ☐ Equal Opportunity
- ☐ Flexibility
- ☐ Openness

The Department will aggressively enforce the state's statutes, rules and regulations to promote public confidence, protect consumers, and provide a healthy mortgage lending environment to meet the credit needs of Texans and maintain a safe and sound thrift system.

EXTERNAL / INTERNAL ASSESSMENT

AGENCY OVERVIEW

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

REGULATED ENTITIES

Regulated Entity	Enabling Statute
State Savings and Loan Associations	Chapters 61-67 and Chapter 89 of the Texas Finance Code established the chartering, regulation, examination, and supervision of state savings and loan associations.
State Savings Banks	Chapters 91-98 and Chapter 119 of the Texas Finance Code established the chartering, regulation, examination, and supervision of state savings banks.
Mortgage Entities	Chapter 156 and 157 of the Texas Finance Code established the licensing/registration, and complaint investigation, of mortgage entities. They also provided for the examination of certain mortgage entities.
Mortgage Servicers	Chapter 158 of the Texas Finance Code established the registration and complaint investigation of third party mortgage loan servicers. It provided for limited examination authority.
Mortgage Loan Originators (Individuals)	Chapter 157 and 180 of the Texas Finance Code established the licensing and regulation of individuals originating mortgage loans.

SELF-DIRECTED, SEMI-INDEPENDENT (SDSI) AGENCY

As a SDSI agency, the Department develops a budget annually that is evaluated and reviewed by the Finance Commission. The Finance Commission must approve the budget before any expenditure can be made. The Department, which is self-funding and self-leveling, is responsible for all costs as no resources are appropriated from the General Revenue Fund. 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 the General Revenue Fund.

Biennial reporting to the Legislature and Governor regarding Department activities, financials and audits are mandated. The Department is also required to provide annual reports on salaries, travel expenses for employees and Finance Commission members, revenue, and the operating plan and annual budget to the Governor's Office, the House Appropriations Committee, the Senate Finance Committee, and the Legislative Budget Board.

Although the SDSI agency designation releases the Department from compliance with certain state requirements, the Department continues to report and comply with state rules and standards related to:

- Payroll, travel purchasing and procurement rules and standards for all Department expenditures;
- Quarterly reporting of Department financial statements and budget variance analysis, to the Finance Commission for review and approval;
- Quarterly reporting of performance measures to the Finance Commission for review; and

- Coordinating with Texas Facilities for office lease space, when needed.

The Department focuses on transparency and accountability by providing opportunities for public participation in the budgeting process through public hearings annually.

OVERSIGHT

The Finance Commission of Texas is the supervisory and oversight body for the Department, as well as for the Texas Department of Banking, and Office of Consumer Credit Commissioner. The Finance Commission consists of an eleven member board appointed by the governor with members serving six year staggered terms. The Finance Commission is comprised of two banking executives, a savings executive, a consumer credit executive, a mortgage industry representative, and six individuals from the general public.

The Department shares resources, when possible, with the other two Finance 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.

SUNSET REVIEW

The Finance Commission and the agencies over which it has jurisdiction were reviewed by the 77th Legislature (2001) and their existence was continued until September 1, 2013. The Department was due for review by the 83rd Legislature; however as a result of the passage of Senate Bill 652 during the 82nd Legislature (2011), the Department's Sunset review was deferred until September 1, 2015. A further extension to the Sunset Review was granted by the 83rd Legislature (2013) deferring until September 1, 2019.

EXTERNAL FACTORS

ECONOMIC CONDITIONS

ECONOMY

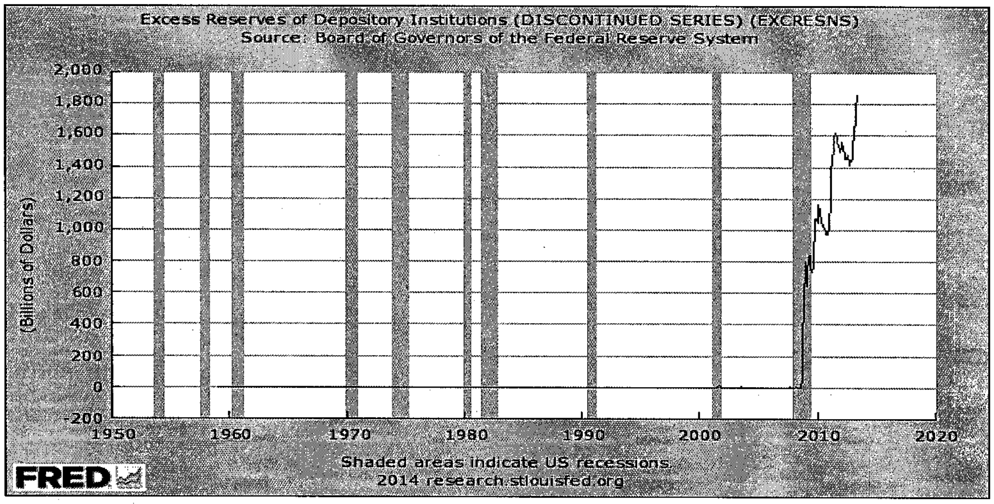
The Texas economy continues to grow at a healthy pace, and as of 2012, the Texas economy would rank as the 14th largest country in the world in Gross Domestic Product. Texas has continued its strong population growth in recent years. The latest US census population estimates (year end 2013) show that Texas is among the fastest growing states in population, surpassed only by North Dakota and the District of Colombia. The Census Bureau estimates that Texas' population has grown more than double the national rate of growth at 5.18% since the 2010 census.

Consumer spending indices have shown continued improvement in recent months, indicating further improvement in the economy. The consumer confidence index in the West South Central region (Texas, Oklahoma, Arkansas, and Louisiana) remains well above national averages. The West South Central region had a consumer confidence index in March 2014 of 109.2 (100 is considered average) while the United States as a whole had a Consumer Confidence index of 82.3. Additionally, sales tax receipts in Texas have remained over $2 billion per month each of the past 10 months, and collections have increased by approximately 5% over 2013 levels.

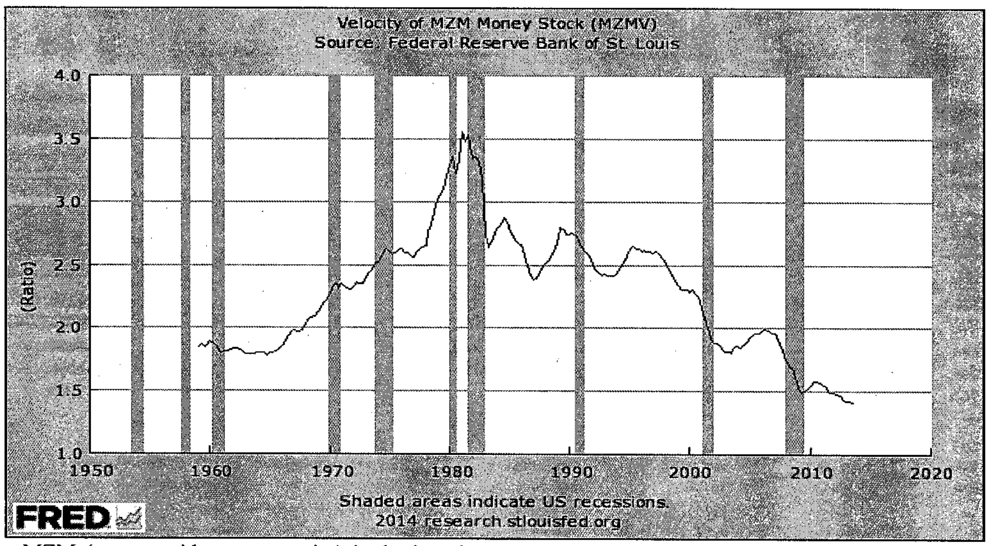
MONEY SUPPLY

The long period of time with historically low market interest rates has put pressure on interest margins and bank profits, particularly for shorter term or adjustable rate investments. Varying timing scenarios almost all point to an eventual rising rate environment. There is no easy monetary policy answer to deal with the simultaneous recessionary and inflationary pressures that the nation faces today and programs such as the Federal Reserves' "Operation Twist" and the "Sterilized Bond Buying" programs more commonly referred to as Quantitative Easing II and III serve to only exacerbate this issue further down the road.

The Federal Reserve and the US economy may have been better served if they had charged banks to deposit reserves with them, in other words offered negative interest rates. Instead they chose to balloon the Fed balance sheet to in excess of four trillion dollars, receiving almost all that same money back in the form of deposits from the commercial banks they were encouraging to flow out to the economy or had those securities owned throughout the financial system. This absence in the acceleration of money has caused the need for perpetual easing.



The current restraint merely tapers the continued growth of the Fed balance sheet and nowhere near unwinding the expansive positions. Any spark in acceleration of the velocity of the money supply which is lower than at any time since the 1950's, cannot be contained quickly enough, when $3 trillion plus new dollars have to be extracted from the economy before you even reach the baseline to prevent inflationary pressures.

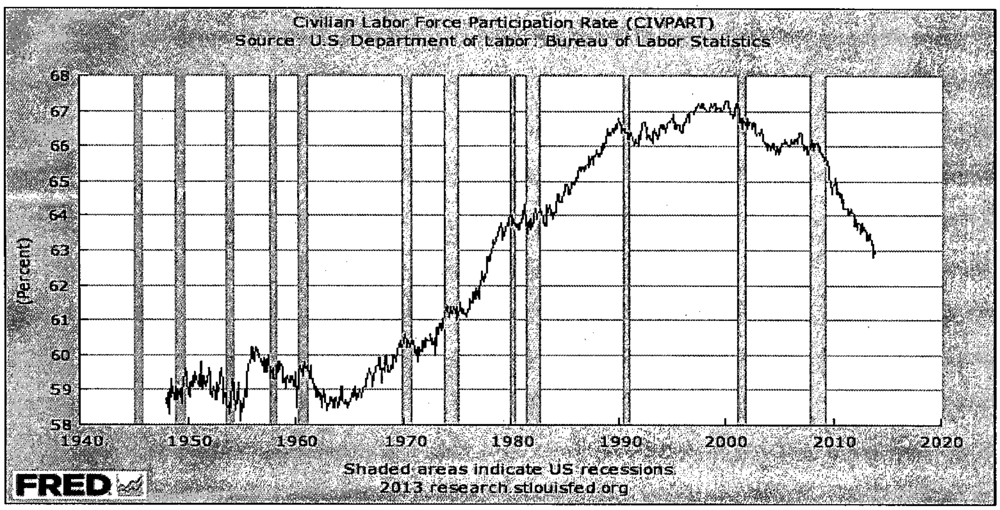


MZM (money with zero maturity) is the broadest component and consists of the supply of financial assets redeemable at par on demand: notes and coins in circulation, traveler's checks (non-bank issuers), demand deposits, other checkable deposits, savings deposits, and all money market funds. The velocity of MZM helps determine how often financial assets are switching hands within the economy.

EMPLOYMENT AND CREDIT SCORES

Although the Texas unemployment rate remained below the national average during the last recession, the unemployment rate has continued to decline in lockstep with the national unemployment average. As of February 2014, Texas' unemployment rate is 5.7% compared to the national rate of 6.7%.

The level of unemployment for Texas has been at or below the national average for 86 consecutive months. The State of Texas has been at the forefront of job creation at all wage levels since 2000. Unemployment numbers continue their steady improvement while the Federal Reserve starts to distance itself from their use as a benchmark for setting interest rates due to the weakened correlation between unemployment figures and health of the economy. The Bureau of Labor Statistics reported that the number of Americans that are not in the labor force grew 516K in August 2013 and 136K in September 2013 to a record 90.6 million. Those individuals age 16 and over that are in the labor force fell to 63.2%, a figure not seen since the 1970's. Some of this can be explained by the baby boomer generation entering the job market and now 40 years later retiring. The number of people not in the labor force has been over 10 million since 2009, while the economy has only added 2.15 million jobs.



The Texas economy and its future financial development remain vulnerable to the credit quality weakness of its citizens. From 2011 through 2013, the overall national average credit score has remained unchanged while over this same period Texas has experienced an average statewide credit score increase of three points. Experian's Second Annual State of Credit survey of over 100 metropolitan areas across all fifty states listed the ten American Cities with the lowest average credit scores. Four of the worst ten credit score cities are in Texas and include Harlingen 686, Corpus Christi 702, Tyler 710, and El Paso 710. Austin with an average credit score of 742 was the highest in Texas. The highest city score in the nation was Wausau, WI at 789.

Experian's national index still ranks Texas last in state average credit scores. As a region Texas, Arkansas, Louisiana, and Oklahoma rank last of all regions in late payments and second to last in the amount of available credit in use. These figures could have huge implications for the availability and affordability of credit to Texans. A couple of possible contributing factors are the culture and ethnic diversity, and the younger demographic structure of Texas. According to the 2010 US Census, Texas citizens have a median age of 33.6, second only to Utah with the youngest median age in the nation. Texas' demographics, according to the 2010 US Census, is 45.3% White, 37.6% Hispanic/Latin, 11.5% African American, and 5.6% others.

HOUSING CONDITIONS

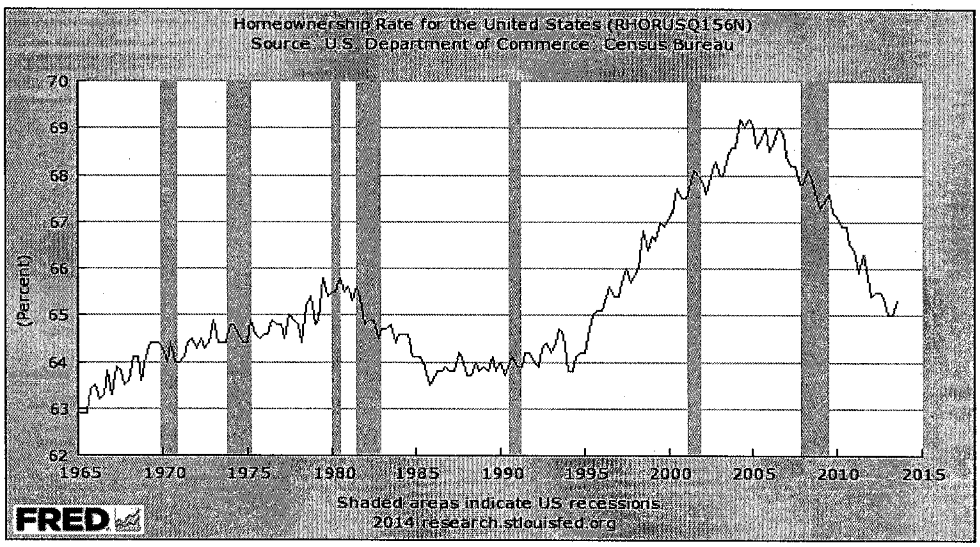
The Mortgage Bankers Association has revised its forecast for 2014 mortgage loan origination downward on two occasions to a year over year decline of 34%, inclusive of a 60% decline in refinances. In calendar year 2012 Texas was one of only two states including North Dakota to have more purchase money loan originations than refinance originations. As pressure on long term rates to rise is no longer manipulated by the Federal Reserve, this will bode well for the volume of Texas activity.

The CFPB stated in February 2014 that one in ten homeowners' remains underwater on their mortgage, but that is down from two in ten at the start of 2013. Further, 2 million households are at high risk of foreclosure. Despite these statements the level of mortgage delinquencies and pending foreclosures has finally declined to levels not seen since prior to the recent financial crisis.

TEXAS HOME OWNERSHIP

Overall, Texas has a home ownership rate slightly below the national average (63.9% v. 65.5%); however, there are several signs that the Texas housing market is robust. Texas home sale volumes have increased more than 5% in 2013, with nearly 18,000 home sales in February 2014. The average sale price for an existing single-family home was $225,100 in 2013, a 9% increase from a year ago. Inventory of unsold homes also decreased from a 5.6 month supply in 2012 to a 4 month supply in 2013. Texas has not experienced the over appreciation of property values. Texas' stability in pricing has helped over time to increase housing prices.

New home permits have increased 7.9% year over year as of February 2014. Approximately 30% of all homes purchased in Texas were new homes. This is almost double the nationwide percentage which was 16% of all U.S. home purchases. Texas homebuyers have a higher median household income than those nationwide ($91,700 for Texans vs. $83,300 for all homebuyers). The percentage of first time homebuyers has decreased in Texas as well as nationwide, although Texas remains in line with the national average where 33% of homes are sold to first-time homebuyers.



FEDERAL AND NATIONAL ISSUES CONCERNING MORTGAGE INDUSTRY

MORTGAGE SERVICING

Commercial banks are fleeing the mortgage loan origination and mortgage servicing arenas in large part because of new and punitive regulations and new Basel III capital requirements. Non-depositories purchasing servicing rights are frequently backed by private equity hedge funds. The latest data from the FDIC confirms real estate loans secured by 1-4 family properties held in bank portfolios as of the fourth quarter 2013 fell to $2.4 trillion, the lowest level since the fourth quarter of 2004. State regulatory agencies expressed concerns over the ability to handle additional capacity as well as capital support by blocking additional servicing purchases. New prudential authority is being sought by a number of state regulatory agencies to address this shift.

Another factor leading up to this shift in servicing was the Attorney Generals' Settlement, which is discussed later in this section, between the big five mortgage servicers (all depository institutions or subsidiaries) and 49 State Attorneys General which established a standard of best practices. The CFPB followed shortly afterwards with rulemaking to codify most of these best practices into law applicable to all servicers. The AG settlement requires quarterly compliance reporting to a national monitor. This process has continued to reveal ongoing failures and difficulties for consumers and should lead to further development of industry standards. Some of the best practices receiving the most scrutiny include:

- Measures to ensure that staff members handling loss mitigation and loan modification requests routinely communicate and coordinate with staff members processing foreclosures on the borrowers' properties;
- Deadlines for responding to requests for loan modifications and other communications from borrowers as well as deadlines for making final decisions on loan modification requests; deadlines must be at least as responsive as the timelines under the Home Affordable Modification Program (HAMP);
- An easily accessible and reliable single point of contact established for each borrower throughout the loan modification and foreclosure processes that is clearly identified to the borrower;
- A requirement that each single point of contact have access to data necessary to provide borrowers with timely, accurate, and complete information about the status of their loan modification requests and foreclosure cases;
- Procedures and controls to ensure that, before a foreclosure sale occurs, a final decision regarding a borrower's loan modification request (either on a trial or permanent basis) is communicated in writing to the borrower within a reasonable period and explains the reasons why the borrower did not qualify for the trial or permanent modification;
- Policies and procedures to ensure that payments are credited promptly; that payments, including partial payments to the extent permissible under the terms of applicable legal instruments, are applied to scheduled principal, interest, and escrow before fees, and that any misapplication of borrowers' funds is corrected promptly;
- Policies and procedures to ensure that timely information about foreclosure prevention options is sent to borrowers in the event of delinquencies or defaults, including plain language notices about loan modifications and foreclosures;
- Policies and procedures to ensure that servicers properly maintain and track documents related to foreclosures and loan modifications, so that borrowers are not required to resubmit the same documents already provided, and that borrowers are notified promptly of the need for additional information; and
- Policies and procedures to consider loan modifications or other foreclosure prevention activities with respect to junior lien loans, and to factor the risks associated with such junior lien loans into loan loss reserving practices.

The CFPB will continue to draft rules to fully implement those sections of the Dodd-Frank Act covering mortgage servicing. In early 2012 the CFPB outlined the first steps to revamp the monthly billing statements sent to homeowners. The initial draft of the new mortgage billing statement requires the following items, as applicable: principal loan amount, interest rate, date the interest rate may next reset or adjust, and a description of any late payment fee or penalty. The new mortgage billing statement also includes information on housing counselors and contact information for the servicer. The CFPB also plans to address the practice of "forced placed insurance" whereby it would prohibit servicers from charging for new insurance unless there is a reasonable belief that the homeowners have fallen behind on their payments. It also plans to allow consumers to find their own replacement insurance, rather than rely on the more expensive option from the servicer.

CONSUMER FINANCIAL PROTECTION BUREAU (CFPB)

Section 1026 of the Dodd-Frank Act defines the scope of coverage of the CFPB's authority. On July 21, 2011 the CFPB assumed exclusive rulemaking and examination authority for the following existing consumer financial regulations and laws:

- Alternative Mortgage Transaction Parity Act
- Community Reinvestment Act
- Consumer Leasing Act
- Electronic Funds Transfer Act
- Equal Credit Opportunity Act
- Fair Credit Billing Act
- Fair Credit Reporting Act
- Fair Debt Collection Practices Act
- Federal Deposit Insurance Act, subsections 43(c)-43(f)(12)
- Graham-Leach-Bliley Act, sections 503-509
- Home Mortgage Disclosure Act
- Home Ownership and Equity Protection Act
- Real Estate Settlement Procedures Act
- SAFE Mortgage Licensing Act
- Truth-in-Lending Act
- Truth-in-Savings Act
- Omnibus Appropriations Act, section 626
- Interstate Land Sales Full Disclosure Act

In the short time the CFPB has existed, it has issued over 50 final rules. In addition to those rules, the CFPB has also issued guidance on 36 topics during the same period. During 2013 alone, the CFPB issued several important rules relating to residential mortgages, which include new integrated mortgage disclosure rules; RESPA and TILA mortgage servicing rules; higher-priced mortgage rules; loan originator compensation rules; and the Ability to Repay and Qualified Mortgage Standards Rule. In addition to issuing these rules, the CFPB issued four amendments to rules it issued previously. With most of the rulemaking required by the Dodd-Frank Act completed, the CFPB has recently announced an aggressive rulemaking schedule for 2014 that exhibits a shift in focus from residential mortgage loans to consumer products and services.

With the implementation of new rules governing mortgage loan origination in place, the CFPB has begun shifting its examination activity from servicing to origination. In 2013, the CFPB took public enforcement action against six institutions for prohibited loan origination practices related to improper loan officer compensation and referral fees that violated RESPA's anti-kickback provisions. Prior to this, the CFPB had not taken any public enforcement actions for activities or practices related to loan origination.

QUALIFIED MORTGAGES (QM) AND QUALIFIED RESIDENTIAL MORTGAGES (QRM)

Qualified Mortgages (QM) rules were implemented by the CFPB on January 10, 2014. Final implementation still remains pending for the Qualified Residential Mortgages (QRM) rules which must be agreed to by six federal agencies. The lack of CFPB interpretive clarifications on QM and remaining uncertainty on the final requirements for QRM continues to cloud market efficiency for mortgage providers and consumers.

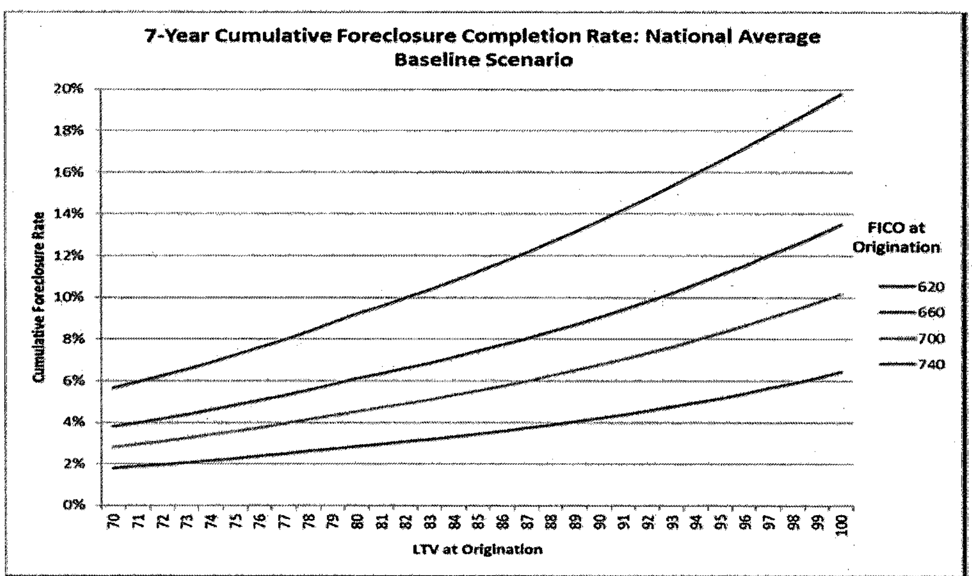
To obtain QM status a loan cannot have negative amortization, interest only, or balloon payments; a term exceeding 30 years; points exceeding 3%; and the borrower must not have a debt-to-income ratio exceeding 43%. CFPB granted a temporary exception that loans eligible for acquisition by Fannie Mae and Freddie Mac (while in conservatorship or receivership) are granted QM legal status. Origination of a QM loan provides a lender safe harbor to TILA's enhanced Ability to Repay (ATR) provisions. Loans made that do not conform to QM standards must consider and verify eight ATR underwriting factors.

These factors are: income and asset verification; employment status; monthly mortgage payment; monthly payment on any simultaneous loans on property; monthly property tax, insurance and HOA payments; debts, alimony, and child support obligations; monthly Debt-to-Income ratio or residual income; and credit history.

In the event of a default on a non-QM loan, the borrower can sue the lender claiming they should have known the borrower could not repay. This potential legal risk has encouraged some lenders to originate only QM loans. As a result of QM, a cottage industry for non-QM loans has been created that meet the ATR standards.

The burden of compliance costs, software development, staffing, and time have grown exponentially. The NMLS tracking of licensing reflects a consolidation in mortgage companies and the growth in individual licensing. This growth is attributable to licensed individuals being licensed in more states. In addition to a burden from the sheer volume of new regulations there is also a concern over the lack of interpretive clarity from federal regulatory agencies as well as potential conflicting intent from overlapping regulation. A lender can be told by its federal regulator to only offer QM loans but another division of that same federal regulator may tell the lender they have violated Fair Lending laws through a disparate impact by no longer offering a higher risk product. Loan originations have declined substantially in 2014 to the lowest level in over a decade, in part due to the CFPB regulations, the uncertainty of mortgage providers related to the new QM standards, the undefined QRM, the ever increasing federal debt, and federal reserve easy money policies, all of which impact long term interest rates.

Lenders will still be required to keep a 5% stake in loans that do not meet QRM standards, but the equity interest by home borrowers originally intended by QRM to protect end investors has been significantly diluted. In December 2013 the Federal Housing Finance Agency released a study titled "Impacts of Down Payment Underwriting Standards on Loan Performance." This report developed the chart below illustrating the relationship between down payments and FICO scores on loan performance. This report references a 2005 Government Accounting Office (GAO) study which concluded "equity, in the form of either initial down payment, or subsequent appreciation, and the borrower's credit capacity, as measured by a borrower credit score, are nearly universally found to be the two key drivers of default risk." The GAO study also found "the source of the down payment mattered – a down payment from the borrower's own resources reduced default by more than the same sized down payment provided by a relative or a government program."



Source: FHFA

So, in the end we will have a system through QM that considers a borrower with a 43% debt to income (DTI) level who made a 5% down payment or less to be a safer loan than one made to a borrower with a 44% DTI who made a 30% down payment. Despite the chart above where even a borrower with the best FICO score would have a 250% greater chance of default due to that lack of down payment. Risk retention applied to lenders only and not borrowers is an incomplete solution.

TRUTH IN LENDING ACT (TILA) AND REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA)
Various reforms to both TILA and RESPA are underway as described below. Furthermore, there are new timing requirements of when the Good Faith Estimate must be provided as well as an expansion of who must receive a Good Faith Estimate.

Consolidated Lending Disclosures - Section 1098 of the Dodd-Frank Act, amended Section 4(a) of RESPA and Section 105(b) of TILA to require the CFPB to develop a single form that integrates the consumer disclosures required under each Act. In November 2012, the CFPB issued its final rule on the new disclosures. Under the final rule, the "Loan Estimate" disclosure replaces the early Truth in Lending statement and the Good Faith Estimate, and must be provided within three business days of application. The new "Closing Disclosure" replaces the final Truth in Lending statement and the HUD-1 Settlement statement and must be given to consumers three days before closing. Implementation of this rule is scheduled for August 2015.

Ability to Repay - Section 1411 of the Dodd-Frank Act addresses the problems created by the widespread use of stated income loans. Section 1411 prohibits making a residential mortgage loan without determining that the applicant has "a reasonable ability to repay the loan." At a minimum, the following seven factors must be considered under the Act: (1) credit history; (2) current income; (3) expected income the consumer is reasonably assured of receiving; (4) current obligations; (5) debt-to-income ratio or the residual income the consumer will have after paying non-mortgage debt and mortgage related obligations; (6) employment status; (7) other financial resources other than the consumer's equity in the dwelling or real property that secures repayment of the loan. Lenders may be exempted from these requirements if they make only "qualified" mortgage loans.

In January 2013, the CFPB issued the final version of its Ability to Repay and Qualified Mortgage Standards Rule which took effect January 10, 2014.

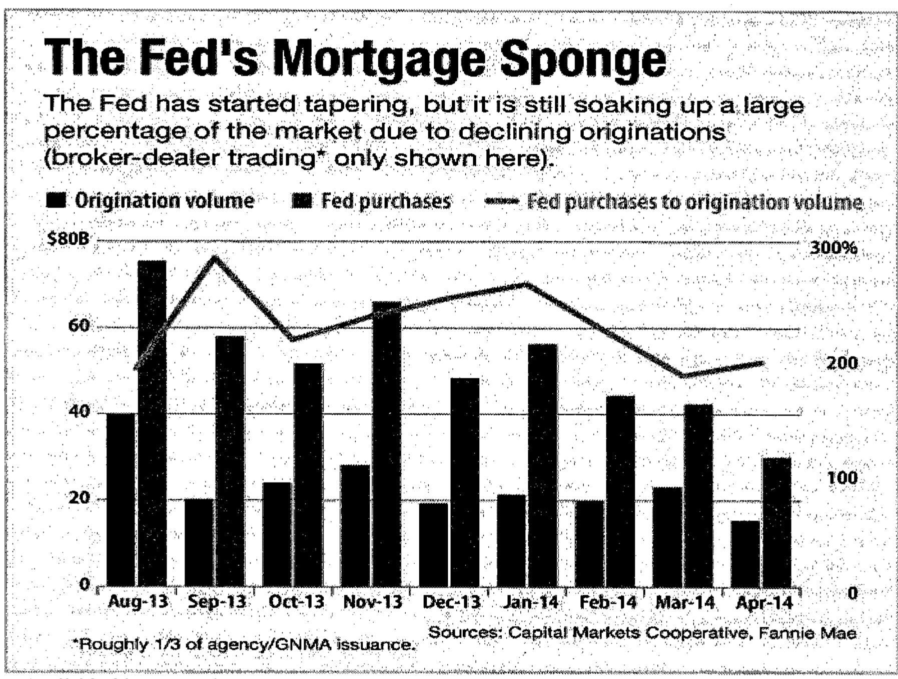
High Cost Mortgage - In January 2013, the CFPB released the final version of its HOEPA Rule, which implemented several changes made by Dodd-Frank. Of particular importance are the modifications made to tests that determine whether high cost rules apply, expanding the application of these rules to more loans. Specifically, more loans are now considered "high cost" under the "APR test" because the APR triggering threshold was lowered to 6.5% for most first lien mortgages and 8.5% for junior lien mortgages on principal dwellings. Similarly, more loans are now considered high-cost under the "points and fees test" as the amount of points and fees charged which trigger high cost rules was also lowered to 5% for most mortgage loans. The category of loans to which HOEPA applies was also expanded, now covering home equity lines of credit ("HELOCs"). Although the ability to repay rules provided by Dodd-Frank do not apply to HELOCs, the Rule made similar rules under HOEPA applicable to these transactions.

The Rule also implemented several restrictions to HOEPA loans made by Dodd-Frank, including the limit on balloon payments to no more than twice the average of earlier scheduled payments. Although prepayment penalties are not allowed for high-cost mortgages, the Rule provides a "prepayment penalty test," providing the maximum prepayment penalty amount that may be charged and the time frame during which it may be charged. These requirements apply to any loan with an application date of January 10, 2014 or later.

GOVERNMENT SPONSORED ENTERPRISES (GSEs)

Nearly six years following the receivership of both the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) a resolution remain elusive. The role of the federal government in the housing finance market is as dominant as ever. Two congressional bills described below call for varying degrees of eradicating the current platform and structure of government involvement in the mortgage secondary market. With over 90% of mortgage loan origination during 2013 flowing through the GSEs even an incremental change could have a significant impact on the entire housing market. Compounding forward momentum of either bill is the $202.9 billion sent back to the Treasury, which counts as dividends on the U.S. investment and not repayment of the $187.5 billion they got in taxpayer aid. The Office of Management and Budget projects Fannie Mae and Freddie Mac could return $179.2 billion in profits to taxpayers over the next 10 years. This dedicated source of revenue and deficit reduction role now played by both entities will complicate efforts to eliminate or even significantly restructure the GSEs.

GSE reform is not only complicated by the federal government dominance of the markets supply side and its current profitability to the federal government, but also on the demand side. The Federal government also dominates demand for mortgage products through the Federal Reserve's quantitative easing programs.



April 28, 2014 American Banker

On March 16, 2014, Senate Banking Committee leaders Johnson (D-SD) and Crapo (R-ID) released a bipartisan housing finance reform proposal which utilizes S.1217, proposed by Senators Corker (R-TN) and Warner (D-VA) in 2013, as the framework. Key elements of the proposal would:

- Wind down Fannie Mae and Freddie Mac over a five year transition period.
- Establish an independent, five member board to manage a new Federal Mortgage Insurance Corporation (FMIC) generally modeled after the Federal Deposit Insurance Corporation (FDIC) to insure approved mortgage-backed securities and facilitate the overall functioning of the mortgage market. The FMIC will establish underwriting standards mirroring QM for the

secondary mortgage market. They will also set a 3.5% down payment requirement for first-time homebuyers and a 5% down payment requirement for all other homebuyers.

- Put private capital in a first loss position of at least 10%. The FMIC fund will initially be funded by assessments charged to Fannie Mae and Freddie Mac until fully wound down, then market participants will bear the cost of the fund.
- Form a small lender mutual to provide members with access to the secondary mortgage market. The restricted member owned and operated cooperative will provide members with a cash window to sell individual, eligible mortgages; pooling, aggregation, and securitization services; and assistance in retaining servicing rights.
- Create a standardized securitization platform for all FMIC guaranteed securities and would provide infrastructure.

HR 2767 (PATH Act): To protect American taxpayers and homeowners by creating a sustainable housing finance system for the 21st century. This bill is expected to have a slimmer chance of passage than the Senate approach.

LOAN OFFICER COMPENSATION

In January, 2014 the amended and revised rule, issued by the CFPB, regulating the compensation of mortgage loan originators became effective. The stated purpose of the rule was to protect consumers from unfair or abusive compensation practices by mortgage loan originators. The rule prohibits three compensation practices: compensation based on loan terms, steering a consumer to a loan not in the consumer's interest for greater compensation, and receiving compensation from both the creditor and consumer.

NMLS MORTGAGE CALL AND ANNUAL REPORTS

Mortgage call reports have significantly increased the detail of information required to be tracked and reported compared to the previous state requirements. These requirements have been in place for three years, and a significant level of reporting errors and failures to file persist. In calendar year 2013, the Department initiated administrative penalties as well as blocking company license or registration renewals for failure to file call reports.

As mortgage interest rate began to rise in 2013 the refinance boom came to a close. The 2013 decline in refinance activity tipped many states into a position of more purchase money origination than refinance; however, Texas continues to be significantly stronger. The Mortgage Bankers Association predicts refinancing activity in 2014 to be less than half the volume of 2013. This predicted volume in refinance activity would be the lowest since 2000.

Texas mortgage loan origination activity for purchase only (no refinances) of over $21.4 billion in 2012 represented 1 out of every 11 purchase money loans in the entire nation.

TEXAS INITIATIVES AND CONDITIONS RELATING TO MORTGAGE INDUSTRY

MORTGAGE SERVICING

Effective September 1, 2011, Texas Senate Bill 17 provided regulatory authority to the Department over residential mortgage loan servicers. The Department may conduct an investigation of complaints filed against a registered residential mortgage loan servicer and take action if the investigation determines that a violation of federal or state law has occurred. The Department may also participate in multistate servicer examinations scheduled by either the CFPB or the CSBS Multi-State Mortgage Committee.

In the three years since obtaining complaint resolution authority for mortgage servicing the number of complaints has more than doubled from 21% of all complaints filed in FY2011 to 48% of all complaints in FY2013; and this growth trend continued into FY2014. Unlike origination complaints with a single point in time transaction, servicing complaints typically develop and extend over a long period of time complicating the investigation. The Department has seen not only the volume of complaints rise but also an increase in the time commitment to process each complaint. As a result, additional staff resources have been moved to this area to maintain prompt resolution.

ATTORNEY GENERALS' MORTGAGE SERVICING SETTLEMENT

In February 2012, the Department entered into a multistate attorney generals' mortgage servicing settlement with the top five servicers in the nation. As part of the settlement, the Department received $500,000 for the enhancement of supervision or home owner relief. In a desire to utilize these funds consistent with their consumer protection purposes, the Department established a Fund to support mortgage fraud prosecution and community reinvestment. Various outreach efforts have been made to District Attorneys and other governmental mortgage fraud investigators to raise awareness of both the availability of these funds and other prosecution resources the Department will make available to Texas District Attorneys.

The State of Texas received a direct cash payment of $134,628,489 from the banks as part of the settlement. All the funds, except for approximately $9.4 million allocated to the Judicial Fund, went directly into the State General Fund. The banks were also required to offer impacted Texas citizens relief / benefit as part of the settlement. The chart below shows the top three categories of relief provided through May 2013. This information was obtained from the Office of Mortgage Settlement Oversight and in each category the volume of relief granted exceeded the minimum settlement terms set out for Texas citizens.

Category	Aggregate Amount of Relief/Benefit	Number of Borrowers
Completed 1st Lien Modification Forgiveness	$ 60,382,327	1,207
Completed 2nd Lien Extinguishments	$ 75,814,824	2,567
Short Sales Completed/Deficiency Forgiven	$ 115,990,171	2,805
Total for all Categories	$ 303,895,201	9,290

MORTGAGE ACCREDITATION

The CSBS/AARMR Mortgage Accreditation Program involves a comprehensive review of the critical elements that assure the ability of a state mortgage agency to discharge its responsibilities through an investigation of its administration and finances, personnel policies and practices, training programs, examination policies and practices, supervisory procedures, and statutory powers. In setting high standards, CSBS is supporting public interest by identifying highly competent state mortgage agencies to strengthen the capabilities of all state regulators. The Department started the accreditation process in late 2010 with an onsite portion of the accreditation being completed in February 2011. The Department received its accreditation in June 2011 and was the ninth state mortgage agency to receive its accreditation. Mortgage examination procedures have been updated to incorporate some of the recommendations from this initial accreditation. Annual self-evaluations are submitted to CSBS. The Department will be subject to reaccreditation in June 2016. With this accreditation, the Department is presumed to be compliant with the requirements of 12 CFR, 1008, Regulation H, specifically §1008.113. This Accredited status will allow the Department to forego a compliance review by the CFPB regarding the Texas SAFE Act.

MORTGAGE INDUSTRY ADVISORY COMMITTEE

The Mortgage Industry Advisory Committee (MIAC) was established by Texas Finance Code, Chapter 156. The powers and duties of the committee include: advising the Commissioner with respect to rules, procedures, form and content of applications and other documents required by the Department, and interpretation, implementation and enforcement of issues relating to the mortgage industry. Of the committee's six members appointed by the Commissioner, two RMLOs must hold active licenses with the Texas Real Estate Commission. Members are to be actively engaged in the mortgage industry and serve for staggered three year terms. The Commissioner may remove members for failure to discharge their responsibility or if it is determined they did not have the qualifications required at the time of appointment. The committee must meet at least twice each year and serves without compensation. Prior to proposing mortgage industry related rules to the Finance Commission for publication or adoption, the Commissioner meets with the MIAC, considers their comments and recommendations, and reports the results of such deliberations to the Finance Commission. A record vote is taken on issues as needed, and the Commissioner informs the Finance Commission of the results. MIAC recorded votes are only a recommendation and do not supersede the rulemaking authority of the Finance Commission.

MORTGAGE ORIGINATOR DEMOGRAPHICS

The level of mortgage broker licensees peaked at just under 30,000 during 2005; however, the credit crunch and near evaporation of warehouse lending lines caused significant realignments in the primary conduits of mortgage products away from wholesale to retail outlets. This result can be measured in Texas by reviewing the decline in the number of mortgage brokers. The following chart reflects the addition of mortgage banker Residential Mortgage Loan Originators (RMLO) in FY2010 and beyond. Department records show only approximately 3,000 of the total 15,411 RMLOs licensed in FY2013 were sponsored by mortgage broker companies. This reflects an 89% decline in the mortgage broker population since FY2005.

Individual Mortgage Licensee Population							
FY00		FY05		*FY10	FY11	FY12	FY13
8,365		27,685		13,535	17,267	13,254	15,411
*Licensing requirement went into effect for mortgage banker originators							

As of February 28, 2014 the population of residential mortgage loan originators totaled 14,657. In FY2014, after a legislative change, the individual RMLOs license types went from six separate license types into one. NMLS chose to have call report data submitted at the company level instead of at the statutorily required individual level thereby eliminating the need to differentiate between individual licenses.

- From January 1, 2011 through February 28, 2014, the Department has received on average over 500 new license applications a month. The number of applications being submitted seems to be trending upward.
- During FY2013 an average of 4,600 amendments to licenses were filed and needed to be processed each month.

Other notable items relating to Texas' mortgage licensing, as of February 28, 2014, include:

- 60% of the companies licensed in Texas only operated in Texas. The national average is 82% of companies operate in only one state.
- 45% of individual RMLOs licensed to originate in Texas did not reside in Texas.
- 46% of the companies licensed in Texas only had one licensed residential mortgage loan originator.
- 47% of the Texas licensed residential mortgage loan originators only worked in Texas; the remaining 53% operated in multiple states. This along with the company demographic mentioned above both speak to the attractiveness of the Texas market for out of state originators.

MORTGAGE EXAMINATION PROGRAM

Examinations for FY2013 showed an improving trend with 92% of licensees generally complying with state and federal statutes and regulations, as compared to the historical compliance levels of 80%. It is anticipated that the level of compliance will be maintained as licensees are more familiar with recent state and federal statute changes.

The Department's current examination cycle of 30 months or less exceeds the examination cycle recommendation by the State Auditor's Office of 36 months and the CSBS Mortgage Accreditation best practice recommendation of 60 months. The program has been further enhanced by continually reviewing examination policies and procedures, and intensifying the training program to ensure consistent examination results, timely and effective reporting, and prompt corrective or enforcement action to address concerns.

Due to the concentrated nature of licensees among fewer sponsoring entities, hiring additional examination staff has not been necessary. If, however, the need to add staff arises, the SDSI status of the agency will allow for quick action. As of August 31, 2013, the average number of RMLOs per mortgage banker was 31.3; this compares much more favorably in terms of necessary Department examination resources as compared to an average of 3.7 RMLOs per mortgage company. Examinations of individuals are reported per entity where common compliance programs, policies and procedure or software can be evaluated in a unified approach, which allows greater efficiency as RMLO numbers increase.

Unlicensed or unauthorized activity among mortgage originators was the most significant examination issue in FY2012 and FY2013. The Department has concentrated examination efforts to cover all mortgage banker operations since initiating examinations in October 2010. During the current round of examinations, the focus in noncompliance has shifted to include the timely and accurate filing of mortgage call reports. As part of the pre-examination process, mortgage examiners will confirm that all appropriate mortgage call reports have been filed prior to the start of the examination and that the information tracks against the mortgage transaction log provided at the beginning of the examination process. A working group headed by CSBS is working on risk based analysis software using mortgage call report data. The roll out date should be sometime during calendar year 2014.

The Department believes that the examination and enforcement programs are the most effective ways of identifying and changing the business practices of abusive mortgage originators or removing them from the industry. The chart below shows the overall improvement in compliance by licensees in the examination results in FY2013 as compared to historical data since the inception of examination authority. Information gathered through examinations has resulted in significantly more enforcement orders against mortgage originators. These enforcement actions are designed to correct areas of abuse and serve as a foundation for restitution to affected consumers.

Mortgage Examination Compliance Ratings

(Percentages exclude "Not Rated" examinations. A "Not Rated" examination is assigned to licensees who have not originated loans in the prior 24 months.)

	# Exams	Rated "1"	%	Rated "2"	%	Rated "3"	%	Rated "4"	%	Rated "5"	%
Historical Exam Ratings			**14%**		**31%**		**35%**		**17%**		**3%**
Fiscal Year 2011 9/1/12 – 8/31/13	526	122	**23%**	221	**42%**	140	**27%**	42	**8%**	1	**<1%**

MULTISTATE EXAMINATIONS

The Nationwide Cooperative Protocol and Agreement for Mortgage Supervision (Agreement) outlined a basic framework for the coordination and supervision of multistate mortgage entities. The initiative established the Multi-State Mortgage Committee (MMC) which is comprised of ten state regulatory officials appointed by the CSBS and the AARMR as the oversight body with the following agreed goals: (a) protect consumers; (b) ensure the safety and soundness of multistate mortgage entities; (c) identify and prevent mortgage fraud; (d) supervise and examine in a seamless, flexible and risk focused manner; (e) minimize regulatory burden and expense; and (f) foster consistency, coordination and communication among state regulators. The MMC is charged with implementing and directing processes; selection of examination targets; and coordinating multistate examinations. In addition, the MMC is responsible for the development of uniform examination processes and the modernization of traditional examination approaches for achieving more effective supervision.

The Department signed the Agreement for mortgage supervision in a joint examination capacity. Joint examination states are those states with the ability to protect confidential supervisory information received from other states and therefore can participate to the fullest extent in multistate examinations and enforcement actions. Mortgage examiners from the Department have participated in a total of four multistate examinations through the end of FY2013. The Department anticipates continued participation in additional multistate examinations.

CFPB and State Coordinating Committee

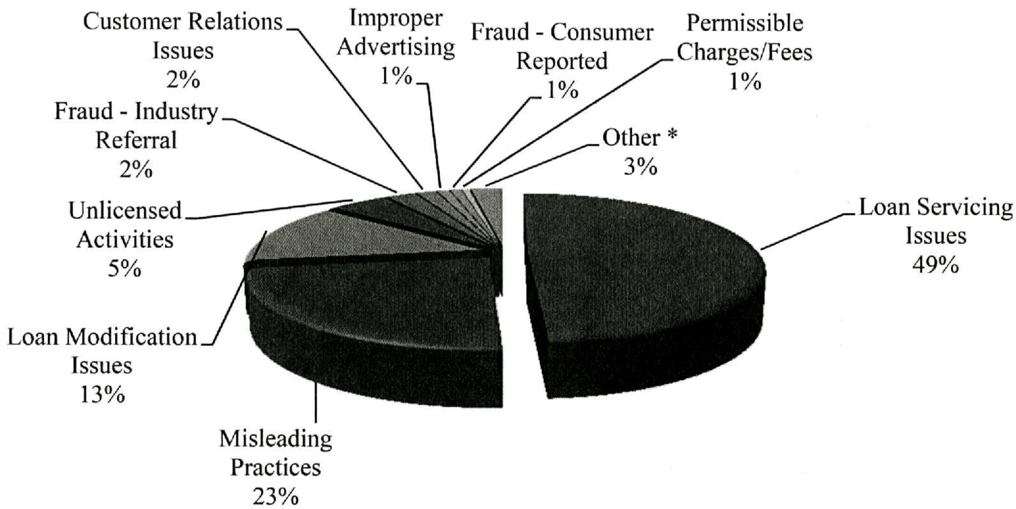
In January 2014 the State Coordinating Committee (SCC) held its first quarterly coordination meeting with the CFPB. Under the 2013 Supervisory Coordination Framework, the two sides are expected to hold quarterly meetings to update and fine tune agreed processes and examination plans. The SCC is comprised of a representative from each of the state regulatory associations (American Association of Residential Mortgage Regulators – [AARMR], Conference of State Bank Supervisors – [CSBS], Money Transmitter Regulators Association – [MTRA], National Association of Consumer Credit Administrators – [NACCA], North American Collection Agency Regulatory Association – [NACARA], and National Association of State Credit Union Supervisors – [NASCUS]). The Department's Director of Licensing Steven O'Shields currently holds one of these representative positions. This meeting focused primarily on the first ten coordinated non-depository examinations scheduled for 2014 and covered start dates, examination periods, concurrent entry letters, staffing, and other exam administrative issues. State agencies were offered an opportunity to express interest in joining the examinations which will include the debt collection, payday lending, and mortgage industries.

Complaint Resolution

The volume of consumer complaints related to originations has declined steadily since 2009. At the same time, the volume of consumer complaints related to mortgage servicing has been increasing. The 82nd Legislature enacted the Residential Mortgage Loan Servicer Act which granted authority over mortgage loan servicers to the Department. Mortgage servicing complaints now comprise more than half of all complaints filed with the Department. The complaints caseload aging of open complaints continues to improve. At the end of FY2013, there were no open complaints older than 180 days with 73% of complaints being open for less than 90 days. The ability to maintain investigation and enforcement activities results in eliminating illegal, unearned, and unjustified mortgage loan fees for Texas consumers.

The Department continues to participate in the CFPB consumer complaint information sharing working group. Phase one of the program went live in the fourth quarter of FY2013, which allowed regulators to view state specific complaints filed with the CFPB through a secure portal. The working group continues to hold conference calls to deliver feedback regarding the information available through the portal. Future cooperation is being discussed to expand beyond information sharing to sharing responsibilities for complaint resolution.

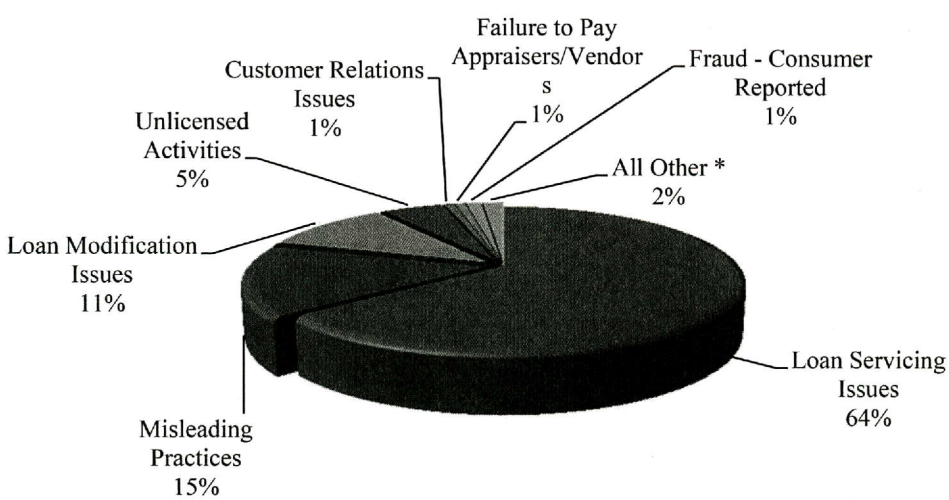
Nature of Complaints Received - FY2013



Total Complaints Received in FY2013 = 988

* The "Other" Category includes: Complaints against State Savings Banks, Sponsor Issues, Inadequate Disclosures, Bait and Switch, Failure to Pay Appraisers/Vendors, Refunds and File Transfers, Identity Theft, and Opened in Error.

Nature of Complaints Received - 1st Quarter FY2014



Total Complaints received in 1st Quarter of FY2014 = 243

* The "All Other" Category includes: Improper Advertising, Bait and Switch, Identity Theft, and any complaints against State Savings Banks

CONSUMER PROTECTION

Fraud complaints represent a much smaller percentage of complaints than during and immediately following the financial crisis. They frequently arise when mortgage originators engage in cooperative activities with real estate brokers, appraisers, contractors, or investors. These cases are complex and complicated, often requiring interagency cooperation to achieve enforcement. In 2005, the Department initiated an interagency fraud working group consisting of investigators from the Department, Texas Department of Insurance (title company oversight), Texas Real Estate Commission (real estate brokers and sales persons), Texas Appraiser Licensing and Certification Board (appraiser oversight), Office of the Attorney General, and, if needed, other federal authorities. The 80th Legislature (2007) passed H.B. 716, formally creating the Texas Mortgage Fraud Task Force and placing the Attorney General's Office in charge of all activities of the task force. Joint investigations and increased authority to share information with the Texas Real Estate Commission, Texas Securities Board, Texas Department of Insurance, Federal Trade Commission, FNMA, HUD, and related agencies may improve the overall effectiveness of all agencies. Addressing mortgage fraud is a Department priority. The Department devotes considerable resources to combating fraud and cooperating with federal and state law enforcement agencies independently. The Attorney General's Office has not maintained a routine meeting schedule for this statutorily established committee. The last meeting was held in February 2011. To advance progress under this priority the Department has established a Fund to support mortgage fraud prosecution and community reinvestment with the $500,000 in proceeds assigned to the Department by the National Mortgage Settlement. One of the intents of this fund is to enhance district attorney resources by helping fund local mortgage fraud investigative and prosecution resources.

COOPERATIVE AND INFORMATION SHARING AGREEMENTS

The Department continues to support information sharing for consumer protection purposes. The Department currently has cooperative and information sharing agreements in place with the Consumer Financial Protection Bureau, Conference of State Bank Supervisors, Financial Crimes Enforcement Network, Texas Attorney General, and other state regulators. These agreements establish a framework of cooperation, enhance working relationships, and avoid duplication of efforts between the entities.

TEXAS 50(a)(6) HOME EQUITY

An interagency staff working group develops home equity interpretations for the Joint Financial Regulatory Commission (JFRC). Adopted home equity interpretations are codified in 7 TAC Chapters 151-153. The Department actively participates in the process because its constituent groups (thrifts, mortgage brokers, and mortgage bankers) engage in making or originating home equity loans. The Department monitors litigation relating to home equity lending and developments in the home equity market, and as needed actively participates in developing and revising home equity interpretations.

Litigation in Texas:

Finance Commission of Texas v. Norwood: The Texas Supreme Court struck down the following interpretations adopted by the JFRC relating to home equity lending:

- First, the court struck down the Commissions' interpretations defining "interest" for purposes of the Constitution's 3% cap on fees other than interest.
- Second, the court struck down an interpretation allowing homeowners to sign a power of attorney and have the attorney-in-fact close the loan at the office of an attorney, lender, or title company.

(The Finance Commission anticipates adopting amended interpretations to implement the Supreme Court's ruling. The Department is participating in the interagency staff working group's drafting of proposed interpretations.)

Sims v. Carrington Mortgage: On December 4, the Texas Supreme Court heard oral arguments in the *Sims* case. The US 5th Circuit Court of Appeals requested the Texas Supreme Court to address questions relating to the differences in the Texas Constitutional provisions of home equity modifications and refinance of home equity loans. The JFRC has defined a modification as the change in one or more terms of an existing equity loan where the original note is not satisfied or replaced by a new note. Nevertheless, the plaintiff in Simms argues that when the modification includes capitalization of delinquent interest and payment of delinquent taxes or insurance, the modification should be classified as a refinance and must meet all of the provisions of a new home equity loan.

(The Department is monitoring the case. The outcome will likely set the parameters as to what mortgage servicers can do to assist homeowners seeking to get relief when they are delinquent on their home equity loans.)

National Organization Supporting State Regulation

The Department is an active participant in numerous national regulatory trade associations and currently has four staff members serving in board positions. Director of Licensing Steven O'Shields is President of the National Association of Consumer Credit Administrators (NACCA). Former Commissioner Foster served as the Vice Chairman of the board of managers for the State Regulatory Registry (SRR). SRR is the owner and operator of the Nationwide Mortgage Licensing System (NMLS). While serving as Deputy Commissioner, Caroline Jones served as a board member on the American Council of State Savings Supervisors and continues to do so as Commissioner. Chief Mortgage Examiner Tony Florence serves as a board member of the American Association of Residential Mortgage Regulators (AARMR). Other members of the Department's staff serve on the following standing committees and projects which set national policy for the Conference of State Bank Supervisors (CSBS) and NMLS: State Coordinating Committee (SCC) (which set joint examination schedules with the CFPB); Lawyers Committee; Mortgage Testing & Education Board; Residential Mortgage Regulatory Taskforce; CFPB Complaint Portal Project; Mortgage Accreditation Committee; Regulatory Committee; Legislative Committee; Risk Profile Program; State Supervisory Processes Committee; and the ETS/Sage Development Committee.

In addition to the national participations, several staff members are actively engaged in making presentations and maintaining a free flow of communication with Texas statewide trade groups directly or indirectly involved in mortgage lending. Presentations were made by Department staff on both a local and national stage. These groups include the Texas Mortgage Bankers Association, the Texas Bankers Association, the State Bar of Texas, the DFW Mortgage Brokers Association, local chapters of mortgage originator groups in Austin, Dallas, El Paso, Fort Worth, Houston and San Antonio, Texas Association of Realtors, Texas Real Estate Teachers Association, Reverse Mortgage Conference, Texas Association of Community Development Corporations, Texas Association of Local Housing Finance Agencies, Real Estate Investor's Club, and Rio Grande Legal Aide. As well as the National Mortgage Licensing Conference and the National Association of Consumer Credit Administrators. The Department has found its relationship to all of these various trade groups and state regulatory associations to be invaluable in the dissemination of information and promotion of compliance.

Education Initiatives

One of the most important steps in reducing non-compliance and abusive practices is enhancing education. The Department had been engaged in a comprehensive education of licensees for nearly a decade. However, on January 1, 2010, all industry professional education requirements and approvals were transferred to the NMLS. Also, the pre-licensing education requirements were substantially reduced as a result of the Texas SAFE Act to match federal minimum standards. NMLS also took control of pre-license testing requirements. As of January 1, 2014, the Department is one of 39 jurisdictions using the Uniform State Test with six saying they have no intention of adopting and 13 still undecided. The 83rd Legislature authorized the Commissioner to add education requirements. The Finance Commission adopted a rule, proposed by the Department, which added an additional three hours of pre-licensing education specific to Texas statutes and regulations. The Commissioner and senior staff will continue to conduct presentations to industry representatives and licensees designed to enhance communication between the Department and the mortgage industry, raise awareness of the need for quality education, and to learn firsthand from attendees the issues needing more emphasis. During the 20 month period ending April 30, 2014, staff provided over 25 separate presentations.

The Department primarily uses its website and also the news media to facilitate consumer education and convey consumer precautions and tips for applying for a mortgage loan. Several investigative reports and stories related to mortgage lending have featured interviews with the Commissioner. Senior staff appears before industry and consumer groups, regulatory entities, civic organizations, and other related or interested parties. Feedback indicates these efforts have raised consumer awareness.

FEDERAL AND NATIONAL ISSUES CONCERNING THRIFT INSTITUTIONS

REGULATORY RELIEF

Community banks are faced with an increase in federal regulatory burden. Bankers report spending 10 to 15% of their bottom line on compliance costs. Most of the stringent regulations are intended for larger banks which favor standardized products. In most cases, these regulations are not applicable to smaller community banks, but they are forced to comply as these regulations are homogenized across the banking industry regardless of size.

Uncertainty regarding new federal regulations and when they will be imposed continues to cause anxiety and challenge the thrift industry. The brunt of Dodd Frank changes designed to avert another financial crisis failed to address the culpable investment bankers and fell to the easier to regulate community bank model. Despite many legislators agreeing with this assessment, meaningful relief has not come to fruition. Meanwhile over 16,000 pages of new regulations impacting community banks were issued in 2013. While the House Financial Services Committee appears to want a regulatory relief package, two areas create a stumbling block; (1) what relief do they provide (2) which institutions qualify for the relief (how do you define a community bank)?

About 23% of the bills cleared from both the U.S. House and Senate Committees in 2011- 2013 were enacted. One of those was the JOBS Act signed into law April 5, 2012. One element of the JOBS Act was the "Capital Expansion Act" (CEA). The CEA both: raised the number of shareholders permitted before a Community Bank is required to publicly register with the SEC from 500 shareholders to 2,000. Secondly, and equally important, the JOBS Act also raised the deregistration limit from 300 to 1,200. However, the JOBS Act only applies to banks and bank holding companies (BHCs). It does not apply to thrifts or thrift holding companies. Introduction of HR 801, a technical bill passed the House January 14, 2014 and provides parity for thrifts and thrift holding companies. HR.801 is pending in the Senate and prospects of passage are unclear.

Congressional bill S.947: SAFE Act Confidentiality and Privilege Enhancement Act, (which ensures access to certain information for financial services industry regulators), is important to the state regulatory system. The bill was passed by the Senate on December 13, 2013 and has a better than 50% chance of passage overall.

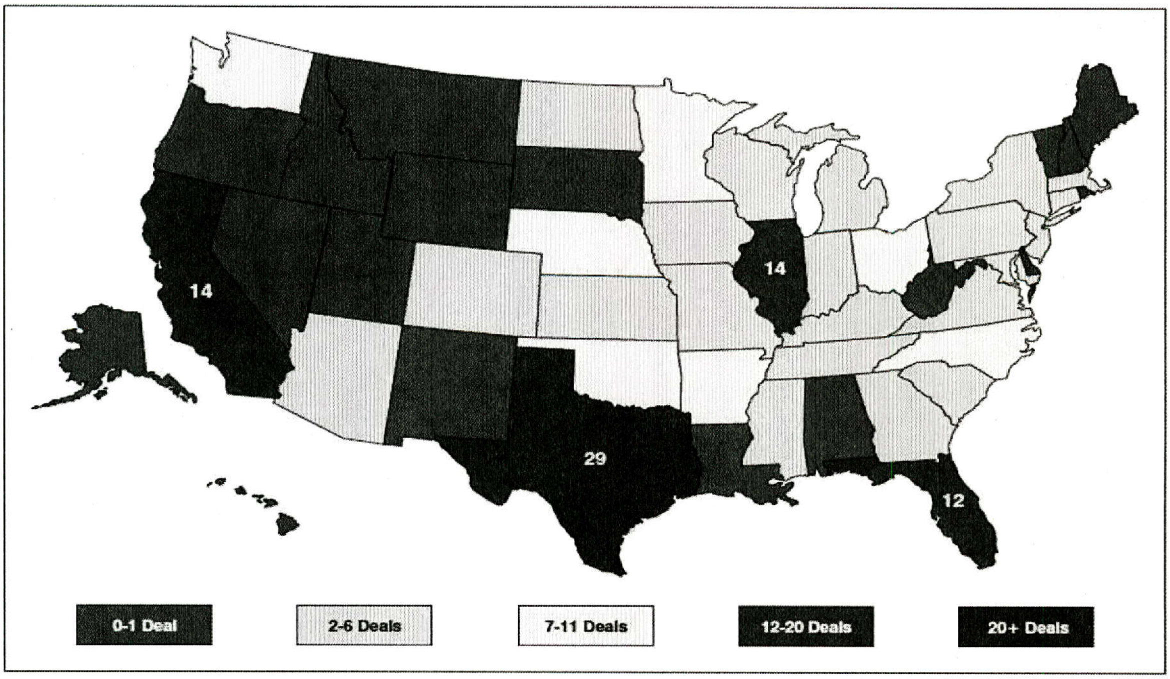
More than a dozen other regulatory relief bills are at varying stages of advancement. Bills of particular importance to the Department's regulated entities include: 1) Amending the Truth in Lending Act to improve upon the definitions provided for points and fees in a mortgage transaction. 2) The proposed CLEAR Relief Act would provide Qualified Mortgage (QM) status for any mortgage originated and held in portfolio for three years by banks of $10 billion or less and provides escrow relief to banks of $10 billion or less that hold loans in portfolio. Additional areas the Act includes are Escrow Requirements, Ability to Repay (ATR), Small Servicer Exemption, and Appraisal Exemption.

CONSOLIDATION

The number of federally insured depository institutions decreased to an all-time record low of 6,981 during 2013. Consolidation has been the primary cause. As the number of institutions has declined the volume of assets under management has increased significantly. The ability to afford compliance costs is a driving factor in this consolidation. In effect, small banks are experiencing a "too-small-to-comply" as a consequence of the one-size-fits all regulations.

One of the biggest challenges to community banks is the recent and current low interest rate environment combined with weak loan demand. This environment presents other risks as large banks' pricing power competes with community banks. Smaller community banks are often forced to find their niche to survive, as it is difficult to effectively provide as much diversification in services as a larger bank. Recent studies on the impact of the closure of or sale to a large bank have confirmed the existence of community banks is necessary to the survival of smaller communities.

As shown in the chart below Texas has disproportionally felt the impact of consolidation. More than twice the number of merger and acquisition announcements during 2013 came from Texas than any other state. Two of the three Texas state savings banks sold in the past two years were the two smallest charters, both being acquired by other Texas state savings banks. Their reasoning was significantly based on the cost of compliance.



The other side of the formula is the near total absence of new charters being approved for insurance by the FDIC. Only one in 2010 and one in 2013 have received insurance of deposits over the last four years. Officials at the FDIC state they want to see more applications and they expect them to come as the economic environment improves. However, the FDIC's changes in minimal initial capital combined with growth restrictions extended to the first seven years of operations makes it economically unfeasible to generate any acceptable investor returns within a reasonable timeframe. This combined with ever increasing regulatory burden applied indiscriminately across small and large institutions will continue to push down the total number of insured depositories.

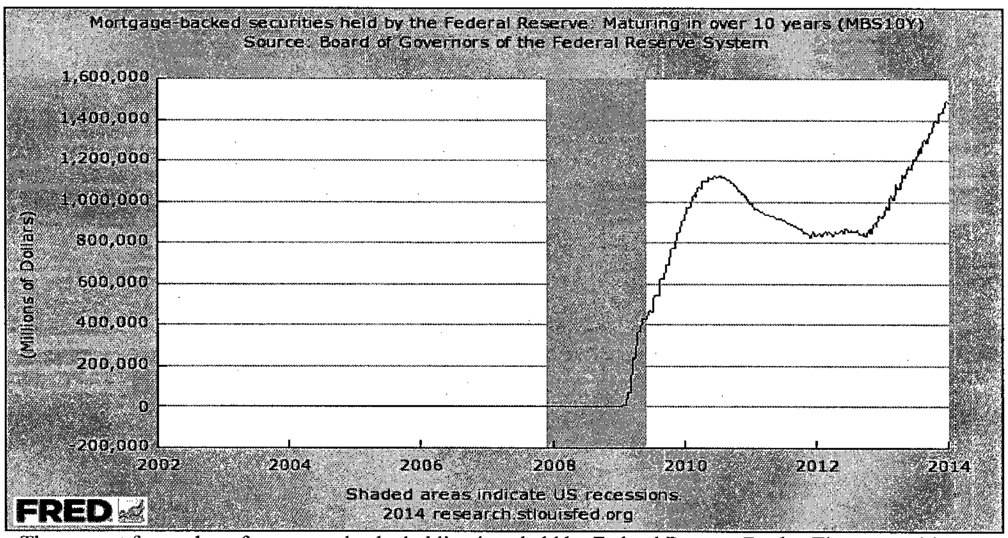
Interest Rate Risk Monitoring

During the first week of October 2013, the FDIC announced a new initiative to identify excess exposure to interest rate risk (IRR) among all insured depositories. As a result of their offsite reviews, they have identified over 750 institutions nationwide that have varying perceived exposures to rising interest rates that they want to examine more closely. The institutions have been stratified into three levels of risk – Significant, High, and Elevated. Before January 2014, all of these institutions were contacted and most will be visited to glean additional information and institute corrective action. Ongoing monitoring or follow up will continue as deemed appropriate for each institution.

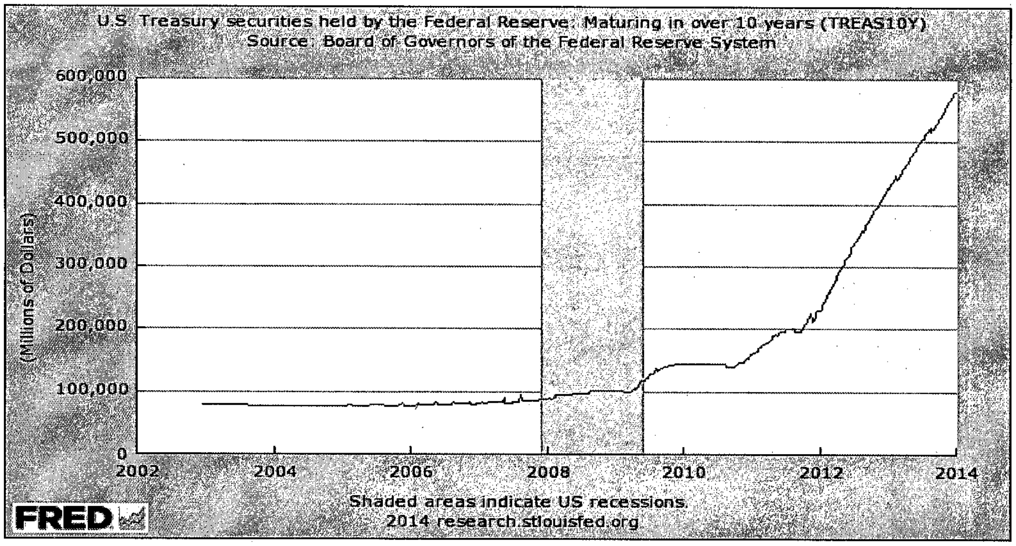
No Texas state savings bank (SSB) was on the IRR list despite the emphasis of SSB charters on residential home lending which tends to create longer term assets. This is the exact IRR exposure the FDIC seeks to prevent. The beneficial IRR stance of Texas SSBs is due in part to a very similar IRR triage program the Department established in 2010, in anticipation of the current issues. Quarterly, information is gathered from Call Reports as well as from each SSB regarding the re-pricing of the portfolio assets and liabilities. The Call Report information obtained includes: 1) A percentage increase (decrease) in each institution's Net Interest Margin (NIM) over the previous 5 quarters; 2) The ratio of Long-Term Assets to Total Assets; 3) Non-maturity Deposits to Long-Term Assets; and 4) The Sensitivity to Market Risk rating at the previous Safety and Soundness examination. Each of these sections is given benchmarks and scores are assigned based on the severity each institution is outside of the benchmark. All of the scores are totaled and incorporated into the Department's ThriftPRO Early Detection Model. Separate analysis of fluctuations in individual institutions is also monitored and handled on a case by case basis to determine needed action.

The Department then combines the above data with the institution's own internal IRR modeling to evaluate each institution's ratio of rate sensitive assets to rate sensitive liabilities through a three tiered risk scale to assess trends of asset/liability sensitivity and potential effects to earnings and capital given a rising or falling interest rate environment. SSBs identified as having the most risk exposure are required to submit quarterly modeling along with a plan of corrective action to better position the institution for a rising rate environment. SSBs identified as having the mid-level risk exposure must update their supplemental information quarterly. Those with the lowest risk level are reviewed at the next examination.

The following two charts show that the Federal Reserve's significant balance sheet growth through Operation Twist and other Quantitative Easing exercises has deliberately extended its maturities to help keep long term interest rates low. This strategy is in contrast to the concerns shared by this Department with the FDIC over mismatches from short term funding for long term investments. Through the purchase of Mortgage Backed Securities and US Treasuries, the total exposure to interest rates for maturities over 10 years has gone from less than $100 billion in 2008 or 21% of assets, to in excess of $2.1 trillion or 54% of assets in 2014. In an attempt to keep long term interest rates low, over half of the current balance sheet is invested in long term assets funded by extremely short term liabilities.



The current face value of mortgage-backed obligations held by Federal Reserve Banks. These securities are guaranteed by Fannie Mae, Freddie Mac, or Ginnie Mae.



STRESS TESTING

As required under §165(i) of the Dodd-Frank Act, depository institutions with more than $10 billion in assets must conduct periodic stress tests of their operations to measure the impact on future capital levels. Final rules implementing the Dodd-Frank Act Stress Testing (DFAST) requirements were issued on October 9, 2012 by the FDIC, FRB, and OCC, followed shortly thereafter by interagency guidance for large institutions.

Prior to the implementation of the rule mentioned above, the agencies, on May 14, 2012, issued guidance for community banks, under $10 billion in assets, outlining the expectations for stress testing at these institutions. This guidance notes that community banks are not subject to the DFAST requirements, but could benefit from forward-looking assessments of potential adverse conditions and their impact on the safety and soundness of the institution. It further reminds banking professionals that stress-testing guidance for interest rate risk, commercial real estate lending, and funds/liquidity management already exists and should continue to be followed. Further guidance has since been published by the FDIC and the OCC, separately.

There are currently no Texas state savings banks over $10 billion in assets. Therefore, all Texas state savings bank are exempt from DFAST requirements, but subject to interagency and FDIC guidance. Department examiners are expected to evaluate policies and procedures, as well as imbedded assumptions at each regular, full scope examination. The Department continues to monitor the risk profile of each state savings bank in a forward-looking manner through early detection modeling, but does not anticipate implementing a single, centralized stress testing model for use in determining capital needs within the state's diverse community of state savings banks. Rather, the Department endorses the approach of the prudential federal regulators in encouraging locally-driven, forward-looking analysis that considers potential causes and outcomes of adverse conditions or events.

CHANGES TO CAPITAL REQUIREMENTS

On July 9, 2013, the FDIC approved the Regulatory Capital Interim final rule, making a number of changes to bank minimum capital requirements, definitions, and calculations. This interim final rule is substantially identical to the final rules of the Board of Governors of the Federal Reserve and the Office of the Comptroller of the Currency. Some of the rule's most significant changes include the creation of a subcategory for Tier 1 Capital named Common Equity Tier 1 Capital, the creation of a Common Equity Tier 1 Risk Based Capital Ratio, revision of regulatory capital ratio minimums, and the implementation of a capital conservation buffer.

Common Equity Tier 1 (CET1) Capital – The interim final rule splits Tier 1 Capital into two components CET1 capital and additional Tier 1 capital. CET1 Capital consists of common equity, additional paid-in-capital, retained earnings, and accumulated other comprehensive income (AOCI). The interim final rule allows banks to opt out of including AOCI in CET1 Capital if elected in the March 2015 call report. If so elected, the bank will report AOCI similarly to current rules. The interim final rule also created a new ratio known as the Common Equity Tier 1 Risk Based Capital Ratio, calculated by dividing CET1 Capital by Total-Risk Weighted Assets.

Prompt Corrective Action (PCA) Capital Ratio Minimums – The interim final rule sets new minimums for PCA Risk Based Capital (RBC) ratios. Under the new rule, PCA minimums for the Tier 1 leverage ratio and the Tier 1 Risk Based Capital Ratio are increased and a minimum is set for the CET1 RBC ratio. A summary of the new PCA minimums are:

PCA categories	Tier 1 Leverage (%)	CET1 RBC (%)	Tier 1 RBC (%)	Total RBC (%)
Well Capitalized	≥ 5.0	≥ 6.5	≥ 8.0	≥ 10.0
Adequately Capitalized	≥ 4.0	≥ 4.5	≥ 6.0	≥ 8.0
Undercapitalized	< 4.0	< 4.5	< 6.0	< 8.0
Significantly Undercapitalized	< 3.0	< 3.0	< 4.0	< 6.0
Critically Undercapitalized	Tangible Equity / Total Assets ≤ 2 %			
*Gray cells represent new values under the FDIC's Interim Final Rules				

The interim final rule adjusts risk weights, deductions, and additions to capital to provide a more realistic picture of bank RBC, the effect of which will be lower bank RBC ratios. However, based on September 30, 2013 call report data, all Texas state savings banks are still considered well capitalized for PCA purposes, with a median Tier 1 leverage capital ratio, CET1 RBC ratio, Tier 1 RBC ratio, and Total RBC ratio of 10.36%, 17.14%, 17.27%, and 18.52%, respectively.

Capital Conservation Buffer – The interim final rule places new restrictions on dividends, buybacks, and bonus payments based on the degree that RBC Ratios exceed a newly defined capital conservation buffer. This capital conservation buffer is meant to provide a safeguard for financial institutions during downturns and stress events. The capital conservation buffer is calculated by subtracting a regulatory defined amount from the three RBC ratios and selecting the lowest remaining ratio. To the extent that the capital buffer is less than .625% (during 2016), the bank faces restrictions on the amounts of dividends, bonuses, etc. that the bank may pay. This minimum capital conservation buffer increases gradually to 2.5% in 2019. All Texas SSBs are in excess of the capital conservation buffer as of September 30, 2013 and are not expected to face additional dividend and bonus restrictions under the interim final rule.

EXAMINATION CYCLE

In 2007, the federal financial institution regulatory agencies jointly adopted rules permitting insured depository institutions with up to $500 million in total assets, a CAMELS composite rating of 1 or 2, and that met other criteria, to qualify for an 18 month, rather than 12 month, examination cycle. The other criteria that must be met includes being well managed, well capitalized, not having undergone a change in control in the previous 12 month period, and not being subject to a formal enforcement proceeding or order.

Additionally, interim examination visitation guidelines were established. During the economic downturn, special visitations for excessive growth, commercial real estate concentrations, and business plan reviews were also initiated. In fiscal years 2010 and 2011 the Department conducted 47 and 36 examinations and visitations, respectively. As the condition and CAMELS ratings of Texas state savings banks recovered to better than pre-financial crisis levels, the cycle of examinations and visitations have decreased to 37 and 31 for fiscal years 2012 and 2013 with approximately the same number of institutions.

FAIR LENDING

Community banks may begin to see practices that have been acceptable in fair lending examinations for years being referred to the Department of Justice (DOJ) for fair lending violations. Although the fair lending laws and regulations have not changed, the standard for measuring potential redlining has changed — from comparing the percentage distribution of a bank's loans between minority and non-minority areas, including areas outside a bank's Community Reinvestment Act (CRA) area, to comparing the percentage distribution of so called peer banks. The use of peer comparisons is problematic because criteria used to determine what constitutes a "peer" can produce uncertain and often inaccurate results. Moreover, these criteria typically consider very limited information and often fail to consider important factors such as the type of institution, the unique circumstances in which it operates, or its business and strategic plans.

The introduction of the CFPB's Ability-to-Repay and Qualified Mortgage Standards Rule has also increased uncertainty in fair lending enforcement. As a result of Ability-to-Repay requirements, many community banks have decided to limit residential lending to Qualified Mortgages, but expressed concern that this would incur liability under the ECOA's disparate impact theory. In response, federal depository regulators issued a joint statement in the fall of 2013, only months before the rules would take effect the following January, stating that they did not "anticipate" this decision would impact an institution's fair lending risk. However, the statement fell short of providing a safe harbor for qualified mortgages or provide more definitive guidelines that would have better assisted community bankers in managing fair lending and associated compliance risks.

In the wake of the Dodd-Frank Act and its significant impact on this area of the regulatory landscape, the DOJ has dramatically increased its fair lending efforts with the establishment of a dedicated fair lending unit within its Civil Rights Division in early 2010. In that year alone, the Division received 26 referrals from federal depository regulators (14 by the FDIC) — a DOJ record — alleging a pattern or practice of discrimination involving race or national origin; 29 referrals (14 by the FDIC) in 2011; and 13 referrals (8 by the FDIC) in 2012, according to the U.S. Attorney General's annual fair lending report to Congress. Interestingly, there were a total of 109 referrals to the DOJ between 2009 and 2011, but there were only 30 referrals made by federal regulators during the eight years prior. Although the number of referrals made in 2012 was the lowest since the financial crisis of 2008, the DOJ has continued its vigorous enforcement efforts, obtaining a record 11 settlements, amounting to $265 million.

TEXAS INITIATIVES AND CONDITIONS RELATING TO THRIFT INDUSTRY

FED MEMBER STATUS

Another development in the regulatory relationship between the state and federal regulators and state savings banks is a new interest on the part of some state savings banks in becoming Fed members. In February, 2014, the first state savings bank to become a Fed member purchased Federal Reserve Bank stock. Fed membership will remove the FDIC as the institution's primary federal regulator, replacing it with the Federal Reserve. More than one charter is currently exploring this option. The Department has had limited joint field examination experience with the Dallas Federal Reserve Bank, but has had a positive working relationship for many years with regards to holding company examination and supervision.

REGULATORY ENHANCEMENTS

Since the 73rd Legislature established the state savings bank charter in 1993, fifteen de novo savings banks have opened, and ten commercial banks, eight national banks, eleven federal savings associations, and 21 state chartered savings and loan associations have converted to the state savings bank charter. All of these sources of new charters to the state savings bank system provide additional confirmation of the excellence of this charter. The economic recession and bank failures have significantly reduced FDIC approval of new charters, mergers, and acquisition activities. The Restoring American Financial Stability Act of 2010, S.3217, included the elimination of the Office of Thrift Supervision. Passage of this Act stimulated numerous conversations with federal savings bank charters because the Department now represents the only dedicated thrift regulator option available. Three federal savings bank charters converted to state savings banks in 2011, one in 2012, and one in 2013.

COMPOSITION OF THE TEXAS THRIFT INDUSTRY

Despite strong competition from commercial banks and non-depository residential real estate lenders, thrift institutions, including state and federal thrifts, are a significant presence in the Texas financial institutions industry. Though charter numbers have reduced in the past two years from 44 to 40, thrift assets have grown from $67.4 billion to $78.6 billion. The Texas thrift industry includes many of the largest institutions domiciled in Texas, including: [1] USAA Federal Savings Bank ($62.9 billion); [2] Beal Bank, SSB ($2.6 billion); and [3] Omni American Bank ($1.4 billion). Key thrift industry statistics as of December 31, 2013 follow.

- The Texas thrift industry includes 30 state savings banks and 10 federal savings associations.
- The state chartered thrift industry has reduced in charter numbers from 31 to 30, but has increased in assets by 8.4% from $9.5 billion to $10.3 billion. Consolidation in the industry has been offset in the past two years by the conversion of two federal thrifts to state savings bank charters and the conversion and simultaneous merger of three national banks into one state savings bank charter. Current state savings banks are listed here in alphabetical order, omitting "SSB" from the end of each name:

Angelina Savings Bank	*The Bank and Trust*	*Beal Bank*
Capital Bank	*Cypress Bank*	*Dalhart Federal Savings and Loan Association*
Fayette Savings Bank	*First Bank Texas*	*First Federal Bank, Littlefield*
First Federal Community Bank	*First Star Bank*	*Graham Savings Bank*
Horizon Bank	*Integrity Bank*	*Interstate Bank*
Libertad Bank	*Lone Star Bank*	*Mineola Community Bank*
NexBank	*Pioneer Bank*	*Providence Bank of Texas*
Shelby Savings Bank	*Spirit of Texas Bank*	*Synergy Bank*
Texas Exchange Bank	*Texas Savings Bank*	*Texas Star Bank*
Third Coast Bank	*Triumph Bank*	*TrustTexas Bank*

- Twenty-eight state chartered thrifts were rated a "1" or "2" by both the Department and federal regulators, the highest ratings on the five point CAMELS rating system used by all federal financial institution regulators.
- A state chartered thrift reported losses in calendar year 2013, compared to two in 2012, seven in 2011, five in 2010, and twelve in 2009. Year-over-year, net income increased $4.9 million or 2.4% due to increased asset size and efficiencies. While decreasing loan

yields resulted in a narrowing net interest margin from 5.13% to 4.94%, consolidation within the industry resulted in reduced relative overhead costs from 3.66% to 3.39% of average assets. The improvement in net income is further enhanced by reducing provision expenses as the industry continues to benefit from strong credit quality.

- Excluding one larger institution with a non-comparative business model, the growth in the Texas state-chartered thrift industry appears even stronger, increasing in assets by $1.0 billion or 14.3% in 2013. While net income as a percent of average assets decreased from 1.14% to 0.97%, earnings performance remains strong and the trends described above for the industry as a whole remain true for this subsection, including increased efficiency through consolidation.

All state chartered institutions remained "well capitalized" as economic pressures become more stable, and net loan charge-offs to loans has decreased substantially from 0.7% to 0.2% from 2012 to 2013. Earnings are the primary driver of increased capital ratios, with the industry average Tier 1 Leverage Capital Ratio increasing to 17.54% from 16.53% one year earlier. Provided past due and non-accrual assets remain stable, and charge-offs remain low, industry capital should remain consistent.

STATE CHARTERED THRIFT INSTITUTIONS

Data as of (YTD):	12/31/2013	12/31/2011	12/31/2009	12/31/2007	12/31/2005
Active Charters	30	31	29	26	20
Total Assets ($ Billions)	10.3	9.5	8.4	10.0	8.7
Net Income ($ Millions)	210.2	52.0	221.2	54.5	206.4
Number Profitable Charters	29	24	17	19	19
Tier 1 Leverage Capital – Lowest	7.4%	5.4%	5.7%	6.7%	6.3%
Tier 1 Leverage Capital - Industry Average	17.6%	11.7%	11.0%	28.7%	11.5%
Tier 1 Leverage Capital – Highest	38.1%	27.7%	19.4%	195.8%	31.6%
Total Risk-Based Capital - Industry Average	27.4%	20.8%	18.2%	45.8%	18.7%
Percent of Charters Rated Composite 1 or 2	93.3%	77.4%	57.1%	92.3%	95.0%

As of the end of FY2013, the Department had five state savings banks that are in a de novo status. De novo institutions face a strenuous process of attaining profitability and market share in even the best of times. As a result of these natural stresses being exacerbated by the severity of the recent economic downturn, the FDIC chose to amend the official definition of the de novo status period from three to seven years, despite the Federal Reserve System extending their de novo period to only five years. With this change in definition these banks will remain in a de novo status until they have met the seven year requirement.

Excluding an institution that is active in acquiring performing and non-performing assets in the secondary market, non-performing assets have reduced from 1.21% in 2012 to 0.79% in 2013. While asset quality is currently strong in the industry, external factors relating to economic stability may impact loan repayment in the future. Therefore, credit risk must continue to be closely monitored. The ratio analysis below is as of December 31, 2013.

	Banks			Thrifts		
	State Chartered Banks	Texas National Banks	All Texas Banks	State Chartered Thrifts	Texas Federal Thrifts	All Texas Thrifts
Number of Institutions------------- →	**279**	**214**	**493**	**30**	**10**	**40**
% of Unprofitable Institutions	5.38%	2.80%	4.26%	3.33%	10.00%	5.00%
% of Institutions with Earnings Gains	48.03%	35.98%	42.80%	43.33%	50.00%	45.00%
Yield on Earning Assets	3.68%	3.52%	3.61%	5.59%	4.34%	4.50%
Net Interest Margin	3.38%	3.27%	3.33%	4.94%	3.86%	4.00%
Return on Assets	1.07%	1.25%	1.15%	2.11%	1.25%	1.37%
Return on Equity	9.63%	11.89%	10.54%	12.22%	13.70%	13.37%
Net Charge-offs to Loans	0.19%	0.19%	0.19%	0.22%	1.25%	1.10%
Earnings Coverage – Net Loan C/Os	14.2X	14.8X	14.4X	15.5X	3.2X	3.5X
Loss Allowance to Loans	1.30%	1.64%	1.44%	1.51%	1.73%	1.70%
Noncurrent and Restructured Loans +OREO to Loans+OREO	1.89%	3.52%	2.55%	1.31%*	1.85%	1.79%*
Total Loans and Leases to Deposits	67.93%	70.61%	69.00%	93.48%	72.46%	74.88%
Equity Capital to Assets	10.99%	11.15%	11.06%	17.69%	9.02%	10.16%
Core Capital (Leverage) Ratio	9.68%	10.14%	9.87%	17.56%	9.01%	10.11%

Data for institutions chartered by other states and doing business in Texas are not available and therefore excluded
**Excludes one larger state savings bank engaged in the substantially discounted acquisition of nonperforming, but well-secured assets.*
Green highlighting indicates positive ratios where Texas state savings banks as a whole outperformed other charter types.

CAPITAL STANDARDS

There is an increasing regulatory demand for capital in depository institutions as a result of the past financial crisis, anticipated growth, and regulatory capital changes; i.e. proposed Basel III Capital requirements. While other parts of the country have experienced trouble raising capital, Texas state savings banks have generally not had problems with raising capital. Many of these institutions are still in growth patterns. Total contributed capital injections placed into the state thrift industry during calendar year 2013 was $54.8 million. Since 2007, $744.3 million has been contributed to state savings banks, with $188.4 million in capital stock net sales, conversion, acquisition or retirement; $225.9 million through business combinations; and $329.9 million from transactions with parent holding companies.

Capital Contributions and Changes (in Thousands $1,000's)				
Year	**Capital Stock, Net Sale, Conversion, Acquisition, Retirement**	**Changes incident to business combinations, net**	**Other transactions with parent holding company**	**Total**
2013	$1,057	$9,828	$43,941	$54,826
2012	$9,085	$24,543	$22,037	$55,665
2011	$41,645	$212,019	$19,647	$273,311
2010	$27,556	($19,340)	$43,644	$51,860
2009	$7,372	0	$45,900	$53,272
2008	$20,811	($1,102)	$44,879	$64,588
2007	$80,966	0	$109,863	$190,829
Total	$188,492	$225,948	$329,911	$744,351

Safety and Soundness

The national recession and significant deterioration in the housing market had its impact on the Texas thrift industry. However, as of December 31, 2013, 24 out of 31 state savings banks were rated satisfactory or better (CAMELS composite rating of 1 or 2).

SML Early Detection Programs

The Department's Thrift Supervision Division, with the integral support of field examination management and staff, conducts offsite monitoring to detect risks at early stages. This information is used to form strategic decisions about examination frequency and scope, enforcement actions, and other means to address emerging risks. The primary tool used for data collection is the BankAnalyst software program provided by Financial Information Systems, LLC, which is regularly updated with Call Report data. Other sources include, but are not limited to, Uniform Bank Performance Reports (UBPR), FFIEC Reports of Condition and Income (Call Reports). The division produces quarterly, risk-focused review worksheets for each institution, and a comprehensive early detection model known as ThriftPRO that incorporates all state savings banks. A separate interest rate risk monitoring program is administered through the field examination staff, but is incorporated into ThriftPRO.

> ***ThriftPRO*** – SML revised and updated its early detection system in early 2012 by developing ThriftPRO, a quarterly, comprehensive model of 16 key risks across each state savings bank. The program uses automatically imported Call Report data obtained and organized through BankAnalyst, adverse classification data obtained from the bank and periodically confirmed through examinations, examination component ratings, and an interest rate risk score. Risk-weighted scores are assigned for each category and a total score is calculated. The ThriftPRO program ranks the banks, placing the highest risk profiles at the top of the "watch list." It automatically flags high scores in individual categories, overall categories, and identifies those SSBs with increasing scores over the prior quarter. The model has proven to be a reliable indicator of high and increasing risk profiles and has been a useful tool in decisions related to the allocation of department resources.
>
> ***Interest Rate Risk Monitoring*** – SML established an interest rate risk triage program in 2010, which is a significant although independent component of the early detection program. A summary of the program was discussed earlier in the Interest Rate Risk monitoring Section.

Thrift Compliance Examination

The Thrift Compliance Examination program, initiated by the Department, is a result of complaints received from various state savings banks relating to the harshness and potential unfairness of compliance examinations by the FDIC. The Department's role is to attend and assist in the examination process and to attend management and board exit meetings. Examinations are not joint examinations and the Department does not sign the examination report. However, if at some point, the Department sees value in joint examinations the process will be revised. By being involved from the beginning of the compliance examination process, the Department is able to evaluate whether the state savings banks are being treated fairly and consistently. Another value the program provides is the opportunity to discuss issues with the FDIC prior to the assignment of ratings. This is critical given the recent focus that federal regulators have placed on areas such as fair lending and UDAAP which often involve complex requirements and continually evolving enforcement efforts and expectations that are often designed for larger banks rather than community banks. Additionally, the program has provided the Department with valuable insight into other areas that have been the focus of federal regulators, including redlining, third-party risk management, and RESPA.

Senior members of management at the FDIC Dallas Regional Office have been supportive of the Department's program, stating that it is a model for other states wishing to pursue such a program. As of February 28, 2014, at least one other state has established a program based on the Department's program.

SAVINGS AND LOAN CHARTER

In response to the constriction in the credit markets, lack of liquidity and a scarcity of new charter approvals by the FDIC, the Department began accepting applications for savings and loan charters without insurance of deposit in FY2010. The Texas Savings and Loan Act allows for a savings and loan association to not be insured by the FDIC. These special purpose institutions will be prohibited from accepting deposits from anyone except major shareholders or directors. Potential business models include troubled asset acquisition, non-traditional mortgages, or a warehouse lending platform. Since 2010, the Department has received three potential wholesale savings and loans charter applications. Two of these applications were withdrawn and the third application, was approved, but was unable to raise sufficient capital to open and the application was withdrawn.

NATIONAL ORGANIZATIONS SUPPORTING STATE REGULATION

In 2008 the Department initiated an annual Thrift Industry Day conference. This event allows the Department's charters to share with each other without being absorbed into a larger crowd. It provides a forum for Department staff to share emerging issues and regulatory perspective on the challenges facing the industry. It has also created an environment for staff development and platform to demonstrate the strength and depth of the Department's staff.

The Department is an active member of the American Council of State Savings Supervisors (ACSSS), the primary professional trade organization of state thrift regulators in the country. Commissioner Caroline Jones currently serves as a board member of ACSSS. The group collaborates on issues of common concern to state chartered savings institutions and provides training on current and emerging issues. ACSSS was instrumental in the development and promotion of the state savings bank charter as a way to obtain relief from the burdensome triple regulation of state chartered savings and loan associations. The group takes an active role in providing the banking committees of Congress with each state's perspective on issues such as regulatory restructuring and other financial services issues.

In addition to the organization above where the Department is a member or a sponsor, the Texas thrift industry is represented by both the Texas Bankers Association and the Independent Bankers Association of Texas. The Commissioner has been a frequent participant and speaker for many events of these state trade associations.

INTERNAL FACTORS

STRUCTURE AND OPERATIONS OF THE DEPARTMENT

STAFF OVERVIEW

As of February 28, 2014 the Department was staffed at 61 FTEs and one regular part time employee.

Ten FTEs of the current staff are dedicated solely to administrative support activities (accounting/human resources, information technology, switchboard/reception and mail processing). All remaining staff are directly involved in the regulatory functions of either: examining, supervising and chartering thrifts, licensing, registering, and examining mortgage originators; or investigating consumer complaints and enforcing the statutes administered by the Department. A more detailed analysis of current staffing is provided in Appendix F, Workforce Plan.

At the end of FY2014, the Department had a change in leadership, with the retirement of Commissioner Douglas B. Foster and the hiring of Caroline C. Jones, the Department's General Counsel, as his replacement.

CROSS TRAINING

In any small organization, providing backup is a challenge. Wherever possible, individuals are cross trained, particularly in critical areas of internal control. All thrift examiners have been cross trained to conduct mortgage broker inspections, and several mortgage broker inspectors are cross trained in the more complex thrift examinations.

STAFFING FOR INDUSTRY SIZE

The following chart depicts the Department's success in maintaining staff size at a level consistent with the size and activity levels of the regulated industries:

KEY OPERATING INDICATORS 2008-2014

Fiscal Year	Active Licensees and Registrants	Number of Complaints Received	Number of Thrift Charters	Total Thrift Assets Supervised (millions)	FTEs
2008	18,309	1006	28	$4,000	64
2009	12,539	954	28	$4,500	60
2010	10,128	802	29	$8,400	54
2011	14,656	671	30	$8,600	63
2012	14,793	715	32	$9,900	62
2013	16,877	988	30	$9,800	62
2014*	16,046	183	30	$10,200	61.5

*As of February 28, 2014.

STAFF ORGANIZATION BY POSITION

An organizational chart is provided in Appendix B, Organization Chart. Key positions and divisions are described below:

Commissioner – The Commissioner is a hands-on chief executive officer and an active regulatory participant with a strong focus on maintaining regulation. This results in a safe and sound state thrift industry and a compliant mortgage industry through efficient chartering and licensing, monitoring and enforcement, examination and inspection, and complaint investigation and resolution that provides a balance of effective and equitable regulation. The Texas Finance Code sets out the eligibility requirements for the person serving as Commissioner.

Deputy Commissioner/Chief Thrift Examiner – The Deputy Commissioner directs, coordinates, and performs examinations of state savings institutions; coordinates with other regulators to accomplish examination objectives; and monitors institution compliance with state and federal laws.

Deputy Commissioner/General Counsel – The General Counsel provides a full range of legal services to the Department; directs offsite monitoring of thrift institutions; coordinates regulatory approvals regarding institution activities and processing of thrift applications; works with the Commissioner and the Chief Examiners to ensure efficient and effective regulation; and monitors compliance with state and federal laws and adherence to safe and sound practices by thrift institutions. Under the General Counsel's supervision, the legal area is responsible for enforcement actions against licensees and regulated entities. Additionally, the General Counsel provides legal services relating to governmental relations.

Director of Licensing – The Director of Licensing is responsible for all aspects of mortgage originator licensing and registration through oversight of both administrative staff and technology including the interface between the Department's internal software system and the NMLS. The Director works closely with the Commissioner to educate the industry and provide guidance to applicants regarding the requirements of the mortgage regulation statutes and related rules.

Director of Administration and Finance – The Director of Administration and Finance is the chief financial and administrative officer and is responsible for accounting, human resources, strategic planning, budgeting, and oversees administrative functions.

Chief Mortgage Examiner – The Chief Mortgage Examiner coordinates, directs, and performs examination activities related to mortgage companies and mortgage bankers; reviews examination reports prior to issuance; and monitors mortgage originator compliance with state and federal laws.

Associate General Counsel – The Associate General Counsel develops cases for administrative enforcement action and in support of license denials; represents the Department in cases before the Finance Commission administrative law judge or in District Court; prepares legal opinions, briefs, and other legal documents; coordinates consumer protection activities, particularly consumer complaint investigation and resolution; interprets laws and regulations; and drafts bills for legislative consideration.

STAFF ORGANIZATION BY FUNCTION

THRIFT INDUSTRY

Thrift Examination – Thrift examiners, individually or in teams, perform either full scope independent or joint onsite safety and soundness examinations of financial institutions under the guidance of the Deputy Commissioner, who provides field supervision, training, and schedule coordination. Thrift examiners also conduct limited scope examinations or special investigations related to supervisory concerns when required. The strength of the thrift examination staff is evidenced by the FDIC's willingness to participate fully in joint examinations and to take joint enforcement and supervisory action to address problems. The majority of directors and officers of state chartered thrifts express a preference for joint examinations, believing that Department examiners provide valuable assistance by helping FDIC examiners, who are often more familiar with commercial banks, adjust to thrift industry differences. From the Department's perspective, joint examinations are generally more efficient, fostering a more effective working relationship with the FDIC and allowing the Department to stay more informed about the institutions under its jurisdiction (i.e., examiners visit regulated institutions at least every 18 months with a joint examination program as opposed to every 36 months when examinations are alternated).

Offsite Monitoring and Supervision – The General Counsel provides guidance with the assistance of the Department's Supervisor of Thrift Supervision and Analysis and two financial examiners who serve as supervisory analysts. Each analyst coordinates offsite monitoring on an assigned caseload of state chartered savings institutions; maintains the financial institution data model; reviews requests for regulatory approvals and examination reports, recommends appropriate action, and provides suggestions for future examinations; reviews thrift applications for completeness and recommends their disposition; and coordinates the hearings process for applications.

RESIDENTIAL MORTGAGE LOAN ORIGINATOR REGULATION

Licensing and Registration – Licensing and registration staff responds to pre-application questions; ensures applications and registrations are complete and comply with requirements; maintains the mortgage originator database; serves as primary contact with applicants during the application process; and assists the Director of Licensing as needed.

Mortgage Industry Examination – Mortgage industry examiners conduct compliance examinations of licensees for compliance with the applicable statutes and assist complaint investigators with field investigations as needed. The Chief Mortgage Examiner supervises, trains, and coordinates schedules of inspectors.

Consumer Protection - Complaint Resolution and Enforcement – Complaint resolution staff accepts and investigates written complaints regarding the activities of mortgage originators and servicers, unlicensed originators subject to the applicable statutes, and state chartered savings institutions. The Department has statutory authority to initiate its own complaint investigations. The Associate General Counsel, prepares cases for administrative hearings, and prepares various enforcement orders including orders to: cease and desist; take affirmative action; and pay restitution and/or administrative penalties.

SDSI STATUS, OPERATING EXPENDITURES AND REVENUE

Prior to passage of HB2774 by the 81st Legislature (2009), which gave the Department SDSI status, the legislature approved appropriations of $6,165,357 for FY2010 and $5,399,048 for FY2011, not including contingency riders, employee benefits, and other direct and indirect costs included elsewhere in the General Appropriations Act. Subsequently, the Finance Commission has approved operating budgets for FY2012 in the amount of $5,425,155, for FY2013 in the amount of $5,629,830 and for FY2014 in the amount of $5,718,199. The Department has been fiscally responsible with its expenditures in light of statewide budgetary constraints. The Department's fiscal responsibility has been equally matched with an emphasis on transparency and constituent involvement. Prior to the final adoption of any Finance Commission Department's budget a public hearing date is set inviting input from any concerned group or individual. In preparation for this meeting the Department enters into discussions with various key constituent trade groups about the nature of the budget and any changes from prior years and then asks for either a letter of support for the budget or a to participate in the public hearing process.

Although the Department has been and remains self-funding, self-leveling, in prior years residential mortgage loan originators have paid fees in excess of covering all direct and indirect costs of regulation, due to the lack of a flexible mechanism to adjust licensing fees. Historically, the excess revenue resulted from license application volume exceeding estimates combined with appropriation requests that were not fully funded by the legislature. Starting in 2008, however, the Department observed a continual decrease of new licensees and renewals which directly impacted the revenue inflow, and as a result the level of expenditure outflow. With the transition to NMLS, the license renewal structure changed from a two-year rolling expiration date to a one year single expiration date. With this change and SDSI status allowing for reserves to level fluctuating cash flows, the Department is now able to quickly respond to changes in the licensee population as it expands with new license types and adjust the licensing fees in order to cover operating expenditures. Evidence of this improved control over fee structure is the fact that the Department lowered mortgage licensing fees on average 17% for 2012 licenses and an additional 60% for 2014 licenses or from $300 to $250 to $100 for each renewed license.

STAFFING, COMPENSATION, AND TURNOVER

Employee salaries and benefits represent approximately 87% of the total budget for FY2014 up from 72% of the total budget in FY2012, while travel costs account for another 7% down from 8% in the same fiscal years.

As of December 31, 2013, 5% of all employees had less than two years of agency service (down from 40% in February 2007). Historically, the Department's examiner salaries have not been competitive with either private industry compensation or other state or federal regulatory agencies that employ financial examiners, which made hiring and retention very difficult. The SDSI status provided the Department with the ability to make significant strides towards making examiners' salaries competitive with salaries of federal counterparts. Training and retention of new staff are critical to Department performance and have been addressed continuously. Examiner annual turnover rate has decreased from an average of 22% for the period 2002-2009 to an average of 3% for the period 2010-2013.

Additionally, the Department has taken steps to increase employee satisfaction and reduce turnover. One-time merit increases are given when revenue or available funding do not allow for regular merit increases. Flexible work schedules, as well as a telecommuting policy, are available to employees. Thrift examiners work four ten hour days each week, saving one night's travel cost and reducing turnover by allowing examiners more personal time. A travel stipend is available to examiners who spend more than 50 nights away from home while on official examination related business. A business casual dress code was implemented several years ago. Employee feedback is solicited through regular employee satisfaction surveys. The results indicate generally high satisfaction with working conditions except for salary and benefit levels.

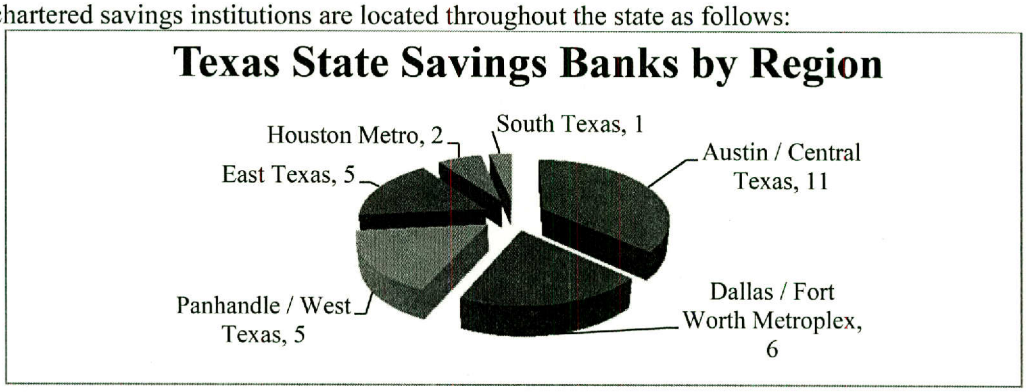
SUPPORT HISTORICALLY UNDERUTILIZED BUSINESSES

Professional and other services, as well as commodity purchasing constitute the bulk of HUB eligible purchases. The Department complies with all applicable statutes and regulations. Actual HUB purchases represented 26.93% of the Department's purchases in FY2013 and 31.7% in FY2012, compared to the state levels of HUB spending of 13.42% and 13.87%, respectively.

LOCATION OF AGENCY AND REGULATED POPULATION

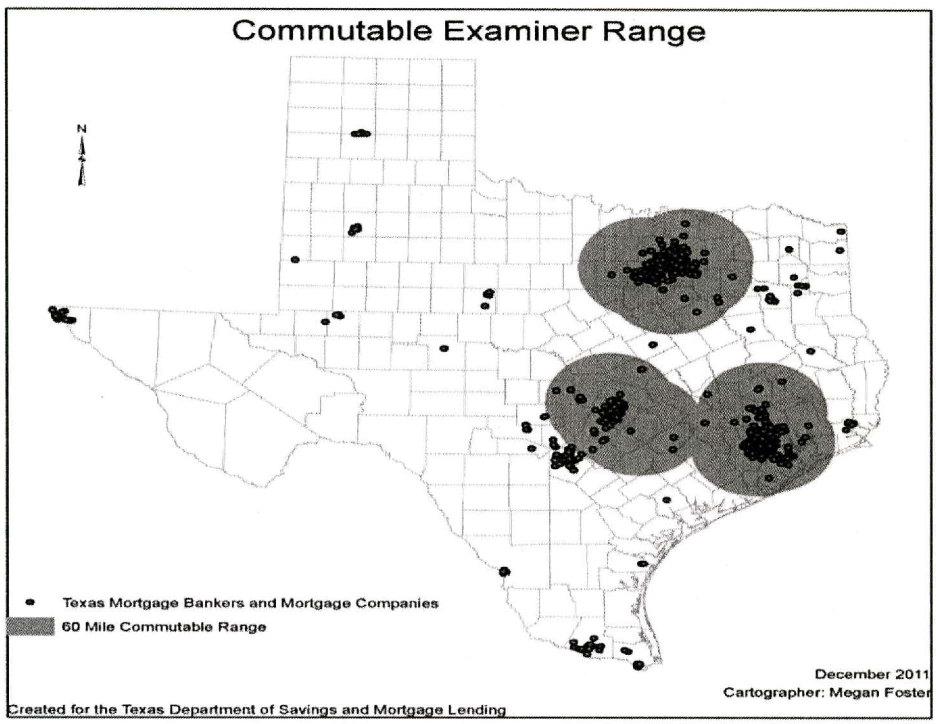
The Department's only public office is in the Finance Commission Building, 2601 North Lamar, Suite 201, Austin, Texas 78705. The Department occupies an estimated 7,714 square feet of usable space, which includes areas shared with the other Finance Commission agencies. Thrift examiners and mortgage inspectors are headquartered at their personal residences. This facility is no longer meeting the needs of the Department or the other agencies under the Finance Commission's oversight. 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 the agencies. The Finance Commission building was listed for sale in April 2012 and the search for a new facility has been underway for over two years, with no decisions being made. Expenses related to the building and relocation of the three agencies may impact future budgets, despite an adequate reserve being established.

State chartered savings institutions are located throughout the state as follows:



Most thrift examiner travel is overnight and examiners are in travel status for a significant amount of the time. During FY2013, 13 out of 18 examiners qualified for the Department's travel stipend. Travel to outlying regions of the state sometimes involves air travel to the nearest airport followed by a lengthy car trip. To minimize the impact of travel expenses on the budget examiners follow a compressed work schedule, work from home when possible, and are hired from regions similar to the geographic groupings of the financial institutions under the Department's jurisdiction.

Residential mortgage loan originator licensees do business throughout the nation, and as mentioned earlier those RMLOs physically located outside of Texas generally equal RMLO Texas citizens. But in state RMLO concentrations in the major population centers: 33% in the Houston Standard Metropolitan Statistical Area ("SMSA"); 33% in the Dallas-Fort Worth SMSAs; and 20% in central Texas (San Antonio and Austin SMSAs) remain generally unchanged from those reflected in the map below. Examiner headquarters are concentrated in these areas as reflected in the maps blue commutable range circles to increase efficiency and reduce travel cost. Mortgage examiners travel is frequently limited to shorter distance day travel as 80% of all originators live within a 60 mile radius of examiner headquarters. However, travel to East and West Texas, El Paso (3%) and the Rio Grande Valley (4%) requires overnight travel and airfare to the more distant locations. Longer distance travel is planned in blocks to reduce travel expenses. Although most examination are conducted in state, as needed the Department may travel and conduct examinations of licensee's whose records are kept out of state. Should the Department have the need to hire an additional examiner they would be headquartered in San Antonio to increase commutable coverage to approximately 90%.



INFORMATION SYSTEMS

Agency operations are not capital asset intensive. Personal computers are upgraded as needed. Acquisitions are coordinated with the Texas Department of Information Resources. Each examiner uses a laptop computer, scanner, and printer. Examiners utilize the Internet to access e-mail for file exchange with FDIC examiners and the Department, as well as resource materials on the web sites of federal regulators. To facilitate joint examinations with the FDIC, thrift examiners use FDIC software in conducting examinations and compiling examination reports. Thrift examiners are also given the FDIC

Examiner Manual on CD-ROM as a reference tool. Any software or procedural change by the FDIC has a direct and immediate impact on the Department's thrift examiners. The Department uses the "Bank Analyst" integrated database software provided by Financial Information Systems, LLC, Bedford, Texas, to compile essential information on state chartered savings institutions and develop quarterly monitoring reports to facilitate regulations. Equipment upgrades on the scheduled replacement cycle should be available for $50,000-$75,000.

The Department's local area network provides Internet access and e-mail to all staff. A proprietary database (MyLic) is utilized for the mortgage regulation function, including licensing information, enforcement actions, and consumer complaints. The NMLS is the Department's system of record for licensing. NMLS is the official and sole system for companies and individuals seeking to apply for, amend, renew, and surrender licenses managed in the NMLS on behalf of the Department. Data is downloaded daily from the NMLS into MyLIC in order to manage those functions not current in the NMLS. Crystal Reports® software is used to select and sort MyLIC database elements to meet any management reporting or analysis need. This duplication of data is compulsory due to the NMLS failure after six years to provide the support systems for examinations, consumer complaints, and enforcement actions it was mandated to do by the 2008 federal SAFE Act.

The three Finance Commission agencies share a document imaging system. License and registration applications and supporting documentation are imaged upon receipt. Thrift institution documents and enforcement files are also imaged. Field staff accesses the imaging system through the web version of the software.

The Department's home page (www.sml.texas.gov) informs citizens and other constituents of the Department's functions and responsibilities. The information available on the website includes: downloadable applications and forms, responses to frequently asked questions, pertinent statutes, rules and policies, enforcement actions, a searchable database of mortgage originators via NMLS Consumer Access, and the NMLS Resource Center. We continue to explore ways to use the Internet to deliver convenient and economical service to the citizens of Texas.

STRENGTHS, WEAKNESSES AND OPPORTUNITIES

STRENGTHS

- ☐ Staff is experienced and knowledgeable of the thrift and mortgage industries, related state and federal law and regulations, as well as the applicable financial and accounting standards.
- ☐ Staff is dedicated to the Department and strongly committed to consumer protection.
- ☐ Staff is cognizant of the necessary balance between regulatory compliance and safety and soundness concerns, offset by the need for credit and financial services.
- ☐ Staff is strongly committed to the state thrift system and the residential mortgage lending system that serves consumer needs and provides positive benefits to the state economy.
- ☐ The Department has created a family friendly workplace by offering alternatives to employees to achieve productivity in a less structured environment and improve staff retention.
- ☐ The Department's commitment to professionalism has attracted competent, well-educated, and diverse employees.
- ☐ Efficient operations are mandated by the size of the state chartered thrift industry, competitive regulatory alternatives, the demands of mortgage licensing and regulation, and the need to match costs with revenue.
- ☐ Through cross-training and closely managed internal operational control, the Department has maintained efficient charter and license processing and aggressive oversight and supervision of the industries it regulates.
- ☐ The Department is nationally accredited for its regulation and supervision of mortgage origination.
- ☐ The Department is responsive to feedback from its regulated entities and enjoys an excellent reputation for competent and balanced supervision.
- ☐ Effective fiscal management has enabled the Department to accurately project revenue and expenditures, and provide for a reserve balance.
- ☐ As a Self-Directed/Semi-Independent agency, the Department has more freedom to provide cost effective regulation.

WEAKNESSES

- At the end of FY2014, the commissioner for the past seven years retired after 29 years with the Department. The loss of the commissioner is balanced by a management team with only one manager eligible to retire.
- The Department's "bench strength" still needs enhancement through internal cross training and development programs.
- The future of housing finance, including the role of the federal government and delivery conduits remains in a state of uncertainty after five year of federal government inaction.
- The Department's number of staff fluent in Spanish is limited and concentrated in the licensing area and not broad based throughout the organization.

OPPORTUNITIES

- The Texas savings bank charter provides an attractive alternative to federal savings banks in Texas who no longer have a dedicated federal thrift regulator.
- Authority over third party mortgage servicers allows additional powers to resolve consumer complaints already coming to the Department. As awareness of the ability to assist has grown, so has the volume and complexity of complaint resolution activity.
- Maintaining the reduced turnover in examiner and all other staff through competitive salary and benefits.
- Continue to explore ways to use the Internet to deliver convenient and economical service to the citizens of Texas.

AGENCY GOALS, OBJECTIVES, STRATEGIES AND PERFORMANCE MEASURES

GOAL A: THRIFT SAFETY AND SOUNDNESS

Aggressively enforce safety and soundness standards in the state chartered thrift industry and compliance with the Texas Finance Code in a manner that is constructive and maintains the interest of depositors, creditors and borrowers of savings institutions as paramount. [Texas Finance Code Subtitle B, Savings and Loan Associations and Subtitle C, Savings Banks,]

OBJECTIVE

A. **SAFETY AND SOUNDNESS:** To examine, monitor and enforce the safe and sound operations of state chartered savings institutions and their compliance with applicable state and federal statutes and regulations through 2015 by guaranteeing that:

- 100% of savings institutions receive a quality examination when due per the priority examination schedule;
- 100% of problem institutions have the appropriate supervisory action(s) in place; and
- 100% of applications receive final action within the statutory time frame.

OUTCOME MEASURES

01-01-01	Percent of state chartered savings institutions receiving examinations as required by priority schedule
01-01-02	Percent of safe and sound institutions to total savings institutions
01-01-03	Percent of assets in safe and sound savings institutions
01-01-04	Percent of applications receiving final action within statutory time frames

STRATEGY

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

OUTPUT MEASURES

01-01-01-01	Number of examinations performed
01-01-01-02	Number of detected instances of activity in unauthorized or prohibited areas
01-01-01-03	Number of formal and informal regulatory actions

EFFICIENCY MEASURES

01-01-01-01	Assets examined per examiner day
01-01-01-02	Average time (business days) to complete analysis of quarterly financial data
01-01-01-03	Average time (business days) between identification of a problem and initiation of regulatory action

EXPLANATORY MEASURES

01-01-01-01	Number of state chartered savings institutions
01-01-01-02	Dollar amount of assets under regulation (in billions)

GOAL B: MORTGAGE REGULATION

Protect Texas home buyers through fair and effective regulation of mortgage originating individuals and businesses. [Texas Finance Code, Subtitle E, Chapter 156, Mortgage Broker License Act, Chapter 157, Mortgage Banker Registration Act, and Chapter 158, Residential Mortgage Loan Servicer Registration Act]

OBJECTIVE

B. RESIDENTIAL MORTGAGE LOAN ORIGINATOR REGULATION: To ensure timely and efficient licensing, registration, and examination of mortgage originators through fair, responsible, comprehensive regulation and enforce regulatory requirements regarding education, experience and conduct.

OUTCOME MEASURES

02-01-01	Percent of licensees receiving satisfactory levels of compliance through examinations

STRATEGY

B-1-1. MORTGAGE BROKER LICENSING. Process, investigate and evaluate mortgage originator license applications and registrations; establish continuing education course standards; enforce compliance with standards of conduct.

B-1-2. MORTGAGE BROKER EXAMINATION. Ensure effective and efficient examination of mortgage originators through fair, responsible, and comprehensive investigation and enforcement of regulatory requirements regarding procedures and standards of conduct.

OUTPUT MEASURES

02-01-01-01	Number of applications approved
02-01-02-01	Number of licensees examined

EFFICIENCY MEASURES

02-01-01-01	Average cost per license issued and mortgage originator approved
02-01-01-02	Percent of new individual license issued and mortgage originators approved within 10 days

EXPLANATORY MEASURES

02-01-01-01	Total number of licensees in an approved status

GOAL C: CONSUMER RESPONSIVENESS.

Ensure responsiveness to inquiries, requests and complaints from the industry, citizens, public officials, and other state and federal governmental entities. [Texas Finance Code, Chapter 13, Savings and Loan Department, §13.011; Chapter 156, Mortgage Brokers, §156.301, et. seq.; Chapter 157, Mortgage Bankers, §157.007 and §157.008, Chapter 158, Mortgage Servicers, §158.102]

OBJECTIVE

C. COMPLAINTS AND INQUIRIES: To ensure timely and efficient complaint resolution by guaranteeing through 2017 that all consumer complaints, requests and inquiries will be answered within ten days.

OUTCOME MEASURES

03-01-01	Percent of complaints answered within ten business days of receipt of complete information

STRATEGY

C-1-1. COMPLAINT AND INQUIRY PROCESS. Provide a forum for registering complaints, responding to requests and inquiries and taking appropriate action when warranted. Respond appropriately to requests or inquiries to obtain information regarding financial institutions and mortgage originators giving particular priority to requests from state and federal agencies conducting civil and criminal investigations.

OUTPUT MEASURES

03-01-01-01	Number of consumer complaints completed
03-01-01-02	Number of informational inquiries and requests completed (phone/written)

EFFICIENCY MEASURES

03-01-01-01	Average cost per consumer complaint completed

GOAL D: SUPPORT DUAL SYSTEM

To support and promote the dual thrift system, and serve as a voice and a resource about the importance of preserving the right and authority of the state to establish and maintain its own system of chartering and regulating the thrift industry in Texas. [Article 16, Section 16 of the Texas Constitution]

The Department believes the dual system in the banking and thrift industries is the state's most effective means to exercise control over the financial institutions operating in its boundaries. The Department will continue to take an active role in the American Council of State Savings Supervisors to promote the value of the dual system on a national basis. This organization also provides valuable communication with other state regulators regarding all issues of industry regulation and has been particularly effective in championing the interests of states in thrift regulation nationwide. The Department will continue to serve as a clearinghouse for information about legislation in other states and at the federal level, and will communicate such information to the Finance Commission, and state legislative and executive officials.

GOAL E: SUPPORT HISTORICALLY UNDERUTILIZED BUSINESSES.

To establish and implement policies governing purchasing and public works contracting that foster meaningful and substantive inclusion of historically underutilized businesses ("HUBs"). [1 TAC §§111.11-111.23]

The Department supports efforts by state leadership in their policy directing state agencies to utilize HUBs when awarding state contracts. While the Department issues only a few contracts, we will continue our concerted effort to maximize such utilization.

TECHNOLOGY RESOURCE PLANNING

TECHNOLOGY ASSESSMENT SUMMARY

INITIATIVE 1: NATIONWIDE MORTGAGE LICENSING SYSTEM (NLMS)

Description: NMLS is the Department's system of record for licensing. NMLS, at a national level, is the official and sole system for mortgage industry entities and individuals seeking to apply for, amend, renew, and surrender licenses. NMLS is owned and operated by SRR, a subsidiary of Community State Bank Supervisors (CSBS).

Associated Project(s): Maintaining and updating the Department's proprietary database to allow for compatibility with NMLS – **Status:** Ongoing

Objective(s): Ensure timely and efficient processing of initial license applications and renewal applications for mortgage entities and individuals through fair, responsible, comprehensive evaluation and investigation of applicants within statutory time frames and enforce regulatory requirements regarding education, testing, and conduct.

Statewide Technology Priorities: Security and Privacy; Business Continuity; Data Management; Mobility; Network

Anticipated Benefit(s): Web-based application for mortgage industry, consumers, and state regulators, which allow access to information regarding the mortgage industry and licensees.

Capabilities or Barriers: Immediate access to the records of mortgage entities and individuals conducting business in our state. The NMLS does not currently incorporate other functions necessary for effective regulatory oversight including examination, complaint, and enforcement information. Inability to amend or customize the system to meet the Department's needs.

INITIATIVE 2: MAINTAIN AN UP-TO-DATE COMPUTER SYSTEM AND NETWORK

Description: The Department continues to provide superior service and maintain the Department'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 new network infrastructures.

Associated Project(s): Replace outdated computers and servers – Status: Ongoing

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.

Statewide Technology Priorities: Security and Privacy; Business Continuity; Data Management; Mobility; Network

Anticipated Benefit(s): Maintaining up-to-date computer systems keeps employees productive. A large number of staff conducts work in remote locations and the need for fast, reliable equipment is paramount. Slow computers and networks waste valuable time. By replacing old and outdated equipment, employees spend more time on their duties and less time waiting.

Capabilities or Barriers: The primary barrier of replacing computers, servers, and purchasing new technologies is cost.

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APPENDICES

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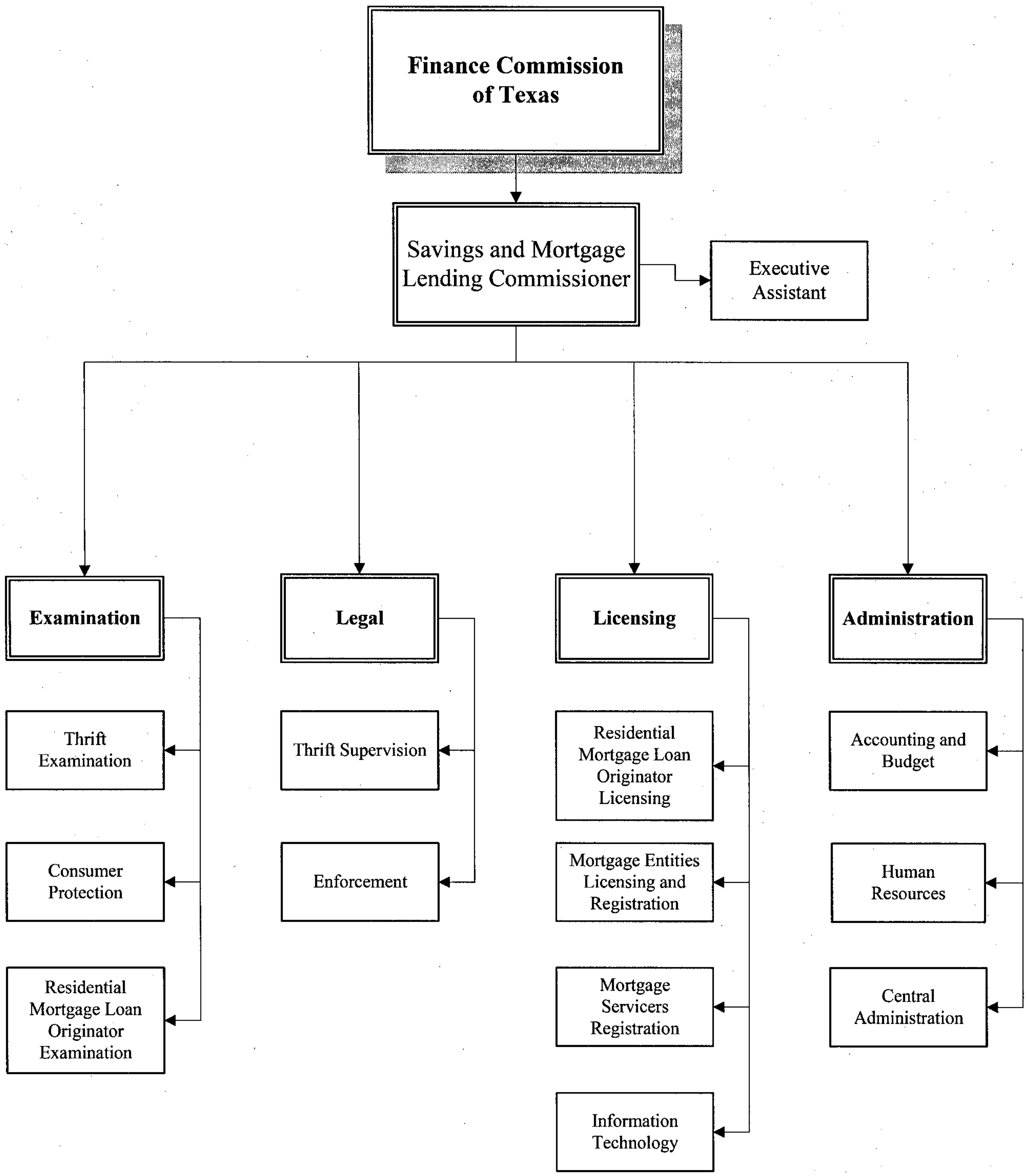
APPENDIX A: STRATEGIC PLANNING PROCESS

Each division director was assigned sections of the strategic plan and was asked not only to revise their assigned areas but also to read the complete plan, making additions and changes and inserting notes regarding changed, incomplete, or unclear areas. Volunteers were solicited from among the staff to engage in the development process. Simultaneously both volunteer staff members and division directors worked independently to identify suggested changes before combining into a group consensus. All changes were tracked in the initial revisions. The Commissioner then met with the directors to solicit further discussion of the changes and incorporate suggested changes into the final draft plan. Each element of the Department's mission, philosophy, goals, objectives, strategies and measures was critically reviewed and discussed. Areas for operational improvement, strategic plan goals, objectives and strategies, and the variety of external customers served by the Department were discussed and modifications made where appropriate.

Each employee was requested to read the draft strategic plan and provide input. The draft plan was provided to the members of the Mortgage Industry Advisory Committee (MIAC) and trade group representatives before being discussed in detail as part of the March 19th meeting. Thrift executives were provided an opportunity to participate in the process with contributions made by several as well as their representative trade group. Suggested modifications received from both the thrift and mortgage industries were incorporated into the plan.

The chairman of the Finance Commission's Strategic Planning Committee Stacy G. London was provided a draft plan at the same time it was sent to industry representatives and participated in the MIAC meeting. All Finance Commission members were provided copies of the plan in advance of the commission meeting at which the plan was approved and their comments were incorporated into the plan. Final review and approval by the Finance Commission was completed at its June 20, 2014 meeting.

APPENDIX B: ORGANIZATION CHART



APPENDIX C: FIVE-YEAR PROJECTIONS FOR OUTCOMES

Goal–Strategy–Outcome	Description	2015	2016	2017	2018	2019
THRIFT SAFETY AND SOUNDNESS						
A-01-01	% of Savings Institutions Receiving Exams Required by Priority Schedule	100%	100%	100%	100%	100%
A-01-02	Percent of Safe and Sound Institutions to Total Savings Institutions	90%	90%	90%	90%	90%
A-01-03	Percent Assets in Safe and Sound Savings Institutions	90%	90%	90%	90%	90%
A-01-04	% of Applications Receiving Final Action within Statutory Time Frames	100%	100%	100%	100%	100%
MORTGAGE REGULATION						
B-01-01	Percent of Licensees with Satisfactory Levels of Compliance	90%	90%	90%	90%	90%
CONSUMER RESPONSIVENESS						
C-01-01	% of Complaints, Requests and Inquiries Answered within Ten Business Days	85%	85%	85%	85%	85%

APPENDIX D: MEASURE DEFINITIONS

GOAL A: THRIFT SAFETY AND SOUNDNESS

Outcome 01-01-01 Percent of state chartered savings institutions receiving examinations as required by priority schedule.

Short Definition: The percentage of savings institutions receiving timely examination according to the priority schedule of relative risk used by financial institution regulators.

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

Source / Collection of Data: An examination tracking log of all examinations performed by the Department as well as by federal regulators is maintained by agency staff. The tracking log is maintained by the following Priority Schedule: -- Institutions $500 million in asset size or more, rated composite CAMELS 1 or 2, are examined every 12 months. Institutions less than $500 million in asset size, rated composite CAMELS 1 or 2, are examined every 18 months IF they are well capitalized, well managed and free from any formal enforcement action. Institutions with less than $500 million, CAMELS 1 or 2 rated with a 3 rated management or subject to formal enforcement action, are examined every 12 months. Institutions of any asset size with CAMELS rating of 3, 4, or 5 are required to have a full scope examination annually with a visitation in the interim, six months after completion and submission of the results of the full scope examination. The visitation examination should be of sufficient scope to address regulatory concerns.

Method of Calculation: The cumulative number of state chartered savings institutions due for examination according to the examination priority schedule and examined by the Department, FDIC, or Federal Reserve Bank over the twelve month period preceding the reporting cut-off, divided by the number of savings institutions required to be examined under the Department's priority schedule for the reporting period. The measurement date for timeliness of exams begins on the transmittal date of the Report of Examination to the institution.

Data Limitations: None.

Calculation Type: Non-Cumulative.

New Measure: No.

Desired Performance: Higher than target.

Outcome 01-01-02 Percent of safe and sound institutions to total savings institutions.

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

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

Source / Collection of Data: Agency staff maintains information on each institution under the Department's jurisdiction including their financial institution rating under the CAMELS system (i.e., capital, asset quality, management, earnings, liquidity and interest rate sensitivity) at their last examination and reports the results in the quarterly Financial Monitoring Report.

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

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

Calculation Type: Non-Cumulative.

New Measure: No.

Desired Performance: Higher than target.

Outcome 01-01-03 Percent of assets in safe and sound savings institutions.

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

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

Source / Collection of Data: Agency staff maintains information on each institution under the Department's jurisdiction including their financial institution rating under the CAMELS system (i.e., capital, asset quality, management, earnings, liquidity, and interest rate sensitivity) at their last examination and reports the results in the quarterly Financial Monitoring Report.

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

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

Calculation Type: Non-Cumulative.

New Measure: No.

Desired Performance: Higher than target.

Outcome 01-01-04 Percent of applications receiving final action within statutory time frames.

Short Definition: Percentage of savings institution applications receiving final action within the following statutorily defined time frames or, where no statutory time frame exists, within the Department's goal for that type application:

> 60 calendar days after application is complete and hearing held: new charter, branch office, mobile facility, reorganization, merger, consolidation, change of control, change of name, and change of location.
>
> 30 calendar days after application is complete: investment in subsidiary.

Purpose / Importance: This measure is a strong indicator of whether the agency is processing applications in a timely manner and informing the applicant of the evaluation and conclusion in a reasonable time.

Source / Collection of Data: For all application activity, agency staff maintains a log showing date application received, date application deemed complete, date of hearing and final determination by the Commissioner. These dates will be supported by letters to the applicants and, when applicable, hearings notices published in the Texas Register.

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

Data Limitations: None.

Calculation Type: Non-Cumulative.

New Measure: No.

Desired Performance: Higher than target.

EFFICIENCY MEASURES:

Efficiency 01-01-01-01 Assets examined per examiner day.

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

Purpose / Importance: This measure compares total industry assets to the available examination staff days available to evaluate the reasonableness of the number of examiners to the size of the industry being regulated by the Department.

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

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

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

Calculation Type: Noncumulative

New Measure: No

Desired Performance: Higher than target.

Efficiency 01-01-01-02 Average time (business days) to complete analysis of quarterly financial data.

Short Definition: This measure calculates the number of business days required to analyze and report to the Commissioner initial quarterly financial results of savings institutions under the Department's jurisdiction from financial reports they submit.

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

Source / Collection of Data: Call report data serves as the basis for Early Detection Model reports. Call reports are required to be sent to the Department within 30 calendar days of a quarter end. Agency staff maintains a log of call reports received. Final Early Detection Model reports cannot be produced until all call reports are received.

Method of Calculation: Financial monitoring system reports are available within a few days after receipt of the last call report as shown in the data entry log. That date is used as the starting point for purposes of this measure. The date that the first complete Early Detection Model is delivered to the Commissioner marks the end date. The elapsed business days between the two dates is the measure of performance.

Data Limitations: None.

Calculation Type: Non-Cumulative.

New Measure: No.

Desired Performance: Lower than target.

Efficiency 01-01-01-03 Average time (business days) between identification of a problem and initiation of regulatory action.

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

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

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

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

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

Calculation Type: Non-Cumulative.

New Measure: No.

Desired Performance: Lower than target.

EXPLANATORY MEASURES:

Explanatory 01-01-01-01 Number of state chartered savings institutions.

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

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

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

Method of Calculation: This is an arithmetic count of the number of state chartered savings institutions.

Data Limitations: None.

Calculation Type: Non-Cumulative.

New Measure: No.

Desired Performance: Higher than target.

Explanatory 01-01-01-02 Dollar amount of assets under regulation (in billions).

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

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

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

Method of Calculation: This is an arithmetic count of the total assets of state savings institutions.

Data Limitations: None.

Calculation Type: Non-Cumulative.

New Measure: No.

Desired Performance: Higher than target.

OUTPUT MEASURES:

Output 01-01-01-01 Number of examinations performed.

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

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

Source / Collection of Data: A log is maintained by agency staff tracking the status of examinations and responses (e.g., type examination, date examination began and completed, date report issued, date of response by the institution, etc.). This log serves as the basis for capturing the number of all types of examinations performed on savings institutions under the agency's jurisdiction.

Method of Calculation: Arithmetic addition of the total number of examinations.

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

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: Higher than target.

Output 01-01-01-02 Number of detected instances of activity in unauthorized or prohibited areas.

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

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

Source / Collection of Data: The assigned agency employee reviews the quarterly Call Report, or Thrift Financial Report, submitted by each state savings institution, analyzing the report for unusual activities and making inquiries to the institution's management to discuss its operations and/or obtain an explanation for anything that appears unusual, unauthorized or prohibited.

Method of Calculation: This measure is an arithmetic determination of the number of instances reported based on the number of memoranda prepared.

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

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: Lower than target.

Output 01-01-01-03 Number of formal and informal regulatory actions.

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

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

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

Method of Calculation: This is an arithmetic count of the number of regulatory actions taken by the Department during the reporting period, recorded in the log maintained by the assigned agency staff.

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

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: Lower than target.

Output 01-01-01-04 Number of applications processed.

Short Definition: The total number of all applications received by the Department during the period to charter a savings institution, or establish additional offices, engage in a merger or acquisition transaction, invest in a subsidiary, etc.

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

Source / Collection of Data: For all application activity, the assigned agency staff maintains a log showing date application received, date application deemed complete, date of hearing and final determination by the Commissioner. These dates are supported by letters to the applicants and, when applicable, hearings notices published in the Texas Register.

Method of Calculation: This is an arithmetic count of the number of applications processed by the Department during the reporting period as recorded in the log maintained by the assigned agency staff. Applications received in one reporting period and completed in another are evaluated at the end of the period to determine the percentage of completion and fractionally reported based on that evaluation. When aggregated for the period, any resulting fraction in the application total is rounded to the nearest whole application (i.e., less than 50% - rounded down / 50% or more - rounded up).

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

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: Higher than target.

GOAL B: MORTGAGE REGULATION

OUTCOME MEASURES

Outcome 02-01-01 Percent of licensees receiving satisfactory levels of compliance through examinations.

Short Definition: The percentage of the total number of examinations at the end to the reporting period in which satisfactory levels on compliance are achieved.

Purpose/Importance: Licensing mortgage entities and individuals, as mortgage loan originators, helps to ensure that legal standards and compliance with statutory standards of conduct are met. This measure is important because it indicates how effectively the agency's activities deter violations established by statute and rule.

Source/Collection of Data: Agency staff maintains a data base of licensees. Violations disclosed through consumer complaint investigations, hearings, and enforcement actions are entered in the data base by the General Counsel designee. Agency staff compiles a similar report of all licensees who have received an examination grade of 3, 4, or 5 within the past twelve months. A combined list of all approved and licensed mortgage originators with recent violations is prepared by the Commissioner's designee.

Method of Calculation: The total number of currently approved and licensed mortgage originators who have *not* incurred a violation within the current and preceding two years divided by the total number of approved and licensed mortgage originators. The numerator for this measure is calculated by subtracting the total number of licensees with violations during the three-year period from the total number of licensees at the end of the reporting period. The denominator is the total number of approved and licensed mortgage originators at the end of the reporting period. The result is multiplied by 100 to achieve a percentage.

Data Limitations: The number of violations discovered and reported as part of this measure is limited by consumer awareness and the frequency that examinations are performed. Examination staffing, accompanied by a decline in the number of licensees, limits the frequency of examinations.

Calculation Type: Non-Cumulative.

New Measure: No.

Desired Performance: Higher than Target.

EFFICIENCY MEASURES

Efficiency 02-01-01-01 Average cost per license issued and mortgage originator approved.

Short Definition: Total expenditures, including accounts payable, for mortgage originator or licensee approval activities during the reporting period divided by the total number of individuals licensed or approved during the reporting period.

Purpose/Importance: This measure is intended to show how cost-effectively the agency processes new and renewal license applications.

Source/Collection of Data: Average cost per unit is computed by adding quarter-to-date direct costs allocated to the licensing strategy, annualizing the quarterly costs, and dividing by the number of units projected. If actual units exceed projected units, divide by the actual units. Costs are obtained from management financial reports prepared by the agency from USAS expenditure reports, including accounts payable. The number of new and renewed mortgage originator or licensee approvals is obtained from performance measurement data calculated each quarter. Time allocations are prepared to allocate payroll costs among the functions of licensing, investigation and enforcement; other expenses that can be directly attributable to the strategy, such as travel, are also included in direct costs.

Method of Calculation: Total funds expended and accrued during the reporting period for the processing of initial and renewed licenses or approvals divided by the total number of initial and renewed licenses or approvals during the reporting period. Costs include the following categories: salaries; supplies; travel; postage; and other costs directly related to licensing, including document review, handling, and notification. Costs related to the investigation and enforcement function and indirect costs are excluded from this calculation.

Data Limitations: The Department cannot control the number of new originators or licensees, and can only control renewals to a limited extent. If the number of new and renewed licenses or approvals varies significantly from projections, this measure will vary in a similar manner.

Calculation Type: Non-Cumulative.

New Measure: No.

Desired Performance: Lower than target.

Efficiency 02-01-01-02 Percent of new individual licenses issued and mortgage originators approved within 10 days.

Short Definition: The percentage of initial and renewal mortgage broker or loan officer license applications that were processed during the reporting period within 10 days, measured from the later of the time in business days elapsed from receipt of a complete application, or receipt of criminal background check results, if required, until the date the license is issued.

Purpose/Importance: This measures the ability of the agency to process new and renewal applications in a timely manner and its responsiveness to a primary constituent group.

Source/Collection of Data: Each application for an initial or renewal mortgage broker or loan officer license is date stamped when mail is opened and license fees are recorded in a revenue collection log and entered into the mortgage broker data base (MBDB) as of that date. The date the application is deemed complete is noted in the MBDB and, if required, a Department of Public Safety and FBI criminal background check request is requested. Upon receipt of a satisfactory criminal background check, the license is issued and the issue date recorded in the MBDB. A report is prepared from the MBDB showing each individual license issued during the fiscal quarter, the number of calendar days which elapsed between the later of the date the application is deemed complete or the date a satisfactory background check report is received and the license issue date. The report provides the number of individual licenses which were issued in 10 days or less and the total number of individual licenses issued during the quarter.

Method of Calculation: The total number of initial and renewal mortgage broker and loan officer licenses issued during the quarter within the later of 10 days after being deemed complete, or 10 days after receipt of a satisfactory background check, is divided by the number of licenses issued during the quarter as identified in the report of licenses issued prepared by agency staff from the MBDB. The resulting number is multiplied by 100 to convert it to a percentage.

Data Limitations: None.

Calculation Type: Non-Cumulative.

New Measure: No.

Desired Performance: Higher than target.

EXPLANATORY MEASURES

Explanatory 02-01-01-01 Total number of licensees in an approved status.

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

Purpose/Importance: The measure shows the total number of licenses in an approved status..

Source/Collection of Data: Agency utilizes NMLS as the system of record. At the end of the fiscal year, the agency requests through NMLS the number of licenses in an approved status.

Method of Calculation: The number of licenses in an approved status is calculated by NMLS. It is determined by the arithmetic addition of all licenses in an approved status.

Data Limitations: None.

Calculation Type: Non-Cumulative.

New Measure: No.

Desired Performance: Higher than target.

OUTPUT MEASURES

Output 02-01-01-01 Number of applications approved.

Short Definition: The number of applications approved during the reporting period.

Purpose/Importance: A successful licensing and approval structure must ensure that legal standards for professional education and practice are met prior to licensure or approval. This measure is a primary workload indicator which is intended to show the number of unlicensed or unapproved mortgage originators or licensees who were documented to have successfully met all licensure or approval criteria established by statute and rule as verified by the agency during the reporting period.

Source/Collection of Data: Agency utilizes NMLS as the system of record. The number of new licenses or approvals issued during the period is determined by preparing a report from NMLS of licenses or approvals issued in the period.

Method of Calculation: This measure counts the total number of licenses or approvals issued to previously unlicensed or unapproved mortgage originators during the reporting period, regardless of when the application was originally received. Those originators who had a license or approval in the previous reporting period are not counted. Only new licenses or approvals are counted. Licenses or approvals are counted as new for mortgage originators who were previously licensed or approved, but whose license or approval expired so that they were required to meet all criteria of a new applicant.

Data Limitations: None.

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: Higher than Target.

Output 02-01-02-01 Number of licensees examined.

Short Definition: The total number of mortgage loan originators included in examinations performed during the quarter.

Purpose/Importance: This measure indicates the level of examination activity for the period reviewed as a productivity indicator.

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

Method of Calculation: Arithmetic addition of the total number of mortgage loan originators examined.

Data Limitations: The total number of mortgage loan originators will vary between quarters depending in the size and complexity of examinations.

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: Higher than target.

GOAL C: CONSUMER RESPONSIVENESS

OUTCOME MEASURES

Outcome 03-01-01 Percent of complaints answered within ten business days of receipt of complete information.

Short Definition: This measure identifies that percentage of complaints processed to completion and response within ten business days.

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

Source / Collection of Data: The Department receives written and telephone complaints. Complaints are required to be in writing. A log is maintained by appropriate agency staff recording the date that the complaint was received, the date that all necessary information was received from which to make a determination (which is the start of the measurement period), and the date of the letter advising the person registering the complaint as to the Department's final determination (which is the end of the measurement period).

Method of Calculation: An arithmetic calculation is made of the number of business days between the date the complaint investigation is completed or submitted to prepare an enforcement action and the date of the letter or call made to the complainant providing final determination of the matter. The number of business days so determined is compared with the ten business day goal. The year to date number of complaints, receiving a final determination letter or telephone call within ten days divided by the number of complaints received year to date is the basis of calculating the outcome measure. The resulting number is multiplied by 100 to convert it to a percentage.

Data Limitations: Complaints in particular can require significant investigation of as much as thirty days or more; therefore, the counting period for evaluating a prompt response cannot begin until all facts have been obtained from both the individual complaining and the party who was complained against. Thus a customer can view the period as too long, even though the complaint was investigated efficiently and appropriately.

Calculation Type: Non-Cumulative.

New Measure: No.

Desired Performance: Higher than target.

EFFICIENCY MEASURES:

Efficiency 03-01-01-01 Average cost per consumer complaint completed.

Short Definition: This measure indicates the average cost to process a consumer complaint to completion.

Purpose / Importance: This measure provides a comparative evaluation of the actual operating costs incurred during a period to process complaints to their resolution compared to the current period budget and prior periods. As such, the measure gives some indication of the Department's relative efficiency from one period to the next in managing its resources and controlling complaint processing time.

Source / Collection of Data: Costs come from management financial reports prepared by agency staff from USAS expenditure reports, including accounts payable. The number of complaints completed is obtained from the complaint log maintained by agency staff. Time allocations are prepared to allocate payroll costs among each direct strategy; other expenses that can be directly attributable to the strategy, such as travel, are also included in direct costs; and indirect costs are allocated to the strategies on the same basis as payroll costs.

Method of Calculation: Average cost per complaint completed is computed by adding quarter-to-date direct costs allocated to the complaint strategy, annualizing the quarterly costs, and dividing by the number of complaints projected to be completed during the period. If actual complaints completed exceed projected units, divide by the actual. Total funds expended and encumbered during the reporting period for the complaint strategy are annualized and divided by the total number of complaints projected for the year. Costs include the following categories: salaries; supplies; travel; postage; and other costs *directly* related to the complaint strategy, plus indirect costs allocated to the strategy.

Data Limitations: The number of complaints received is beyond the influence of the Department; therefore, the number of complaints processed can vary significantly from one period to another. Significant swings in number of complaints received can impact significantly both projections and allocation of staff resources to the detriment of this measure and beyond the Department's control.

Calculation Type: Non-Cumulative.

New Measure: Yes.

Desired Performance: Lower than target.

OUTPUT MEASURES

Output 03-01-01-01 Number of consumer complaints completed.

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

Purpose / Importance: The measure provides an indication of the workload volume of consumer complaints received, processed and completed by the Department. The measure also provides an indication of whether these regulated entities are satisfying consumers, or not, based on the relative complaint volume between periods.

Source / Collection of Data: A document is completed by the individual receiving the complaint indicating the substance of the complaint, whether written or by telephone, and its resolution. A log of these documents is maintained by agency staff recording the date that the complaint was received. This log is the source for determining the number of complaints processed by the Department.

Method of Calculation: This is an arithmetic count of complaints received against regulated entities that were completed during the period.

Data Limitations: The measure can be useful as a measure of activity, but is not indicative of how well the agency is performing because the agency has no control over the number of complaints received.

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: Higher than target.

Output 03-01-01-02 Number of informational inquiries and requests completed (phone/written).

Short Definition: The measure is a count of the total inquiries and requests received by the Department by telephone, letter or e-mail.

Purpose / Importance: The measure provides an indication of workload. The measure may also indicate trends in customer satisfaction or confusion regarding industry changes or products, based on the relative volume of inquiries between periods or inquiry topics.

Source / Collection of Data: A log of general inquiries and requests is the source for the number of inquiries and requests processed. An inquiry may be regarding statutes or regulations, status of mortgage broker or loan officer applications, information regarding the corporate history or regulatory disposition of an institution, or a complaint regarding federal savings associations, banks, credit unions, appraisers, or mortgage companies that must be referred to other jurisdictions.

Method of Calculation: The measure provides an indication of the workload volume of consumer inquiries and requests received, processed and completed by the Department. The measure also provides an indication of whether these regulated entities are satisfying consumers, or not, based on the relative inquiries and requests volume between periods.

Data Limitations: The measure can be useful as a measure of activity, but is not indicative of how well the agency is performing because the agency has no control over the number of inquiries and requests received.

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: Higher than target.

APPENDIX E: WORKFORCE PLAN FY2015-FY2019

I. DEPARTMENT OVERVIEW

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

A. DEPARTMENT MISSION

The Department of Savings and Mortgage Lending's mission is to ensure the safety and soundness of state chartered savings institutions in Texas and provide consumer protection for citizens acquiring mortgage loan products through residential mortgage loan originators, and utilizing the services of mortgage servicing companies. The Department seeks to promote and enhance the savings bank charter, residential mortgage loan originators', and mortgage servicers' operations to provide the credit necessary to support the residential housing and real estate finance needs of an expanding Texas economy.

GOVERNING LEGISLATION

Article 16, Section 16(a) of the Texas Constitution of 1876 provides that, "The Legislature shall by general law, authorize the incorporation of state banks and savings and loan associations, and shall provide a system of State supervision, regulation and control of such bodies which will adequately protect and secure the depositors and creditors thereof."

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

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

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

The 81st Legislature enacted the Texas SAFE Act and other significant modifications to Chapters 156 and 157. Compliance with the federal mandates addressed by this legislation expanded the field of individuals subject to residential mortgage licensing by eliminating the de minimus level of originations, and eliminating the exemptions for individuals employed by mortgage bankers under Chapter 157, governmental entities, independent third party processors and underwriters. A final determination by the Consumer Financial Protection Bureau (CFPB) for determining the compliance of the Texas SAFE Act has been postponed to no earlier than December 31, 2012.

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

C. STRATEGIC STRUCTURE

GOAL A: THRIFT SAFETY AND SOUNDNESS. Aggressively enforce safety and soundness standards in the state chartered thrift industry and compliance with the Texas Finance Code in a manner that is constructive and maintains the interest of depositors, creditors and borrowers of savings institutions as paramount. [Texas Finance Code, Subtitle B, Savings and Loan Associations and Subtitle C, Savings Banks]

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

GOAL B: MORTGAGE REGULATION. Protect Texas home buyers through fair and effective regulation of mortgage originating individuals and businesses. [Texas Finance Code, Subtitle E, Mortgage Broker License Act, Chapter 156, Mortgage Banker Registration Act, Chapter 157, Residential Mortgage Loan Servicer Registration Act, Chapter 158, Texas SAFE Mortgage Licensing Act of 2009, Chapter 180]

STRATEGY B-1-1. MORTGAGE INDUSTRY LICENSING. Process, investigate and evaluate mortgage originator license applications and registrations of entities and individuals; enforce compliance with standards of conduct.

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

STRATEGY B-1-3. TEXAS ONLINE. Provide for the processing of occupational licenses, registrations, or permit fees through TexasOnline. Estimated and nontransferable. (Inactive since 9/1/2010.)

GOAL C: CONSUMER RESPONSIVENESS. Ensure responsiveness to inquiries, requests and complaints from the industry, citizens, public officials, and other state and federal governmental entities. [Texas Finance Code, Chapter 13, Department of Savings and Mortgage Lending, §13.011; Chapter 156, Residential Mortgage Loan Companies and Residential Mortgage Loan Originators, §156.301, et. seq.; and Chapter 157, Registration of Mortgage Bankers, §157.007 and §157.008, Chapter 158, Residential Mortgage Loan Servicers, §158.101-103]

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

Respond appropriately to requests or inquiries to obtain information regarding financial institutions and mortgage originators, giving particular priority to requests from state and federal agencies conducting civil and criminal investigation.

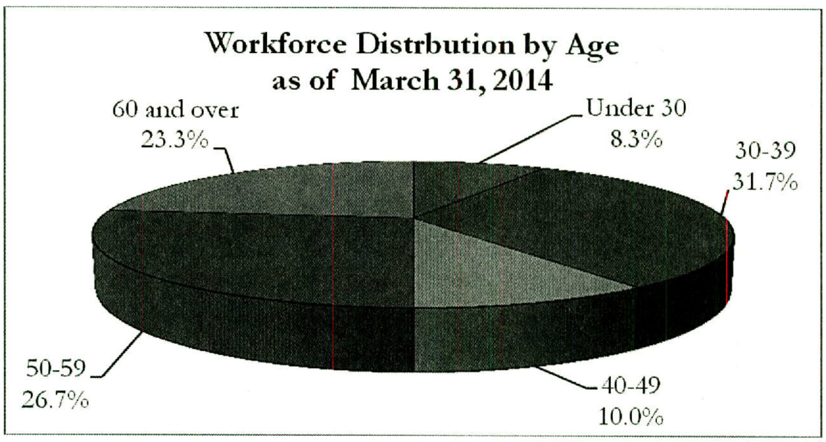
II. Department Demographics

A. Composition of Department Staff

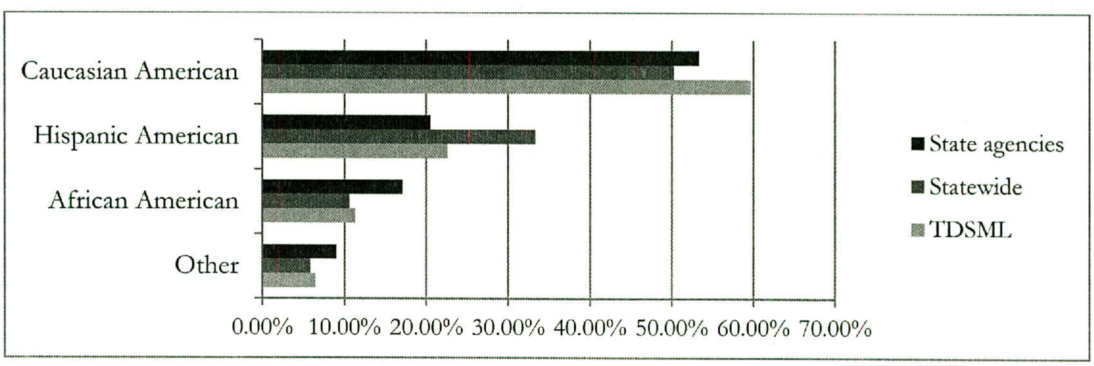
The current workforce of 60 employees is comprised of 33 females (55.0%) and 27 males (45.0%). Fourteen employees (23.3%) are over age 59, sixteen (26.7%) are in their 50s, six (10%) are in their 40s, and the average age of staff has increased to 47 from 45 years in fiscal year 2012. The Department faces a massive departure of knowledge in the next ten years.

The employees' length of agency service distribution has shifted due to slow staff growth and reduced turnover rates. As a result 7% (down from 16% in fiscal year 2012) of employees have less than two years of agency service, and 73% (up from 60% two years ago) now have more than five years of service.

The chart below shows the Department staff composition by age as of March 31, 2014.



The following chart compares the agency staff composition by ethnicity as of March 31, 2014 to the statewide and state agencies workforce composition as reported by the Civil Rights Division of the Texas Workforce Commission in January 2013.

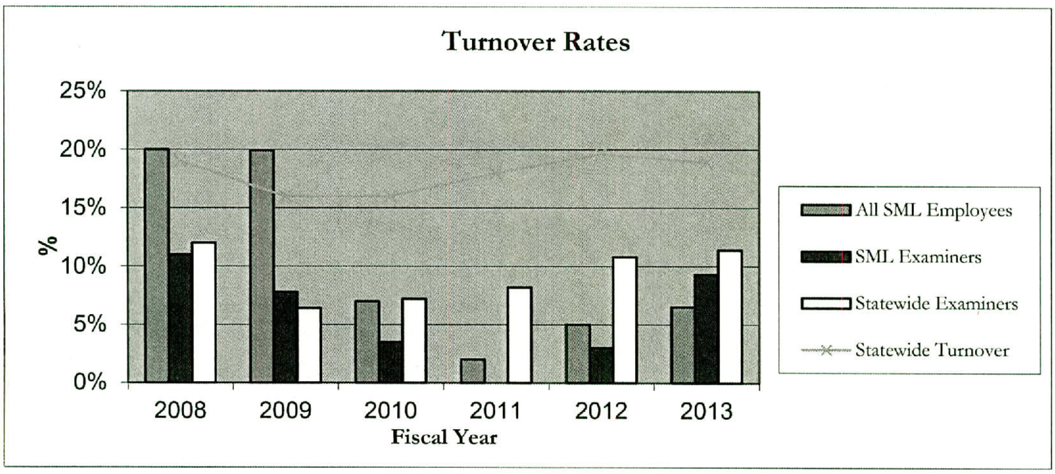


B. Employee Turnover

Turnover challenges every employer, impacting recruitment, selection and training, and diminishing productivity, experience and talent. Over the years the Department has developed and adjusted its processes, training schemes, internal documentation, in order to shorten the learning curve and facilitate new employees' immersion into the Department's functions and culture. Additional efforts at employee satisfaction and culture change include expanded flex hour schedules, work from home, relaxed dress code, and implementation of the Governor's fitness program. The Department continues to search for tools and mechanisms to combat turnover in all groups of employees and to keep the levels of employee satisfaction high.

Financial examiner turnover has been of a significant concern as they perform one of the essential functions of the Department. Well-trained financial examiners are widely sought after by state regulatory agency, federal counterparts, and private sector. The issue has been analyzed and addressed continuously and as a direct result, the financial examiner turnover has decreased from 28% in fiscal year 2005 to 0% in fiscal year 2011.

The graph below compares Department turnover to statewide turnover for fiscal years 2008-2013, as well as the financial examiner turnover to regulatory agencies' financial examiner turnover. Interagency transfers are included even though the employee stayed within the state system.



Fiscal Years 2012-13 Turnover by Length of Service

The Department lost seven employees during fiscal year 2012 and fiscal year 2013. Turnover is calculated for the biennium to level the impact of the Department's history of high turnover in year one and lower turnover in year two. Employees with less than five years of experience accounted for 58% of Department turnover - a consistent trend statewide.

Length of Service	% of SML Turnover	% of State Turnover
Less than 2 years	29.0	48.0
2-5 years	29.0	21.9
5-10 years	29.0	17.2
10-15 years	0.0	4.9
15-20 years	13.0	4.0
More than 20 years	0.0	5.1

Fiscal Years 2012-13 Turnover by Age

Age	% of SML Turnover	% of State Turnover
Under 30 years	0.0	30.7
30-39 years	29.0	20.9
40-49 years	42.0	17.2
50-59 years	29.0	19.2
60 years and over	0.0	6.5

C. Retirement Eligibility

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

By the end of fiscal year 2019, six employees will become eligible for retirement under the rule of 80, and six more will become eligible with age 60 and five years of service. Currently, ten employees are already eligible to retire under the latter rule and five employees under the rule of 80. Besides the executives mentioned above, the potential retirees include an attorney, ten examiners, two investigators, and six administrative staff. These employees have extensive tenure with the Department and a wealth of institutional knowledge. The average state service of the potential retirees in their year of eligibility is 14 years. It is important to ensure that this knowledge and organizational experience is not lost.

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

III. The Department's Future Workforce Profile

A. Workforce Changes

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

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

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

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

B. THE CHANGING NUMBER OF EMPLOYEES

Each of the five legislatures, prior to the self-directed, semi-independent (SDSI) status being granted to the Department, has increased the Department's regulatory authority over the mortgage industry. With the growth in this program, the Department has added additional examiners, investigators, licensing technicians, accountants, attorneys, and general administrative support staff.

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

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

The examination staff has been expanded to not only meet the increased requirements for mortgage loan originator and savings and loan examinations, but also to supplement our now maturing state saving bank examination team.

C. FUTURE WORKFORCE SKILLS NEEDED

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

- Financial institution regulation and examination experience;
- In-depth knowledge of the depository financial and mortgage industries;
- Audit and investigative techniques;
- Knowledge of business, accounting, finance, economics and the law;

- Technical skills associated with new programs;
- Familiarity with regulatory processes, especially those necessitated by economic changes;
- Accounting, budgeting and strategic planning;
- Risk assessment modeling;
- Business process re-engineering, analysis and redesign;
- Negotiation and change management;
- Ability to interpret and apply relevant rules, regulations, and statutes;
- Information technology expertise;
- Customer service oriented;
- Clear, concise, and accurate report and technical writing;
- Effective written and verbal communications; and
- Bilingual abilities.

IV. GAP ANALYSIS

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

A. EMPLOYEES NEED ADDITIONAL TRAINING IN CRITICAL SKILLS

- A significant percentage of employees identified as eligible retirees are either in management positions or positions requiring extensive knowledge of a program. To ensure successful administration of programs without interruption, these key positions have been targeted for succession planning. Currently, the Department has adequate staff count to manage its programs, successfully cross-train and transfer knowledge.

- Two of the six executive management employees will be retirement eligible within the next five years. The financial institution, mortgage industry, legislative, management, and state reporting experience imbued in these individuals will almost certainly force the Department to compete with other state and federal agencies for a dwindling pool of persons qualified to handle the agency's intricate regulatory and reporting requirements unless cross-training and exposure of current employees is accomplished. To be successful, succession planning must include exposure to these activities, and preferably for more than one employee.

- Nine examiners (47% of the current thrift examination team), including the chief thrift examiner, are currently or will be retirement eligible within five years. The remaining thrift examination staff has an average tenure of 83 months of agency service, a dramatic increase from the 26 month average eight years ago, and a direct result of the decrease in turnover. The increase in tenure, as well as the gap between employees who will soon be eligible for retirement and the tenure of remaining staff is common throughout the Department. An initiative by federal regulatory counterparts to rehire retired examiners emphasizes the importance of competitive salaries and working conditions if the Department is to attract examiners with the management and depository financial institution experience necessary to ensure a continued high level of thrift regulatory oversight. The Department's cross-over examination program, in which thrift examiners are trained for and conduct mortgage examinations and selected mortgage examiners assist with thrift examination activities, is highly successful not only to manage workload and reduce travel expense, but also in alleviating employee burnout. The Department regularly conducts joint thrift and mortgage examiner training conferences.

- Sudden shifts in licensee population and program needs require skills in managing change. Managers must be able to motivate change, choose a suitable change approach, compare change initiatives to avoid failure, and define implementation strategies to support the Department's goals. These desired skill sets must be further developed.

- The Department serves a diverse range of customers. We can best meet the needs of all customers only if we have a fully diversified and trained staff. Despite intensified effort in the hiring process, in exploring our customer base and the services they request, we expect that in the future we will not have enough employees with bilingual skills.

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

- The pool of qualified applicants, especially for executive management and examiner positions, is small, due in part to competition with the federal regulatory agencies' and private sector's ability to offer higher pay and greater flexibility. Alternative sources for acquiring experienced examiners have been implemented. We have successfully hired three seasoned commissioned examiners and have signed a contract with the Conference of State Bank Supervisors to participate in a pool of experienced examiners who are available on a temporary hiring basis to meet peak times of demand.

- Extensive travel requirements negatively impact the number of applications for positions in key program areas, particularly examiner positions.

- Developing and retaining examiner staff is key to the Department's continued ability to perform its core functions. The Department has made an extensive ongoing commitment to continuing education training to staff, particularly field examiners. This investment both in time and money accentuates the loss when examiners depart after only a few years.

V. Strategy Development

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

Gap	Current employees lack critical and future workforce skills.
Goal	Further develop a competent and well-trained workforce.
Rationale	Employees are the Department's most valuable resource. Their training and development is critical to the Department's success. We continue to analyze knowledge levels and tailor training to develop competencies and prepare staff for additional responsibilities. The Department also must prioritize critical competencies to determine its ability to develop staff for anticipated vacancies.
Action Steps	• Identify new skill sets required as a result of vacancies or program changes and expand training opportunities accordingly. • Use in house training and mentoring programs in addition to outside training to transfer knowledge. • Expand training opportunities to include programs on management skills. • Develop future leaders by creating development paths to prepare lower-level staff to move into jobs with higher-level requirements. • Develop strategies to retain knowledge by promoting the transfer of knowledge as a Department value.

Gap	Attract and retain the right employees for the job.
Goal	Become an employer of choice among Texas agencies and federal counterparts.
Rationale	Employee retention is critical to the Department's success. Working within the Department's budget and revenue collection, we must strive to attract and retain capable employees.
Action Steps	• Encourage managers to recruit, select and retain quality staff. • Recruit mid-level managers from outside the Department. • Identify internal candidates with the qualifications to fill key positions and use mentoring programs to match seasoned employees with new ones. • Hold management accountable through performance evaluations for their outreach and retention efforts. • Use available mechanisms to hire employees at a compensation level adequate to attract them. • Use any mechanism available within the appropriation structure to reward employees with compensation adequate to retain them.

APPENDIX F: SURVEY OF EMPLOYEE ENGAGEMENT RESULTS

SEE SURVEY OF EMPLOYEE ENGAGEMENT

Savings and Mortgage Lending Department

Executive Summary

2013

EMPLOYEE ENGAGEMENT
INSTITUTE FOR ORGANIZATIONAL EXCELLENCE

REPORT ID: 450

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

Savings and Mortgage Lending Department

Organizational Leadership:

- Douglas Foster, 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 2 includes organizations with 26 to 100 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:
10-07-2013 through 11-01-2013

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.

- Category 1 (2 codes)
- Category 2 (6 codes)

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Overall Score and Participation

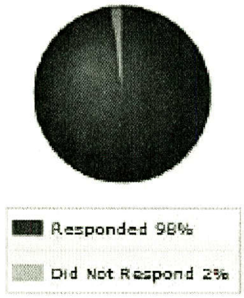
Overall Score

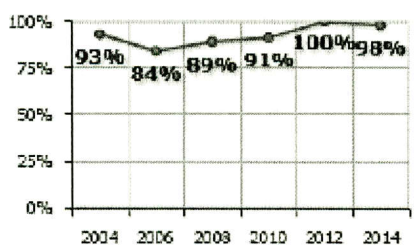
The overall survey score is a broad indicator for comparison with other entities. The Overall Score is an average of all survey items and represents the overall score for the organization. For comparison purposes, Overall scores typically range from 325 to 375.

Response Rates

Overall Response Rate
Out of the 62 employees who were invited to take the survey, 61 responded. As a general rule, rates higher than 50 percent suggest soundness. Rates lower than 30 percent may indicate problems.

At 98%, 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.



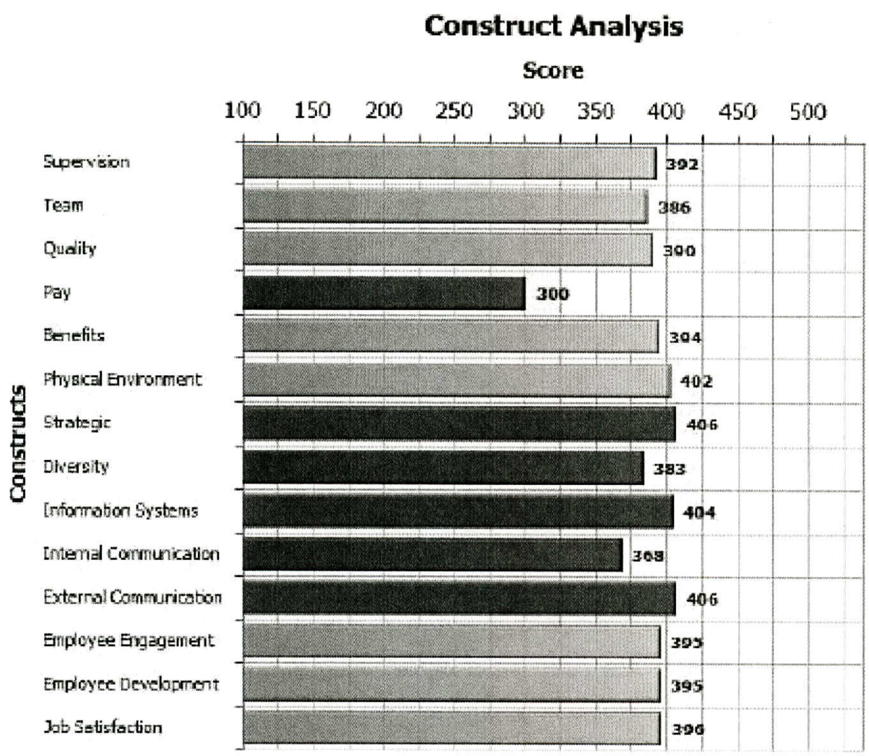


Response Rate Over Time
One of the values of participating in multiple iterations of the survey is the opportunity to measure organizational change over time. In general, response rates should rise from the first to the second and succeeding iterations. If organizational health is sound and the online 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:406**

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:406**

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.

Information Systems **Score:404**

The Information Systems construct provides insight into whether computer and communication systems enhance employees' ability to get the job done by providing accessible, accurate, and clear information. The construct addresses the extent to which employees feel that they know where to get needed information, and that they know how to use it once they obtain it.

High scores indicate that employees view both the availability and utility of information very positively. They find that information resources are complete and accessible. Maintaining these high scores will require leadership to continuously be vigilant about determining information needs and meeting those needs.

Organizational Typology: Areas of Concern

The following Constructs are relative concerns for the organization:

Pay **Score: 300**

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.

Low scores suggest that pay is 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. Triangulate low scores in Pay by reviewing comparable positions in other organizations and cost of living information. Use the employee feedback sessions to determination the causes of low Pay scores.

Internal Communication **Score: 368**

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: 383**

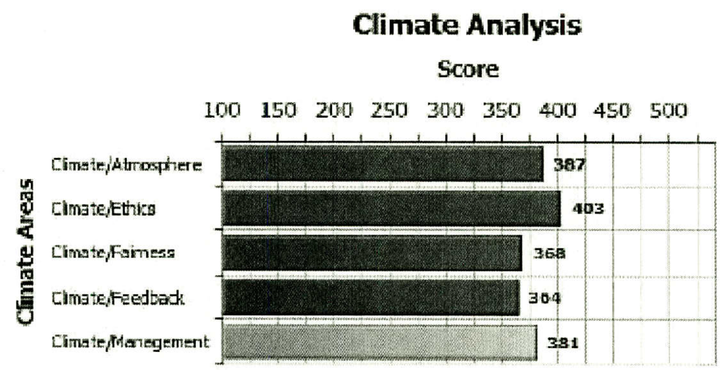
The Diversity construct addresses the extent to which employees feel personal differences, such as ethnicity, social class or lifestyle, may result in alienation from the larger organization and missed opportunities for learning or advancement. It examines how the organization understands and uses creativity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

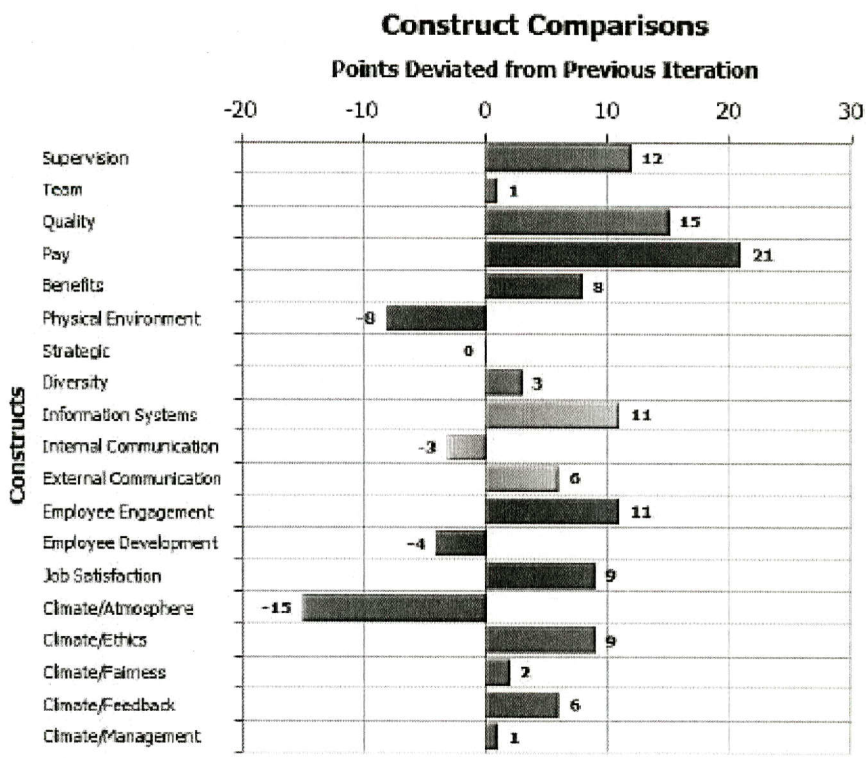
Fairness: Fairness measures the extent to which employees believe that equal and fair opportunity exists for all members of the organization.

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.

Over Time Comparisons

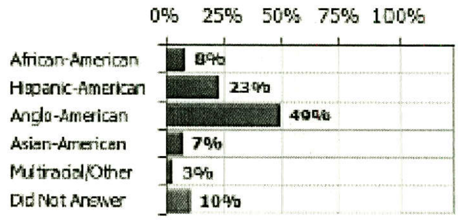
One of the benefits of continuing to participate in the survey is that over time data shows how employees' views have changed as a result of implementing efforts suggested by previous survey results. Positive changes indicate that employees perceive the issue as adequately improved since the previous survey. Negative changes indicate that the employees perceive that the issue has worsened since the previous survey. Negative changes of greater than 50 points and having 10 or more negative construct changes should be a source of concern for the organization and should receive immediate attention.



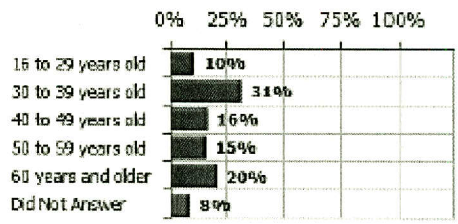
Participant Profile

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.

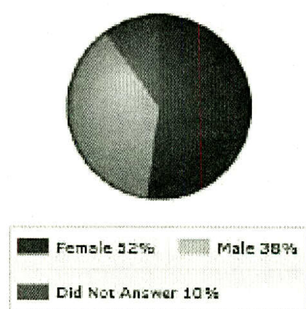
Race/Ethnic Identification
Racial/Ethnic diversity within the workplace provides resources for innovation. A diverse workforce helps ensure that different ideas are understood, and that the community sees the organization as representative of the community.



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 compiled, 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

December and January: 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

February: 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.

March: 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

April 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

APPENDIX G: REPORT ON CUSTOMER SERVICE

COMPACT WITH TEXANS

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

CUSTOMERS INCLUDED IN SURVEY

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

DESCRIPTION OF EXTERNAL CUSTOMERS AND THE SERVICES PROVIDED TO THEM

THRIFT INDUSTRY

SAFETY AND SOUNDNESS

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

EXAMINATION AND SUPERVISION

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

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

MORTGAGE INDUSTRY

REGULATION

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

LICENSING AND EXAMINATIONS

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

CONSUMER COMPLAINANTS

COMPLAINT AND INQUIRY PROCESS

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

INFORMATION GATHERING METHODS, RESULTS AND ANALYSIS

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

THRIFT INDUSTRY

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

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

THRIFT CHIEF EXECUTIVE OFFICER SURVEY – 2014

Questions		Strongly Agree	Agree	Dis-agree	Strongly Dis-agree	Not Applicable / No Answer
Overall Department Performance						
1	Overall, I am satisfied with the effectiveness and responsiveness of the Department.	24	6	-	-	-
2	The staff is knowledgeable and able to answer my questions.	17	12	1	-	-
3	The staff is helpful, courteous, and responsive to requests.	22	8	-	-	-
4	The staff demonstrates a willingness to assist.	24	6	-	-	-
5	The staff is responsive to complaints and addresses them in a reasonable manner.	18	9	-	-	3
6	The website provides the information I need.	6	22	2	-	-
7	The website is easy to use and well organized.	6	21	3	-	-
8	The website contains clear and accurate information.	7	22	1	-	-
9	Telephones, letters and e-mails are answered within a reasonable period.	18	12	-	-	-
10	Responses to my questions or concerns meet my needs.	17	13	-	-	-
11	Information published by the Department is clear, thorough, accurate, and understandable.	14	14	2	-	-
12	Published materials, primarily bulletins and newsletters, meet my institution's needs.	14	14	1	-	1
	Overall Composite Results	51.9%	44.2%	2.8%	0.0%	1.1%

	Questions	Strongly Agree	Agree	Dis-agree	Strongly Disagree	Not Applicable / No Answer
Examination and Supervision:						
13	The scope and goals for each examination are clearly communicated to management prior to the start of the examination.	14	15	-	-	1
14	Examiner requests for information are timely and reasonable.	13	16	-	-	1
15	Examiners conduct themselves professionally.	19	10	-	-	1
16	Examiner communication with management during the examination meets my needs.	17	12	-	-	1
17	Examiners are informed on current industry issues, adequately trained, and qualified.	14	14	1	-	1
18	Examiner findings and concerns are clearly communicated at exit meetings.	16	13	-	-	1
19	Examiner conclusions are well-supported.	11	18	-	-	1
20	Examiner recommendations are clear and reasonable in the circumstances.	10	18	1	-	1
21	Examination time frames are reasonable.	13	15	1	-	1
22	Reports of examination are consistent with findings discussed at exit meetings.	15	14	-	-	1
23	Reports of examination are received timely.	13	16	-	-	1
24	Supervisory action and correspondence is consistent with examination findings.	15	13	-	-	2
Examination & Supervision Composite Results		47.2%	48.4%	0.8%	0.0%	3.6%
Corporate Activities						
25	Correspondence with the Department regarding routine business matters is handled promptly and effectively.	17	12	-	-	1
26	Responses to my questions or requests for interpretation (written or verbal) of applicable statutes and regulations are timely and can be relied upon to be accurate.	12	16	1	-	1
27	My calls, e-mails, or letters are routed to the appropriate person.	17	12	-	-	1
28	If you have filed an application or requested supervisory approval for matters subject to regulatory discretion, answer the following:					
	a. The staff was accessible and provided helpful assistance in complying with requirements.	12	3	-	-	15
	b. Responses to my inquiries were timely, appropriate, and helpful.	12	3	-	-	15
	c. The process was efficient and professional.	12	3	-	-	15
	d. Requests for additional information are reasonable and appropriate.	10	4	-	-	16
	Corporate Activities Composite Results	25.6%	14.7%	0.3%	0.0%	17.8%

Comments:
Staff is always helpful and willing to assist. Exam staff leadership is great; new exam staff, as expected, has a learning curve. The examination staff and support staff of the TDSML office seem to be more than regulators to our bank, its officers and shareholders; they seem to be more of a partner with us in regard to the many changes our industry continues to experience and the regulatory burden we all bear. We have a great mutual relationship and are proud to be a State Savings Bank. The entire staff has been very helpful to us with any regulatory matter we encounter. I feel we have a strong bank due in large part to the approach of the TDSML. They treat us with respect, but that respect was earned. They value the communication aspect of the relationship very highly which serves to increase exposure to what we are doing when they are not here examining, but to build the rapport and trust that you need from your bankers. [SSB NAME REDACTED] enjoys a positive relationship with the TDSML and looks forward to the continued relationship. We have found the staff at the Tx Dept of Savings & Mortgage Lending to be a strong and supportive partner. We are new with the department, but have had a very professional experience so far. I am very sorry to see Commissioner Foster stepping down. He has been a huge benefit to the Department. The Department has conducted themselves in an exemplary manner. The performance of these professional are outstanding and over 40 years in the banking and examining industry I have not seen a better group. Our bank, the depositors, our shareholders, directors and employees are well served with the knowledge that the State of Texas has the system and the quality of personnel to insure the protection of our industry. The Department's support is excellent. We have been under the jurisdiction of the Department for just over two years. We are most pleased with the higher level of support we have received than our former primary regulator. The staff is very professional and timely in their responses to our questions.

MORTGAGE INDUSTRY

The population included all regulated mortgage entities that had received a full scope examination during fiscal year 2013 which had an approved license status as of January 2014. The survey sample of 150 licensees was chosen using a random number generator. The response rate was 34%.

MORTGAGE BROKER AND LOAN OFFICER SURVEY – 2013

	Questions	Strongly Agree	Agree	Dis-agree	Strongly Dis-agree	Not Applicable / No Answer
1	Overall, I am satisfied with the effectiveness and responsiveness of the Department.	19	23	4	0	5
2	The staff is accessible and provides helpful assistance in complying with licensing requirements.	27	15	5	3	1
3	The staff is knowledgeable and able to answer my questions.	27	18	4	1	1
4	The staff is helpful, courteous, and responsive to requests.	28	18	2	2	1
5	The staff demonstrates a willingness to assist.	28	16	4	2	1
6	The staff is responsive to complaints and addresses them in a reasonable manner.	16	13	5	2	15
7	The website provides the information I need.	14	26	9	1	1
8	The website is easy to use and well organized.	11	27	10	2	1
9	The website contains clear, up-to-date, and accurate information.	12	29	8	1	1
10	Telephones, letters, faxes, and e-mails are answered within a reasonable period.	14	18	7	6	6
11	Responses to my questions or concerns address my situation.	16	24	3	3	5
12	Information published by the Department is clear, thorough, accurate, and understandable.	15	25	6	2	3
	Overall Composite Results	37.1%	41.2%	10.9%	4.1%	6.7%

		Strongly Agree	Agree	Dis-agree	Strongly Dis-agree	Not Applicable / No Answer
License Processing						
13	Requests for information were clear and timely.	16	23	3	4	5
14	My license was issued in a reasonable period after all required information was submitted.	21	19	3	2	6
15	The process was efficient and professional.	21	21	5	0	4
	License Processing Composite Results	37.9%	41.2%	7.2%	3.9%	9.8%
Field Examination of Loan Files						
16	The scope and goals of the examination were clearly communicated prior to the start.	21	19	3	1	7
17	The examiners conducted themselves professionally, are informed on current industry issues, and adequately trained and qualified.	28	13	3	0	7
18	Examiner findings conclusions are well-supported and concerns are clearly communicated at exit meetings.	22	16	5	1	7
	Field Examination Composite Results	46.4%	31.4%	7.2%	1.3%	13.7%

Comments:
At this time I have neither criticisms or recommendations.
We in the industry have been fortunate in having such fair and capable leadership. They have been open to suggestions and handled any dissagreements in an unbiased and straightforward manner. There have been many challenges over the last 15 years since we have become licensed and SML has held a steady hand and curbed abuses where they saw fit. An exemplary agency!!
I have sent several email to licensing@sml.state.tx.us but they have gone unanswered. I have contacted the department and spoken with someone who was unable to answer my questions. She took my contact information to have someone call me back but no one has contacted me. I have left my contact information several times but have not received a call back.
Examiner was very knowledgeable and helpful
I was given notice well in advance. All the required testing items were properly reported. The examiner helped explain the questions on the examination when I called. On the examination day, the examiner was on time; and before the examination started, she explained again the objectives of the examination and went thru the examination accordingly. Overall, I am very satisfied with the professionalism of the examiner. Prior to examination I reviewed my whole operations and I was able to find all the relevant information on TDSML website and I must say the website is very organized and has all the information that one needs on day to day operations, on on-going compliance practices as well as on understanding and preparing for the examination. I must thank all at TDSML for their professionalism towards their work practices. Thanks.
More direction and guidance is needed for the small brokers. We all strive to stay compliant but

in the current environment it is difficult. For instance, I can't find any place on the website that gives a clear definition of what needs to be on an advertisement. Just help us and we'll do the right thing.
Very informative. Examiner was fair and knowledgeable.
She was very good and made some great recommendations, which I immediately put into practice.
On several occasions, I have requested information via licensing@sml.state.tx.us and have never received a response.
In my opinion, i think interest paid at closing should not be counted as an APR item. That is the payment borrower needs to pay for the period of the loan. That is the interest expense. I do not think it is reasonable to put it as APR item. As well, we do not count all the interest that borrower paid during the course of the loan as APR item right?
My examiner was wonderful and knowledgable.
I would like more notices about changes from the Department. I recently heard there is New Settlement Costs Booklet, Charm Booklet and HELOC Booklet but was told by another owner. I would love emails from the Department that highlight issues with other Mortgage Companies after an exam. This would help keep us in the loop and help us to make sure we're doing all the things necessary to get a 1 on our next exam. Over all though I have found everyone is very willing to help and is knowledgeable on many regulatory issues we all face.

CONSUMER COMPLAINTS

The population included all complaints originated by consumers who had provided an e-mail address and whose complaint had been filed and resolved during fiscal year 2013 and the first half of fiscal year 2014. The fiscal year 2013 survey sample of 200 complaints was chosen using a random number generator. The fiscal year 2014 survey sample of 239 was a 100% penetration. The overall response rate was 19.3%.

CONSUMER COMPLAINT SURVEY – FY2013 AND FY2014

	Questions	Strongly Agree	Agree	Dis-agree	Strongly Dis-agree	Not Applicable / No Answer
1	Overall, I am satisfied with the effectiveness and responsiveness of the Department.	22	18	16	19	10
2	The Investigator of my complaint was easily reachable throughout the investigation.	18	20	10	19	18
3	The Investigator was knowledgeable and able to answer my questions.	18	21	8	16	22
4	The Investigator was courteous and respectful during the investigation.	19	22	8	12	24
5	The Department's website contains clear and helpful information regarding the complaint process.	15	32	12	8	18
6	My questions or concerns were addressed by the investigator promptly.	16	29	9	15	16
7	If the Department determined that your complaint was outside its jurisdiction or authority, was an explanation given or were other resources or sources of potential help provided?	Yes 28		No 18		39
8	I feel the investigation was completed within a reasonable period after all required information was obtained by the investigator.	16	19	12	21	17
9	Did you use the Department's toll-free hotline?	Yes 26	Sometimes 8	No 48	-	3
10	If not, were you informed about the Department's toll-free hotline?	Yes 26		No 18	-	41
	Overall Composite Results	24.0%	19.9%	18.7%	12.9%	24.5%

Comments:
My needs were with Mortgage Servicing and the requirements they were requested to provide. Per the Texas Savings and Insurance, they could not get any answers from Servicer or Mortgage Company, hence the same problem I am having, and stated that due to current litigation they would not be able to answer any inquiries. Even after detailing specific defects the mortgage company imposed, and later tried to foreclose on my home illegally.
The lady that handled my request did a great job and went above what my expectations where for the resolution of this problem.
My issue has never been resolved and I a. Still having problems with my mortgage company
I was turned down for "unstable" income. I was renting out rooms to try to keep my house and was told that was UNSTABLE income and thus denied. That income sustained me for over a year and still is......UNSTABLE? That was just an excuse to turm me down, at least I was doing SOMETHING to keep up with my payments and that should have counted for something, but you stood behind the decision to deny me.............what's the point of having "loan modification" if it isn't to help someone who is truly trying to do things to keep their payments up and wants to keep their house. No, the whole process was a joke! Paper pushed around but no one really did the job that should have been done. It was just "rubber stamped", no. You people need to get a bite on how to HELP people that truly are needing it, not the loosers who spend their money on something besides their mortgage and then come screaming to you becasue they are "entitled". Very, VERY wrong attitude here, what's your purpose anyway..............whatever you say it is, it needs to change!
For simple answers I can ask Google. The department's answers avoided discussing complex issues, and avoided any controversial explanation of consumer rights. I now have my own website at www.[redacted],weebly.com, and I have a wide readership discussing complex issues of interest to consumers experiencing difficulty with their lender. We don't have the answers, but we are willing to examine the questions.
Your agency was my last resort in trying to resolve an issue concerning money owed to my mother. Your staff referred me to the correct agency and the issue was resolved in 2 weeks when I had been working on it for 4 months with no response from the mortgage company. I should have used your resources in the first place.
I am waiting for my license to be approved , everyone I spoke to was very helpful
No one seemed to care.
The lender done what they wanted when they wanted and the agency offered me little or no help to resolve my issues.
I am absolutely convinced that had it not been for the assistance from you, my loan would not have closed. Absolutely.
The Veterans Land Board has refused to address our complaint...their processing systems is flawed in info submitted by the applicants (us). The info was not ours...the title company also stated that every veteran that closes with them says the same statement, "that's not our info". The title company should not be seeing our applications or any other document that has our personal identifications, SS#'s, for "CLOSING A LOAN". The title company states that they distroy those documents. We called direct to the VLB during the closing and the processor was rude and told us to mark out anything that wasn't ours...the point is, the info on the app was not ours and we would have had to mark out the entire typed info! This is a direct violation of our privacy rights and for the VLB to continue to send this info to CLOSINGS and requiring us to sign, we did not sign, is unacceptable. If you cannot assist us, I need to send this info to the Attorney General's Offices in Texas. The new appointed VLB director is extremely uninformed!!! Please let us know if you can assist us further. G. [redacted] @ 936-[redacted]

Home Phone
I submited complaints about debt collection processes and I never received 1 email other than the inital promt email received from me, back. I am happy to see that a system is here to protect comsumers, but what good is that system if no one is there to answer complaints?
I was treated fine until the last time I talked to to rep and it was as if I was the guilty party in the case. I got scammed by an unlicensed mortgage advocate.
Your department blew off my problem the same way the mortgage company did. "not our fault, not our problem. nothing we can do"
The agent I worked with was extremely understanding, supportive, and helpful.
I never knew there was an investigator, or an investigation, until I received a resolution letter from S&ML. Typical for an oversight body, with lifer bureaucrats, who know they are responsible to no one, within a state agency/ administration. Par and less than par for the course, so go on coffee break and enjoy your meaningless lifer job. You add nothing to anything.
It appears that Nationstar Mortgage is now after five monthes and many phone calls, now applying our payments as the check and billing statement indicate that it should be. Our many thanks for bringing this issue to the company on our behalf. I think that we would still be wallowing in the mud if it was not apparent that someone in the Great State of Texas was watching. Again thank you. Norm & Donna Blankenbeckler
No one on one calls, could care less
I feel that a Collection Agency who buys the debt of a a baank in bankruptcy should have to develop a different divisiion to service residential financing. The company I complained about is a joke and should not be allowed to use their collection agency personnel to contact loan holders that are not delinquent and in good standing using collection agency techniques. We can not even get them to mail out our monthly statements and have to photo copy old staements to send in our payment. Ocwen sucks!!
I did not get any information about another department that would be able to actually help my plight.
! was referred to Missouri dept. of Finance with address and phone. Thank you.
I never spoke to anyone nor was I contacted
Totally useless in addressing my complaint.
I have never heard anything. This survey is the first response.
He was a great help.
The investigator did not contact me or respond to my emails. She did not get all the information. She only sent letters to each of us. The issue remains but complaint closed. I have emails proving and recordings proving my complaint but she has no interest in helping me, she did not really listen to what I was saying was the problem. Her focus did not seem on the problem. When this happened before the person was looking for another job and my case fell through the cracks.
After filing complaint with TDSML, which was unresolved, with OCWEN providing no credible information other than their own policy/procedures, they again have processed a payment on the 10th, which was posted by me on the 2nd. Again, likely to result in a late charge, while it takes no more than 2-3 days for USPS to deliver TX to FL. OCWEN is using late fees, through intentionally posting payments late, as a revenue stream, and TDSML has done nothing to investigate this.
Your dept. was the last dept. to respond after we heard from TX Attorney Gen., FL Att. Gen,. National BBB. All communication was by mail and we furnished all the facts to all parties

envolved.
As I recall, matter was handled well, and resolved.
Mrs. Pysor was extremely forthcoming and informative with factual information. She was very supportive and handle my situation with great dedication to resolve this matter for my family. I will be forever appreciative to her and her professionalism. we need more public servants like her. His blessings, Angular Adams Upon receiving my modification packet I will submit a copy. I have made 2 of the 3 trial period payments.
I feel ripped off and abused by someone we trusted. We spent a good deal of money only to have our claim denied
I submitted documents verifying the truth of my complaint on 01/06/2014 which I didn't send with the original complaint as I didn't understand at that time I could fax any documents. I'm now waiting for those documents to be analyzed and add to the investigation. The mortgage lender wants to foreclose on me.
I would use this agency again if another situation arises.
June was hardly ever in her office or reachable by phone. I had to send several emails to see how long the process would take. I am disappointed that I had this much difficulty communicating with her.
The statement issued by the Lender was false, they still have not issued my refund. This was not resolved to my satisfaction.
I was never contacted by TDSML about the complaint, never asked for the evidence I obtained and I have no idea what was the outcome. The RMLO that I made the complaint about did contact me via phone call. When I explained it had to do with proper advertising, I was told to mind my own business. I explained also that I had waited past 5 PM that day to see if her license was sponsored by her company, she began to lecture me that I had no right to make the complaint.
We were only contacted 1 time via email and was asked to fax something then several weeks went by we then received a letter saying after the hearing they have decided the bank was in the right. We were never informed of a hearing so we are not happy at all.
It seemed my complaint was addressed by using form letters. I never spoke to anyone at the Department.
I believe it was determined that there was no fault on the part of Caliber, so we just took it as an experience. Caliber did write and wanted us to redo the entire process again. We decided not to put ourselves through this nightmare again so did not reply. Caliber then called and asked if we were going through the process again and my husband told them no. When they inquired as to why not, my husband told them that we were not going through that nightmare again with them (Caliber.) We are still paying roughly $900 per month to catch up our mortgage. Nothing was resolved. We are now going through financial hardships because of the mortgage.
Ms. Pelat asked me to send in some information to prove I paid my taxes and I have not heard from her since. I am still waiting for her to get back with me on my complaint.
I never found out why the lender was able to keep the $20 per-month that is taken over the due amount for mortgage and taxes after i was told it would returned at the end of the year.Instead they just wright.fee fee fee fee fee fee .With no explanation.Though I know fees are made-up
It is sad that TDSML has given up authority to CFPB! CFPB has not, as of today, helped me. However, they have proved to be helpful to Wells Fargo.
I AM PLEASED SO FAR. THANK YOU FOR YOUR CONTINUED WORK ON THIS INVESTIGATION!!!
I filed my complaint on 12/16/13. I received an acknowledgement that my complaint was received and a copy of my complaint in the mail. I mailed Ms. Pelat additional information on 1/4/14. I have heard nothing from her or had any response to my complaint. We have heard

from an attorney representing OCWEN MORTGAGE that has now sent us a "NOTICE OF ACCELERATION OF LOAN MATURITY". I will be sending Ms. Pelat their latest paperwork via certified mail. I expect some results from your organization regarding this matter.
Maria helped on every way possible, I was pleased to have had her deal with my case.
I began requesting the mortgage company to drop the PMI over a year ago, but only when I involved your department did they respond. My only request would be that the PMI be dropped from the dat we initially requested the new appraisal, rather than when the mortgage company actually acceded to the request.
I NEED A LAWYER NOW TO PURSUE LEGAL ACTION FOR ME IN ORDER TO COLLECT FOR DAMAGES? I CANNOT FIND A LAWYER TO REPRESENT ME! PLEASE HELP? LISTEN TO THIS: http://youtu.be/-SkslVmUs0w
I appreciate Maria's grasp of my situation, and her willingness to solve my problem asap. She was very courteous, and caring, and alleviated my worries with our first conversation. I knew she would handle my complaint with speed and efficiency....And she did. I owe her many thanks.
The reply referred to the accelerator program yes we had problems with that but that was not the main problem the problem was with Ocwen they stopped excepting payments with a trumped up excuse of ave was left off our address when it was on the bills from them they said it was not as they did not know about the ave and we would not be allowed to pay our notes, then after a month of negotiations they agreed to fix it so that we could pay, they said we could pay on there web cite by selecting a payment option which I did I selected pay one payment from our bank, they took one payment on 28 aug then they decided to take another on the 29th aug which caused an overdraft that we could not cover, they refused to return the extra payment and have not responded to any of the investigating agencies about it in there letters to you they mention the payment of the 29 th but not the 28 th the 28th payment was for the due payment of 1 Oct and they took the payment for 1 on the 29 th, I am told that since they had my bank account number they could take all they wished too at anytime they wish and that is what they do our payments had always been on time and never one missed in 10 years they were in my opinion trying to cause us to default and the law allows them to do that they no longer have my bank account number and I will not give that to them but they ask me for it at any opportunity when I call them, they also use the privacy act to deny credit information to allow a refinance by denying a refinance company to acquire that information they will give that information on after they add their own requirement's that slowdown or impede you getting another loan. they know I am a retiree of the military and that that check goes in my bank at the 1st of the month they I feel use that information to take what they want to me that is stealing and if the law allows it that is legal stealing I have never know a company that could arbitrarily take your money by just knowing your Ocwen refused to return it and after we got it back tried to get me to give it back to them
Thank you so much

APPENDIX H: SDSI VISION, MISSION, PURPOSE, AND GOALS

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 become 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