

A.

Finance Commission

This page left blank intentionally.



FINANCE COMMISSION OF TEXAS

MEETING DATEApril 19, 2024

MEETING LOCATIONFinance Commission Building
William F. Aldridge Hearing Room
2601 North Lamar Boulevard
Austin, Texas 78705

CONTACT INFORMATION.....Phone: (512) 936-6222
Website: www.fc.texas.gov

FUTURE MEETING DATESJune 21, 2024
August 16, 2024
October 25, 2024
December 20, 2024

*** The State of Texas fiscal year begins September 1 and ends August 31. The dates noted meet the minimum statutory requirement of six meetings per calendar year. Finance Code §11.106*

This page left blank intentionally.

FINANCE COMMISSION AGENDA

Friday, April 19, 2024

9:00 a.m.

or Upon Adjournment of the Audit Committee Meeting

Finance Commission Building

William F. Aldridge Hearing Room

2601 North Lamar Boulevard

Austin, Texas 78705

Section A.3 will take up agenda items A1 and B2, with NO DISCUSSION as notated in bold and italicized.

Public comment on any agenda item or issue under the jurisdiction of the Finance Commission of Texas agencies is allowed unless the comment is in reference to a rule proposal for which the public comment period has ended. However, upon majority vote of the Commission, public comment may be allowed related to final rule adoption.

A. FINANCE COMMISSION MATTERS

1. Review and Approval of the Minutes of the February 16, 2024 Finance Commission Meeting

2. General Public Comment

3. Consent Agenda

4. Finance Commission Operations

5. Audit Committee Report

A. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2024 Second Quarter Investment Officer Reports

1. Texas Department of Banking
2. Office of Consumer Credit Commissioner
3. Department of Savings and Mortgage Lending

B. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2024 Second Quarter Financial Statements

1. Texas Department of Banking
2. Office of Consumer Credit Commissioner
3. Department of Savings and Mortgage Lending

6. Discussion of the Process for the 2025-2029 Strategic Plans for the Finance Commission Agencies

7. Discussion of and Possible Vote to Take Action on the Finance Commission Agencies' Fiscal Year 2024 Mid-Term Accomplishment Reports

8. Discussion of the Condition of the Texas State Banking System Report *(Note: Report provided separately)*

9. Discussion of and Possible Vote to Take Action Regarding Personnel Matters Pursuant to § 551.074, Texas Government Code: Deliberations with Respect to the Duties and Compensation of a Person Holding the Position of Executive Director of the Finance Commission, Deliberations with Respect to the Duties and Compensation of Persons Holding the Position of Agency Commissioner Positions, and Other Staff

10. Discussion of and Possible Vote to Take Action Regarding Facility Planning and Real Property Matters Pursuant to § 551.072, Texas Government Code: Deliberations Regarding the Purchase, Exchange, Lease or Value of Real Property
11. Discussion of and Consultation with Attorney and Possible Vote to Take Action Pursuant to § 551.071, Texas Government Code, for the Purpose of Seeking the Advice or Attorney-client Privileged Communications from our Attorneys, Including Matters Related to the Potential Financial Exposure of the Finance Commission Agencies and Their Officers and the Finance Commission and its Officers and Including Matters of Pending and Contemplated Litigation
12. Discussion of and Consultation on Security Audit, Possible Issue Related to Confidential or Sensitive Information, Security Breach Audit and Assessment, or Security Assessments or Deployment Related to Information Resources Technology as Authorized by §§ 551.076 and 551.089, Texas Government Code
13. Discussion of Matters Made Confidential by Law Pursuant to § 551.0811, Texas Government Code, including Information Relating to the Financial Condition or Business Affairs of a Financial Institution

B. TEXAS DEPARTMENT OF BANKING

1. Industry Status and Departmental Operations: a) Current Issues Affecting Department's Regulated Entities; b) Bank and Trust Division Activities; c) Corporate Division Activities; d) Non-Depository Supervision Division Activities; e) Administrative, Staffing and Fiscal Division Activities; f) Strategic Support Division Activities including Consumer Complaint Data; g) Legal Division Activities including Enforcement Activity and Gift Reporting; and h) Legislative Activities
2. *Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 2, Chapter 35, Concerning Check Verification Entities, Resulting from Rule Review*
3. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation

C. OFFICE OF CONSUMER CREDIT COMMISSIONER

1. Industry Status and Departmental Operations: a) Consumer Protection and Assistance Division Activities; b) Licensing Division Activities; c) Administration Division Activities; d) Financial Division Activities; e) Legal Division Activities; and f) Legislative Activities
2. Discussion of and Possible Vote to Take Action on the Proposal of Amendments in 7 TAC, Part 5, Chapter 86, Concerning Retail Creditors
3. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation

Ernest Polk v. Texas Office of Consumer Credit Commissioner; Cause No. 01-22-00712-CV, in the First Court of Appeals, Houston, Texas

D. DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

1. Industry Status and Departmental Operations: a) Thrift Regulation Division Activities; b) Mortgage Regulation Division Activities; c) Operations Division Activities; d) Legal Division Activities, including Consumer Complaints and Gift Reporting; and e) Legislative Activities
2. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation

Tim Schoenbauer v. Texas Department of Savings and Mortgage Lending; Cause No. JPC-23-02334-32, in the Justice Court, Precinct 3, Place 2, Dallas County, Texas

Julius Lamunn North v. Texas Department of Savings and Mortgage Lending; Cause No. 2023-50470,
in the District Court, 270th Judicial District, Harris County, Texas

NOTE: The Finance Commission of Texas may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551.

Meeting Accessibility: Under the Americans with Disabilities Act, the Finance Commission of Texas will accommodate special needs. Those requesting auxiliary aids or services should notify the Texas Department of Banking, 2601 North Lamar Boulevard, Austin, Texas 78705, (512) 936-6222, as far in advance of the meeting as possible.

MINUTES OF THE FINANCE COMMISSION MEETING Friday, February 16, 2024

The Finance Commission of Texas convened at 9:16 a.m., on February 16, 2024, with the following members present:

Finance Commission Members in Attendance:

Phillip Holt, Chairman
George "Cliff" McCauley, Vice Chairman
Bob Borochoff
Hector Cerna
Marty Green

Sharon McCormick
Roselyn "Rosie" Morris
Vince Puente
Laura Warren

Finance Commission Members Absent:

Will Lucas

Commissioner Charles G. Cooper announced there was a quorum with nine (9) members present. *(1:06 on audio file).*

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Finance Commission Matters		
1. Review and Approval of the Minutes of the December 15, 2023 Finance Committee Meeting	On Consent Agenda – Item A1 This item Approved on the Consent Agenda.	n/a
2. General Public Comment	No Action Required.	1:55 Start of Discussion
3. Consent Agenda – Items A1, B2-B4, and D2	Laura Warren made a motion to Approve Consent Agenda items A1, B2-B4, and D2. Marty Green seconded, and the motion passed.	2:08 Start of Discussion 2:23 Vote
4. Finance Commission Operations	No Action Required.	2:44 Start of Discussion
5. Presentation from the Texas Treasury Safekeeping Trust Company related to the Texas Financial Education Endowment Fund	No Action Required.	3:34 Start of Discussion
6. Audit Committee Report		

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
<p>A. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2024 First Quarter Investment Officer Reports</p> <ol style="list-style-type: none"> 1. Office of Consumer Credit Commissioner 2. Department of Savings and Mortgage Lending 3. Texas Department of Banking 	<p>Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve the Agencies' 2024 First Quarter Investment Officer Reports passed.</p>	<p>34:04 Start of Discussion</p> <p>34:15 Vote</p>
<p>B. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2024 First Quarter Financial Statements</p> <ol style="list-style-type: none"> 1. Office of Consumer Credit Commissioner 2. Department of Savings and Mortgage Lending 3. Texas Department of Banking 	<p>Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve the Agencies' 2024 First Quarter Financial Statements passed.</p>	<p>34:29 Start of Discussion</p> <p>34:37 Vote</p>
<p>C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' Fiscal Year 2024 Internal Auditor's Risk Assessment and Audit Plan</p> <ol style="list-style-type: none"> 1. Office of Consumer Credit Commissioner 2. Department of Savings and Mortgage Lending 3. Texas Department of Banking 	<p>Coming upon the Recommendation from the Audit Committee, no second is required and the motion to Approve the Agencies' Fiscal Year 2024 Internal Auditor's Risk Assessment and Audit Plan passed.</p>	<p>34:49 Start of Discussion</p> <p>34:57 Vote</p>
<p>7. Discussion of the Process for the 2025-2029 Strategic Plans for the Finance Commission Agencies</p>	<p>No Action Required.</p>	<p>35:16 Start of Discussion</p>
<p>8. Discussion of and Possible Vote to Take Action Regarding Personnel Matters Pursuant to § 551.074, Texas Government Code: Deliberations with Respect to the Duties and Compensation of a Person Holding the Position of Executive Director of the Finance Commission, Deliberations with Respect to the Duties and Compensation of Persons Holding the Position of Agency Commissioner Positions, and Other Staff</p>	<p>No Discussion.</p>	<p>n/a</p>
<p>9. Discussion of and Possible Vote to Take Action Regarding Facility Planning and Real Property Matters Pursuant to § 551.072, Texas Government Code: Deliberations Regarding the Purchase, Exchange, Lease or Value of Real Property</p>	<p>No Discussion.</p>	<p>n/a</p>

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
10. Discussion of and Consultation with Attorney and Possible Vote to Take Action Pursuant to § 551.071, Texas Government Code, for the Purpose of Seeking the Advice or Attorney-client Privileged Communications from our Attorneys, Including Matters Related to the Potential Financial Exposure of the Finance Commission Agencies and Their Officers and the Finance Commission and its Officers and Including Matters of Pending and Contemplated Litigation	No Discussion.	n/a
11. Discussion of and Consultation on Security Audit, Possible Issue Related to Confidential or Sensitive Information, Security Breach Audit and Assessment, or Security Assessments or Deployment Related to Information Resources Technology as Authorized by Texas Government Code §§ 551.076 and 551.089	No Discussion.	n/a
12. Discussion of Matters Made Confidential by Law Pursuant to § 551.081, Texas Government Code, including Information Relating to the Financial Condition or Business Affairs of a Financial Institution	No Discussion.	n/a
B. Office of Consumer Credit Commissioner		
1. Industry Status and Departmental Operations: a) Consumer Protection and Assistance Division Activities; b) Licensing Division Activities; c) Administration Division Activities; d) Financial Division Activities; e) Legal Division Activities; and f) Legislative Activities	No Action Required.	37:37 Start of Discussion
2. Discussion of and Possible Vote to Take Action on the Adoption of Amendments in 7 TAC, Part 5, Chapter 83, Subchapter B, Concerning Rules for Credit Access Businesses, Resulting from Rule Review	On Consent Agenda – Item B2 This item Approved on the Consent Agenda.	n/a
3. Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 1, Chapter 1, Concerning Consumer Credit Regulation, Resulting from Rule Review	On Consent Agenda – Item B3 This item Approved on the Consent Agenda.	n/a
4. Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 5, Chapter 82, Concerning Administration, Resulting from Rule Review	On Consent Agenda – Item B4 This item Approved on the Consent Agenda	n/a

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
5. Discussion of and Possible Vote to Take Action on the Proposal of Amendments in 7 TAC, Part 5, Chapter 83, Subchapter A, Concerning Rules for Regulated Lenders	Vince Puente made a motion to Amend the Proposal of Amendments in 7 TAC, Part 5, Chapter 83, Subchapter A, Concerning Rules for Regulated Lenders, to remove the CPI adjustment from the proposed rule text. Bob Borochoff seconded, and the motion failed. Sharon McCormick made a motion to Approve the Proposal of Amendments in 7 TAC, Part 5, Chapter 83, Subchapter A, Concerning Rules for Regulated Lenders. Rosie Morris seconded, and the motion passed.	53:49 Start of Discussion 1:43:43 Vote 1:44:02 Vote
6. Discussion of and Possible Vote to Take Action on the Proposal of Amendments in 7 TAC, Part 5, Chapter 84, Concerning Motor Vehicle Installment Sales	Marty Green made a motion to Approve the Proposal of Amendments in 7 TAC, Part 5, Chapter 84, Concerning Motor Vehicle Installment Sales. Sharon McCormick seconded, and the motion passed.	1:44:29 Start of Discussion 2:09:37 Vote
7. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation <i>Ernest Polk v. Texas Office of Consumer Credit Commissioner; Cause No. 01-22-00712-CV</i> , in the First Court of Appeals, Houston, Texas	No Discussion.	n/a
C. Department of Savings and Mortgage Lending		
1. Industry Status and Departmental Operations: a) Thrift Regulation Division Activities; b) Mortgage Regulation Division Activities; c) Operations Division Activities; d) Legal Division Activities, including Consumer Complaints and Gift Reporting; and e) Legislative Activities	No Action Required.	2:19:10 Start of Discussion
2. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation <i>Tim Schoenbauer v. Texas Department of Savings and Mortgage Lending; Cause No. JPC-23-02334-32</i> , in the Justice Court, Precinct 3, Place 2, Dallas County, Texas <i>Julius Lamunn North v. Texas Department of Savings and Mortgage Lending; et al., Cause No. 2023-50470</i> , in the District Court, 270th Judicial District, Harris County, Texas	No Discussion.	n/a

D. Texas Department of Banking		
AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
1. Industry Status and Departmental Operations: a) Current Issues Affecting Department's Regulated Entities; b) Bank and Trust Division Activities; c) Corporate Division Activities; d) Non-Depository Supervision Division Activities; e) Administrative, Staffing and Fiscal Division Activities; f) Strategic Support Division Activities including Consumer Complaint Data; g) Legal Division Activities, including Enforcement Activity and Gift Reporting; and h) Legislative Activities	No Action Required.	2:32:16 Start of Discussion
2. Discussion of and Possible Vote to Take Action on the Adoption of Amendments in 7 TAC, Part 2, Chapter 15, Concerning Corporate Activities by State-Chartered Banks	On Consent Agenda – Item D2 This item Approved on the Consent Agenda.	n/a
3. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of Amendments in 7 TAC, Part 2, § 33.27, Concerning Fees to Obtain and Maintain a License	No Discussion.	n/a
4. Discussion of and Possible Vote to Take Action on the Anticipated and Pending Litigation	No Discussion.	n/a

There being no further business, Chairman Phillip Holt adjourned the meeting of the Finance Commission at 12:05 p.m. (2:48:40 on the audio file).

Phillip Holt, Chairman
Finance Commission of Texas

Charles G. Cooper, Executive Director
Finance Commission of Texas

Ruth Wright, Executive Assistant
Finance Commission of Texas

Finance Commission of Texas

Consent Agenda

April 19, 2024

A. Finance Commission Matters

1. Review and Approval of the Minutes of the February 16, 2024 Finance Commission Meeting

B. Texas Department of Banking

2. Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 2, Chapter 35, Concerning Check Verification Entities, Resulting from Rule Review

This page left blank intentionally.



Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

2601 North Lamar Blvd., Austin, Texas 78705

512-475-1300 / 877-276-5554

www.dob.texas.gov

MEMORANDUM

To: The Finance Commission of Texas

From: Charles G. Cooper, Commissioner

Date: February 29, 2024

RE: Department of Banking Priorities for Fiscal Year 2024

I. LEGISLATIVE – *State and National Legislative Issues*

- I.1 **Objective:** Provide appropriate and comprehensive resource material as requested in a timely manner.

Measure: To the extent legally permissible, respond accurately and timely to all requests for resource information. Maintain contact with legislative committee chairs and staff. Testify at interim charge hearings as requested.

Update:

- *No interim charge hearing held in first half of FY 2024.*
- *Responded to legislative inquiries and request for information.*
- *Maintained regular contact with state and federal legislative committees.*

- I.2 **Objective:** Maintain accurate, timely, and complete communication with Finance Commission members about significant conditions, trends, and significant events in the industries the agency supervises.

Measure: Provide Finance Commission members with information on significant federal laws and policy statements and the effect on supervised entities, if any. Provide sufficient information and materials to give members an overall assessment of our regulated industries.

Update:

- *Important material and updates are provided to members at each Finance Commission meeting and by email.*
- *In October 2023, Chief Economist Thomas F. Siems with the Conference of State Bank Supervisors provided a presentation to the Finance Commission on the economic conditions and the impact to the industry.*

- I.3 **Objective:** Monitor legislative interim charges that may affect the Department or its regulated entities. Implement legislative changes from the 88th legislative session that affect the agency.

Measure: Monitor and assist legislative committees with interim charges, if requested. Provide technical assistance and comprehensive resource materials when requested. Implement legislation that directly affects the Department or the industries we regulate by updating or creating rules, policies, or procedures.

Update:

- *Adopted amendments to Title 7, Chapter 33 of the Texas Administrative Code and revised internal policies pursuant to implementation of SB 895, relating to the regulation of money services businesses.*

II. REGULATORY ACTIVITIES – *Examination Activity and Enforcement Actions*

II.1 Objective: Efficiently structure the agency to meet performance measures. Ensure performance goals are a true evaluation of major functions of the Department (See Attachment A for all performance measures).

Measure: Meet or exceed the strategic planning goals for performance measures. Maintain banking and money services business accreditation from CSBS. Report performance measure results to the Finance Commission quarterly.

Update:

- *The Bank & Trust (B&T) division actively monitors and responds to various risk factors, including risk posed by effects of inflationary pressures, and the rapid increase in interest rates and their impact to institutions' operations. The Department maintains communication with regulated entities between examinations and performs offsite monitoring of key financial metrics.*
- *The Non-Depository Supervision (NDS) division actively monitors various risk factors affecting licensed entities, including federal and state regulations surrounding cryptocurrency, and related legal actions. The Department also monitors critical financial metrics for licensed money service business (MSB) entities off-site.*
- *Through February 29, 2024, all B&T key performance measures were either met or exceeded.*
 - *An increase in problem institutions, conversion applications, and the lack of experienced examiners could make it challenging to meet all key performance measures in fiscal year 2024.*
- *Through February 29, 2024, all NDS key performance measures were either met or exceeded except for one. The primary reason for not meeting the number of examinations output measure is due to having several new financial examiner vacancies during the current fiscal year.*
 - *While it is expected that the majority of the vacancies will be filled, the time to adequately train newly hired examiners will impact NDS' ability to meet key performance measures in fiscal year 2024. As it relates to past due examinations, NDS continues to closely monitor various factors such as consumer complaints, compliance history of license holders, and current industry trends to ensure the examinations of higher risk license holders are prioritized.*

- II.2 **Objective:** Be active and involved at the national level in supervisory issues affecting areas of direct supervisory oversight in Texas.

Measure: Maintain active contact with other states directly and through regulatory associations (CSBS and MTRA), trade associations (IBAT and TBA) as well as frequent contact with members of Congress and federal regulators to be aware of actions and decisions and areas of actual or potential impact to the Department's regulatory functions or the industries to proactively respond as needed.

Update:

- *On September 11, 2023, Department staff attended the 2023 MTRA Annual School & Conference in Portland, Oregon. The conference provided an opportunity for MTRA member states to discuss topics impacting MSB regulation. MSB license holders and industry stakeholders also attend the conference on an annual basis. Presentations impacting MSBs, such as the NMLS Modernization, Fintech partnerships, and Bitcoin ATMs were provided and discussed.*
- *On September 15, 2023, Commissioner Cooper, Chairman of the Federal Financial Institutions Examination Council (FFIEC) State Liaison Committee, attended the FFIEC meeting in Washington, D.C.*
- *Commissioner Cooper and staff represented the Department at the IBAT Annual Convention in Frisco on September 17, 2023. The convention focused on key issues impacting the banking industry, specifically those related to community banks. Commissioner Cooper and Jelena McWilliams, former Chairman of the FDIC, conducted a fireside discussion for the audience.*
- *Commissioner Cooper and Deputy Commissioner Wendy Rodriguez represented the Department at CSBS Districts II and IV Combined Fall Meeting held at the Federal Reserve Bank of St. Louis, Missouri, on October 3, 2023.*
- *Commissioner Cooper attended the FDIC Advisory Committee of State Regulators Meeting held at the FDIC Headquarters in Washington, D.C., on October 18, 2023.*
- *Commissioner Cooper and staff represented the Department at the CSBS Cyber & IT Supervisory Forum held in Austin on November 6, 2023.*
- *Director of Cybersecurity and Technology Strategy Phillip Hinkle attended the Federal Banking Agency Significant Service Provider Strategy Forum on Cybersecurity in Washington, D.C., on November 13, 2023.*
- *On November 14, 2023, Houston Regional Director Greg Wisian represented the Department at a virtual FFIEC International Banking Conference.*
- *Commissioner Cooper represented the Department at the CSBS Board Meeting and Supervisors Symposium in New Orleans, Louisiana, on December 4, 2023- and also participated on a regulatory panel.*
- *On December 11, 2023, Commissioner Cooper, Chairman of the FFIEC State Liaison Committee, attended the fourth quarter FFIEC meeting in Washington, D.C.*
- *Director of Bank and Trust Supervision Jared Whitson participated as a panelist at the IBAT Winter Summit in Avon, Colorado, in January 2024.*

- *Director of Cybersecurity and Technology Strategy Phillip Hinkle represented the Department at the CSBS District V Meeting in San Francisco, California, in January 2024.*
- *Department staff attended the Conference of State Bank Supervisors (CSBS) NMLS Annual Conference held in San Antonio beginning on February 13, 2024. Various MSB topics related to licensing, regulation and industry trends were discussed.*
- *The Department is an active member of the Multi-State MSB Examination Taskforce (MMET). NDS Director Saucillo services as the Vice Chair of MMET.*
- *NDS staff participates in monthly North American Death Care Regulators Association (DCRA) virtual meetings to discuss matters affecting the death care industry.*
- *NDS Director Saucillo continues to serve as a member of the MTRA Board of Directors.*
- *NDS Director Saucillo continues to be a State Coordinating Committee (SCC) member. The SCC is responsible for coordinating the supervision of activities related to MSBs, mortgages, debt collection, and payday lending with the CFPB.*
- *NDS Director Saucillo continues to lead the MSB Enforcement Action Taskforce. The taskforce meets monthly to work with other state regulators to identify and monitor troubled MSBs to coordinate actions and responses to safety and soundness concerns.*
- *Attorneys represent the Department on the State Regulatory Registry (SRR) Lawyers Committee and the Southwest Association of Bank Counsel Program Committee and participated in various MTRA working groups.*

II.3 Objective: Maintain an ongoing awareness of the risk profiles of our regulated entities and the condition of the economy in which they operate. Monitor individual or systemic conditions, including commercial real estate risk, cybersecurity threats and other high-risk activities which present risks to their financial stability. Ensure that supervisory activities remain appropriate and take necessary actions against institutions exhibiting unacceptable risk profiles.

Measure: Perform research, maintain dialogue with regulatory counterparts, and attend trainings to maintain an understanding of the environments in which our entities operate. Maintain a leadership role in the effort to combat cybersecurity and information security threats. Maintain an off-site monitoring program of the bank and trust, and money services business industries while initiating appropriate regulatory responses and actions when appropriate. Research and take required actions against institutions with unacceptable profiles who have a heightened risk of becoming a problem bank to minimize the adverse impact on depositors, shareholders, and the banking system in general.

Update:

- *Commissioner Cooper continues to represent the state banking supervisors of the Financial and Banking Information Infrastructure Committee (FBIIC) and*

attends the meetings and briefings of this group. Director of Cybersecurity and Technology Strategy Phillip Hinkle also attends meetings related to cybersecurity.

- B&T and NDS continue to monitor cybersecurity incidents and the impact on the regulated entities and consumers. Incidents are reviewed in coordination with an Information Technology (IT) Specialist, as needed.*
- Based on available resources and certain risk factors, NDS continues to collaborate with the IT examination staff to perform risk-based reviews of MSB license holders' IT systems.*
- B&T and NDS examiners continue to attend specialized training to ensure Texas has a safe, sound, and competitive financial service system, and provide efficient and effective regulatory oversight of regulated entities.*
- B&T division continues to monitor the condition of banks and trust companies between examination through our off-site monitoring programs. These programs consist of quarterly reviews of call report data, the use of data analytic tools, and conducting calls to bank management. The division's watch list of institutions exhibiting heightened risk is monitored and adjusted quarterly with appropriate actions taken against organizations when applicable.*
- In coordination with other states and licensees, NDS division continues to perform off-site monitoring of licensed entities, including the quarterly reviews of MSB call reports, reviews of key financial metrics, consumer complaints, and current events.*
- NDS division staff participates in bi-weekly calls to discuss regulatory supervisory activities involving other agencies, such as the U.S. Securities and Exchange Commission, and attorneys general.*

II.4 Objective: Monitor emerging issues in our areas of regulation including technological advances. Determine and communicate the impact of these issues to the regulated entities.

Measure: Report on emerging issues to the regulated industries and Finance Commission. Issue publications that address topics of interest. Participate in meetings, seminars, committees, workgroups and other speaking opportunities with regulated industries and other regulatory supervisory groups to provide updates relating to ongoing supervisory issues.

Update:

- Department staff participated in a combined total of four regulatory panel discussions and IT/cybersecurity presentations with community bankers and industry representatives in the first six months of fiscal year 2024.*
- NDS staff continues to participate in various MMET, and MTRA committees, including the MTRA Examination Standards Committee and the MTRA Licensing/Emerging Issues calls. The Department participates in routine scheduling calls and meetings facilitated by the MMET to coordinate multi-state examinations as part of the Networked Supervision of MSBs. Various issues impacting the nationwide multi-state examination process and course of*

actions to address current supervisory issues impacting the MSB area, including cryptocurrency-related matters.

- *NDS staff is a member of the Enforcement Action Taskforce charged with monitoring and coordinating MSB-related issues nationally. In coordination with CSBS and MTRA, the taskforce will identify and monitor troubled institutions and risky behavior, develop enforcement policies and procedures, and coordinate responses to negative news that indicates safety and soundness concerns.*
- *NDS staff is a member-at-large of the Executive Committee of the North American Death Care Regulators Association (DCRA), which strives to promote a forum for death care regulators to discuss problems affecting the public and the death care industry.*

II.5 Objective: Monitor areas/industries we regulate for illegal activity.

Measure: Monitor and investigate potential illegal activity, and when necessary, initiate appropriate regulatory enforcement actions against licensed and/or unlicensed entities to ensure compliance with applicable statutes and rules. Refer cases as needed to local, state, or federal law enforcement agencies or the Texas Attorney General.

Update:

- *The Legal Division monitors for MSB entities that they may be engaged in money transmission without a license; information provided in response to the notification is then reviewed by the Legal Division to determine whether further action is necessary.*
- *In October 2023, the Department and 43 other state agencies reached a settlement with an MSB license holder who conducted unauthorized transactions. The settlement was the result of collaboration between state MSB regulators and attorneys general.*
- *Agency staff continues to monitor regulated industries and initiate enforcement actions against both licensed and unlicensed entities that are engaging in apparent illegal practices. From September 2023 through February 2024, the following actions were taken against individuals and entities:*
 - *Issued one prohibition order against a bank employee,*
 - *Issued two orders against money services businesses conducting improper activity, including one where the Department collaborated with 43 other state agencies to reach a settlement (as mentioned above),*
 - *Issued one order against a money services business for unlicensed activity,*
 - *Issued one consent order against a bank,*
 - *Issued two cease and desist orders against so-called banks,*
 - *Issued one cease and desist and one final order against perpetual care cemeteries, and*
 - *Issued two orders to seize accounts and records against prepaid funeral contract businesses.*

- II.6 **Objective:** Process consumer complaints/inquiries professionally, appropriately, and timely.

Measure: Report complaints/inquiries activity at each Finance Commission meeting. Meet or exceed the strategic planning goals for consumer activity performance measures.

Update:

- *Consumer Assistance Activities met their performance measures for written jurisdictional complaints and complaints resolved within 90 days, which were presented at each Finance Commission meeting.*
- *Open records requests were processed timely and as prescribed by law. Metrics are tracked and presented to the Finance Commission at each meeting.*

- II.7 **Objective:** Continue to develop and refine examination procedures, reference materials, and internal guidance to enhance the examination process.

Measure: Monitor regulatory changes and update examination materials and guidance in a timely manner. Continue to perform internal reviews of examination procedures to ensure proper intent and applicability. Timely and regularly communicate updates/changes to examiners. Refine examination procedures and processes for better efficiency.

Update:

- *Revised and issued Administrative Memorandums (AM):*
 - *AM 2024 – Follow-up on Bank Compliance Examinations Conducted by Federal Regulators (October 2023)*
 - *AM 2006 – Treatment of Matters Requiring Attention in the Report of Examination (October 2023)*
 - *AM 2039 – Examination of Foreign Banking Organizations (November 2023)*
 - *AM 2045 – Institution Review Process for State-Chartered Trust Companies (November 2023)*
- *Issued Examiner Bulletins (XB):*
 - *XB 2024-01 – Guidelines for Imaging Examination Workpapers (January 2024)*
 - *XB 2024-02 – BSA Violation Citations (February 2024)*
- *Reviewed and revised commercial examination procedures:*
 - *Planning & Control*
 - *Request Lists*
 - *Audit*
 - *Investment Securities*
 - *Loans and Leases*
 - *Management*

- *Other Real Estate Owned*
- *Overdrafts*
- *Reviewed and revised trust examination procedures*
 - *Planning Scope Form*
 - *Request List*
- *Reviewed and revised Information Technology examination procedures:*
 - *Request List – Nonbank*
 - *Development & Acquisition*
 - *Management*
 - *Support & Delivery*
- *Updated examination reference materials for commercial, trust, and IT procedures (Monthly)*
- *Updated Bank of Anytown (February 2024)*
- *Issued industry notice regarding S.B. 895, the Money Services Modernization Act, and H.B. 1666, relating to commingling of funds by digital asset service providers. Both bills were passed in the 88th Legislative Session and will become effective September 1, 2023.*

III. **POLICY AND RULE DEVELOPMENT – *Policies, Rules and Financial Education Activities***

III.1 **Objective:** Issue formal communications to regulated entities to clarify and/or promote best practices to assist in complying with laws and policy statements.

Measure: Issue Supervisory Memorandums, Regulatory Guidance, and Legal Opinions in a timely manner as needed.

Update:

- *Revised and issued Supervisory Memorandums (SM)*
 - *SM 1006 – Request for Reconsideration of Examination Finding (September 2023)*
 - *SM 1030 – Policy on Enforcement Actions for Trust Companies (October 2023)*
 - *SM 1005 – Policy on Enforcement Actions for State-Chartered Banks (October 2023)*

III.2 **Objective:** Monitor and suggest amendments to the Texas Administrative Code as necessary to reflect changes in state and federal laws, clarify existing laws, and address the dynamics of the changing industries. Perform periodic reviews of fee rules to ensure each regulated area covers its cost of regulation.

Measure: Draft amendments and new rules for potential adoption by the Finance Commission as necessary to timely effect necessary changes. Conduct reviews of all rules every four years to evaluate their continued necessity and applicability.

Update:

- *H.B. 1666, relating to commingling of funds by digital asset service providers, became effective September 1, 2023. The Department has been actively communicating the matter with license holders and provided guidance. The Department is discussing with license holders, American Institute of Certified Public Accountants, and accounting firms to provide additional guidance in the form of new rules.*

III.3 Objective: Maintain participation in financial education and outreach efforts.

Measure: Periodically update the Department's financial education web pages and brochure. Highlight financial institutions with active programs in agency publications. Participate in financial education events and webinars throughout the year.

Update:

- *On December 13, 2023, the Texas Department of Banking and the Office of Consumer Credit Commissioner jointly presented a free financial education webinar focused on money management with tips and strategies to navigate through the holiday season. There were 21 participants.*
- *On February 21, 2024, a free financial education webinar was presented jointly by the Office of Consumer Credit Commissioner and Texas Department of Banking providing information on organizing and best practices for retaining important documents. There were 29 participants.*
- *The Financial Education brochure was updated in October 2023.*

IV. AGENCY MANAGEMENT – *Staffing, Recruiting, Fiscal Responsibility, and Technology*

IV.1 Objective: Actively recruit qualified personnel while strengthening the diversity of the workforce whenever possible. Maintain compliance with all state and federal equal employment opportunity laws.

Measure: Actively recruit entry level positions at state universities and colleges by attending career fairs (if available) and support banking programs at Texas universities. Promptly post vacancies utilizing CAPPS Recruit and other recruiting platforms to reach a wide and diverse talent pool.

Update:

- *Thirty-seven vacancy notices were posted from September 1, 2023, through February 29, 2024.*
- *Hired nine Financial Examiner I and one Financial Examiner V in Bank & Trust*
- *Hired two Financial Examiner I in Trust in Bank & Trust*
- *Hired one Administrative Assistant III and one Financial Examiner IV in Corporate.*
- *Hired one Compliance Analyst II and an Editor II in Division Strategic Support.*

- *Hired one Human Resources Specialist III and one Human Resources Manager.*
- *Hired one Attorney III, one Legal Assistant III, and one General Counsel V in Legal.*
- *Hired one Information Security Officer in MIS.*
- *Hired one MSB Financial Examiner I in NDS.*
- *Utilized CAPPS Recruit and LinkedIn to post open positions and actively recruit qualified candidates.*
- *Agency representatives attended eight career fairs.*
- *Revised Administrative Memorandum 2031 to reflect staffing changes (September and February).*
- *Completed Equal Employment Opportunity/Sexual Harassment Training in October 2023.*

IV.2 **Objective:** Work towards full staffing, with an emphasis on employee retention and staff diversity. Provide and promote opportunities for professional development for junior staff and offer opportunities in new responsibilities to minimize the loss of institutional knowledge as vacancies and retirements occur. Continue efforts to maintain a competitive salary structure. Obtain feedback from employees and implement changes where feasible.

Measure: Improve staff retention by addressing major issues that contribute to non-retirement resignations as reported in exit interviews, with a goal to have the agency turnover rate (excluding retirements and intern separations) not exceed 9% for the fiscal year. Maintain a competitive examiner salary program comparable to the FDIC.

Update:

- *Agency fiscal year 2024 turnover rate through February 29, 2024, was 8.03%. Financial Examiner turnover was 6.25%. There were no retirements during this period.*
- *Through February 29, 2024, the agency hired 24 employees and incurred 14 separations.*
- *Promoted 18 individuals to positions with increased responsibility and qualifications.*
- *Administered Annual Employee Performance Appraisals in February 2024 using NEOGOV Perform system.*
- *UT Survey of Employee Engagement was completed and released to staff in February 2024.*
- *Updated policies and procedures to improve employee benefits.*
 - *AM 2038 – Frequent Overnight Stay-Out Stipend (FOSTS) Program (October 2023)*
 - *Section 3-09 – Employee Education Reimbursement Program (January 2024)*
 - *Section 8-05.5 FMLA Paid Parental Leave (January 2024)*

- IV.3 **Objective:** Maintain up-to-date computer hardware and software to enhance the effectiveness, availability, speed, and quality of the work products that are compatible with our federal counterparts. Provide timely technical support and training to staff.

Measure: Provide technology tools necessary for staff to perform their job functions efficiently, effectively, and securely. Provide support for remote work in accordance with agency policy. Maintain software in accordance with the Department of Information Resources guidelines. Ensure network, website, and databases function appropriately with limited interruptions.

Update:

- *Multiple applications were deployed or updated in the first six-months of fiscal year 2024 to date:*
 - *Department imaging system was upgraded to a newer version.*
 - *Annual Trust, PFC, and PCC applications were deployed for fiscal year 2024.*
 - *MSB application is near completion and estimated to be released in April 2024.*
 - *The new CHIPS application version is near completion and estimated to be deployed by summer of fiscal year 2024.*
- *MIS completed fiscal year 2024 planned laptop replacements for staff as part of refresh cycle with 38 new computers deployed in the first six months.*

- IV.4 **Objective:** Safeguard the integrity of data and information technology networks and systems from unauthorized access or use, ensuring that access to critical systems is available during an emergency to staff.

Measure: Perform a bi-annual external information security risk assessment and initiate corrective actions necessary to maintain data integrity and minimize the risk of unauthorized access or use. Perform annual intrusion testing through the Department of Information Resources and periodic vulnerability reviews for network and external facing web resources. Conduct an annual test of the Department's disaster recovery plan and initiate corrective actions to ensure operations will function appropriately. Execute quarterly information security tabletop exercises to ensure staff are ready to respond to various incident types, when and if they occur.

Update:

- *The annual Information Security Training for the Department began in February 2024.*
- *Disaster Recovery improvements continue, and on October 24, 2023, one tabletop exercise was conducted by the MIS team.*

- IV.5 **Objective:** Ensure financial examiners receive adequate and proper training to perform their duties and progress within the financial examiner series.

Measure: Provide core required training courses to financial examiners in the FE I – FE III series so they can progress in the financial examiner series. Adequately prepare

assistant examiners to successfully complete the Bank and Trust Supervision commissioning test. Continue agency efforts to provide continuing education to field examiners.

Update:

- *Sixty-one examiners in the Financial Examiner I–III series attended 16 different training courses in the first six months of fiscal year 2024.*
- *In the first half of fiscal year 2024, two examiners received their commission.*
- *The inaugural training program established in June 2023 for new financial examiners held a graduation in December 2023 for 17 financial examiners. The program was well received and is expected to be held again starting in June 2024 for the next group of financial examiners being hired in calendar 2024.*

IV.6 **Objective:** Host accelerated internal training program for newly hired examination staff to support and enhance their ability to perform their duties.

Measure: Provide the internal training course at least once in fiscal year 2024 to adequately prepare assistant examiners to successfully participate in an examination.

Update:

- *Seventeen students completed the accelerated internal training program in December 2023.*
- *Next session will be held in late June 2024.*

IV.7 **Objective:** Ensure agency expenditures are necessary and prudent and within budgetary constraints; revenues collected are adequate to cover expenditures; and provide a cash reserve or fund balance that complies with Finance Commission policies.

Measure: Review expenditure and revenue patterns monthly. Prepare quarterly financial statements to substantiate the agency's financial position and cash reserve.

Update:

- *Monthly financial statements were provided to all divisions for review and reported to the Finance Commission in February for the second quarter of fiscal year 2024.*
- *Budget variances are analyzed quarterly.*
- *For the first six months of fiscal year 2024, actual revenues were at 101.8% of budget and actual expenditures were at 92.1% of budget.*
- *Cash reserves are within policy guidelines of at least two months, but no more than six months.*

IV.8 **Objective:** Periodically review internal controls and processes to improve the efficiency and effectiveness of the agency. Coordinate, when possible, with the Office

of Consumer Credit Commissioner and Department of Savings and Mortgage Lending to minimize duplication of duties and processes.

Measure: Report on improvements identified and implemented.

Update:

- *Imaging system was upgraded and tested by all three agencies to ensure operations continued without interruption.*

IV 9 **Objective:** Work with TXDOT, the Facilities Commission, and the Office of the Governor on relocation of the Finance Commission agencies.

Measure: Report on activities related to the relocation of the Finance Commission agencies.

Update:

- *The agencies continued communications with TxDMV and TxDOT regarding the four-acre parcel on the Camp Hubbard campus.*
- *A Phase II Environmental Site Assessment (Phase 2 ESA) was initiated and received in October 2023.*
- *The Finance Commission agencies sent TxDOT an updated letter of intent for the purchase of the four-acre parcel and intends to send a letter requesting approval from the Office of the Governor to purchase the property.*

IV.10 **Objective:** Comply with the directives of the State Office of Risk Management (SORM) regarding the Continuity of Operations Plan.

Measure: Ensure that updates are made, and the Plan is exercised as determined by SORM.

Update:

- *The plan exercise was conducted and submitted to SORM in January 2024. SORM reviewed the exercise and provided positive feedback. The next exercise is due in January 2026.*

The Department of Banking is considered by our regulatory peers to be one of the top financial regulators in the country. We have worked hard to achieve this position and will continue to improve our processes and techniques to properly supervise the industries that we regulate and serve the citizens of Texas.

Office of Consumer Credit Commissioner

Agency Priorities

FY 2024

1. LEGISLATIVE

1.1. Legislative Interim Studies.

1.1.1. Objective: Participate in legislative interim studies and provide information and research to the Texas Legislature.

Measure: Respond promptly to legislative requests for information. Communicate with the Finance Commission regarding interim legislative activity.

Status: During the legislative interim, the Texas Legislature has not issued an interim charge directly affecting the OCCC and has not requested information from the OCCC in connection with an interim charge. Staff has responded to individual legislative office requests for data and information. If the legislature issues an interim charge affecting the OCCC, then the OCCC will communicate with the Finance Commission about the charge.

2. REGULATORY ACTIVITIES

2.1. Regulated Entities - Supervision.

2.1.1. Objective: Supervise and monitor the jurisdictionally appropriate industry segments for compliance with state and federal law. Investigate illegal activity. Achieve overall weighted average acceptable level of compliance of 85% through examinations and industry education efforts. Monitor restitution instructions for licensees with outstanding examination issues.

Measure: Reporting on compliance by regulated industry segment. Number of examinations completed. Report the rate of satisfactory compliance. Report the amount of restitution returned to consumers as a result of examinations.

Status: The agency has completed 1,321 examinations at mid-year which is 88% of the pro rata goal and 44% of the annual goal for fiscal year 2024. The overall compliance rate is 91.1% for all five examination areas combined. Restitution from examinations conducted is \$2,481,994.63 as of February 29, 2024.

2.1.2. Objective: Actively engage in regulatory activities and supervisory issues relating to consumer finance, auto finance, and payday lending at the national and multistate level. Engage in and respond as appropriate to developing issues that impact the OCCC or its regulated entities.

Measure: Maintain active contact with other state and federal regulators, independently and through regulatory associations to keep abreast of trends and

emerging issues that may impact the OCCC's regulatory responsibilities or the regulated industries.

Status: OCCC examination and legal staff actively participated in the following committees of the National Association of Consumer Credit Administrators (NACCA): Executive Committee (on which the OCCC's general counsel serves as NACCA's secretary-treasurer), Multistate Consumer Finance Examinations Committee (chaired by a senior OCCC examiner), Consumer Finance Exams Standards Committee, Emerging Issues Committee, Legislation Committee, Membership Committee, and Nominations Committee (chaired by the OCCC's commissioner). These committees, along with regular monthly member calls and other association events, provide a forum for the OCCC and other state agencies to collaborate and develop solutions to emerging issues, and provide a framework for states to coordinate examinations of multistate companies. Exam staff attended a CSBS/NMLS conference in February to collaborate with other state and federal regulators. Additionally, a senior examiner is the chair of the new NACCA multi-state Consumer Finance Committee.

- 2.1.3. Objective:** Continue to implement Networked Supervision Program by developing processes for using the State Examination System (SES) and participating in auto and mortgage multistate exams.

Measure: Report on the number of auto finance and mortgage multistate exams in which OCCC participated.

Status: The OCCC has finalized one multi-state mortgage examination during the period and four other multi-state mortgage examinations are in progress. The OCCC continues to explore additional opportunities for using SES and currently has 14 exam staff enrolled as agency users.

- 2.1.4. Objective:** Take appropriate enforcement actions to ensure compliance with state and federal law.

Measure: Report number of enforcement actions for each regulated industry.

Status: The OCCC closed 66 enforcement cases. 46 cases related to regulated lenders (including 32 injunction actions, 12 administrative penalty actions, and 2 license revocations); 13 cases related to credit access businesses (including 11 injunction actions and 2 administrative penalty actions); and 7 cases related to motor vehicle sales finance (including 3 injunction actions, 3 administrative penalty actions, and 1 license revocation). OCCC legal staff regularly reports information about enforcement actions to the Finance Commission.

2.2. Licensing.

- 2.2.1. Objective:** Maintain a focus on ensuring compliance of regulatory and agency standards. Process 80% of license applications within 60 days from received date to completion date.

Measure: Report on license activities, benchmarks, and application processing status.

Status: At the mid-point, 66% of business license applications were processed within 60 days. During the period, staff were prioritizing the processing of many older and complex applications. Also, the department has focused on staff training, including training for new personnel. Overall, the number of license applications pending has declined, which should lead to more efficient and timely processing during the second half of the fiscal year.

2.2.2 Objective: Provide quality customer service to licensees and registrants. Provide professional development and training opportunities to licensing staff once a quarter.

Measure: Report on call abandonment rate and professional development training provided to staff.

Status: Abandonment rate and queue time are both trending downward indicating resolution to customer inquiries is occurring more quickly and swiftly. Licensing staff are engaged in cross-training to ensure that customer service interactions are prompt, consistent, and of high quality.

3. POLICY AND RULE DEVELOPMENT

3.1. Rulemaking.

3.1.1. Objective: Complete rule reviews for the following rule chapters: 7 TAC Chapter 1 (relating to official interpretations), Chapter 82 (relating to OCCC administration), Chapter 83, Subchapter B (relating to credit access businesses), Chapter 84 (relating to motor vehicle sales finance), Chapter 85, Subchapter B (relating to crafted precious metal dealers), Chapter 87 (relating to refund anticipation loans), and Chapters 151-153.

Measure: Present rules to the Finance Commission for readoption according to schedule. Propose appropriate rule amendments to the Finance Commission. Request feedback from stakeholders on whether rules should be updated and conduct webinars on proposed rule amendments.

Status: The Finance Commission has completed the rule reviews of 7 TAC Chapter 1, Chapter 82, Chapter 83, Subchapter B, and Chapter 85, Subchapter B. Based on the rule review, amendments to 7 TAC Chapter 83, Subchapter B were proposed and adopted in separate rule actions. Before presenting these rule actions to the Finance Commission, OCCC staff issued advance notices of rule review to stakeholders and held webinars to obtain input from stakeholders. Before the end of FY 2024, the OCCC plans to present 7 TAC Chapter 84, Chapter 87, and Chapters 151-153 to the Finance Commission for readoption.

3.1.2. Objective: Prepare any rule proposals necessary to implement 2023 legislation. Work with stakeholders to seek feedback on proposed rules.

Measure: Present rules to the Finance Commission for proposal and adoption. Request feedback from stakeholders and conduct webinars on proposed rules.

Status: In October 2023, the Finance Commission adopted rule amendments that implemented SB 422 (2023) by specifying military licensing requirements for residential mortgage loan originators and pawnshop employees. In December 2023, the Finance Commission adopted rule amendments to implement changes relating to recordkeeping for motor vehicle debt cancellation agreements under HB 2746 (2023). Before presenting these rule actions to the Finance Commission, OCCC staff held webinars to obtain input from stakeholders.

4. CONSUMER ISSUES / COMMUNICATION & OUTREACH STRATEGIES

4.1 Texas Financial Education Endowment Fund (TFEE).

4.1.1. Objective: Conclude the 2022-2023 TFEE grant cycle, including reporting on the progress and impact of grant award recipient performance. Launch the 2024-2025 TFEE grant cycle. Coordinate Grant Advisory Committee review and selection of applications. Report on grant award progress, monitor grant award recipient's programs, and process reimbursement requests. Conduct TFEE outreach, host a TFEE application webinar, and conduct risk assessment on 2024-2025 grant award recipients.

Measure: Reporting on fund activities, investment earnings, grant request submissions, grants awarded, and grantee reporting highlights. Identify and implement ways in which to improve and expand the grant program based on report findings and program needs.

Status: The 2022-2023 TFEE grant cycle concluded on December 31, 2023. The final reimbursements are in progress and grant award recipients will be providing longitudinal reports this summer. During the 2022-2023 grant cycle, \$398,715.30 was disbursed through the TFEE grant. The 2024-2025 grant cycle began on January 1, 2024, and is well underway. Agency staff are wrapping up one-on-one welcome meetings with award recipients. Additionally, agency staff have conducted a site visit to a 2024-2025 grant award recipient based on risk assessment scores.

4.2 Financial Education

4.2.1. Objective: Provide and support financial education by conducting financial education events. Conduct outreach to community organizations, state agencies, non-profit organizations, and consumer advocacy groups that may benefit from financial education events. Identify traditionally underserved populations and locations in need of financial education. Offer financial education content via remote and in person learning opportunities.

Measure: Report on number of people and programs reached.

Status: The OCCC has partnered with several organizations, including other state agencies, non-profits, and community centers to support and provide financial education.

As of the end of the second quarter, 372 individuals have received financial education from the OCCC at presentations held throughout the state, which is 57% of the annual goal.

4.3. Industry and Stakeholder Outreach

4.3.1. Objective: Communicate and build relationships with industry and interested stakeholders on matters of supervisory and industry interest. Monitor emerging issues in the agency's areas of regulation and communicate the impact to regulated and licensed entities. Develop publications that address topics of interest and share with regulated and licensed entities. Participate in or attend industry meetings or seminars.

Measure: Report to the Finance Commission on the content and frequency of communications.

Status: As of the end of the second quarter, the OCCC hosted rule review webinars related to Credit Access Businesses, Regulated Lender Fee Review, and Documentary Fee Review and has issued eight advisory letters. The OCCC has participated in at least 21 events to foster communication with stakeholders, including a reoccurring DMV Motor Vehicle Seminar, the annual TCFA meeting and the TIADA conference. Agency staff monitor monthly NACCA, AARMR, and FTC calls. Additionally, agency staff serve on the board of Texas Jump\$tart and the NACCA multi-state Consumer Finance Committee. The OCCC attended and participated in annual meetings of the Texas Property Tax Lienholders Association (TPTLA) and Texas Consumer Credit Coalition (TCCC). The OCCC's general counsel serves as a public member of the Customer Service and Protection Advisory Committee (CSPAC) of the Texas Department of Motor Vehicles.

5. AGENCY MANAGEMENT

5.1. Performance Measures.

5.1.1. Objective: Performance Targets. Meet or exceed 80% of key performance targets within $\pm 5\%$ of the projected target.

Measure: Continue to meet or exceed the strategic planning goals for key performance measures, including attainment of at least 9 out of 11 key performance targets. Report results to Finance Commission on a quarterly basis.

Status: At mid-year, the OCCC has met or exceeded 7 of 11 key performance targets. While not yet within the tolerance range for pro rata completion, the measure related to number of examinations completed is currently anticipated to meet end of year targets. Measures related to monies returned to consumers and business application processing are not within range. To the extent that the measure is within the agency's control, staff are evaluating opportunities to improve performance.

5.2. Human Resources.

5.2.1. Objective: Recruit and retain qualified personnel with the appropriate skill set necessary to meet short and long-term needs. Continue efforts to right size staffing, based on performance requirements, with an emphasis on employee retention and diversity. Ensure administrative staff receives adequate training to minimize institutional knowledge loss due to work separation or retirement. Maintain competitive compensation schedules. Continue efforts to be proactive in competitive salary administration.

Measure: Report on turnover ratio, training initiatives and retention efforts. Maintain competitive financial examiners career development and progression path.

Status: The current turnover ratio is 8%. The agency continues to work to recruit qualified individuals through relevant recruiting tools and websites. Currently the OCCC continues to work to retain key staff through salary adjustments and professional development, while analyzing salary data for job classifications statewide. Recruiting efforts have been strong during the spring with an emphasis on filling a new financial examiner class in June.

5.2.2. Objective: Ensure that financial examiners receive a minimum of 40 hours of continuing education and training. Build examiner professional development through progressive certifications and the career ladder within the financial examiner series.

Measure: Report on financial examiner training opportunities, attainment of minimum training hours, and examiner certification progression.

Status: The OCCC held the annual examiner training conference in September of 2023 where 40 hours of continuing education was provided. Examiners discussed new statutes and regulations, emerging trends in consumer finance, and best examination practices. Three examiners attended the NACCA Examiner School in the fall of 2023. Additionally, several examiners attained career ladder requirements to achieve promotions to Financial Examiner III and IV's.

5.2.3. Objective: Conduct review of human resource policies and update as appropriate. Enhance supervisory resources and training.

Measure: Report on completion of review and progress on supervisor resources.

Status: Human resource policy and procedures update and review is anticipated in the coming months. Continued work on the supervisory manual is scheduled for the second half of the year.

5.3. Financial and Self-Directed, Semi-Independent Status.

5.3.1. Objective: Ensure that the agency's revenues and expenditures are appropriate and balanced and maintain a cash reserve or fund balance in compliance with Finance Commission policies. Provide greater data reliability, more efficient transactional processing, and enhanced reporting. Evaluate additional CAPPS non-core modules for implementation in subsequent years.

Measure: Review internal financial statements and variances on a monthly basis. Submit quarterly financial data relating to the agency's financial position and fund balance for review by the Finance Commission. Report on activities related to functionality and evaluation of CAPPs enhancements.

Status: Management regularly reviewed financial performance and the OCCC presented appropriate information to the Audit Committee for review. At the end of FY23 the OCCC had approximately 3 months of operating reserves, which is within the guidelines of the Finance Commission's liquidity policy. During early FY24, operating reserves trend higher due to cyclical revenue collection. The accounting and human resources staff participate in CAPPs user sessions and stay abreast of potential opportunities to implement CAPPs enhancements.

- 5.3.2 Objective:** Continue to work towards permanent relocation, in collaboration with the other Commission agencies, TxDOT and the Office of the Governor.

Measure: Report on activities related to the relocation of the Finance Commission agencies.

Status: The OCCC and other Finance Commission agencies continued discussions with TxDOT and TxDMV about the four-acre site on the Camp Hubbard campus. A Phase II Environmental Site Assessment (Phase 2 ESA) was received in October 2023. The agencies sent an updated letter of intent for the purchase of the four-acre site to TxDOT and will be requesting approval from the Office of the Governor to purchase the property.

- 5.3.3. Objective:** Periodically review internal controls and processes to improve the efficiency and effectiveness of the agency. Coordinate with the Department of Banking and Savings and Mortgage Lending Department, when possible, to minimize duplication of duties and processes.

Measure: Report on improvements identified and implemented.

Status: Agency personnel continue communicating and coordinating with the Department of Banking and Savings and Mortgage Lending on relevant tasks and crossover.

5.4. Information Technology.

- 5.4.1 Objective: ALECS Enhancements.** Complete the cloud host relocation of the OCCC's regulatory application, ALECS. Implement an enhancement to provide an automated testing protocol, with the goal to improve UAT turnaround time and speedier completion of subsequent enhancements.

Measure: Reporting on ALECS enhancements. Successful implementation of the automated testing program.

Status: The project to relocate ALECS with a TX-RAMP compliant vendor has been completed. While staff initially identified an automated testing protocol as a project for this fiscal year, several factors have caused staff to reevaluate this project. At mid-year, the project is on hold as further evaluation related to the cost-benefit of the project continue. The next anticipated project for ALECS will be a necessary operating system upgrade.

- 5.4.2 Objective: Technology Modernization and Security Enhancements.** Continuously evaluate OCCC's technology posture, keeping resources up-to-date and deploying modern technology improvements and security enhancements. Migrate the agency to Microsoft Windows 11 as exclusive endpoint operating system in FY'24. Update the OCCC internal network stack, which is reliable yet but aging. Pursue DIR Dark Capacity emergency server recovery, recently made available, as a mitigation measure against disaster. Pursue a comprehensive overhaul of IT policies, procedures, and other operational documentation, capturing and codifying established and emerging knowledge. Deploy other projects and enhancements as appropriate.

Measure: Reporting on the update of endpoint computer fleet to Windows 11. Successful integration of new network component units with no loss of operations or communications. Reporting on other technology modernization efforts and security enhancements.

Status: Dark Capacity recovery option was declared operational in February 2024. The comprehensive overhaul of IT policies and procedures is in progress and more than halfway complete, ahead of schedule. The network stack project is in process awaiting the completion of a new protocol through DIR. Migration to full Windows 11 deployment is underway, with approximately 15% of the current endpoint fleet complete and 15 new endpoints to be deployed throughout the third and fourth quarters, with others to be updated.

Agency Priorities for Fiscal Year 2024

I. Legislative

I.1 Objective: Monitor the activities of the Texas Legislature during the interim. Provide information to the Texas Legislature as may be requested.

Measure: Respond promptly to legislative requests for information. Report interim legislative activity that may affect the Department or its regulated industries to the Finance Commission.

Status: *During the first half of FY2024, the Department reported to the Finance Commission concerning the 88th Legislature's four called special sessions occurring during what is typically the interim. The Department awaits the release of interim charges by the Lt. Governor and the Speaker of the House and will report to the Finance Commission concerning same. During the first half of FY2024, the Department was not asked to provide information to the Texas Legislature.*

II. Regulatory Activities

II.1 Objective: Establish performance measures to allow for monitoring of the agency's efforts to effectively and efficiently meet Department goals.

Measure: Meet or exceed performance measures. Report performance measures quarterly to the Finance Commission.

Status: *The Department provides quarterly reports to the Finance Commission concerning its performance and did so during the first half of FY2024. As of the end of the second quarter, FY2024, the Department met or exceeded two out of four performance measures. Deviation from the two other measures are outlined in the Performance Measures Report.*

Performance measures targets for FY2023 were established in August 2022. Actual performance is reported to the Finance Commission quarterly.

II.2 Objective: Monitor the Department savings banks' risk profiles to allow for understanding of how changes in the economic environment may impact the overall condition. Ensure supervisory action is appropriate to address heightened risk within the portfolio.

Measure: Complete off-site monitoring of savings banks on a quarterly basis to identify changes in risk profile of state savings banks and report overall portfolio status to Finance Commission. Initiate supervisory response when necessary.

Status: *Off-site monitoring was completed for all savings banks during the November and February to identify changes in the risk profile. Examinations, visitations, and other supervisory interaction was initiated as appropriate to address concerns.*

II.3 Objective: Monitor emerging issues in the financial services industry and bring awareness to the Thrift industry as appropriate.

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

Measure: Participate in meetings, webinars, and other training to stay apprised of topics of interest. Report on emerging issues to the Finance Commission and the Thrift Industry.

Status: The Thrift Division held monthly emerging issues webinars with the Thrift Industry to bring awareness on topics of interest. In September 2023, Thrift Industry Day was held covering topics such as Economic Outlook in Texas, Consumer Compliance updates, Sensitivity, Liquidity and other hot topics.

II.4 Objective: Evaluate processes and procedures, as well as new technologies, for added efficiencies in thrift supervision and examination.

Measure: Continue to assess, document, and communicate updates to Thrift Supervision and Examination procedures to staff.

Status: The Thrift Division has developed a policy inventory and plan to migrate current policies and procedure to the DocTract policy management system.

II.5 Objective: Continue compliance examinations of mortgage companies and residential mortgage loan originators to ensure that licensees comply with applicable laws and regulations when conducting business with Texas consumers. Analyze recurring examination findings and take steps to communicate best practices to the mortgage industry.

Measure: Maintain mortgage examination schedule as set by Department policy and as needed initiate appropriate regulatory responses and enforcement actions for violations.

Status: As of February 29, 2024, the Department has issued 181 examinations of mortgage entities covering 3,657 mortgage loan originators. The Department has timely initiated 59% of the examinations in accordance with the mortgage examination schedule, as set by the Department policy. The timeliness of the examinations has been impacted by the adoption of the State Examination System (SES). When deemed appropriate, formal and informal enforcement actions have been taken. The Department has provided information on the top violations to the industry on the Mortgage Examination page of its website, during Emerging Issues webinars, and at various presentations to local associations.

II.6 Objective: Initiate appropriate regulatory enforcement to ensure compliance with federal and state laws and regulations.

Measure: Report to the Finance Commission on enforcement actions taken.

Status: The Department provides reports at each meeting of the Finance Commission concerning enforcement actions taken and did so during the first half of FY2024. As of the end of the second quarter, FY2024, the Department has taken 28 enforcement actions.

II.7 Objective: Retain prompt resolution times on consumer complaints.

Measure:

- a. Report to the Finance Commission on the aging of complaints.
- b. Conduct management review of any complaints open over 120 days to identify issues preventing the timely closing of such complaints.
- c. Conduct consumer complaint surveys on a regular basis.

Status:

- a. The Department provides reports at each meeting of the Finance Commission concerning the aging of complaints and did so during the first half of FY2024.

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

- b. *Department staff regularly reviews complaint aging to resolve complaints on a timely basis, with an emphasis on resolving complaints aged over 120 days as expeditiously as possible while not compromising investigation rigor. As of February 28, 2023, the Department has one complaint aged over 120 days.*
- c. *The Department conducts consumer complaint surveys on a monthly basis and did so in the first half of FY2023. The Department regularly reviews survey data to identify any trends and potential areas for improvement, including opportunities for staff training and potential adjustments to processes and procedures concerning the analysis and investigation of consumer complaints.*

II.8 Objective: Process complete licensing applications and registrations in a timely manner.

Measure:

- a. Monitor the timeliness of the licensing process.
- b. Conduct surveys of license applicants on a regular basis.

Status:

- a. *For the first two quarters of the fiscal year, the Department has processed 4,532 applications and made a final decision within 60 days of the date of the application on 89.17% of the processed applications.*
- b. *The Department conducted and reviewed on a quarterly basis surveys of license applicants to identify any trends and potential areas for improvement, including opportunities for staff training and potential adjustments to processes and procedures to reduce processing times and improve overall satisfaction with the Mortgage Licensing section.*

II.9 Objective: Remain active and involved at the national level on supervisory issues affecting savings banks and the mortgage industry.

Measure:

- a. Maintain contact with state regulators from other states, regulatory associations (e.g., ACSSS, CSBS, and AARMR), trade associations, (e.g., TBA, IBAT, TMBA, ATMP, TLTA, and TAR), and federal regulators (e.g., CFPB, FDIC, FRB), in order to be aware of events, decisions, other state and federal policies and other areas of actual and potential impact on the Department's regulatory functions or the industries. Take proactive steps to respond as issues arise affecting the industries or supervisory duties.
- b. Continue working with the FDIC and FRB, and other federal agencies as appropriate, on examinations, supervision, and consumer complaint resolution issues. Monitor federal rule writing activity and interpretations of existing statutes.
- c. Report to the Finance Commission on interaction with federal agencies in all of the above-listed activities.

Status: *The Department maintained contact with regulatory agencies, including FDIC, FRB, CFPB and the various trade associations to coordinate supervisory oversight of the state savings banks and the mortgage industry. The Mortgage Regulation Division actively engaged in various webinar meetings with AARMR, CFPB, CSBS, NMLS and other state regulators to stay abreast of issues affecting the mortgage industry. Several members of the Mortgage Regulation Division also served roles with the AARMR Board of Directors, NMLS Policy Committee, Mortgage Call Report Subcommittee, and Performance Standards Committee of the CSBS Education Foundation. General Counsel is a member of the SRR Lawyers Committee. The Department reported participation in the above activities to the Finance Commission on a regular basis.*

II.10 Objective: Adopt and implement the use of the CSBS State Examination System (SES) for single, multi-state and coordinated examinations of non-depository mortgage entities.

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

Measure:

- a. Provide virtual and in-person training to Financial Examiners necessary to adequately conduct examinations in SES.
- b. Develop examination policies, procedures, processes, and work items for the use of SES.
- c. Notify the residential mortgage loan companies and mortgage bankers of the use of SES for single-state compliance examinations.
- d. Provide resource materials on the Department website for non-depository mortgage entities to onboard and use SES.

Status:

- a. *During the week of October 2, 2023, the Conference of State Bank Supervisors (CSBS) provided an in-depth virtual training course on SES to the entire Mortgage Examination staff. The virtual training included numerous facets of SES including:*
 - *scheduling or initiating a supervisory activity (examination),*
 - *scoping, planning, and establishing areas for review for the examination,*
 - *sending and responding to information requests,*
 - *reviewing information requests,*
 - *entering findings and observations,*
 - *conducting an exit meeting,*
 - *issuing a report of examination,*
 - *creating issues required for a response by the licensee/registrant (a.k.a. matters requiring attention), and*
 - *other issues.**During the week of October 23, 2023, the Mortgage Regulation division held a Mortgage Examiner training school to discuss the new SES Exam Procedures.*
- b. *The Mortgage Examination section has developed and adopted policies, procedures, and work instructions for the implementation and adoption of the SES.*
- c. *The residential mortgage loan companies and mortgage bankers were notified of the use of SES for single-state examinations during the Mortgage Industry Day and Emerging Issues webinars.*
- d. *The Department's website now includes resource materials on SES. As part of the initial engagement letter, residential mortgage loan companies and mortgage bankers are provided the necessary instructions for onboarding and use of SES.*

III. Policy and Rule Development

III.1 Objective: Conduct rule review of 7 TAC: Chapter 78 (Wrap Mortgage Loans); Chapter 79 (Residential Mortgage Loan Services); Chapter 80 (Residential Mortgage Loan Companies); and Chapter 81 (Mortgage Bankers and Residential Mortgage Loan Originators).

Measure: Complete the rule review process. Present rule changes identified during rule review to the Finance Commission.

Status: *On February 26, 2024, the Department formally initiated the rule review process by submitting a notice of rule review in the Texas Register (published March 8, 2024). The deadline for public comment ends April 7, 2024. The Department intends to present potential changes to the rules resulting from the rule review at the Finance Commission's June 21, 2024, meeting.*

III.2 Objective: Adopt rule changes necessary to implement legislation enacted by the 88th Legislature.

Measure: Present rule changes to the Finance Commission for proposal and adoption.

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

Status: *Senate Bill 422 (SB422) was enacted during the 88th Legislature, Regular Session (2023) and became effective September 1, 2023. The Department determined that changes to existing 7 TAC §81.103 (concerning Licensing of Military Service Members, Military Veterans, and Military Spouses) were appropriate to implement SB422. Rule changes were presented to the Finance Commission at its August 18, 2023, meeting and published for proposal in the Texas Register on September 1, 2023. The rule changes were presented to the Finance Commission for adoption at its October 27, 2023, meeting and published in the Texas Register on November 10, 2023. The rule changes became effective November 19, 2023.*

IV. Outreach and Communications

IV.1 Objective: Communicate with regulated industries on matters of supervisory and industry interest, including emerging issues, through a variety of means both virtual and in person as deemed appropriate and efficient.

Measure: Provide regular updates to the Finance Commission regarding activities conducted in these areas by reporting the number of communications sent and event participation.

Status: *The Mortgage Regulation Division has participated in numerous events with the mortgage industry including:*

- *On November 6, 2023, the Mortgage Regulation Division staff made several presentations during the 11th Annual Mortgage Industry Seminar including a presentation on the Requirements and Limitations for Secondary Mortgage Loans.*
- *The Mortgage Regulation Division held monthly emerging issues webinars with interested stakeholders to address issues affecting the licensing and examination of mortgage related entities or individuals.*

IV.2 Objective: Administer the Mortgage Grant Fund (MGF) grant program. Conclude the MGF 2023-2024 grant cycle, including processing reimbursement requests, tracking grantee performance, and monitoring compliance by grantees with program requirements. Prepare for the MGF 2025-2026 grant cycle, including revising program materials, and initiating the grant application process,

Measure: Provide periodic reports to the Finance Commission Audit Committee concerning MGF activities.

Status: *The Department provides reports at each meeting of the Finance Commission Audit Committee concerning the activities of the MGF grant program and did so during the first half of FY2024.*

V. Agency Operations

V.1 Objective: Recruit well-qualified personnel, while seeking to broaden the Department workforce diversity. Train and cross-train employees as needed to minimize knowledge loss due to employee departure and to prepare for business needs due to changes in regulated industries and/or technology. Provide and promote opportunities for professional development through individual training plans.

Measure: Report on staffing activity, actions to retain staff, and turnover ratios to the Finance Commission.

Status: *During the first half of FY24, the Department filled five positions and had two separations of employment, including one retirement. During the same period, 100% of the personnel received job-related training.*

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

V.2 Objective: Meet or exceed 90% of the key performance measures within the Department's control. Strive to reduce deficiencies, if any, in the performance measures outside the Department's control.

Measure: Provide regular updates to the Finance Commission regarding performance measures.

Status: *The Department reports quarterly its performance to the Finance Commission. As of the end of the second quarter of FY2024, 2 of 4 key performance measures are within +/-5% of target. The Department is working to reduce the deficiencies in the other two measures.*

V.3 Objective: Periodically review internal controls and processes to improve the efficiency and effectiveness of the agency. Coordinate with the Office of Consumer Credit Commissioner and Department of Banking, when possible, to minimize duplication of duties and processes.

Measure: Report on improvements identified and implemented.

Status: *During the first half of FY24, the Department has not had any audits. As of February 28, 2023, there are no outstanding audit findings, recommendations, or observations. Business processes, however, continue to be reviewed and improved as necessary.*

V.4 Objective: Monitor the Department budgeted and actual revenues, expenditures, and reserve balances, as approved by the Finance Commission, in order to maximize the responsiveness and flexibility allowed by the Department's Self-Directed Semi-Independent status. Make decisions relating to finances in a fiscally prudent manner.

Measure: Report to the Finance Commission Audit Committee on revenue and expenditure variances to the budget at least quarterly.

Status: *Reports were submitted quarterly to the Finance Commission as required, with detailed explanations of budget variances and cash reserves. Internally, the budget is monitored and analyzed on an ongoing basis.*

V.5 Objective: Ensure information technology is kept current to maintain effectiveness and quality of work product of the Department. Safeguard the integrity of data and information technology networks and systems.

Measure: Report to the Finance Commission activities in this area.

Status: *During the first half of FY 2024, SML hired a contract Information Security Manager to aid in addressing cybersecurity issues; obtained cybersecurity insurance; updated policies to better align with the Texas Cybersecurity Framework based on recommendations from the TCF Assessment completed in FY 2023; executed a continuity of operations tabletop exercise; procured, and scheduled the installation of a security information and event management system; deployed an endpoint detection and response security solution to all agency owned laptops and cell phones; completed surveys required by DIR in a timely manner; had penetration testing and web application vulnerability scanning conducted; completed monthly phishing campaigns for all employees; implemented critical and non-critical patch updates, and upgrades to the network and employee computers; and provided continuous training to all employees on the use of and updates to the agency's information resources. In February, the agency moved the IR section to report directly to the Commissioner.*

V.6 Objective: Continue activities related to the Centralized Accounting Payroll/Personnel System (CAPPS) implementation.

DEPARTMENT OF **SAVINGS AND MORTGAGE LENDING**

Measure: Report on activities related to the CAPPS implementation

Status: *Staff continues to develop multiple new and updated existing procedures to reflect the CAPPS use in the business processes. The Department has submitted a request with the CAPPS Support Team of the Comptroller of Public Accounts to deploy the CAPPS Recruit module.*

V.7 Objective: Monitor emergencies, man-made or natural disasters, or pandemics as they relate to the Department or its regulated industries.

Measure: Report to the Finance Commission on any activities in this area.

Status: *During the first half of FY24, there have not been major activities to report in this area.*

V.8 Objective: Work with TXDOT and the Office of the Governor on relocation of the Finance Commission agencies.

Measure: Report periodically on activities related to the relocation of the Finance Commission agencies.

Status: *Activities related to the relocation of the finance agencies are coordinated with the Office of Consumer Credit Commissioner and Department of Banking and reported to the Finance Commission, as appropriate.*

B.

Texas Department of Banking

This page left blank intentionally.



Charles G. Cooper
Commissioner


TEXAS DEPARTMENT OF BANKING

2601 North Lamar Blvd., Austin, Texas 78705

512-475-1300 / 877-276-5554

www.dob.texas.gov

To: Finance Commission Members

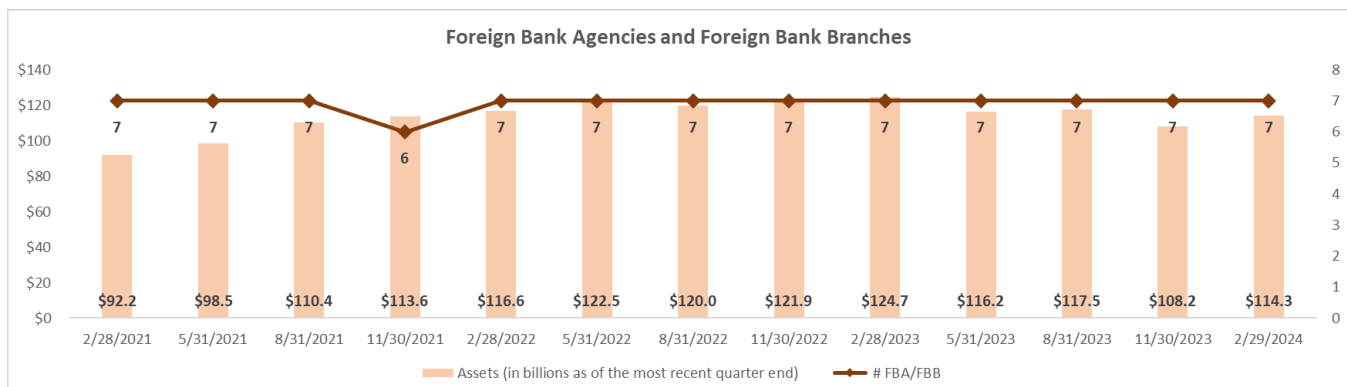
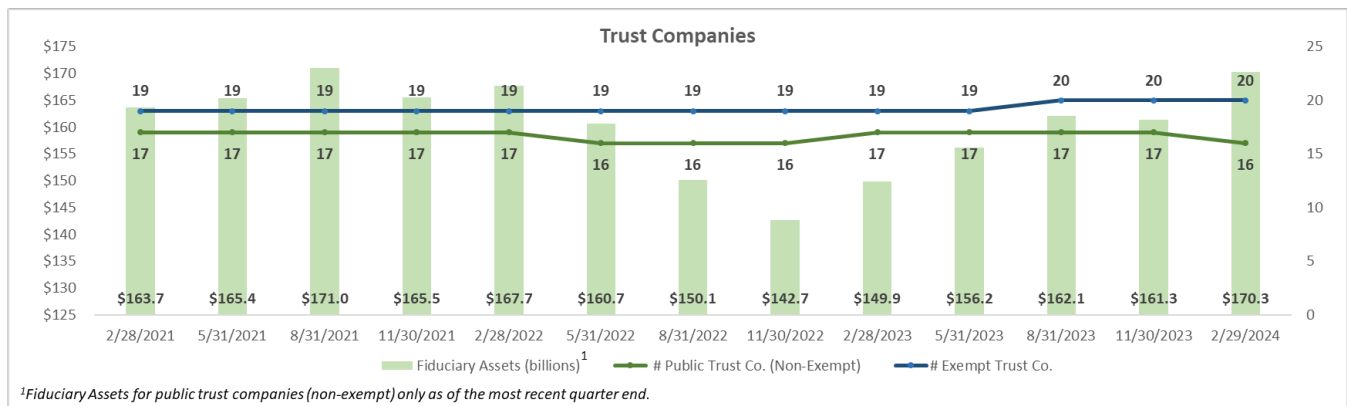
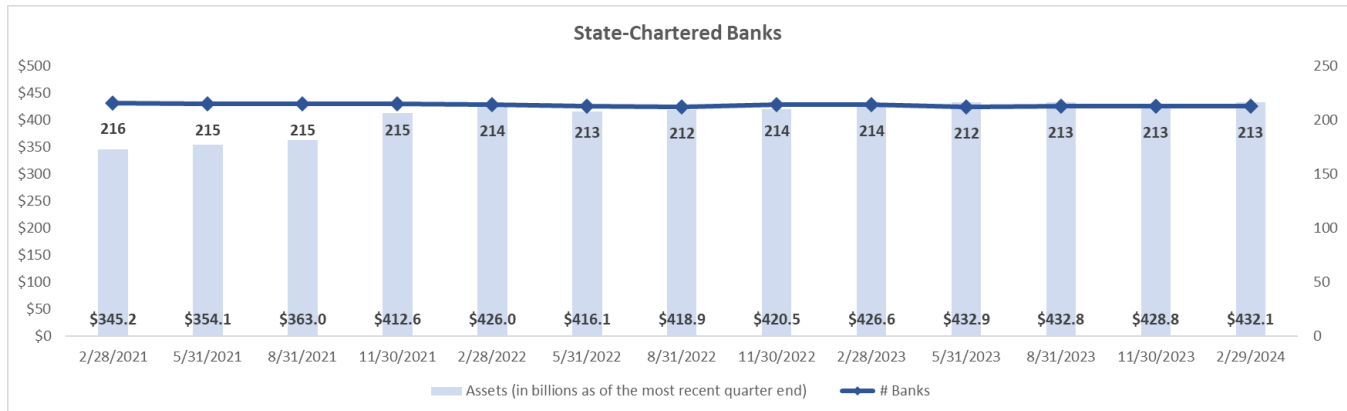
From: Jared Whitson, Director of Bank & Trust Supervision 

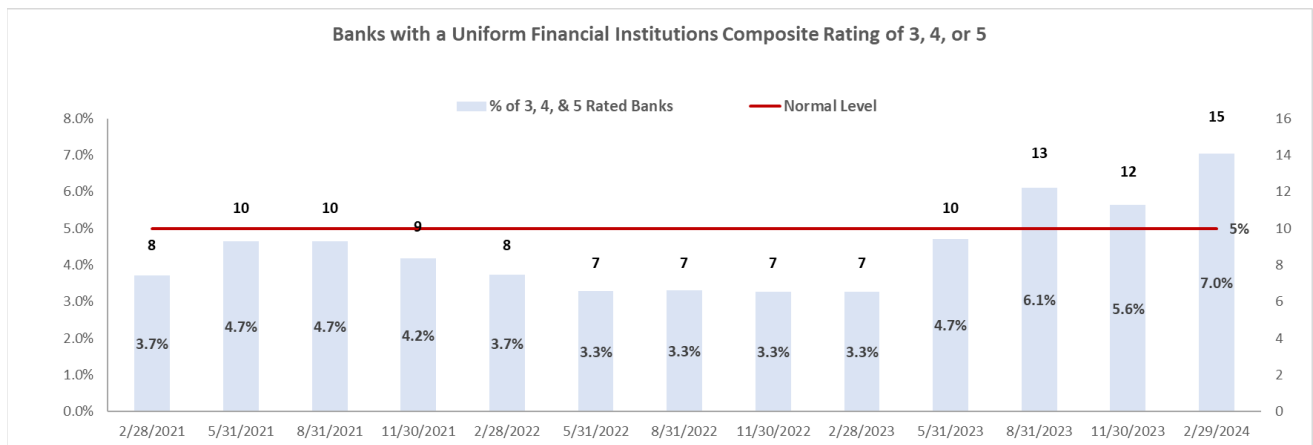
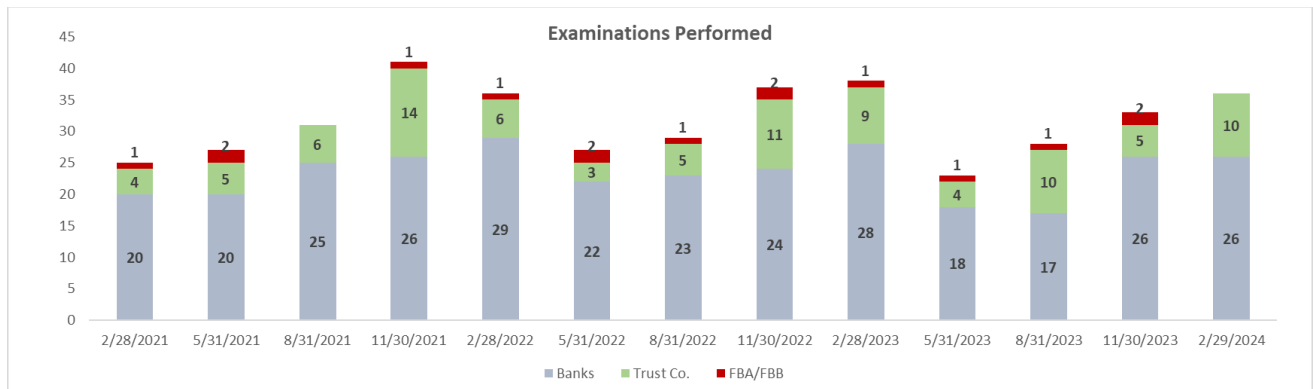
Date: April 3, 2024

Subject: Summary of the Bank & Trust Supervision Division Activities

Bank and Trust Supervision – Industry Profiles

As of fiscal quarter-end (assets as of the preceding calendar quarter)

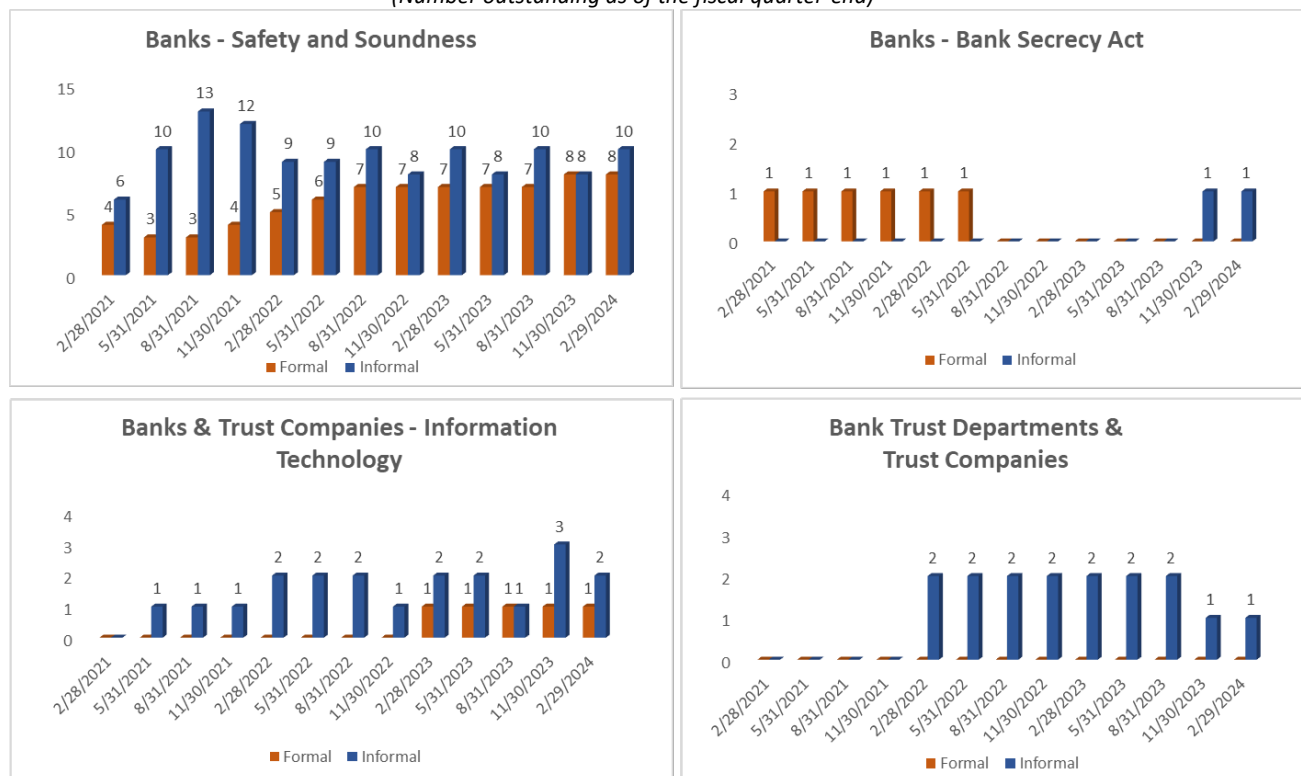




The Department considers any bank with a Uniform Financial Institutions Composite Rating of 3, 4, or 5, to be a problem bank. As illustrated above, the number of problem banks increased to 15 in February 2024 and above the normal range of 3% and 5% of the total number of institutions. The rapid increase in interest rates since March 2022 coupled with poor corporate governance and/or inadequate risk management practices have negatively impacted some institutions. In addition, liquidity pressures within the industry and increased competition for deposits is compressing net interest margins, which is likely to continue for the foreseeable future.

Enforcement Actions Outstanding by Type

(Number outstanding as of the fiscal quarter-end)



Formal actions include Orders to Cease and Desist, Consent Orders, Written Agreements and Supervisor Actions. Informal actions include Determination Letters, Memoranda of Understanding, Commitment Letters and Board Resolutions. Compliance actions are not included.

Compliance with Examination Priorities

Percent of examinations conducted within Department guidelines.

Entity Type	FY 2023	FY 2024 (YTD – February 2024)
Commercial Banks	92%	92%
IT	91%	91%
Trust Departments	86%	94%
Foreign Banks (FRB)	100%	100%
Trust Companies (DOB)	81%	95%
IT	82%	86%

Examination categories with less than 95% of examinations conducted within guidelines for FY 2024 include:

- Bank Examinations – 7 exams past due by an average of 32 days.
- IT Examinations of Banks – 7 exams past due by an average of 30 days.
- Trust Department Examinations of Banks – 1 exam past due by 21 days.
- IT Examinations of Trust Companies – 1 exam past due by 9 days.

Compliance with commercial bank and IT examination priorities are expected to be challenging for the remainder of the fiscal year due to more problem bank and IT examinations being performed coupled with staffing constraints.

Division Highlights

- **Interest Rate Risk:** The Department continues monitoring higher interest rates and its effects on banks' financial condition. Banks' net interest margins generally improve in a rising rate environment as short-term assets reprice at higher yields. However, competition for deposits is noticeable as consumers are more rate sensitive. Furthermore, financial institutions with a sizable portion of their assets in long-term securities and/or loans are experiencing net interest margin compression as funding costs are increasing faster than asset yields. Finally, banks' fixed rate investments decline in value in a rising rate environment placing pressure on capital levels.
- **Liquidity Monitoring:** The Bank & Trust Supervision Division continues monitoring the liquidity posture of Texas state-chartered banks.
- **Special Operations and Conferences:**
 - Beginning on February 1, 2024, Commissioner Charles G. Cooper represented the Department at the Winter 2024 Southwestern Graduate School of Business (SWGSB) Foundation Board of Trustees Meeting and the 157th Assembly for Bank Directors in Maui, Hawaii, where he serves as a SWGSB Foundation Board of Trustee.
 - On February 8, 2024, Director of Bank Trust Supervision Jared Whitson and Regional Review Examiner Allen Millsap provided a classroom presentation at Angelo State University in San Angelo, Texas, that centered on the responsibilities of the Department and career opportunities as an examiner.
 - Beginning on February 13, 2024, Commissioner Cooper and staff attended the Conference of State Bank Supervisors (CSBS) Nationwide Multistate Licensing System (NMLS) 2024 Annual Conference and Training in San Antonio, Texas. Commissioner Cooper provided the welcome address and was a part of the fireside conversation with the new CSBS President and Chief Executive Officer (CEO) Brandon Milhorn. In addition, Director of Cybersecurity and Technology Strategy Phillip Hinkle represented the Department as a panelist on Cybersecurity.
 - On February 16, 2024, Director Hinkle represented the Department at the Texas Bankers Association (TBA) Cyber Tech Conference in Horseshoe Bay, Texas, as a panelist on Cybersecurity.
 - On March 13, 2024, Director Hinkle attended the CSBS District II Meeting in Minneapolis, Minnesota, as a speaker on Cybersecurity: Current Threats and IT Exam Modernization and Managed Service Provider (MSP) Examinations.
 - On March 19, 2024, Director Hinkle attended the CSBS District III Meeting in Chattanooga, Tennessee, as a speaker on Cybersecurity: Current Threats and IT Exam Modernization and MSP Examinations.

- On March 25, 2024, Commissioner Cooper, Director Whitson, General Counsel Robert Nichols and Financial Analyst Phil Lena represented the Department at the Federal Deposit Insurance Corporation (FDIC) and State Bank Regulators Leadership Meeting in Dallas, Texas.
- Beginning on March 26, 2024, Commissioner Cooper, Director Whitson, Director of Non-Depository Supervision Jesse Saucillo, and Dallas Regional Director Tom Susany attended the CSBS District IV Spring Meeting in Dallas, Texas. Commissioner Cooper provided the welcome and opening remarks. Director Hinkle was a speaker on Cybersecurity: Current Threats and IT Exam Modernization and MSP Examinations.



TEXAS DEPARTMENT OF BANKING

2601 North Lamar Blvd., Austin, Texas 78705

512-475-1300 / 877-276-5554

www.dob.texas.gov

Charles G. Cooper
Commissioner

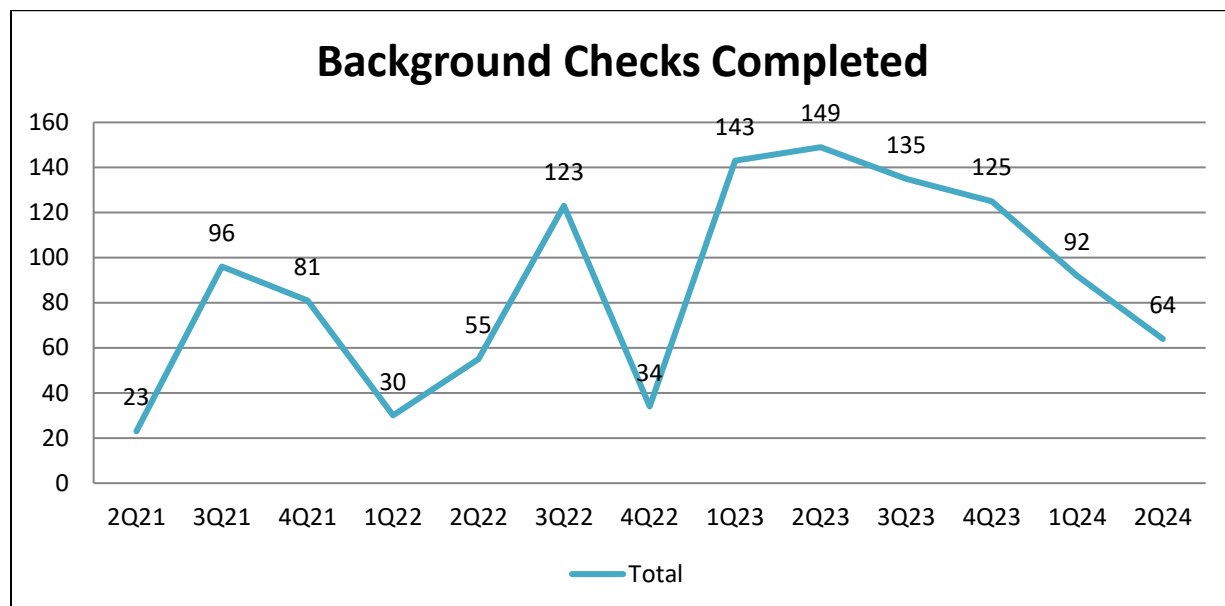
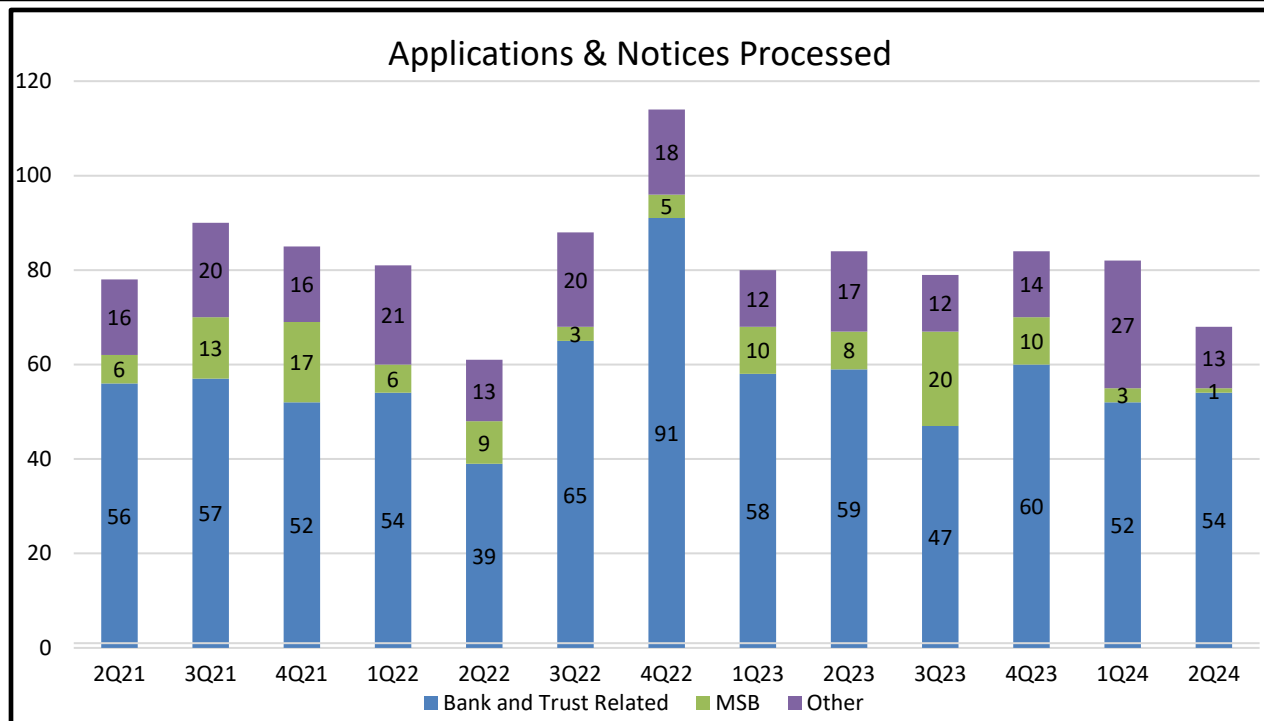
To: Finance Commission Members

From: Dan Frasier, Director of Corporate Activities and Financial Innovation

DBF

Date: April 3, 2024

Subject: Summary of Corporate Division Activities



Entities	Applications and Notices Currently Under Review (as of March 31, 2024)	Change Since Last Finance Commission Report	
		Change in Open Filings	Percent Change
Bank Related	21	1	5%
Trust Companies	2	0	0%
Money Services Business (MSB)	31	5	19%
Others	2	1	100%
Totals	56	7	14%

The number of open filings increased by 14% compared to the level reported at the last Finance Commission meeting. The increase predominantly results from more open MSB applications involving both money transmission license and change of control applications.

Division Highlights

- **Significant Applications:** Since the last report, the following significant bank applications have been received:
 - Houston Bank & Trust, a proposed de novo bank, has applied for a Texas state bank charter to be located in Houston [estimated gain in state banking assets of \$37 million].
- **Charter, Conversion, and Merger Activity:** Since the last report, the following transactions have consummated:
 - *Banks*
 - Third Coast Bank, SSB, Humble, converted to a Texas state bank charter under the name of Third Coast Bank [estimated gain in state banking assets of approximately \$4.4 billion].
 - Prosperity Bank, El Campo, completed its merger with Lone Star State Bank of West Texas, Lubbock [no change in state banking assets].
 - *Trust Companies*
 - None
- **Conferences, Conventions, and Committee Meetings:**
 - Beginning on February 13, 2024, Director of Corporate Activities and Financial Innovation Dan Frasier and Corporate Analyst Lea Saunders participated in the Conference of State Bank Supervisors (CSBS) NMLS Annual Conference held in San Antonio.



Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

2601 North Lamar Blvd., Austin, Texas 78705

512-475-1300 / 877-276-5554

www.dob.texas.gov

To: Finance Commission Members
From: Jesus "Jesse" Saucillo, Director of Non-Depository Supervision
Date: April 1, 2024
Subject: Summary of Non-Depository Supervision (NDS) Activities

			FY 2024							
Entity	FY 2023		1 st		2 nd		3 rd		4 th	
Industry Profile (# / Assets (billions))										
Money Services Businesses (MSB)	194	\$342.5	195	\$342.7	191	\$342.5				
Prepaid Funeral Contract (PFC)	337	\$4.9	337	\$4.9	333	\$4.9				
Perpetual Care Cemeteries (PCC)	244	\$460.7*	245	\$469.1*	245	\$468.7*				
Check Verification Entities (CVE)	2	n/a	2	n/a	2	n/a				
Examinations Performed										
MSB	98		23		22					
MSB Limited Scope	2		0		0					
MSB Accepted other State	4		0		1					
PFC	220		50		53					
PFC Limited Scope	2		0		0					
PCC	138		41		34					
PCC Limited Scope	1		1		0					
Ratings (# / %) Assigned to All Regulated Entities										
1	277	36.84%	267	35.41%	257	34.50%				
2	414	55.05%	423	56.10%	419	56.24%				
3	55	7.31%	56	7.43%	58	7.79%				
4 & 5	6	0.80%	8	1.06%	11	1.47%				
Noncompliance with Examination Priorities (Past Due)										
MSB	6		10		8					
PFC	18		15		7					
PCC	12		22		9					

NOTES:

Limited scope examinations do not receive a rating.

*PCC \$ amounts reflected in the millions.

Examination Activities

The division's examination resources were negatively impacted due the resignations of three MSB examiners in late 2023 and a PFC/PCC examiner in January 2024. Two of the three MSB positions and the one PFC/PCC vacancies will be filled in April 2024. As a result of the examiner vacancies, NDS did not meet one of its performance measures: *Number of Examinations Output* – in the second quarter of FY 2024. Despite the ongoing challenges due to the recent examiner vacancies, the division was able to allocate resources to conduct approximately 95% of the examinations due as of February 29, 2024.

The time to adequately train the newly hired examiners will continue to impact NDS' ability to meet key performance measures through the remainder of FY 2024. As it relates to allocating the available examiner resources to the past due examinations, NDS closely monitors a number of factors, including consumer complaints, compliance history, and industry trends to ensure higher risk license holders are prioritized to best protect the interest of Texas consumers.

Below is further explanation of the past due examinations noted in the prior page:

- Of the eight past due MSB examinations, two were conducted in March 2024; three will be conducted in April and May 2024; and the remaining three were delayed to coordinate and participate in multi-state examinations.
- Of the seven past due PFC examinations, five were conducted in March 2024, and the remaining two are scheduled to be completed in May 2024.
- Of the nine past due PCC examinations, two were conducted in March 2024, and the remaining seven are scheduled to be completed in April and May 2024.

Division Activities

- Events and Training
 - Director Saucillo and several other Department staff participated in the CSBS District IV Meeting on March 26-27, 2024, in Dallas, Texas. Discussions concerning agency operations, and recent events impacting state banking and MSB regulators were held. Representatives from federal regulatory agencies were also in attendance, and opportunities to improve communication and collaboration were discussed.
 - During the Department-wide conference held on March 4-7, 2024, in Denton, Texas, NDS held breakout sessions to discuss matters affecting the three non-depository industries to promote consistency in regulatory activities. CSBS staff attended the breakout sessions to discuss various topics, including current events regarding the Money Services Modernization Act.
 - Director Saucillo and Department staff attended the CSBS Nationwide Multistate Licensing System & Registry (NMLS) Annual Conference held on February 13-16, 2024, in San Antonio, Texas. The CSBS NMLS Annual Conference provides an opportunity for state non-bank regulators and industry representatives to receive the latest information on licensing and supervision policy and system developments. Topics specific to the MSB industry were discussed, such as state and federal cryptocurrency regulation activities.

- Division staff continues to monitor for, and investigate activities conducted in non-compliance with applicable regulations.
 - During this reporting period, NDS issued a regulatory enforcement action against a money transmitter, Sigue Corporation, who could no longer serve customers due to its deteriorating financial position. Through collaborative efforts with other state MSB regulators, a multi-state regulatory enforcement action was promptly issued on March 22, 2024. A [press release](#) was issued to inform impacted Texas consumers of the steps taken to assist in ensuring refunds are provided.

The Department's ability to quickly respond to the Sigue matter demonstrates the importance of Department personnel participating in various Money Transmitter Regulators Association (MTRA) and CSBS committees, such as the Multi-State MSB Examination Taskforce, MSB Enforcement Action Taskforce, and the MTRA Board.

- The Department also continues to coordinate with the Legal Division regarding the two recent PFC enforcement actions mentioned in the prior Finance Commission meeting. The Department issued demand letters to both entities requiring, among other things, the unauthorized PFC funds to be rectified.



Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

2601 North Lamar Blvd., Austin, Texas 78705

512-475-1300 / 877-276-5554

www.dob.texas.gov

Memorandum

To: Finance Commission Members
From: Wendy Rodriguez, Deputy Commissioner
Date: April 1, 2024
Subject: Summary of the Human Resources Division Activities

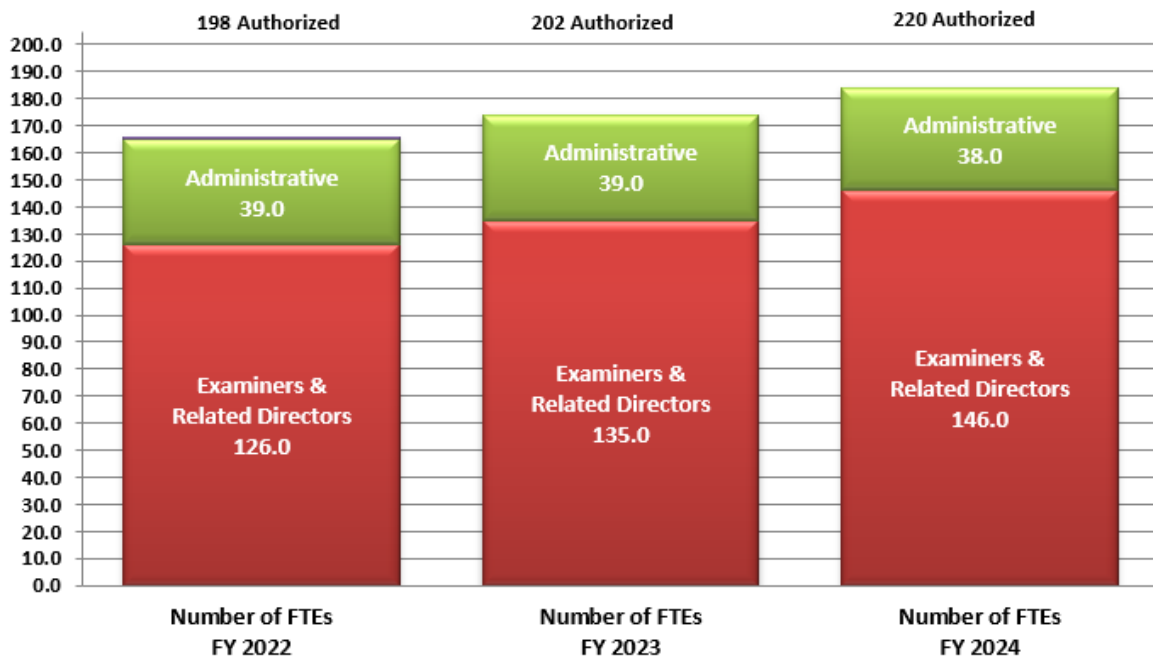
Active Postings				
<i>Number of Positions</i>	<i>Position</i>	<i>Division</i>	<i>Status</i>	<i>Activities</i>
1	Director IV – Chief Information Officer	MIS	Open Until Filled	Recruiting
1	Compliance Analyst I-II: Consumer Assistance Specialist (HQ)	DSS	Open Until Filled	Recruiting
1	Accounting Project Manager III – IV	Admin Services	Open Until Filled	Recruiting
3	Financial Examiner IV -VII: Information Technology Specialist (Houston)	Bank and Trust – IT	Open Until Filled	Recruiting
2	Financial Examiner V – Credit Review Specialist	Bank and Trust	Open Until Filled	Recruiting
2	Financial Examiner VI – VII: Commercial Bank Examiner (Houston)	Bank and Trust	Open Until Filled	Recruiting
2	Financial Examiner IV – V Commercial Bank Examiner (Houston)	Bank and Trust	Open Until Filled	Recruiting
1	Financial Examiner IV – VI: Financial Analyst / Training Coordinator	DSS	Open Until Filled	Recruiting

Status of Postings that Closed before April 1, 2024				
<i>Number of Positions</i>	<i>Position</i>	<i>Division</i>	<i>Status</i>	<i>Activities</i>
2	Attorney II – III (HQ)	Legal	February 7, 2024	Hired (1 of 2)
1	Financial Examiner III – IV: Corporate Analyst (HQ)	Corporate	February 13, 2024	Hired
1	PFC/PCC Examiner I-II (Dallas or Houston)	NDS	February 17, 2024	Selection
1	Chief Financial Officer	Admin. Svcs.	February 27, 2024	Selection
1	Financial Examiner VIII – Review Examiner	Bank and Trust	March 8, 2024	Reposting
2	Financial Examiner I (Dallas)	Bank and Trust	March 10, 2024	Reviewing
2	Financial Examiner I (Houston)	Bank and Trust	March 10, 2024	Reviewing
2	Financial Examiner I (San Antonio)	Bank and Trust	March 10, 2024	Interviewing
2	Financial Examiner I (Lubbock)	Bank and Trust	March 10, 2024	Interviewing
1	MSB Financial Examiner I -II (Dallas or Houston)	NDS	March 22, 2024	Selection
1	Financial Examiner V (MSB) – Dallas or Houston	NDS	March 31, 2024	Selection
2	Financial Examiner V: BSA/AML Specialist (Dallas, Houston, or San Antonio)	Bank and Trust	March 31, 2024	Reviewing

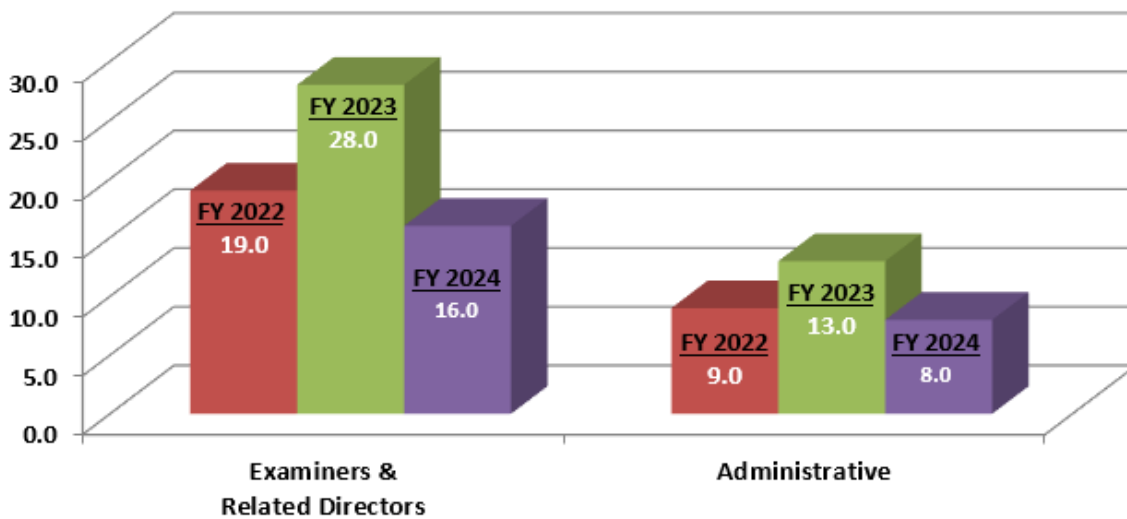
Division Activities:

- *Supervisor Performance Evaluations:*
 - Supervisor Evaluations will be released the week of April 1, 2024, to give staff the opportunity to provide constructive feedback to supervisors.
- *UT Survey of Employee Engagement:*
 - Completed and released to staff on March 1, 2024.
 - A total of 148 employees out of 172 responded to the survey leaving the department with a response rate of 86%. Overall, the survey indicated an engaged workforce with only 9% indicating they were not engaged. The survey also indicated the department showed areas of strength when it came to workgroup, strategy, and workplace. Areas of concern or improvement were pay, job satisfaction and internal communication. The full survey can be found [here](#).
- *Audits:*
 - Texas Workforce Commission – Personnel Policies and Procedures Review
 - Should be completed by the end of April 2024
 - Garza Audit – HR/Payroll Polies and Procedures
 - Begins April 9, 2024

Texas Department of Banking Employee Data for Fiscal Years 2022, 2023 and 2024 as of 03/31/2024

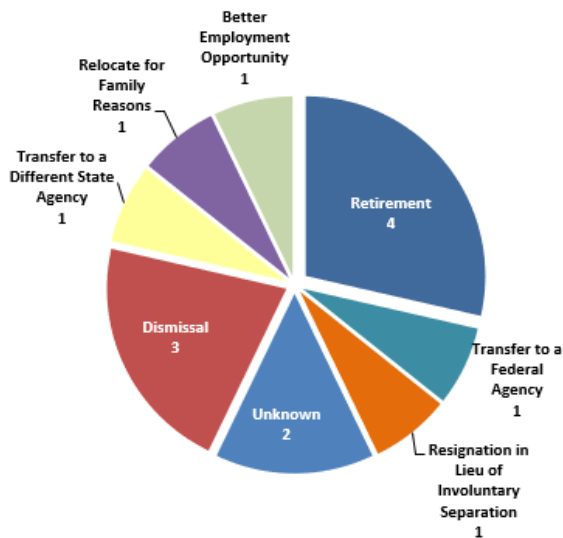


New Hire Data for Fiscal Years 2022, 2023, and 2024

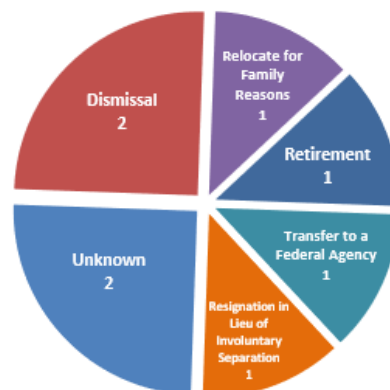


FY 2024 Employee Turnover Reasons

All Employees
14 Resignations



Financial Examiners Only
8 Resignations



As of 03/31/2024

Department of Banking
Actual Performance for Output Measures
Fiscal Year 2024

Type/Strategy/Measure	2024 Target	2024 Actual	2024 YTD	Percent of Annual Target	
Output Measures-Key					
1-1-1 Bank Examination					
1. # Bank Examinations Performed					
Quarter 1	103	26	26	25.24%	
Quarter 2	103	26	52	50.49%	
2. # Foreign/Trust/IT Examinations Performed					
Quarter 1	229	45	45	19.65%	*
Quarter 2	229	61	106	46.29%	
FY 2024, Quarter 1 - The number of bank examinations is below the target due to performing less IT examinations than anticipated.					
1-2-1 Non-Bank Examination					
1. # NDS Licensees Examined					
Quarter 1	500	115	115	23.00%	
Quarter 2	500	110	225	45.00%	
1-3-1 Application Processing					
1. # License Applications Completed					
Quarter 1	315	88	88	27.94%	
Quarter 2	315	72	160	50.79%	

*Varies by 5% or more from target.



Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

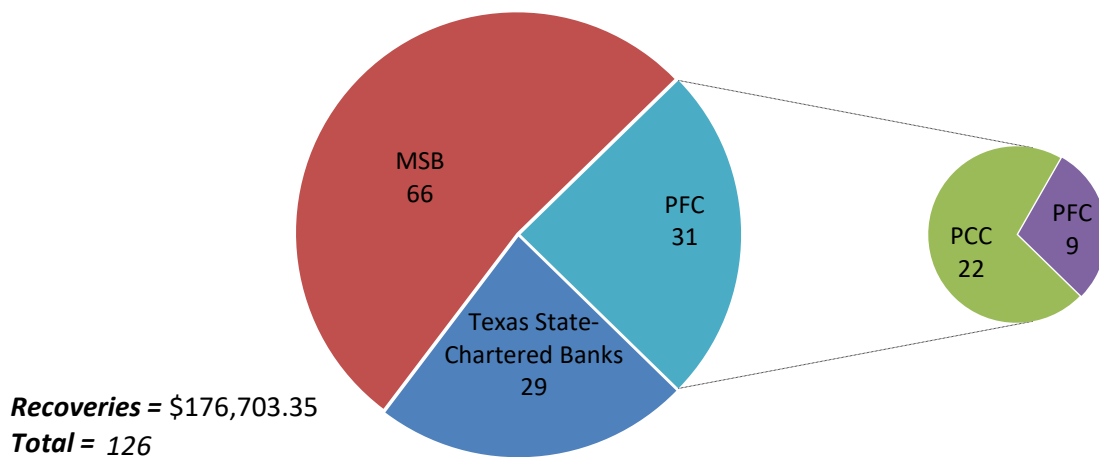
2601 North Lamar Blvd., Austin, Texas 78705

512-475-1300 / 877-276-5554

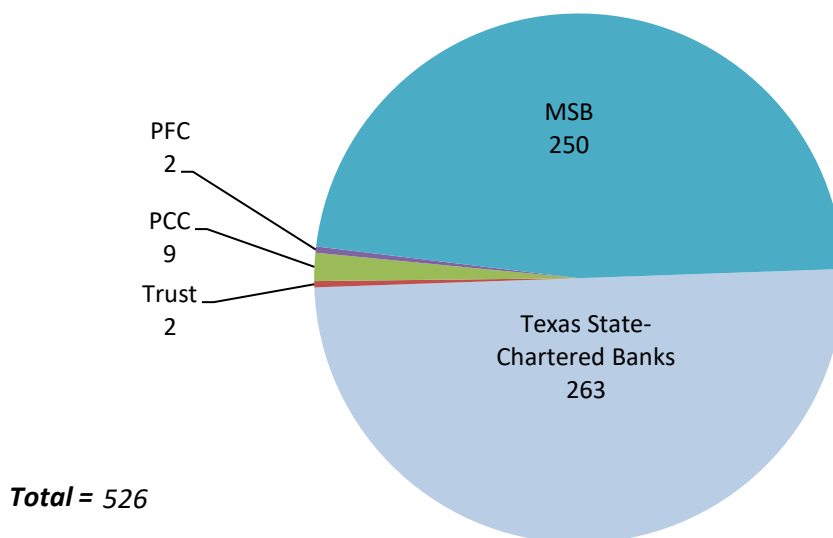
www.dob.texas.gov

To: Finance Commission Members
From: Phil Lena, Financial Analyst
Date: April 3, 2024
Subject: Summary of the Strategic Support Division Activities

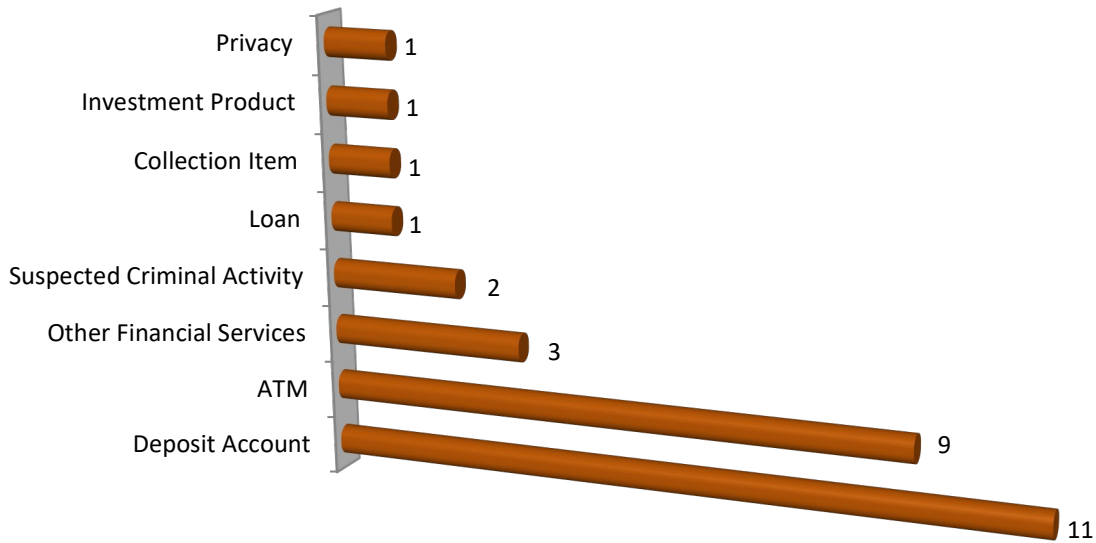
Jurisdictional Written Complaints September 2023-February 2024



Inquiries on Jurisdictional Entities September 2023-February 2024

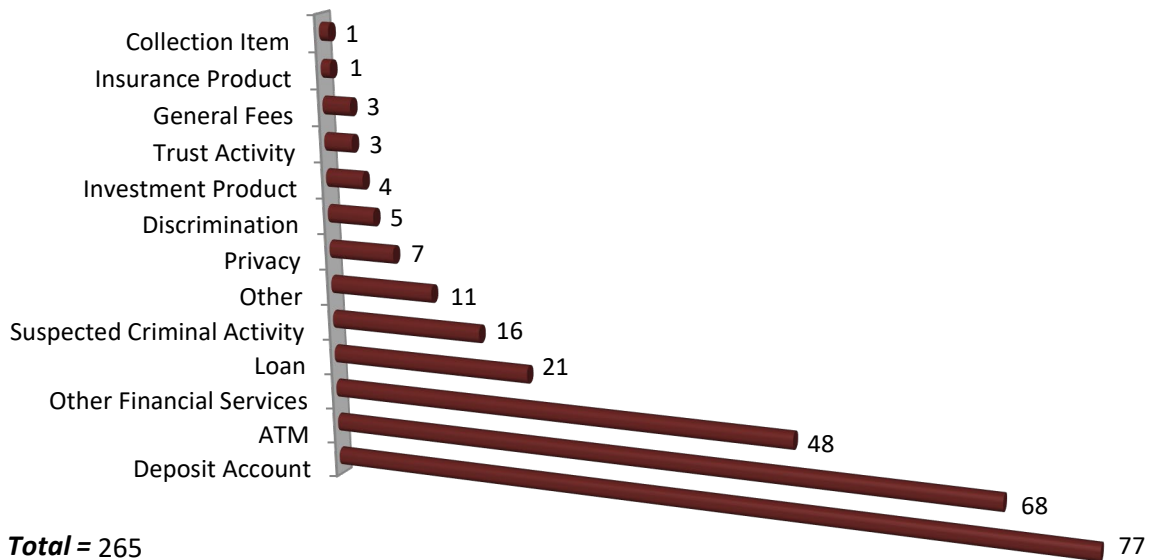


**State-Chartered Banks and Trust Companies
Written Complaints by Type
September 2023-February 2024**



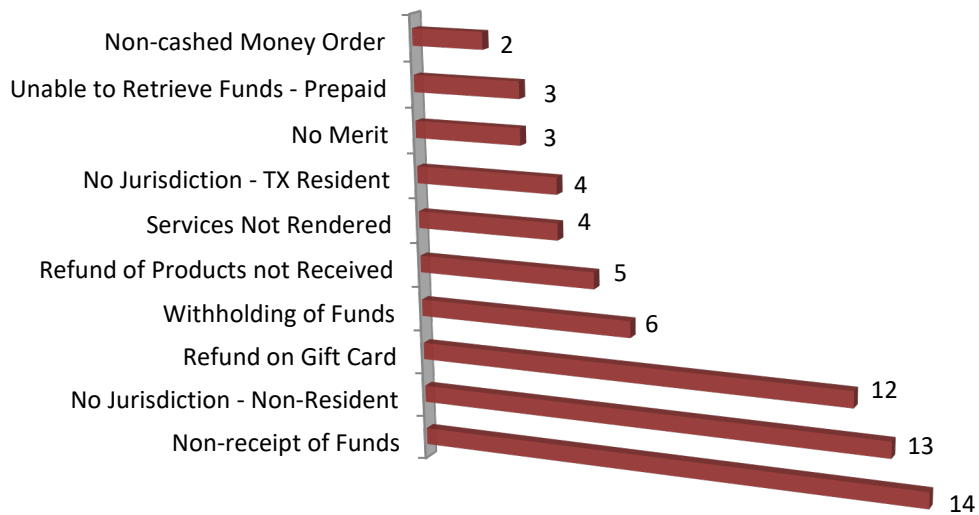
Total = 29

**State-Chartered Banks and Trust Companies
Inquiries by Type
September 2023-February 2024**



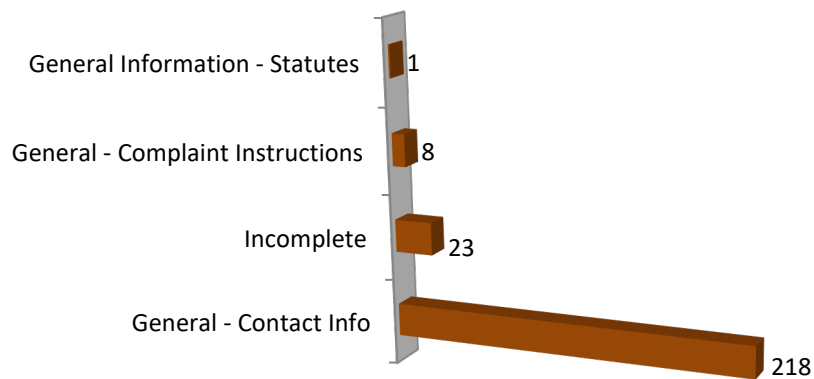
Total = 265

**Money Services Businesses
Written Complaints by Type
September 2023-February 2024**



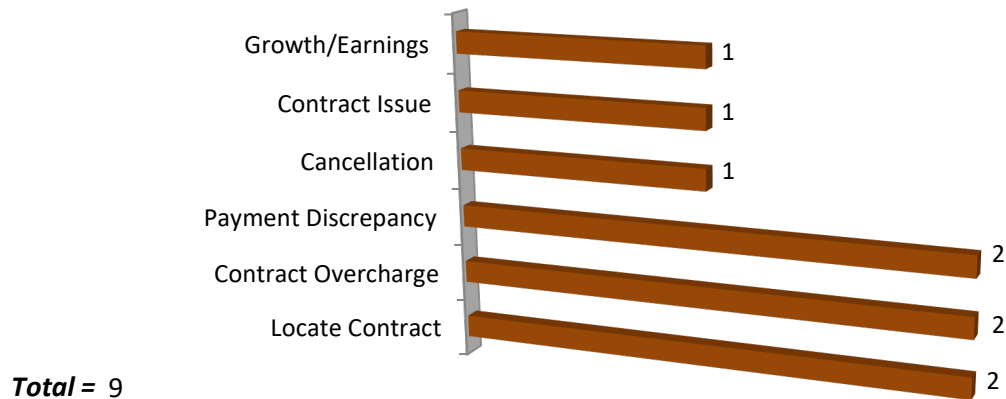
Total = 66

**Money Services Businesses
Inquiries by Type
September 2023-February 2024**

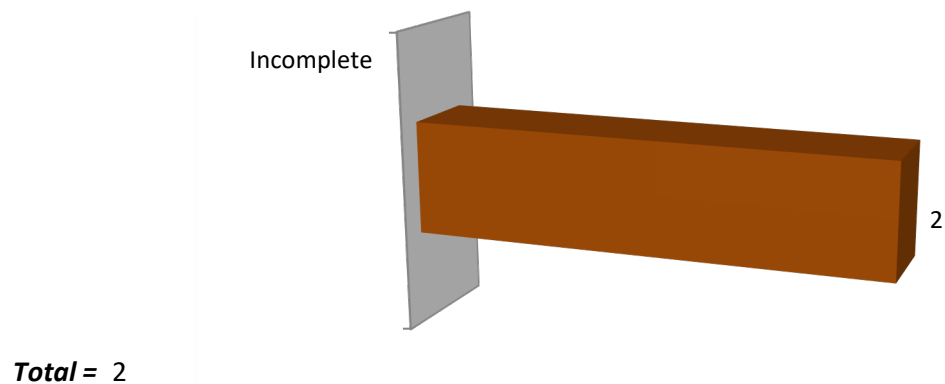


Total = 250

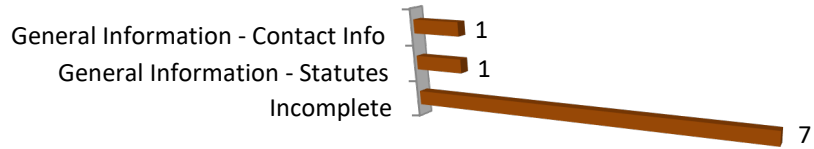
**Prepaid Funeral Contract Sellers
Written Complaints by Type
September 2023-February 2024**



**Prepaid Funeral Contract Sellers
Inquiries by Type
September 2023-February 2024**

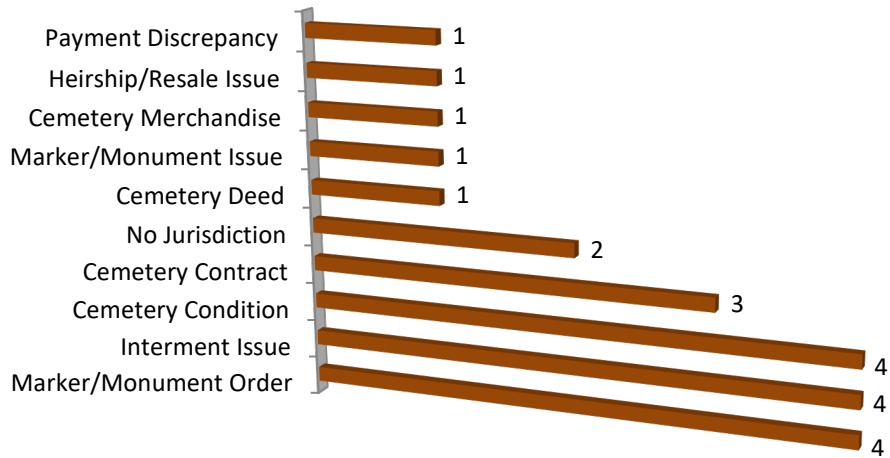


**Perpetual Care Cemeteries
Inquiries by Type
September 2023-February 2024**



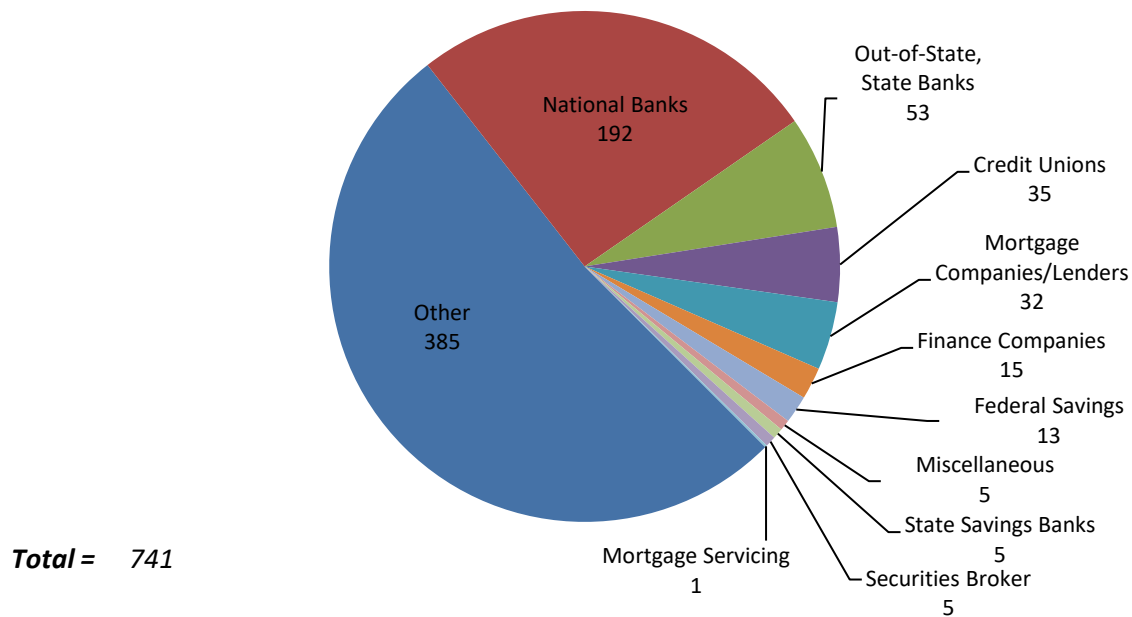
Total = 9

**Perpetual Care Cemeteries
Written Complaints by Type
September 2023-February 2024**



Total = 22

Complaints and Inquiries Against Non-Jurisdictional Entities September 2023-February 2024



Often, consumers do not provide the name of the entity they need assistance with. In these situations, the communication is categorized in the "Other" category.

Complaint Activities Information by Quarter

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
State-Chartered Banks				
Avg. Number of Days to Close a Written Complaint	17	16	-	-
Percentage of Written Complaints Resolved Within 90 days	100%	100%	-	-
Number of Written Complaints Resolved	14	14	-	-
Trust				
Avg. Number of Days to Close a Written Complaint	N/A	N/A	-	-
Percentage of Written Complaints Resolved Within 90 days	N/A	N/A	-	-
Number of Written Complaints Resolved	N/A	N/A	-	-
PFC/PCC				
Avg. Number of Days to Close a Written Complaint	39	35	-	-
Percentage of Written Complaints Resolved Within 90 days	100%	100%	-	-
Number of Written Complaints Resolved	24	7	-	-
MSB				
Avg. Number of Days to Close a Written Complaint	21	19	-	-
Percentage of Written Complaints Resolved Within 90 days	100%	100%	-	-
Number of Written Complaints Resolved	34	32	-	-

Closed Account Notification System (CANS) Activity
January 1, 2020 – March 31, 2024

Entity	Enrolled	Compromised Accounts Reported
Texas State-Chartered Banks	184	402
Texas State-Chartered Savings Banks	23	62
Federal Savings Banks	10	0
State Credit Unions	135	748
Federal Credit Unions	229	625
National Banks	171	102
Out-of-State State-Chartered Banks	12	70
Out-of-State National Banks	6	0
Total	770	2,009

Bank Examination Testing System (BETS) Activity
Number of Candidates Passing Each Phase

	FY 2021	FY 2022	FY 2023	FY 2024 As of 3/31/2024
I. General Knowledge	6	5	4	6
II. Loan Analysis	1	3	3	3
III. Panel	3	3	4	4
IV. Test Bank	5	3	6	3
Total FE3	17	13	14	13

Promotions

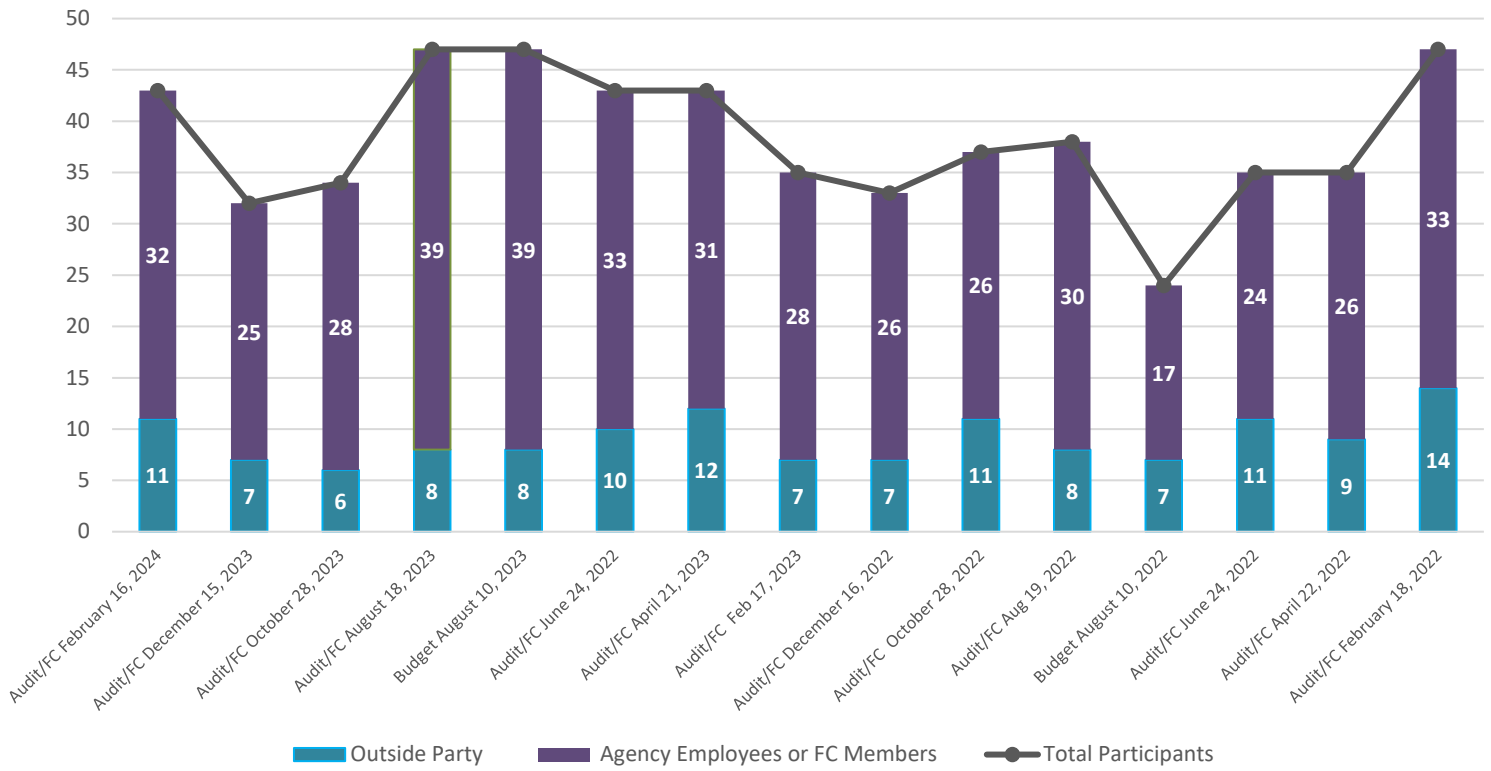
Commissioned Examiners	5	3	5	4
-------------------------------	---	---	---	---

Other Divisional Items:

- *Training:*
 - The Department will host a Financial Examiner II School in Dallas, Texas, the week of April 29, 2024.
- *Financial Education:*
 - The Texas Department of Banking and the Office of Consumer Credit Commissioner co-hosted a webinar on April 3, 2024. The webinar focused on the 2024 Financial Literacy theme “Inform, Inspire, Ignite”. The agencies discussed the objective of having a "Money Mindset" and how a consumer’s relationship with money influences their financial habits.
- *Rate the Department:*
 - The annual Rate the Department survey closed on February 9, 2024, and the survey results are available on the Department’s [website](#). The survey is designed to gather feedback regarding a regulated entities experiencing working and communicating with Department personnel over the previous 12 months.

- *Publications:*
 - The March 2024 edition of the [Condition of the Texas State Banking System](#) report is available with financial data as of December 31, 2023.
 - The [Top 100 Banks](#) and [Overall Texas Banking Activity](#) reports were updated with the December 31, 2023 data.
- *Policy Revisions/Updates:*
 - Personnel Manual
 - Fraud Prevention Policy (March)
 - Administrative Memorandums (AM)
 - AM 2031 – Delegation of Authority (March)
 - Supervisory Memorandums (SM)
 - SM 1025 - Level II Full Scope Examinations for State-Chartered Banks (Rescinded) (February)
 - Examiner Bulletins (XB)
 - XB 2024-02 - BSA Violation Citations (February)
- *Examination Procedure Revisions/Updates:*
 - Commercial Procedures
 - Planning & Scoping (February)
 - Related Organizations and Bank Holding Company (February)
 - Bank Owned Life Insurance (March)
 - Trust Procedures
 - Exempt Trust Company (March)
 - Exempt Trust Company – Off-Site (March)
 - Information Technology Procedures
 - Examination Scope (March)
 - Wires and ACH Work Program (March)

Finance Commission Webcast Historical Data





Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

2601 North Lamar Blvd., Austin, Texas 78705

512-475-1300 / 877-276-5554

www.dob.texas.gov

To: Finance Commission Members
From: Robert Nichols, General Counsel
Date: April 1, 2024
Subject: Legal Division Update

Contested Case Hearings

Banking Commissioner of Texas v. Ray Harper (Bellwood Memorial Park); SOAH Docket No. 451-24-10062.NDS. This matter concerns an Emergency Cease and Desist Order issued on January 11, 2024, which ordered Bellwood Memorial Park to cease and desist from the sale of cemetery spaces, interment rights, and memorials, and to cease and desist from cemetery operations. Mr. Harper requested a hearing, and it was held February 12, 2024. The matter is under advisement with the Administrative Law Judge.

Orders Issued February 1, 2024 – March 31, 2024

The Commissioner issued three enforcement orders during this period:

Bank and Trust Supervision

- Order to Cease and Desist Activity dated September 9, 2023, and finally served by the Secretary of State March 1, 2024; Supreme Legend, Inc. a/k/a Eazy Auto Finance, EasyAutoFinance.com, and Mr. Bank Money, Inc., Dallas, Texas

Non-Depository Supervision

- Interim Consent Order dated March 21, 2024; Sigue Corporation, Sylmar, California
- Amended Emergency Order to Seize Prepaid Funeral Accounts and Records dated February 9, 2024; Lois Washington D/B/A Lewis Funeral Home, San Antonio, Texas

Public Information Requests

From February 1, 2024, through March 31, 2024, staff received and responded to 29 requests for public information addressed to the Department of Banking and received 11 inquiries through the “Ask a Question” feature. During the same period, we did not receive any public information requests addressed to the Finance Commission. Two requests for an OAG opinion were submitted during this period.

Gifts

Commissioner Cooper attended CSBS NMLS 2024 Annual Conference & Training in San Antonio, Texas. The Commissioner gave the welcome address and was a panelist. The registration fee in the amount of \$995.00 was waived.

Corporate Analyst Lea Saunders received a scholarship from State Regulatory Registry LLC to attend the NMLS Conference in San Antonio, Texas, February 13-16, 2024. State Regulatory Registry LLC paid conference registration, lodging, meals, and mileage in the amount of \$2,497.04.

Non-Depository Supervision Director Jesse Saucillo received a scholarship from State Regulatory Registry LLC to attend the NMLS Conference in San Antonio, Texas, February 13-16, 2024. State Regulatory Registry LLC paid conference registration, lodging, meals, and mileage in the amount of \$1,746.52.

FY 2024 Quarterly Order Activity

BANK				
Type of Action	1st	2nd	3rd	4th
Consent Order	1	1	0	0
Cease & Desist	0	1	1	0
Supervision	0	0	0	0
Prohibition	0	0	0	0
Total	1	2	1	0

TRUST COMPANY				
Consent Order	0	0	0	0
Cease & Desist	0	0	0	0
Supervision	0	0	0	0
Prohibition	0	0	0	0
Total	0	0	0	0

MONEY SERVICES BUSINESS				
Consent Order	4	0	1	0
Cease & Desist	0	0	0	0
Final Order after hearing	0	0	0	0
Total	4	0	1	0

PERPETUAL CARE CEMETERY				
Consent Order	0	0	0	0
Cease & Desist	0	1	0	0
Refusal to Renew Cert/Auth	0	0	0	0
Final Order after Hearing	1	0	0	0
Total	1	1	0	0

PREPAID FUNERAL CONTRACT				
Consent Order	0	0	0	0
Cease & Desist	0	2	1	0
Final Order	0	0	0	0
Total	0	2	1	0

2. Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 2, Chapter 35, Concerning Check Verification Entities, Resulting from Rule Review

PURPOSE: Texas Government Code §2001.039 requires a state agency to review each of its rules every four years and readopt, readopt with amendments, or repeal a rule based upon the agency's rule review and its determination as to whether the reasons for initially adopting the rules continue to exist.

Notice of the proposed review of 7 TAC Chapter 35 was published in the *Texas Register* as required on March 15, 2024 (49 TexReg 1739). The Department received no comments regarding the review.

The Department believes the reasons for initially adopting the rules in Chapter 35 continue to exist and those rules should be readopted.

RECOMMENDED ACTION: The Department requests that the Commission find that the reasons for initially adopting the rules in 7 TAC Chapter 35 continue to exist and that the Commission readopt these rules.

RECOMMENDED MOTION: I move that we find that the reasons for initially adopting the rules in 7 TAC Chapter 35 continue to exist, and that those rules be readopted.

Adopted Rule Review

On behalf of the Finance Commission of Texas (commission), the Texas Department of Banking (department) has completed the review of Texas Administrative Code, Title 7, Chapter 35 (Check Verification Entities), comprised of Subchapter A (§35.1); Subchapter B (§§35.11 - 35.19); Subchapter C (§35.31); Subchapter D (§§35.51 - 35.59); and Subchapter E (§35.71 and §35.72).

Notice of the review of Chapter 35 was published in the March 15, 2024, issue of the *Texas Register* (49 TexReg 1739). No comments were received in response to the notice.

The commission believes the reasons for initially adopting Chapter 35 continue to exist. However, certain revisions may be appropriate. Proposed amendments, if any, will be published in the *Texas Register* at a later date.

The commission finds that the reasons for initially adopting these rules continue to exist and readopts these sections in accordance with the requirements of the Government Code, §2001.039.

This page left blank intentionally.

C.

**Office of Consumer Credit
Commissioner**

This page left blank intentionally.



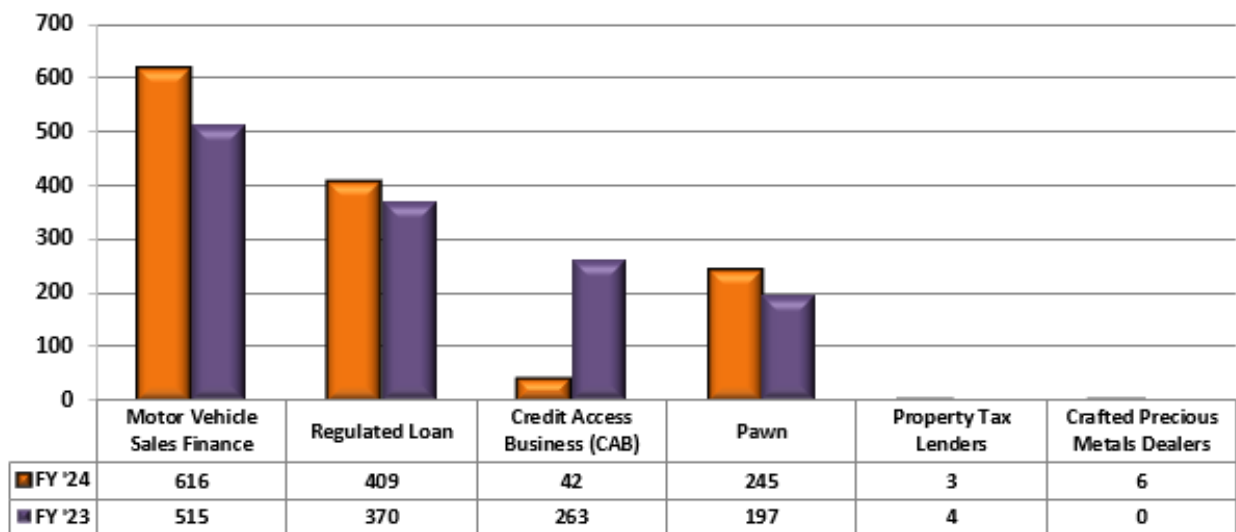
Consumer Protection and Consumer Assistance Report

As of the end of the 2nd quarter (February 2024), the OCCC had completed 1,321 exams, which is below the FY 2024 target exam production goal by 6.2%. Average compliance ratings on these exams for all industry groups exceeded the 85% satisfactory level benchmark. Two multi-state mortgage examinations (covering exams of 27 licenses) with completed fieldwork remain in review by the Multi-State Mortgage Committee (MMC). These exams are anticipated to be finalized by August 31, 2024. The OCCC is participating in and will complete work in three other multi-state mortgage exams (covering exams of 28 licenses) this spring. The OCCC does not plan to participate in any additional multi-state mortgage exams for the remainder of fiscal year 2024.

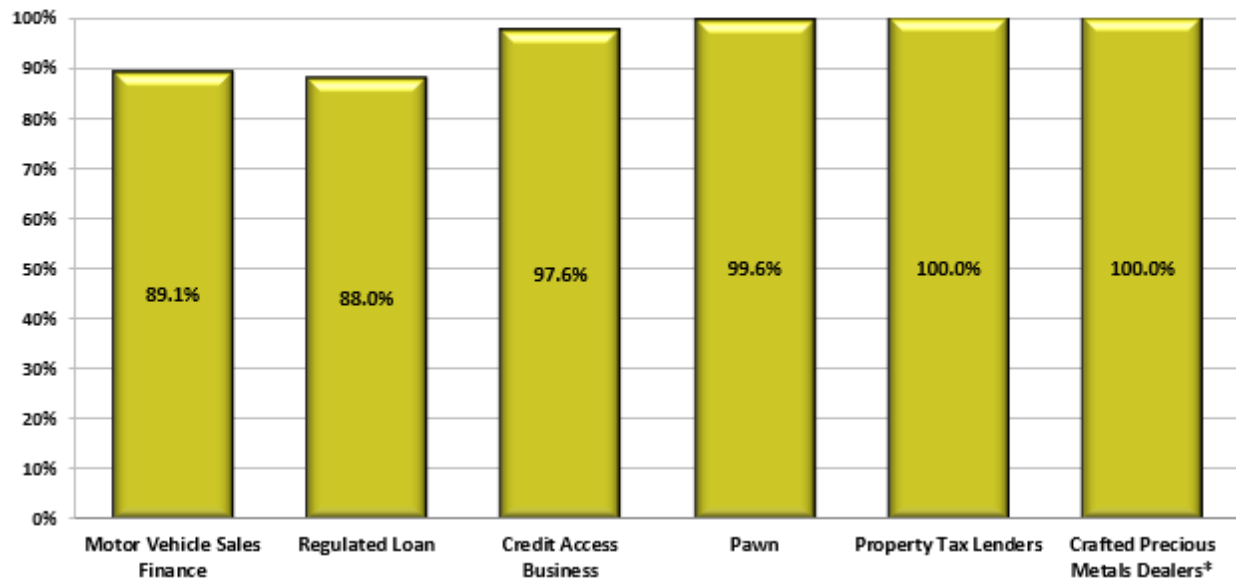
The examination department continues to prioritize examiner training and development. All OCCC examiners are now certified in 348 examinations. Examiners who participated in classroom training for 342-E transactions in January will be involved in a large 342-E enterprise exam scheduled to begin the week of April 15, 2024.

The OCCC is committed to filling a June 2024 examiner class of six or seven examiners. Recruiting trips were concluded at six universities beginning in February and ending in late March.

**Examinations Conducted: Sept - Feb
Fiscal Year Comparison**

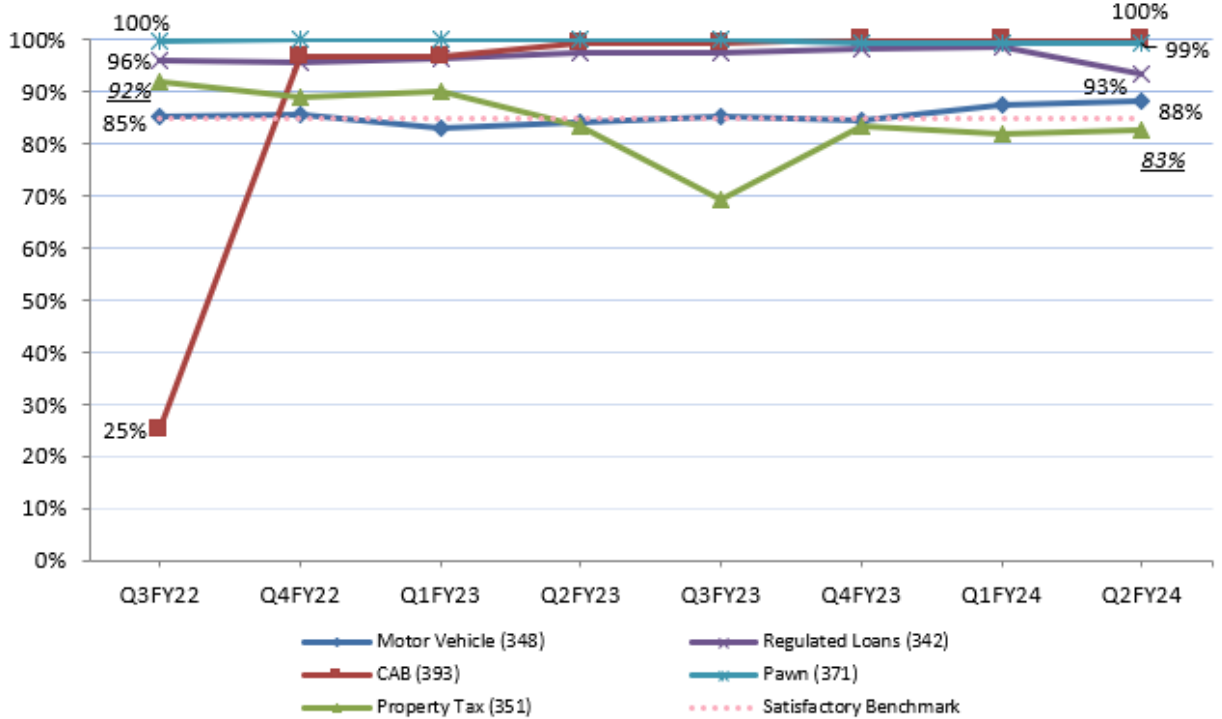


Acceptable Level of Compliance FY '24 (Sept 2023 - Feb 2024)



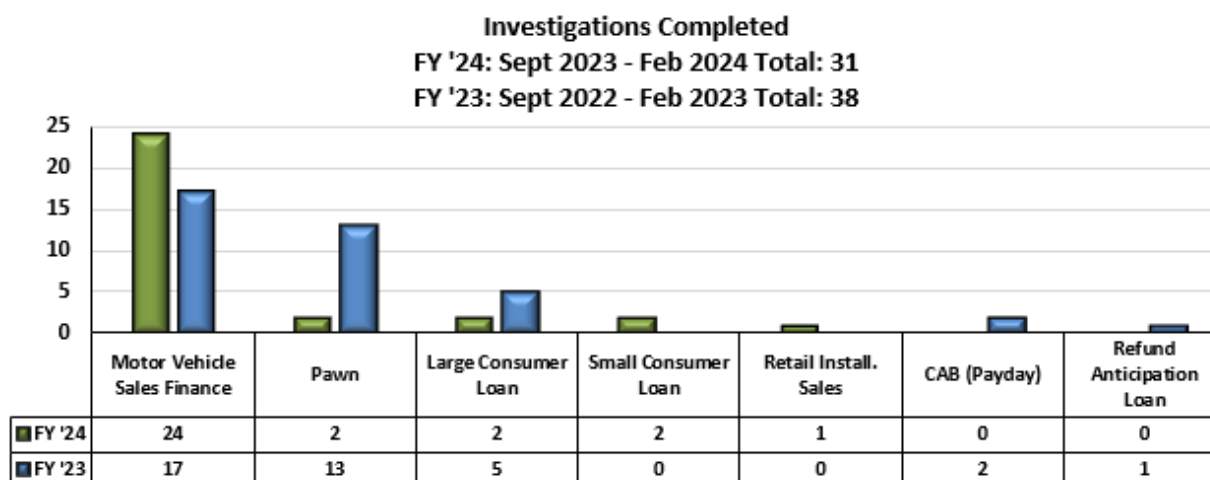
The following chart denotes the acceptable level of compliance on a trailing 12-month basis through the end of February 2024.

Acceptable Compliance Levels - Trailing 12 Months (at quarter end)



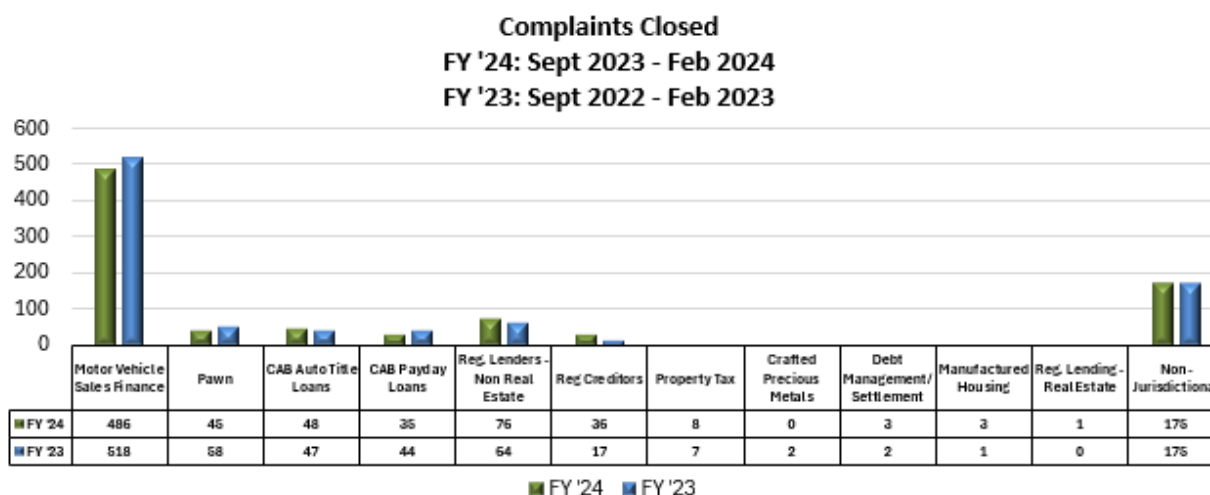
Investigations

For FY 2024 through December, the OCCC completed 31 investigations out of the annual goal of 75. Motor Vehicle Sales Finance issues comprise 77.4% of the overall number of completed investigations. Referrals to investigation are anticipated to increase in the second half of FY 2024.



Consumer Assistance

From September 1, 2023, through February 29, 2024, 916 complaints were closed, of which 175 were classified as non-jurisdictional. The top four areas of jurisdictional complaints are (1) Motor Vehicle Sales Finance (MVSF), (2) Credit Access Businesses (CAB), (3) Regulated Lenders Non-Real Estate, and (4) Pawn. MVSF complaints were the largest complaint category at 53.1%. The second largest category was Credit Access Business complaints at 9% collectively, separately these are 3.8% for payday loans and 5.2% for title loans. The third largest category came from Regulated Lenders Non-Real Estate at 8.3%. The fourth largest category was Pawnshops at 4.9%.



Fiscal Year 2024: Number of Complaints Closed by Source (Table 1), Subject (Table 2), and Disposition (Table 3)

Table 1

Source of Complaint	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Consumer	421	374	N/A	N/A
Business	3	2	N/A	N/A
Law Enforcement	0	0	N/A	N/A
State or Federal Agency	78	31	N/A	N/A
OCCC	4	2	N/A	N/A
Whistleblower	0	0	N/A	N/A
Other	0	1	N/A	N/A
Total	506	410	N/A	N/A

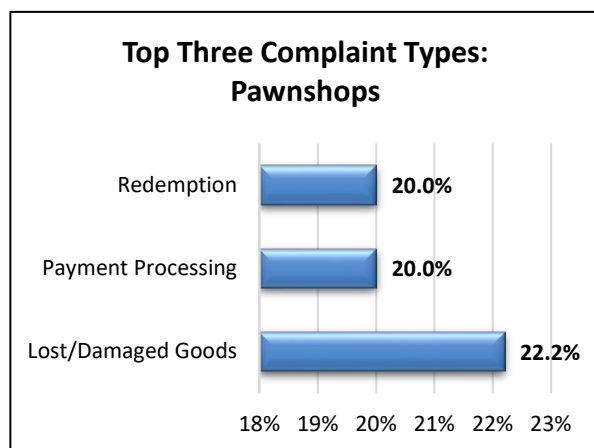
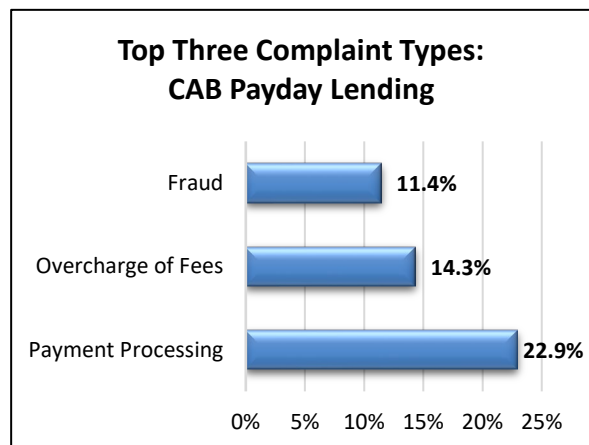
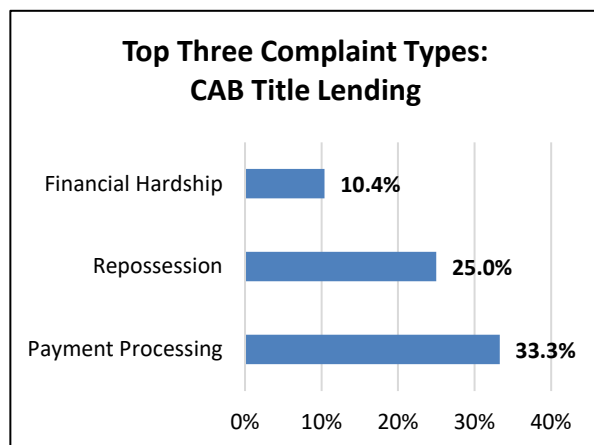
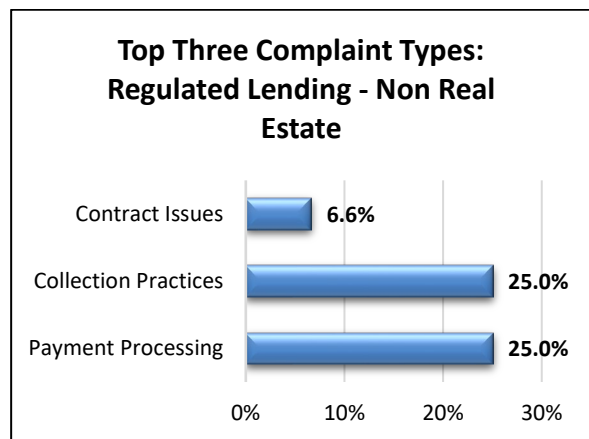
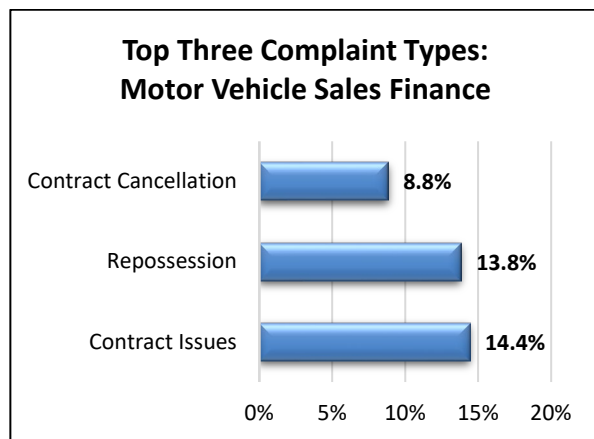
Table 2

Subjects	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Motor Vehicle Sales Finance	284	203	N/A	N/A
CAB Payday Loans	18	17	N/A	N/A
CAB Auto Title Loans	25	23	N/A	N/A
Reg. Lenders - Non-Real Estate	35	41	N/A	N/A
Pawn	18	27	N/A	N/A
Registered Creditors	22	14	N/A	N/A
Crafted Precious Metal Dealers	0	0	N/A	N/A
Regulated Lenders - Real Estate	0	1	N/A	N/A
Manufactured Housing	1	2	N/A	N/A
Property Tax Lenders	5	3	N/A	N/A
Debt Management/Settlement	2	1	N/A	N/A
Refund Anticipation Loan	0	0	N/A	N/A
Non-Jurisdictional	96	78	N/A	N/A
Total	506	410	N/A	N/A

Table 3

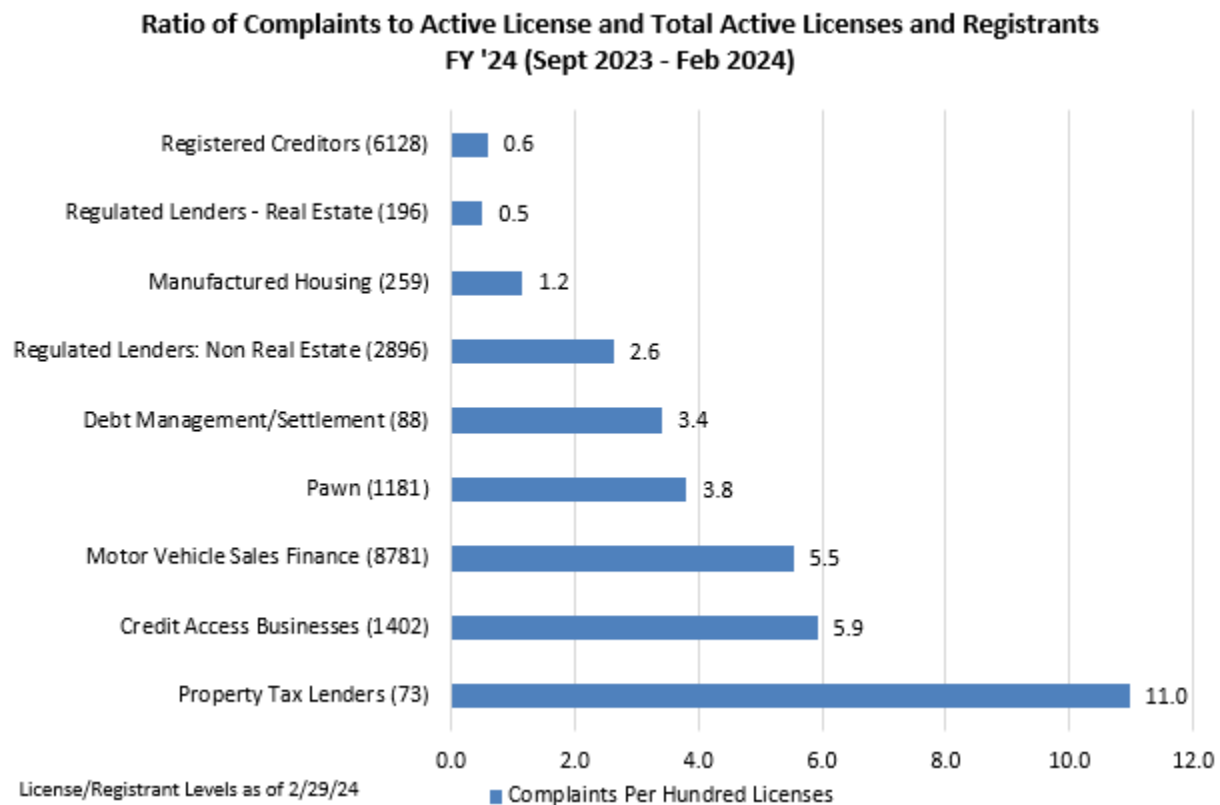
Disposition	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Closed to Investigation	8	3	N/A	N/A
Closed to Legal	0	0	N/A	N/A
Closed -Action Taken	60	57	N/A	N/A
Closed -No Violation	208	154	N/A	N/A
Closed - Administratively	134	118	N/A	N/A
Close - Non-Jurisdictional	96	78	N/A	N/A
Total	506	410	N/A	N/A

The following charts represent the top three complaint areas as alleged by the consumer per license type. Allegations of violations related to payment processing appear in the top 3 complaint types for all license areas except for Motor Vehicle Sales Finance.



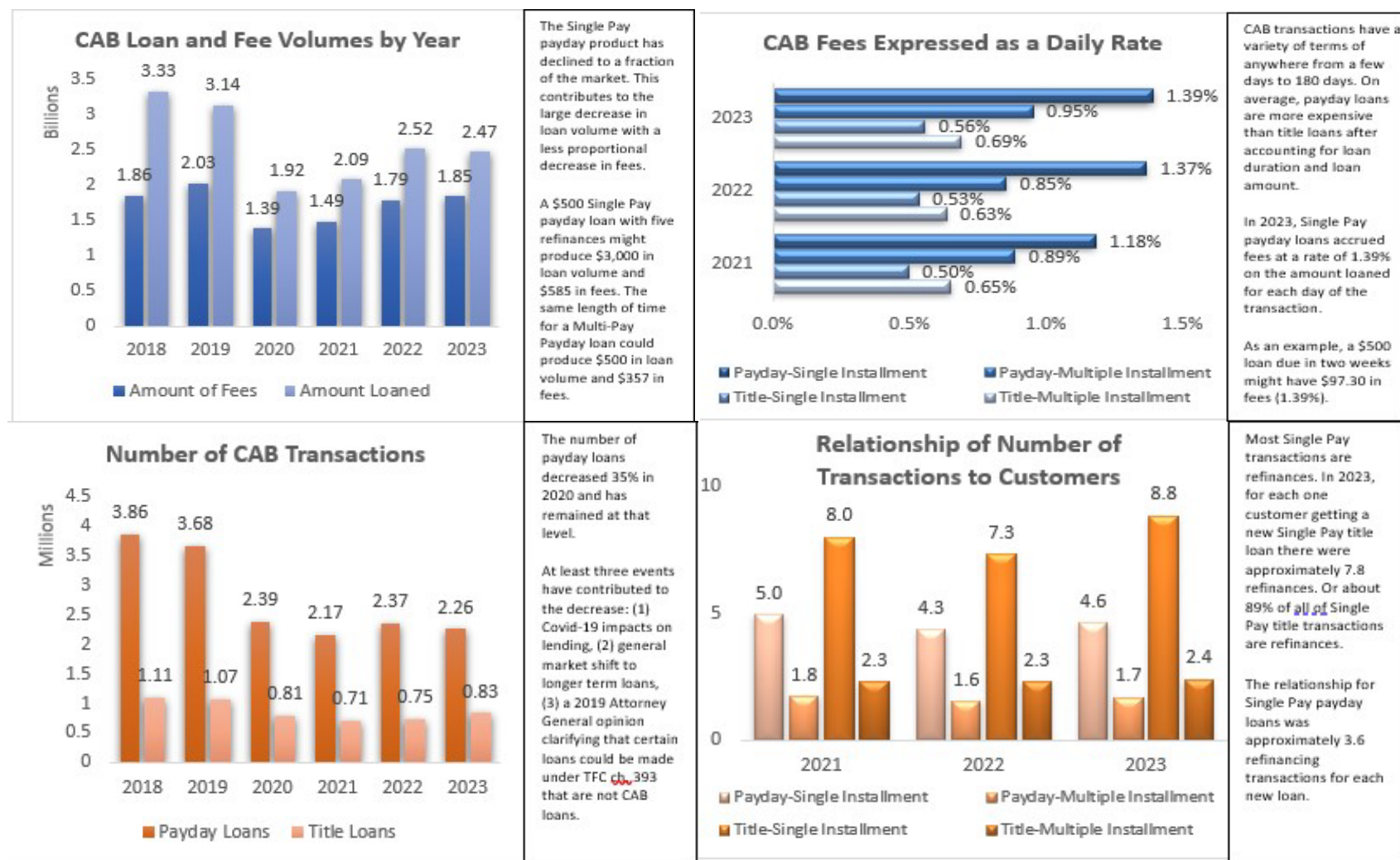
Production Targets and Priorities	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Percentage of Written Complaints Closed within 90 days	96.1%	97.4%	N/A	N/A
Average Number of Days to Close a Complaint	39.2	37.5	N/A	N/A
Number of Complaints Closed	506	410	N/A	N/A

Comparison of complaints processed to the number of active license or registrant population is noted on the chart below. For this reporting period, the highest ratio of complaints to active license/registrants is Property Tax Lenders, followed by Credit Access Businesses, Motor Vehicle Sales Finance, and Pawn.



CAB Reporting Update

Credit Access Businesses (CABs) have filed transactional volume reports through the end of year 2023. Presented are selected statistics from both the Annual and Quarterly reports compared with previous years. In 2023, the reported totals remained similar to 2022. The following dashboard shows volume, fee, and refinancing frequency. More information on other key metrics and repossessions is provided in additional graphs.



Data Highlights (All Loan Types) Calendar Year	2018	2019	2020	2021	2022	2023
Number of Payday Loans and Refinances ¹	3,859,893	3,676,280	2,385,287	2,173,359	2,369,599	2,263,889
Number of Title Loans and Refinances ¹	1,107,258	1,074,630	805,739	706,806	747,797	834,335
Number of vehicles repossessed under all Auto Title Loans	37,777	42,878	34,629	39,569	42,905	42,428
Total Customers ²	1,505,212	1,611,367	1,016,820	1,101,031	1,462,323	1,348,023
Total \$ fees accrued on all transactions	\$1.86 B	\$2.03 B	\$1.39 B	\$1.49 B	\$1.79 B	\$1.85 B
Total \$ Loaned by All Licensees (in billions)	\$3.33 B	\$3.14 B	\$1.92 B	\$2.09 B	\$2.52 B	\$2.47 B
Total \$ Loaned by Out of State Licensees (in millions)	\$851 M	\$1005 M	\$664 M	\$524 M	\$833 M	\$763 M

Payday Loans Calendar Year	Single Installment			Multiple Installment		
	2021	2022	2023	2021	2022	2023
Average loan amount	\$498	\$502	\$519	\$569	\$615	\$649
Average fee per \$100 borrowed	\$24.72	\$27.24	\$27.48	\$127.03	\$123.85	\$119.55
Average original term (in days)	21	20	20	143	145	126
Average Fee Converted to a Daily Rate ³	1.18%	1.37%	1.39%	0.89%	0.85%	0.95%
Estimated transactions per borrower ⁴	5.0	4.3	4.6	1.8	1.6	1.7

Title Loans Calendar Year	Single Installment			Multiple Installment		
	2021	2022	2023	2021	2022	2023
Average loan amount	\$1,807	\$1,718	\$1,553	\$1,630	\$1,678	\$1,673
Average fee per \$100 borrowed	\$15.18	\$16.32	\$16.78	\$104.59	\$103.03	\$106.19
Average original term (in days)	31	31	30	161	163	154
Average Fee Converted to a Daily Rate ³	0.50%	0.53%	0.56%	0.65%	0.63%	0.69%
Estimated transactions per borrower ⁴	8.0	7.3	8.8	2.3	2.3	2.4

¹Number of loans and refinances are the sum of quarterly report #10F.

²Customers are reported on the annual report item #5. They are unique to each product type and to each location. Depending on customer borrowing habits they may be counted more than once.

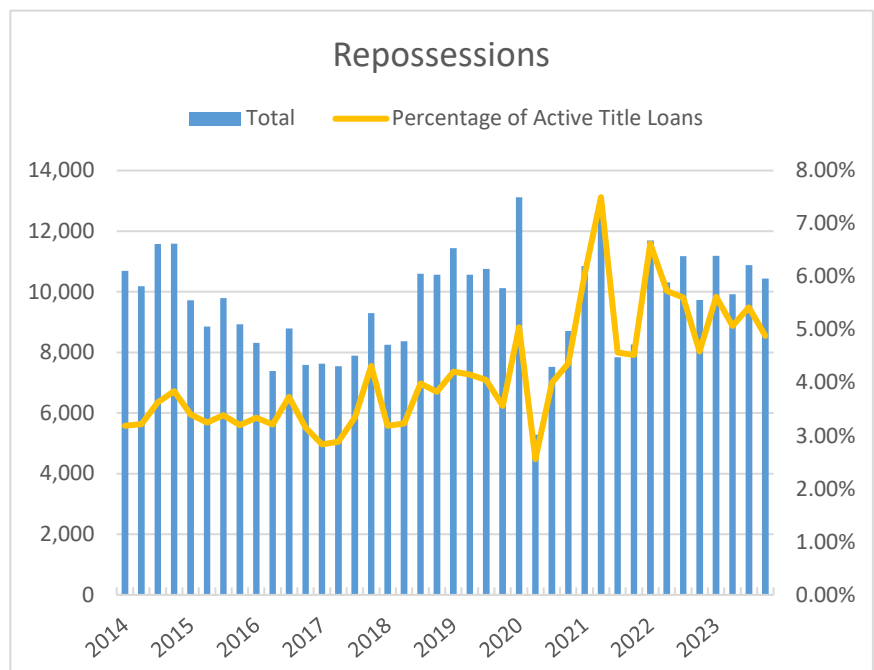
³Based on averages, per dollar borrowed a consumer would pay this percentage per day. The APR could be approximated by multiplying this rate by 365; however, it could be significantly higher if the multiple installment loans reduce principal with each payment and the total fees remain the same.

⁴Equation: $\sum \text{Quarterly 10F} / \text{Annual Report \#5}$. Effects on the estimation include (1) Single store reporting can count customers more than once if obtaining loans at different stores (2) Total transactions in 10F could be made to some customers who aren't counted in this year's customer count. e.g. They are refinancing loans made in the prior year.

Additional Repossession Information

Repossessions during 2023 held around the 10,000 to 11,000 range each quarter, reaching a high of 11,186 in Q1 and a low of 9,922 in Q2. The 10-year average number of repossessions is 9,649 per quarter, with a repossession rate of 4.16% of accounts.

The Q1 2023 repossession rate was significantly lower than last year's Q1 rate; despite this, 2023 had a higher repossession rate at the end of the year than 2022. The average repossession rate for 2023 was 5.25%, compared to 5.64% for 2022.





Licensing Report - April 2024

Mirand Diamond, Director of Licensing, HR & Accounting

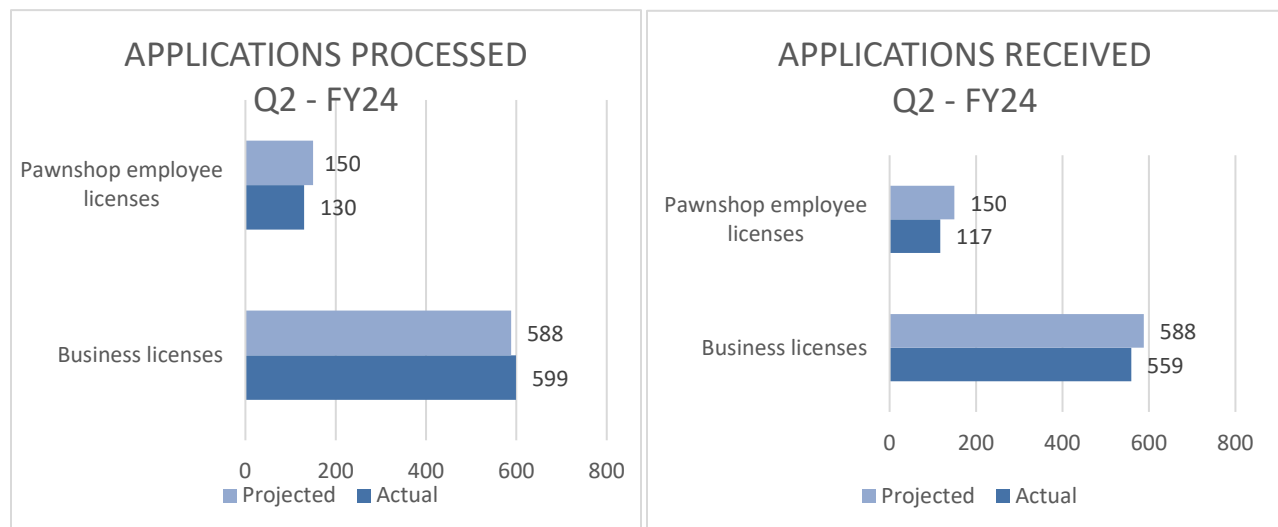
Renewals

The reinstatement period for Crafted Precious Metal Dealers registration is currently open until July 31st of 2024.

Renewals for pawnshop licenses are scheduled to open in May. The Licensing Department will be preparing for the renewal through refresher training and a review of renewal processes associated with the industry.

Application Processing

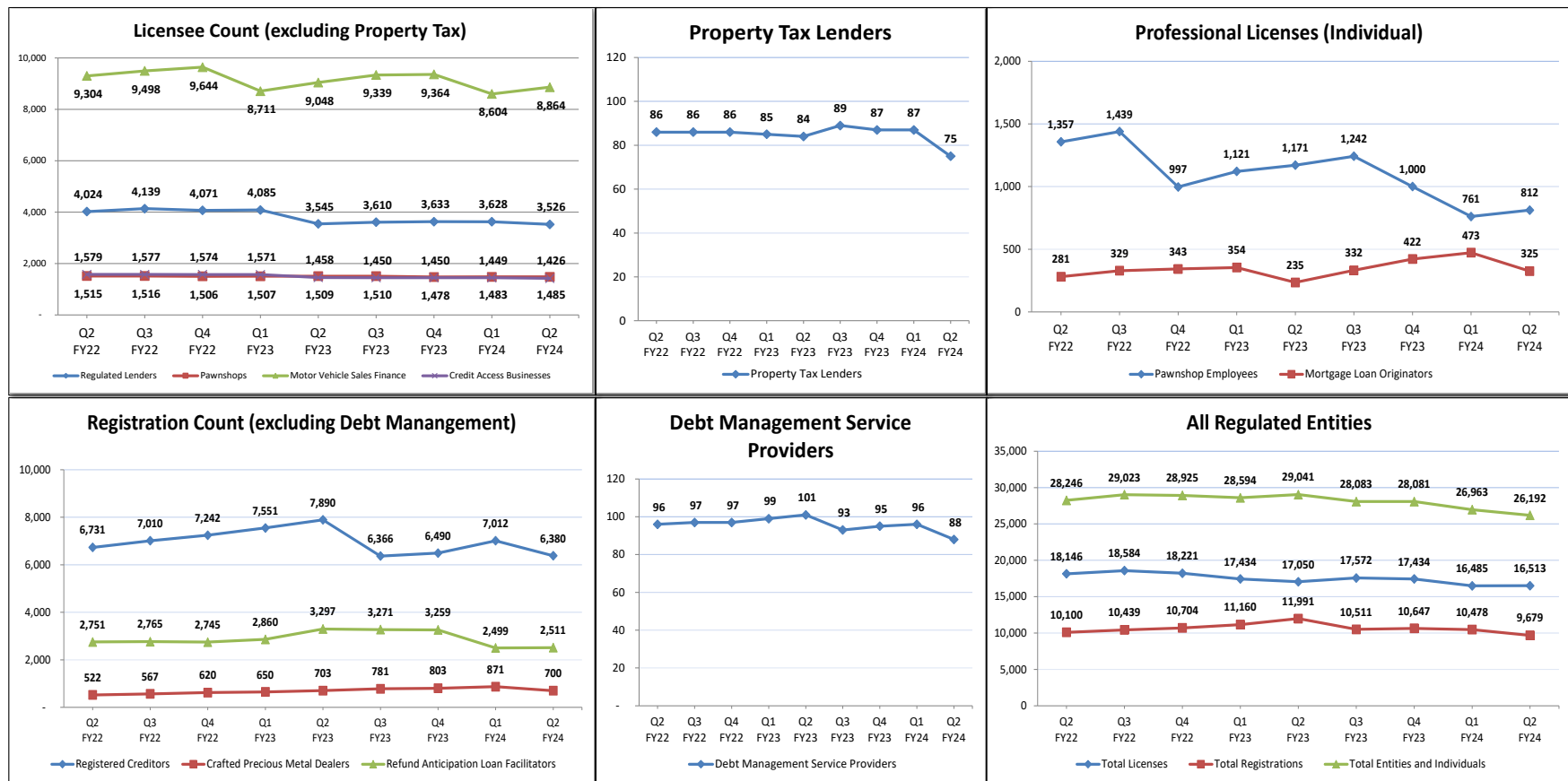
As of February 29th, 2024, a total of 599 applications have been processed out of a total number of 1175 projected for this fiscal year. The department has maintained less than 190 pending applications, measured on a weekly basis, which indicates more efficient and timely processing of applications in FY24. Management continues to monitor incoming volume and processing timelines.



Other Updates

Licensing is continuing work to digitize historical paper files in coordination with a third-party vendor. The department is also prioritizing cross-training to further elevate the overall effectiveness of departmental staff. A review of internal application processes is underway in an effort to ensure quality of work and improved customer experience for applicants.

Number of OCCC Regulated Entities Quarterly Comparison of FY 22-24





Administration

Financial Education and TFEE

OCCC staff are promoting April as Financial Literacy Month by offering virtual presentations and financial education resources, including a digital flyer with registration and resource links that was shared with stakeholders via email and social media. Presentations scheduled this month include a collaborative webinar with the Department of Banking (DOB) on the topic of “Money Mindsets”, a credit and budgeting webinar, and several financial education webinars with the Texas County and District Retirement System (TCDRS). The department remains on track for performance targets having provided financial education to 372 individuals through the second quarter of FY '24.

The fourth semi-annual report for the 2022-2023 cycle is available on the TFEE website and reimbursements are being finalized. Grantees served over 5,000 Texans through 12,529 hours during the final grant cycle. The Grant Coordinator held virtual welcome meetings with the majority of 2024-2025 grantees to make introductions and answer any grant-related questions. Similar meetings are scheduled with the remaining grantees soon.

Communication

The OCCC is currently reviewing agency objectives, goals, and performance measures, as part of the 2025-2029 Strategic Plan. The accompanying Customer Service Survey and the Survey of Employee Engagement have concluded, and agency staff are evaluating responses. Agency staff have attended various career fairs at state universities over the last two months and have successfully met with several students who have expressed interest in a career with the agency. The OCCC continues to communicate with stakeholders, and staff have provided presentations to regulated entities and other groups as follows:

- On February 4, 2024, Financial Examiner Fancher and Financial Examiner Traweck provided a presentation to automobile dealers at a webinar sponsored by the Texas Department of Motor Vehicles (DMV).
- On March 4, 2024, Director Lewis and Financial Examiner Traweck attended the TIADA Buy Here Pay Here Summit.
- On March 7, 2024, Financial Examiner Fancher and Financial Examiner Traweck provided a presentation to automobile dealers at a webinar sponsored by the Texas Department of Motor Vehicles (DMV).

- On March 12, 2024, General Counsel Nance attended the TxDMV Customer Service and Protection Advisory Committee Meeting.
- On March 26, 2024, Commissioner Pettijohn, General Counsel Nance, Director Lewis, Assistant Director Hubenthal, Senior Paralegal Harmon, and Paralegal Fisher conducted a Registered Creditor Documentary Fee Rule Review.

Human Resources

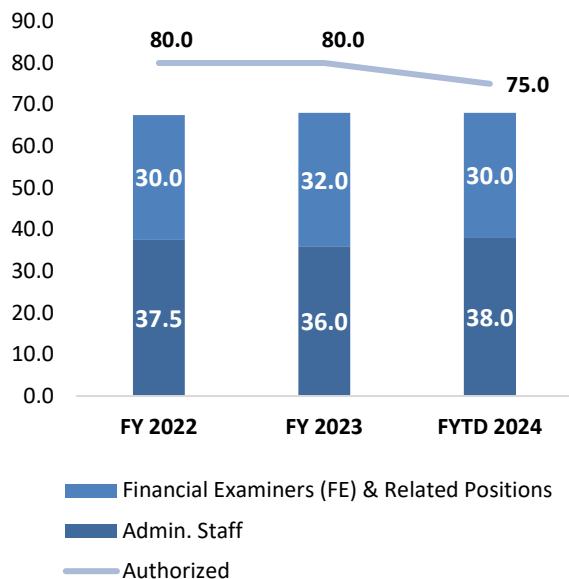
On April 1, 2024, the OCCC was staffed with a total of 68 FTEs. The agency has worked to fill six vacancies so far in 2024 including exam support staff and a new HR specialist.

The OCCC has the following open positions:

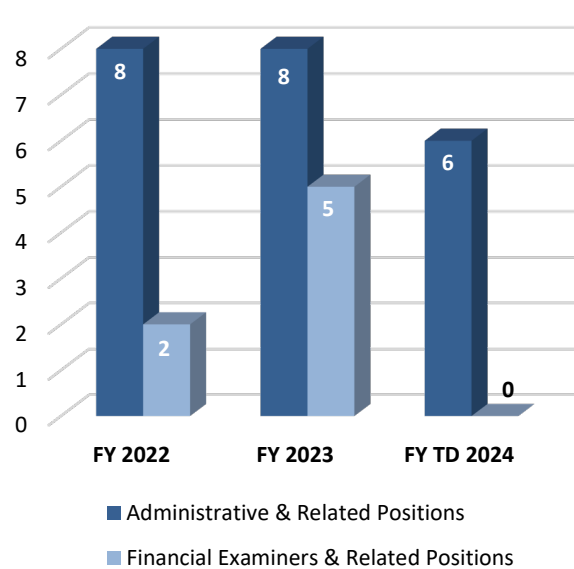
Vacancy	Status
Financial Examiner I- DFW (2)	Open until filled
Financial Examiner I- Houston (5)	Open until filled

The following charts represent staffing data for Fiscal Years 2022 - 2024.

OCCC Staffing Data FY22 - FY24
Full-Time Equivalent (FTEs)



New Hire Data
FY22 - FY24



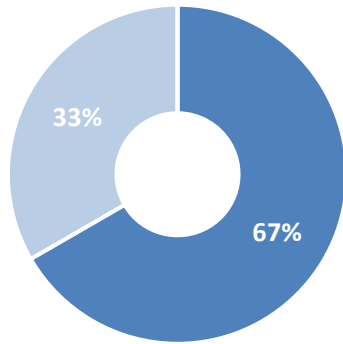
The turnover ratio as of April 1, 2024, was 8%.

OCCC Turnover Categories

FY 24 - All Employees

(09/01/2023 - 04/01/2024)

6 total: 4 - Voluntary Resignations and 2 - Interagency Transfer



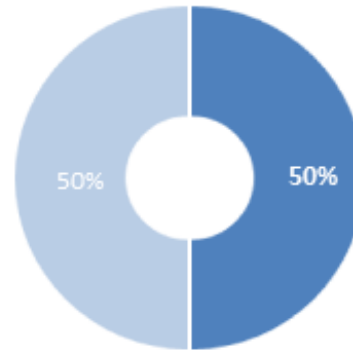
■ Voluntary Resignation ■ Interagency Transfer
■ Retirement

OCCC Turnover Categories

FY24 - FE Series

(09/01/2023-04/01/2024)

2 total - 1 Voluntary Resignation, 1 - Interagency Transfer



■ Voluntary Resignation
■ Interagency Transfer

Information Technology (April 2024)

Technology modernization and deployment

IT acquired the newest fleet of fifteen endpoint devices, consistent with the hardware replacement lifecycle, which will be deployed to users in the coming weeks. This is a significant step toward full migration to Windows 11, ensuring compliance with software currency.

IT drafted and had ratified a new, annual Data User Agreement for internal use, and adapted it for Microsoft Forms. Additionally, a new internal training module on the Data User Agreement is being deployed in the learning management system.

Also in Microsoft Forms, a new staff onboarding request form has been created and is scheduled for implementation by the end of April.

Cybersecurity and Privacy

IT policies and procedures restructuring continues. Policies are over 68% completed. Procedures are over 30% complete with a considerable number in the drafting phase.

DIR released Enhancement 3 to the Texas Digital Identity Solution (TDIS), introducing a secondary multifactor authentication when a live risk score is deemed sufficiently high. All TDIS users were encouraged to add a second method for receiving a multifactor passcode prior to production release.

OCCC achieved 100% compliance and was informally notified of being the first user organization to reach this mark.

The biannual Information Resources Deployment Report (IRDR) was completed, reviewed, and submitted to DIR ahead of deadline. No non-compliance issues were identified.

The OCCC reached its goal of 180 minutes/year of cybersecurity training for all staff with completion of the March campaign.

Incident Response Team training was drafted, approved, and uploaded to the learning management system, affording convenience and traceability.



Accounting Report- April 2024

Mirand Diamond, Director of Licensing, Finance & HR

Financial Reporting

The second quarter of fiscal year 2024 ended on February 29, 2024. The first quarter financial statements are presented elsewhere in the meeting material.

Accounting staff are reviewing and updating financial reports, such as budget to actual detailed expenditure tracking reports, for internal management use.

Other Items

As required by Government Code, Section 657.008(c), the Veteran Workforce Summary Report is due in April. Additionally, the Multiple Worksite quarterly report is due in April.

OFFICE OF CONSUMER CREDIT COMMISSIONER
EXECUTIVE SUMMARY

As of February 29, 2024

	FY 2022	FY 2023	FISCAL YEAR 2024				
			1st QTR	2nd QTR	3rd QTR	4th QTR	FYTD
CONSUMER PROTECTION							
Monies Returned (000)	24,756	13,720	846	1,636			2,482
Regulated Lenders Examinations	818	830	148	261			409
Property Tax Lender Examinations	27	24	1	2			3
Pawnshop Examinations	638	398	128	117			245
Motor Vehicle Examinations	1,398	1,360	277	339			616
Credit Access Businesses Examinations	268	563	41	1			42
Crafted Precious Metal Dealers	10	10	0	6			6
CONSUMER ASSISTANCE							
Telephone Complaints Received	491	496	115	123			238
Written Complaints Received	1,252	1,310	325	196			521
Total Complaints Closed	1,751	1,797	506	410			916
% of Written Complaints Closed within 90 Calendar Days	92.3%	92.5%	96.1%	97.4%			96.1%
ADMINISTRATIVE ENFORCEMENT ACTIONS							
Originated	114	124	4	35			39
Finalized	138	133	52	14			66
LICENSING AND REGISTRATION							
Licenses							
Regulated Lender Licenses	4,071	3,633	3,628	3,526			3,526
Pawnshop Licenses	1,506	1,478	1,483	1,485			1,485
Pawnshop Employee Licenses	997	1,000	761	812			812
Commercial MV Sales Fin. Licenses	59	65	63	66			66
Motor Vehicle Sales Finance Licenses	9,585	9,364	8,541	8,798			8,798
Property Tax Lender Licenses	86	87	87	75			75
Mortgage Loan Originators	343	422	473	325			325
Credit Access Business Licenses	1,574	1,450	1,449	1,426			1,426
Registrations							
Registered Creditors	7,242	6,490	7,012	6,380			6,380
Crafted Precious Metal Dealers	620	803	871	700			700
Debt Management Service Providers	97	95	96	88			88
Refund Anticipation Loan Facilitators	2,745	3,259	2,499	2,511			2,511
Applications							
Business -- New	1,434	1,118	314	253			567
Business -- Change of Ownership	58	85	10	22			32
Pawnshop Employees -- New	366	286	63	67			130
HUMAN RESOURCES DATA							
Field Examiners Staffing	30	32	31	30			30
Total Staffing	67.5	68	66	38			38

Office of Consumer Credit Commissioner
Actual Performance for Output Measures
Fiscal Year 2024

Type/Strategy/Measure	2024 Target	2024 Actual	2024 YTD	Percent of Annual Target	
Output Measures-Key					
CONSUMER PROTECTION					
1-1-1 Complaint Resolution					
1. # Complaints Closed					
Quarter 1	1,750	506	506	28.9%	
Quarter 2	1,750	410	916	52.3%	
2-1-1 Examination and Enforcement					
1. # Examinations Completed					
Quarter 1	3,000	595	595	19.8%	*
<i>Examination results are more than 5% under the quarterly target primarily due to resources associated with training instead of production. Examination production is anticipated to normalize at the end of the second quarter.</i>					
Quarter 2	3,000	720	1,315	43.8%	*
<i>Examination results are under pro-rata targets because of delayed issuance of multi-state mortgage examination reports. Examination results are anticipated and will be on target at the end of 3rd quarter. Two large enterprise exams are underway encompassing over 200 licenses and these exams will be finalized by May 31, 2024.</i>					
EFFECTIVE LICENSING & REGISTRATION					
2-2-1 Licensing and Registration					
1. # Business License Applications Processed					
Quarter 1	1,175	324	324	27.6%	
Quarter 2	1,175	275	599	51.0%	
FINANCIAL EDUCATION					
3-3-1 Financial Education					
1. # People Receiving Direct Educational Services					
Quarter 1	650	284	284	43.7%	*
<i>During the first quarter, the OCCC received more requests for financial education classes than forecasted.</i>					
Quarter 2	650	88	372	57.2%	*
<i>The agency is slightly ahead of financial education targets due to higher attendance then anticipated at events during the first quarter.</i>					

*Varies by 5% or more from target.



Legal Department Report

Matthew Nance, General Counsel

April 2024

Enforcement Report

Contested Cases

The OCCC currently has one contested case pending before the State Office of Administrative Hearings (SOAH).

Elias Karam d/b/a Elias Joseph Karam (SOAH Docket No. 466-24-14946)

This case is an appeal of the OCCC's denial of a regulated lender license application. After repeated requests, the applicant failed to provide compliant loan documents and failed to demonstrate required net assets. Based on this, the OCCC notified the applicant of its intent to deny the license application. The applicant requested a hearing on the denial. The OCCC has docketed the case with SOAH and has requested that a hearing be set for June 25, 26, or 27, 2024.

Enforcement Case Highlights

Pawnshop annual reports

Under Chapter 371 of the Texas Finance Code and its implementing rules, each pawnshop is required to file an annual report with the OCCC by July 31 describing the previous year's activity. If a pawnshop violates this requirement, the OCCC's typical practice is to send an injunction for the first violation, followed by administrative penalties for subsequent violations. In February 2024, the OCCC issued 16 orders against pawnshops for failing to file 2022 annual reports by the deadline of July 31, 2023.

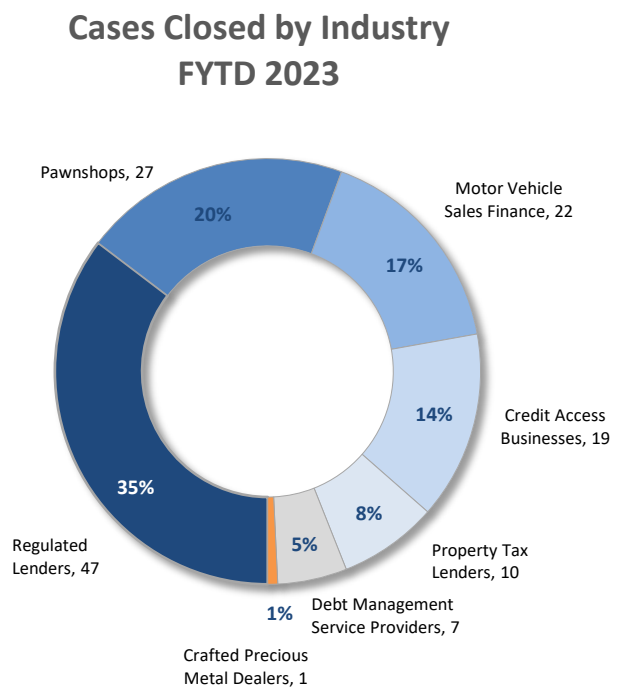
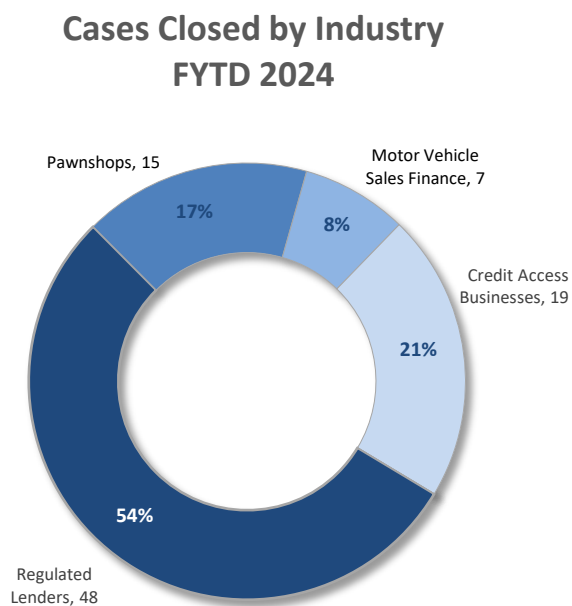
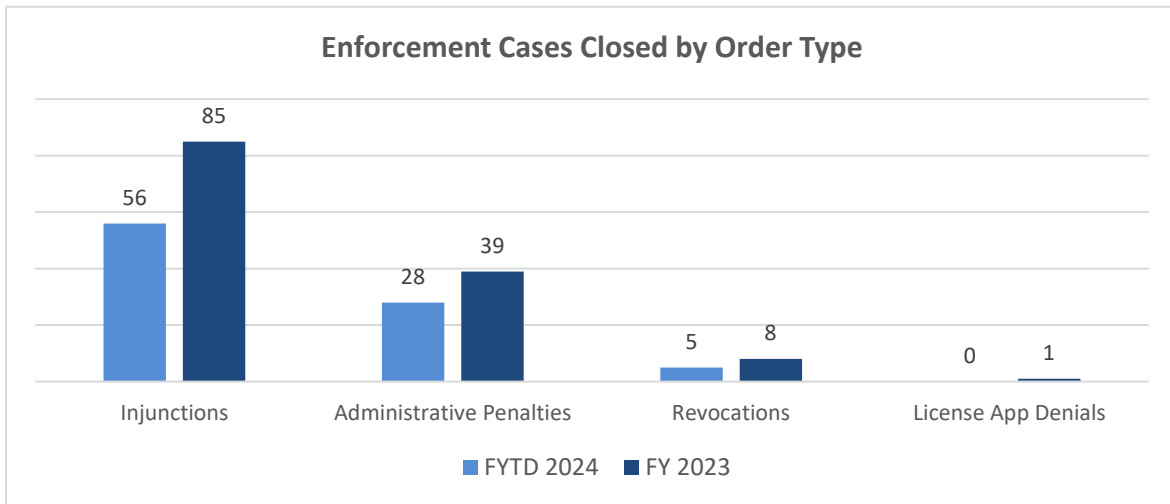
Unlicensed motor vehicle sales finance activity

Under Chapter 348 of the Texas Finance Code, a person must hold a motor vehicle sales finance license to sell motor vehicles on credit. In certain cases where a license applicant has engaged in previous unlicensed activity, the OCCC will enter an agreed order with the applicant before approving the application and granting the license. Under these agreed orders, the applicant pays an administrative penalty and refunds finance charges to affected consumers before receiving a license. In February 2024, the OCCC entered an agreed order with a motor vehicle sales finance license applicant to pay a \$700 administrative penalty and refund finance charges to affected consumers.

Enforcement Case Tracking

The following table includes enforcement case tracking information for FY 2024 to date (September 1, 2023, through March 31, 2024) and FY 2023.

Enforcement Case Tracking Information	FYTD 2024	FY 2023
Enforcement Cases Opened	39	124
Enforcement Cases Closed	89	133
Enforcement Cases Closed by Final Order	86	126
Average Number of Days to Close an Enforcement Action	82	142
Contested Cases Docketed at SOAH	1	2



Litigation

Ernest Polk v. Texas Office of Consumer Credit Commissioner

This is an employment discrimination lawsuit pending before the First Court of Appeals in Houston (case no. 01-22-00712-CV). The district court dismissed the plaintiff's case, and the plaintiff appealed the case. The parties have filed their briefs in the court of appeals. On October 4, 2023, the court of appeals issued a letter that identified the three justices who will decide the case, stated that the court will not hear oral argument, and set a case submission date of November 28, 2023. As of March 31, 2024, the appeal is still pending.

Rulemaking

At the April meeting, the OCCC is presenting proposed amendments to 7 TAC Chapter 86 (relating to registered creditors) to adjust the maximum documentary fee for motorcycles, boats, and certain other vehicles.

At the June meeting, the OCCC plans to present the adoption of amendments to 7 TAC Chapter 83, Subchapter A (to adjust the maximum administrative fee and acquisition charge for regulated loans), as well as the adoption of amendments to 7 TAC Chapter 84 (to adjust the documentary fee amount considered reasonable for motor vehicle retail installment transactions). The proposals for these rule actions are currently under review by the Regulatory Compliance Division of the Office of the Governor.

Advisory Guidance

From February 1, 2024, to March 31, 2024, the OCCC did not issue any advisory bulletins.

From February 1, 2024, to March 31, 2024, the OCCC did not receive any requests for official interpretations of the Texas Finance Code. As of March 31, 2024, there were no pending requests for official interpretations of the Texas Finance Code.

Public Information Requests

Public Information Tracking Information	FYTD 2024	FY 2023
Public Information Requests Received	76	162
Public Information Requests Closed	73	155
Public Information Requests Withdrawn	2	7
Public Information Requests Referred to Office of Attorney General	0	0
Average Number of Days to Address a Public Information Request	2.6	2.3

Gifts Received by the OCCC

From February 1, 2024, to March 31, 2024, the OCCC received three gifts, all of which were scholarships to attend the 2024 NMLS Annual Conference & Training. Of these three scholarships, one was a full scholarship (for registration, lodging, and transportation) worth \$2,245, one was a full scholarship worth \$2,159, and one was a partial scholarship (for registration) worth \$995.

C. OFFICE OF CONSUMER CREDIT COMMISSIONER

2. Discussion of and Possible Vote to Take Action on the Proposal of Amendments in 7 TAC, Part 5, Chapter 86, Concerning Retail Creditors

PURPOSE: The purpose of the proposed rule changes to 7 TAC Chapter 86 is to adjust the maximum documentary fee amount for motorcycles, boats, and certain other vehicles.

RECOMMENDED ACTION: The OCCC requests that the Finance Commission approve the amendments to 7 TAC Chapter 86 for publication in the *Texas Register*.

RECOMMENDED MOTION: I move that the Finance Commission approve for publication and comment the amendments to 7 TAC Chapter 86.

*Title 7, Texas Administrative Code
Part 5. Office of Consumer Credit Commissioner
Chapter 86. Retail Creditors
Subchapter B. Retail Installment Contract*

The Finance Commission of Texas (commission) proposes amendments to §86.201 (relating to Documentary Fee) in 7 TAC Chapter 86, concerning Retail Creditors.

The rule at §86.201 relates to documentary fees for retail installment transactions under Texas Finance Code, Chapter 345. In general, the purpose of the proposed rule changes to 7 TAC §86.201 is to adjust the maximum documentary fee amount under the rule.

The Office of Consumer Credit Commissioner (OCCC) distributed an early precomment draft of proposed changes to interested stakeholders for review, and then held a stakeholder webinar regarding the rule changes. The OCCC received three written precomments on the rule text draft. The OCCC and the commission appreciate the thoughtful input provided by stakeholders.

Texas Finance Code, Chapter 345 governs retail installment transactions to purchase goods other than motor vehicles. Under Texas Finance Code, §345.251(a), a retail seller may charge a documentary fee in a retail installment transaction to purchase a motorcycle, moped, all-terrain vehicle, boat, boat motor, boat trailer, or towable recreational vehicle. Under Texas Finance Code, §345.251(b)(2), the documentary fee "may not exceed a reasonable amount agreed to by the retail seller and retail buyer for the documentary services, subject to a reasonable maximum amount set by rule by the finance commission."

Currently, §86.201 describes the maximum documentary fee in a Chapter 345 retail installment transaction. The rule distinguishes between retail installment transactions for covered land vehicles (i.e., motorcycles, mopeds, all-terrain vehicles, boat trailers, and towable recreational vehicles) and covered watercraft (i.e., boats and boat motors). Current §86.201(c) contains a \$125 maximum documentary fee for the purchase of one or more covered land vehicles. Current §86.201(d) contains a \$125 maximum documentary fee for the purchase of one or more covered watercraft. Current §86.201(e) contains a \$175 maximum documentary fee for the purchase of one or more covered land vehicles and one or more covered watercraft.

In 2013, the commission adopted the \$125 and \$175 amounts in §86.201. The amounts have not been adjusted since then. As the commission explained in its preamble to the 2013 adoption, the rule's fee amounts and terminology are intended to correspond to different sets of titling and registration requirements. Land vehicles are subject to titling and registration requirements administered by the Texas Department of Motor Vehicles (TxDMV) under Texas Transportation Code, Chapters 501 and 502. Watercraft are subject to titling and registration requirements administered by the Texas Parks and Wildlife Department (TPWD) under Texas Parks and Wildlife Code, Chapter 31. As the commission explained, the higher \$175 amount for the purchase of both types of vehicles "is intended to compensate the retail creditor for the documents and procedures that are

necessary to title items with both TxDMV and TPWD." 38 TexReg 5707 (Aug. 30, 2013).

Proposed amendments throughout §86.201 would adjust the maximum documentary fee for a Chapter 345 retail installment transaction. A proposed amendment to §86.201(c) would adjust the documentary fee for a covered land vehicle from \$125 to \$200. A proposed amendment to §86.201(d) would adjust the documentary fee for covered watercraft from \$125 to \$200. A proposed amendment to §86.201(e) would adjust the documentary fee for both a covered land vehicle and covered watercraft from \$175 to \$250.

The commission and the OCCC believe that now is an appropriate time to revisit the maximum documentary fee amounts in §86.201 and to adjust them. The \$75 adjustment corresponds to a similar adjustment recently proposed by the commission in published amendments to 7 TAC §84.205 (relating to Documentary Fee), concerning documentary fees for motor vehicles. See 49 TexReg 1173 (Mar. 1, 2024). The proposed amendments to §84.205 would adjust the motor vehicle documentary fee amount considered reasonable from \$150 to \$225. That proposal was based on the OCCC's ongoing review of documentary fee cost analyses, as well as documentary fee amounts found to be reasonable in a recent contested case.

The commission and the OCCC believe that a corresponding \$75 adjustment is appropriate for covered land vehicles and watercraft under §86.201. The \$200 amount is appropriate because these vehicles are subject to similar document-related requirements that apply to motor vehicles; many, but not all, of the motor vehicle

document requirements apply to vehicles under §86.201. For example, vehicles under §86.201 are subject to titling and registration requirements (as described earlier in this preamble) but generally are not subject to the requirements to provide a new car window sticker or a used car buyers guide. See 15 U.S.C. §1232 (requirement to provide new car window sticker applies to automobiles), Federal Trade Commission Used Car Rule, 16 C.F.R. §455.1(d)(2) (requirement to provide used car buyers guide applies to certain motorized vehicles other than motorcycles).

In informal precomments, stakeholders expressed general support for the proposed amendments. Two boating trade associations filed precomments supporting the proposed amendments. A third informal precomment was filed on behalf of a motorcycle trade association, a recreational vehicle association, and two boating trade associations. This precomment stated that the associations support the proposed amendments and stated: "We can confirm that our dealers conduct the same required administrative work to complete transactions as do automobile dealers: vehicle titling (which sometimes requires in-person visits to county offices), vehicle registration, submitting taxes, obtaining and mailing license plates, ensuring liens are correctly recorded and released, verifying a trade-in's value and whether it has open recalls, etc." The precomment also stated: "Costs have increased since 2013 due to general inflation, specific cost increases and heightened state and federal regulatory requirements. We have seen increased costs across multiple categories, including wages (up over 50% in some labor markets), real property leasing rates, technology (with specific new hardware, software and printers now mandated) and postage."

Mirand Diamond, Director of Licensing, Finance and Human Resources, has determined that for the first five-year period the proposed rule changes are in effect, there will be no fiscal implications for state or local government as a result of administering the rule changes.

Huffman Lewis, Director of Consumer Protection, has determined that for each year of the first five years the proposed amendments are in effect, the public benefit anticipated as a result of the changes will be that the commission's rules will ensure that retail sellers may charge a documentary fee that reflects costs for handling and processing documents in a retail installment transaction for the sale of a motorcycle, moped, all-terrain vehicle, boat, boat motor, boat trailer, or towable recreational vehicle.

The OCCC does not anticipate that the proposed rule changes will result in economic costs to persons who are required to comply with the proposed rule changes.

The OCCC is not aware of any adverse economic effect on small businesses, micro-businesses, or rural communities resulting from this proposal. But in order to obtain more complete information concerning the economic effect of these rule changes, the OCCC invites comments from interested stakeholders and the public on any economic impacts on small businesses, as well as any alternative methods of achieving the purpose of the proposal while minimizing adverse impacts on small businesses, micro-businesses, and rural communities.

During the first five years the proposed rule changes will be in effect, the rule will not create or eliminate a government program. Implementation of the rule changes will not require the creation of new employee

positions or the elimination of existing employee positions. Implementation of the rule changes will not require an increase or decrease in future legislative appropriations to the OCCC, because the OCCC is a self-directed, semi-independent agency that does not receive legislative appropriations. The proposal does not require an increase or decrease in fees paid to the OCCC. The proposal would not create a new regulation. The proposal would expand current §86.201 by adjusting the maximum documentary fee amount. The proposal would not limit or repeal an existing regulation. The proposed rule changes do not increase or decrease the number of individuals subject to the rule's applicability. The OCCC does not anticipate that the proposed rule changes will have an effect on the state's economy.

Comments on the proposal may be submitted in writing to Matthew Nance, General Counsel, Office of Consumer Credit Commissioner, 2601 North Lamar Boulevard, Austin, Texas 78705 or by email to rule.comments@occc.texas.gov. To be considered, a written comment must be received on or before the 30th day after the date the proposal is published in the *Texas Register*. After the 30th day after the proposal is published in the *Texas Register*, no further written comments will be considered or accepted by the commission.

The rule amendments are proposed under Texas Finance Code, §345.251(b)(2), which authorizes the Finance Commission to adopt a rule establishing a reasonable maximum documentary fee amount, and Texas Finance Code, §345.251(e), which authorizes the commission to adopt rules to enforce Texas Finance Code, §345.251. In addition, Texas Finance Code, §11.304 authorizes the commission to adopt rules necessary to

supervise the OCCC and ensure compliance with Texas Finance Code, Title 4.

The statutory provisions affected by the proposal are contained in Texas Finance Code, Chapter 345.

§86.201. Documentary Fee

(a) Purpose. The purpose of this section is to specify the maximum documentary fee in a retail installment transaction for the sale of a motorcycle, moped, all-terrain vehicle, boat, boat motor, boat trailer, or towable recreational vehicle, as provided by Texas Finance Code, §345.251.

(b) Definitions.

(1) All-terrain vehicle--Has the meaning provided by Texas Transportation Code, §551A.001(1).

(2) Boat--A vessel, as described by Texas Parks and Wildlife Code, §31.003(2).

(3) Boat motor--An outboard motor, as described by Texas Parks and Wildlife Code, §31.003(13).

(4) Covered land vehicle--A motorcycle, moped, all-terrain vehicle, boat trailer, or towable recreational vehicle.

(5) Covered watercraft--A boat or boat motor.

(6) Moped--Has the meaning provided by Texas Transportation Code, §541.201(8).

(7) Motorcycle--Has the meaning provided by Texas Transportation Code, §541.201(9).

(8) Retail installment contract--Has the meaning provided by Texas Finance Code, §345.001(6) and refers to one or more instruments entered into that evidence a secured or unsecured retail installment transaction for the sale of goods under Texas Finance Code, Chapter 345.

(9) Towable recreational vehicle--Has the meaning provided by Texas Finance Code, §348.001(10-a).

(c) Contract for covered land vehicles only. For a retail installment contract for the purchase of one or more covered land vehicles, the reasonable maximum amount of the documentary fee is \$200 [~~\$125~~].

(d) Contract for covered watercraft only. For a retail installment contract for the purchase of one or more covered watercraft, the reasonable maximum amount of the documentary fee is \$200 [~~\$125~~].

(e) Contract for both covered land vehicles and covered watercraft. For a retail installment contract for the purchase of one or more covered land vehicles and one or more covered watercraft, the reasonable maximum amount of the documentary fee is \$250 [~~\$175~~].

Certification

The agency certifies that legal counsel has reviewed the proposal and found it to be within the agency's legal authority to adopt.

Issued in Austin, Texas on April 19, 2024.

Matthew J. Nance
General Counsel
Office of Consumer Credit Commissioner

This page left blank intentionally.

D.

**Department of Savings and
Mortgage Lending**

This page left blank intentionally.

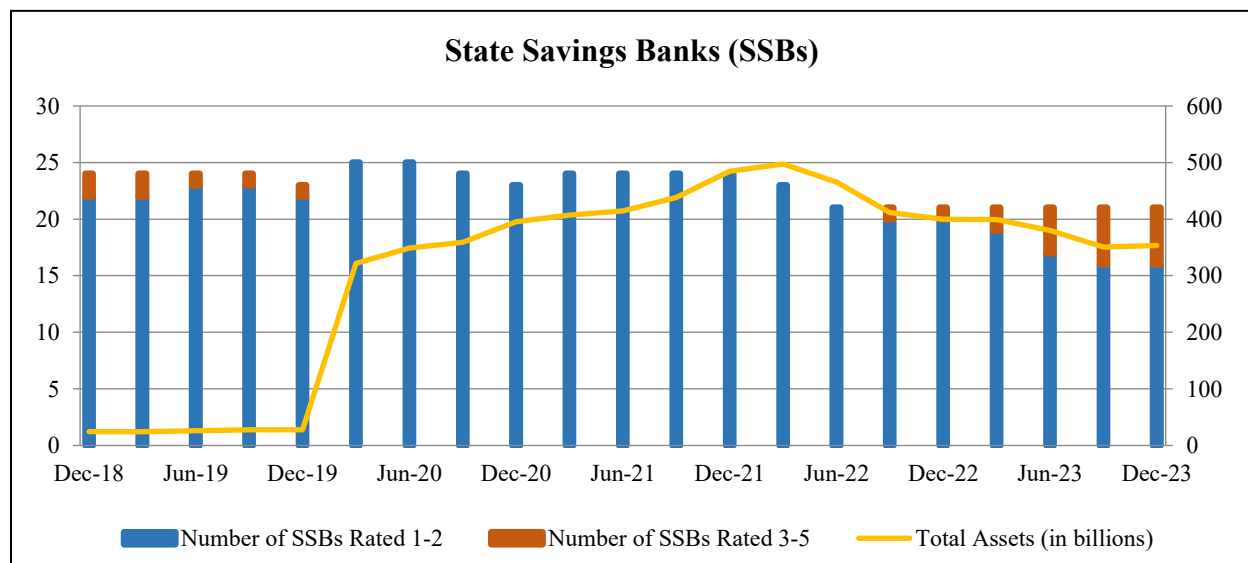
D. Department of Savings and Mortgage Lending

a) Thrift Regulation Division Activities

Industry Status

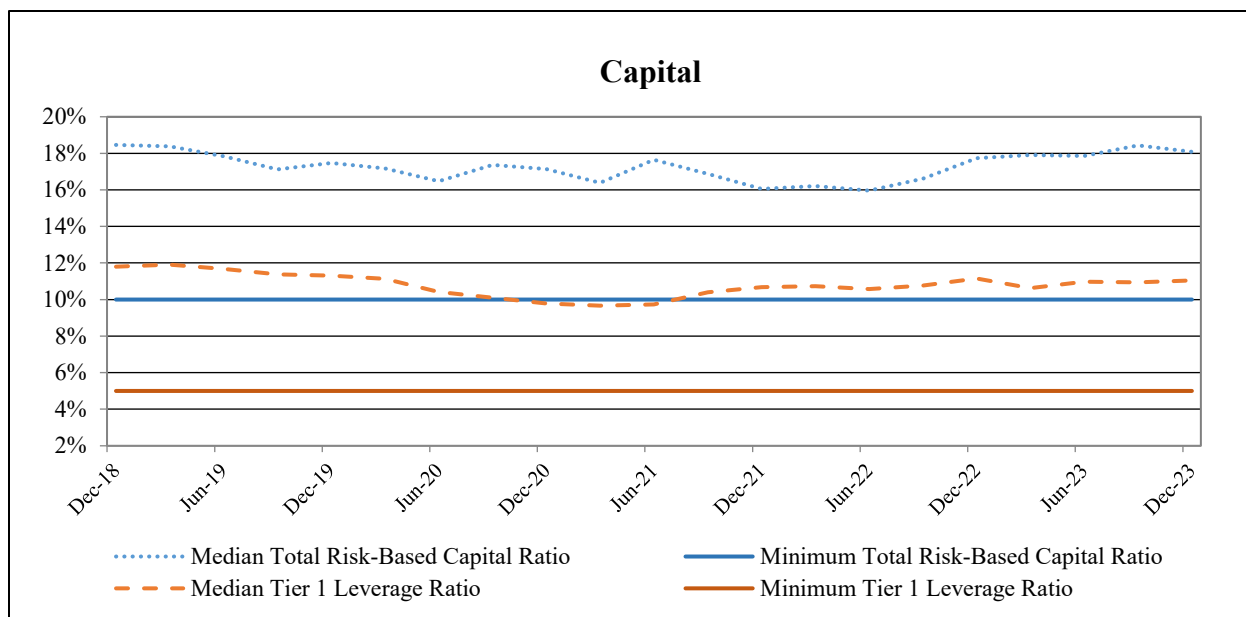
The Department continues to monitor various local, state, and national data sources to understand the risks facing the industry and individual savings banks.

The Department conducts bank examinations to ensure confidence in the banking system using the Uniform Financial Institutions Rating System (UFIRS). Banks with a UFIRS rating of 1 or 2 are considered well rated. The industry is comprised of 21 state savings banks with assets totaling \$353.3 billion as of December 31, 2023. On March 13, 2024, Third Coast Bank, SSB with assets totaling \$4.4 billion converted out. The industry consists of 76% of banks being well rated as of December 31, 2023, and with four informal and one formal supervisory actions in place.

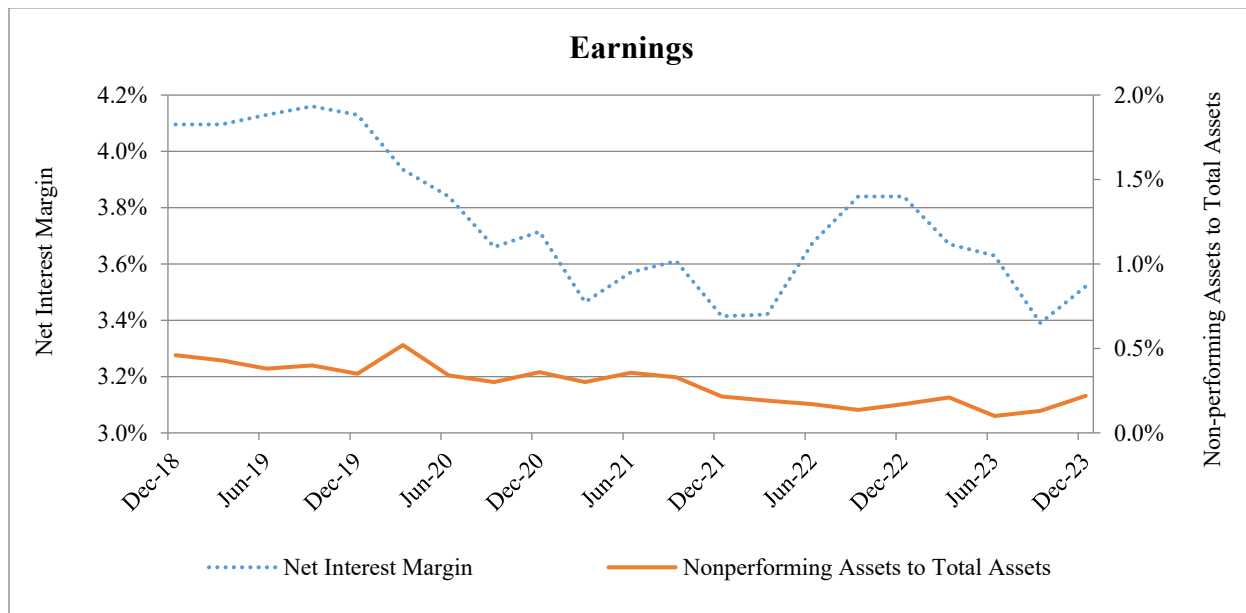


All SSBs are subject to quarterly offsite reviews. Those with the highest risk profiles receive enhanced scrutiny, as warranted, with targeted visitations, accelerated examinations, and/or corrective actions. Below are specific areas that the Department monitors in relation to changes in the state and national economic environment.

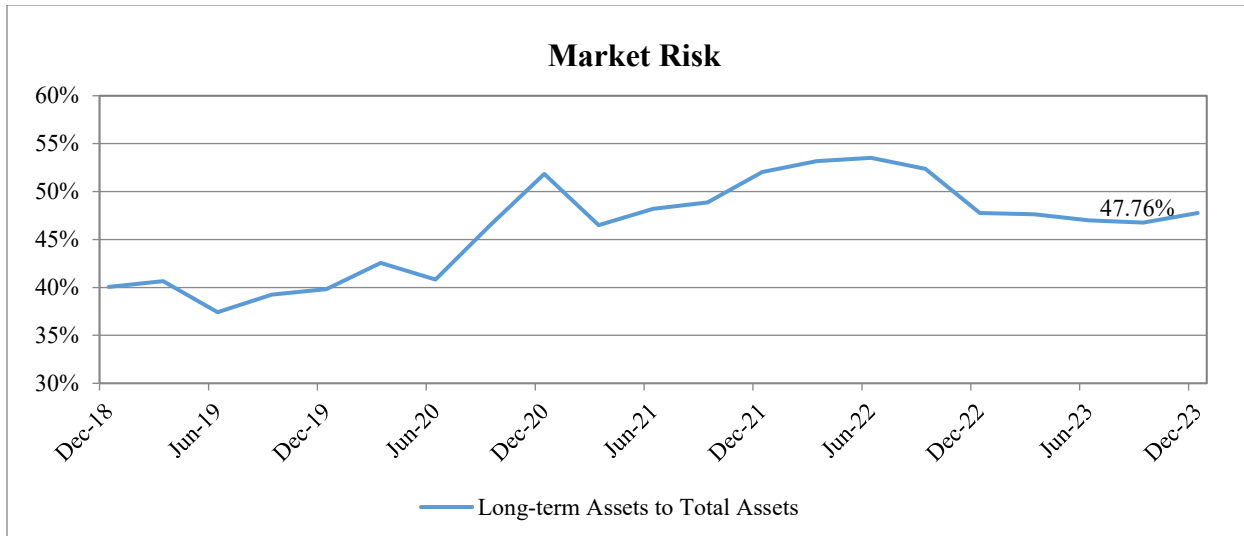
Bank capital performs several very important functions, including absorbs losses, promotes public confidence helps restrict excessive asset growth and provides protection to the depositors. Regulatory capital standards are designed to strengthen the quality and quantity of bank capital and promote a stronger financial industry that is more resilient to economic stress. As of December 31, 2023, all SSBs remain well above regulatory capital minimums. The portfolio median total risk-based capital ratio and median leverage capital protection have remained generally consistent and are now 18.09% and 11.04%, respectively.



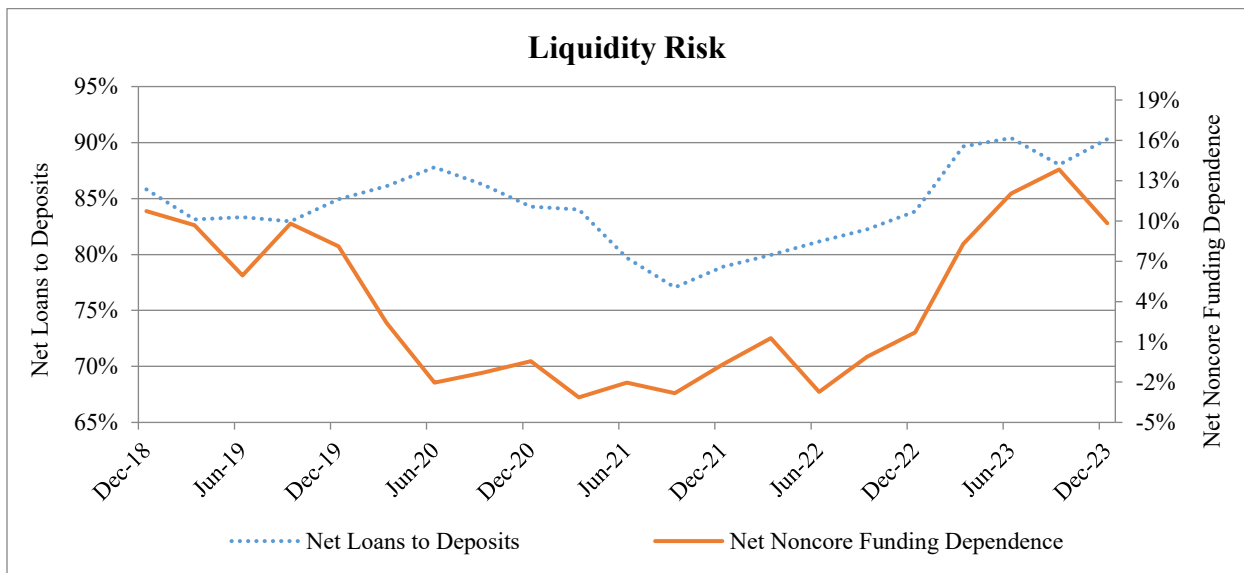
Earnings is the initial safeguard against the risk of engaging in the banking business, and is the first line of defense against capital depletion resulting from shrinkage in asset value. Earnings performance should allow the bank to remain competitive by providing the resources required to implement management's strategic initiatives. The net interest or profit margin is 3.52%. Non-performing asset levels remain low at 0.22% of total assets.



Market risk primarily reflects exposures to changing interest rates over time. Long-term asset exposure can be an indicator of the degree of market risk taken by a state savings bank. As of December 31, 2023, long-term assets to total assets ratio increased slightly to 47.76%.



Liquidity risk reflects the bank's ability to fund assets and meet financial obligations under various scenarios, including adverse conditions. Liquidity risk is increasing. The Net Noncore Funding Dependence (NNCFD) Ratio, a measure of the funding of long-term assets using short-term funding strategies, is 9.82%. The loan-to-deposit ratio, a measure of the use of deposits to fund lending activities, is 90.30%.



Thrift Examination Activity Report

On-site examinations are being conducted. Risk scoping, availability of bank staff, and request of bank management are taken into consideration when determining the examination approach.

Thrift Supervision Activity Report

The Thrift Supervision section continues to receive and process various requests for approval, including branch, subsidiary, and holding company applications.

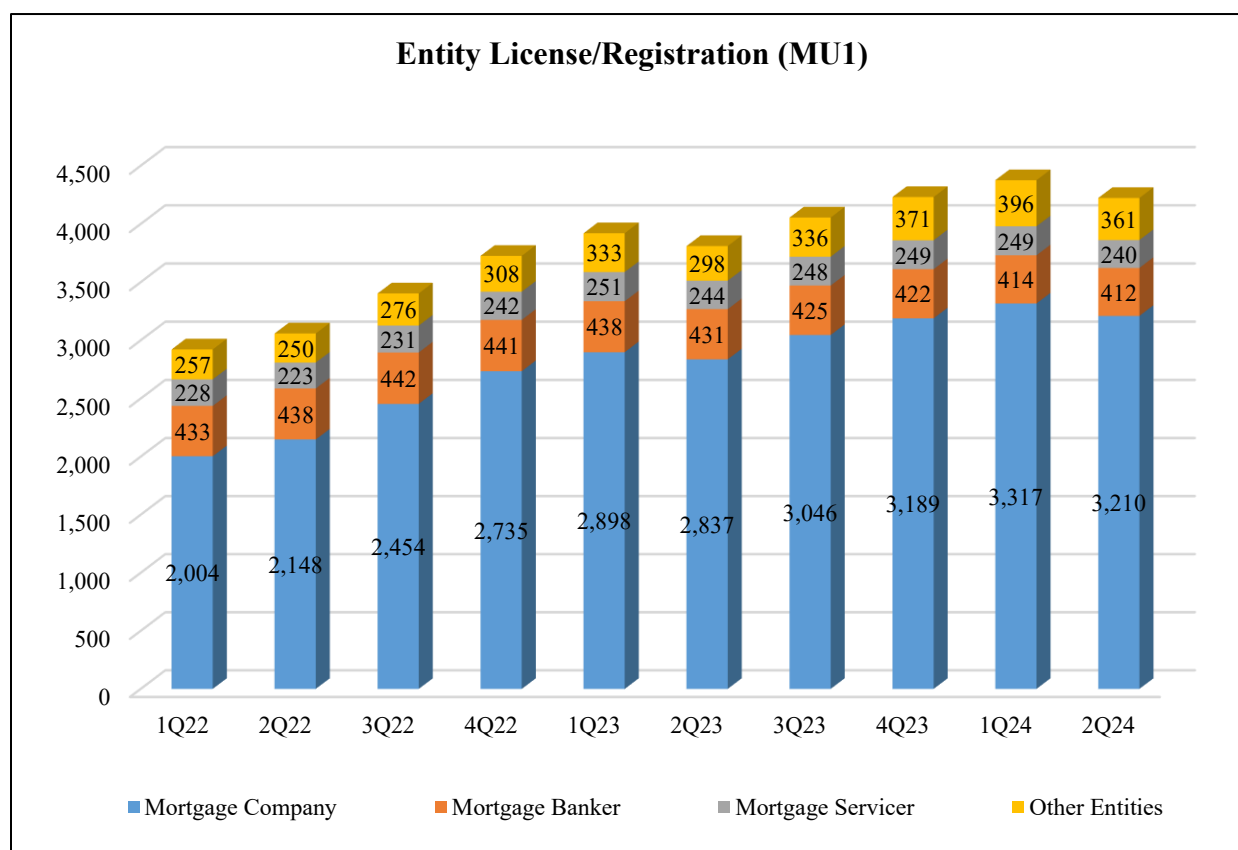
On June 30, 2023, Integrity Bank, SSB, a proposed de novo bank, filed an application for a state savings bank charter to be located in Houston, Texas. The application was approved on February 26, 2024.

b) Mortgage Regulation Division Activities

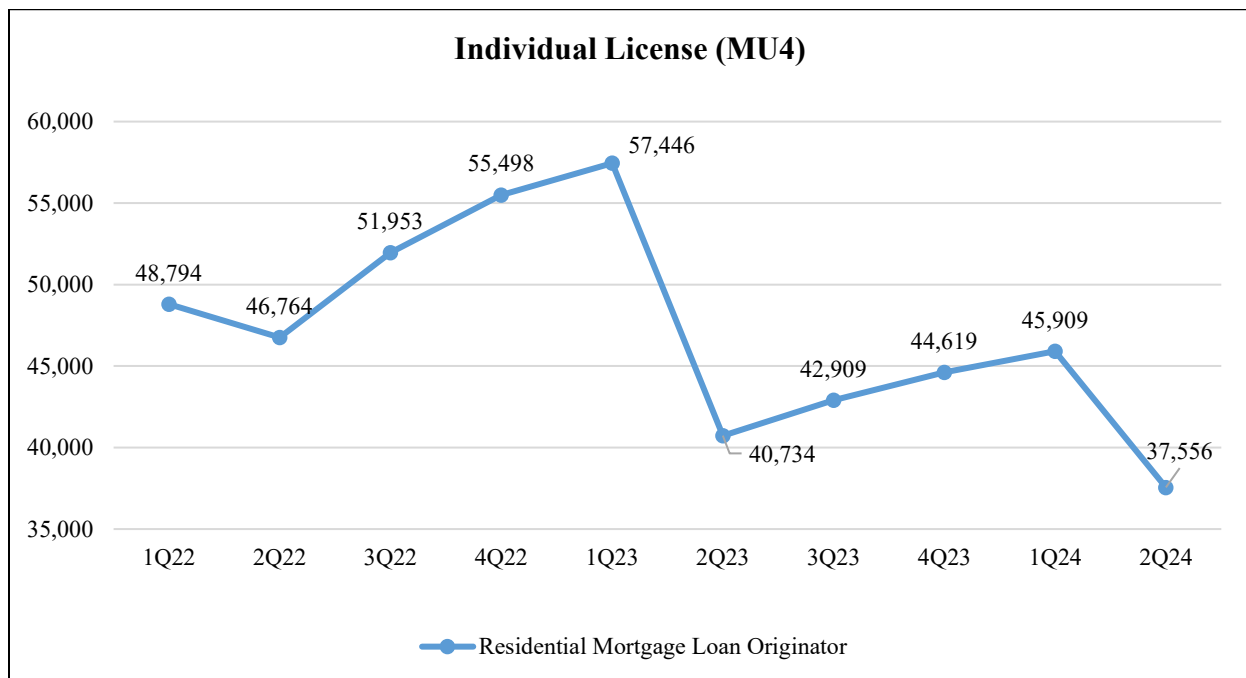
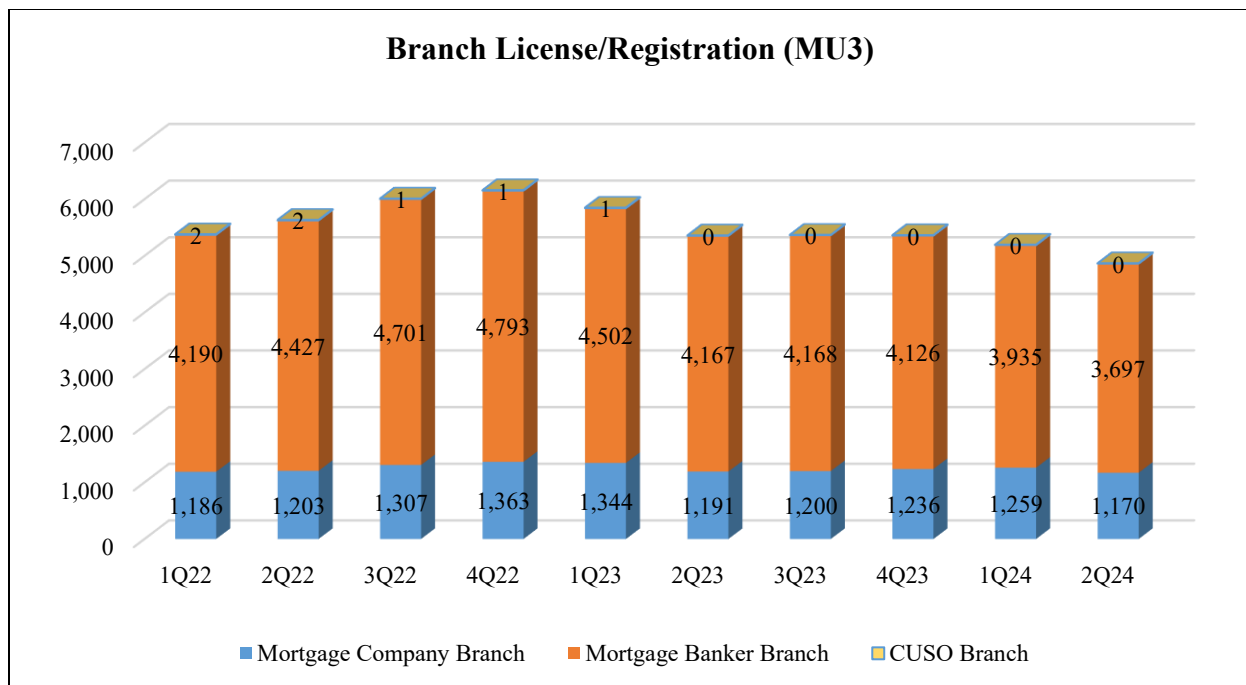
Industry Status

The Department continues to monitor various local, state, and national sources to identify issues impacting the mortgage industry including interest rate changes, housing supply and demand, availability and affordability of homeowner's and flood insurance, mortgage-backed securities (MBSs) market, and trends in homeownership.

The charts below reflect historical information regarding the number of licenses and registrations in an approved status.



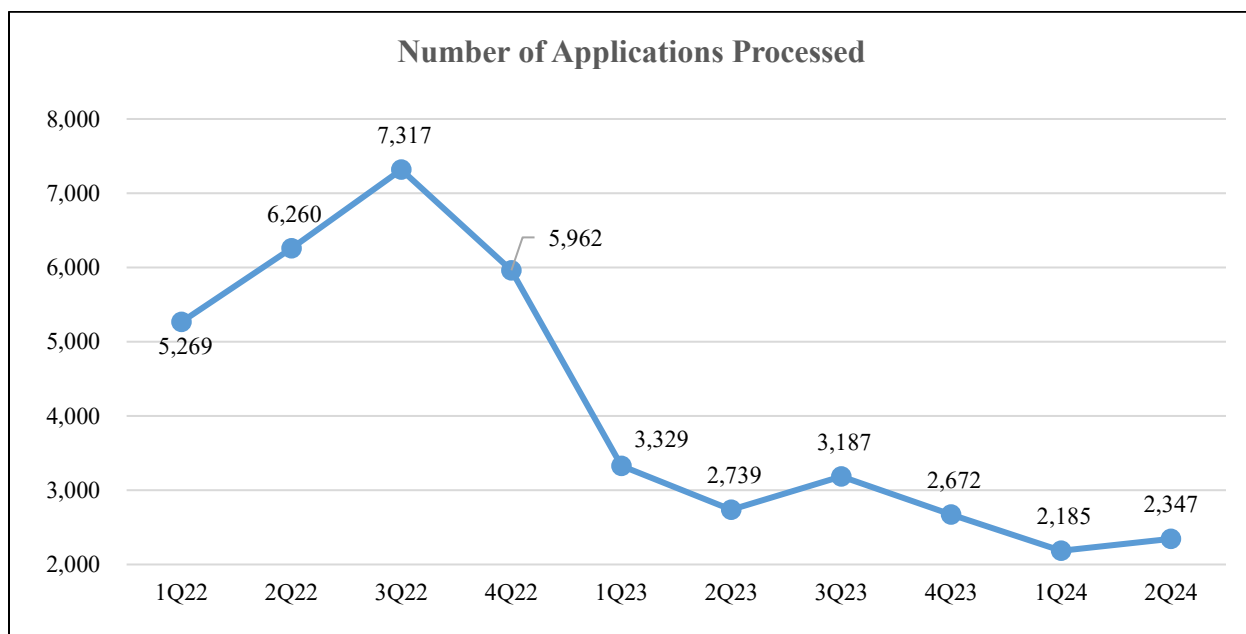
Other entities include Auxiliary Mortgage Loan Activity Company, Credit Union Subsidiary Organization (CUSO), Financial Services Company, and Independent Contractor Processor/Underwriter Company.



Licensing Activity Report

For the second quarter of FY2024, the Mortgage Licensing section processed 2,347 applications and approved 2,090 applications, including 183 mortgage entities, 426 branch offices, and 1,481 residential mortgage loan originators. The remaining 257 applications were either withdrawn by the applicant or denied by the Department.

The chart below shows the historical information of the total number of applications processed by the Department.



The number of applications received by the Department increased in the second quarter of FY2024 and is more closely aligned with the historical averages for the Department.

According to NMLS Data Analytics for the second quarter of FY2024, the Mortgage Licensing section processed 20,033 license amendments, 3,082 credit report reviews, 3,641 sponsorship removals, and 4,429 sponsorship requests.

Upon the conclusion of the renewal and reinstatement period, the Department experienced a notable reduction in the overall number of licensed residential mortgage loan originators and a modest reduction in the number of licensed residential loan companies and registered mortgage bankers. The table below reflects the number of licensees/registrants eligible for renewal and the percentage of the individuals or entities that requested a renewal.

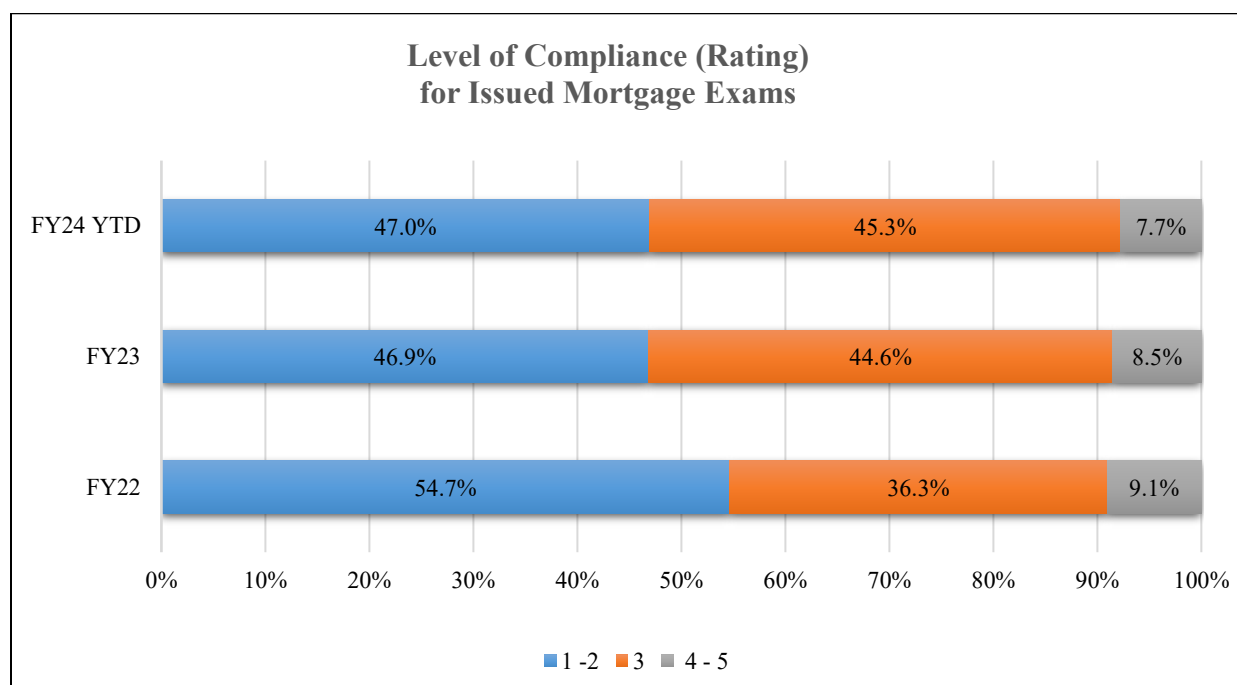
Type of License	Renewable Licenses	Requested Renewal	% Requested
Mortgage Loan Originator	45,422	35,852	78.9%
Mortgage Banker	419	407	97.1%
Mortgage Company	3,267	3,014	92.3%
Mortgage Loan Servicer	250	234	93.6%
Independent Contractor Processor/Underwriter Company	374	322	86.1%
Other	7	7	100%

Even though there was notable reduction in the number of licensed residential mortgage loan originators, the current number of licensed residential mortgage loan originators is higher than the historical average for the Department.

Mortgage Examination Activity Report

For the second quarter of FY2024, the Mortgage Examination section issued 93 examinations covering 2,346 individual licensees. Compared to the same reporting period in FY2023, the overall number of examinations issued (93 versus 112) is lower by 16.96%; however, the number of individual licensees examined (2,346 versus 1,350) increased by 73.77%.

Below is a breakdown of mortgage examination results by compliance rating for the first half of FY2024. As shown in the chart below, the stratification of examination ratings during the past six months remains consistent with the previous fiscal year. As an examination rating of 1, 2, or 3 is considered to be an acceptable level of compliance, the mortgage examination ratings fall within the satisfactory range for the Department (90% or more of the examinations within an acceptable level of compliance).



The most common violations for the other examinations included unlicensed independent loan processors, unlicensed residential mortgage loan originators, inadequate recordkeeping, failure to maintain adequate policies and procedures (e.g., Anti-Money Laundering Programs, Identity Theft Prevention Programs, Information Security Programs and Remote Work Policies), non-compliant social media advertisements, and non-compliant Conditional Pre-Qualification/Conditional Approval Letters.

Outreach and Training

During the week of February 12, 2024, Director of Mortgage Regulation William Purce, Chief Mortgage Examiner Ellena Meier, Senior Review Examiner Justin Accola, Manager of Licensing Chris Osuna, Review Examiner Len Hicks, Senior Mortgage Examiners Deana Dykes and Julianna Schwab and License and Permit Specialists La 'Shondra Houston and Alexis Gonzales attended the 2024 NMLS Annual Conference & Training in San Antonio, Texas. The Conference included training sessions on the utilization of the NMLS and SES platforms, multistate enforcement protocols, cybersecurity, mortgage exam standards, and other topics.

On February 26-27, 2024, Director of Mortgage Regulation William Purce attended the Conference of State Bank Supervisors (CSBS) Mortgage Working Group meeting in Denver, Colorado to discuss issues affecting the mortgage and consumer credit industries. The Mortgage Working Group comprises of several state mortgage regulators and state attorneys general from Arizona, California, Colorado, Connecticut, Florida, Illinois, Nevada, New York, North Carolina, Ohio, Oregon, Pennsylvania, Texas, and Washington.

On February 28, 2024, Senior Review Examiner Justin Accola attended the CSBS Accreditation Review Team Training in Washington D.C. as a representative of the Performance Standards Committee.

c) Operations Division Activities

Accounting, Budget, and Financial Reporting

Staff closed out the second quarter of fiscal year 2024. The reports are located elsewhere in the packet.

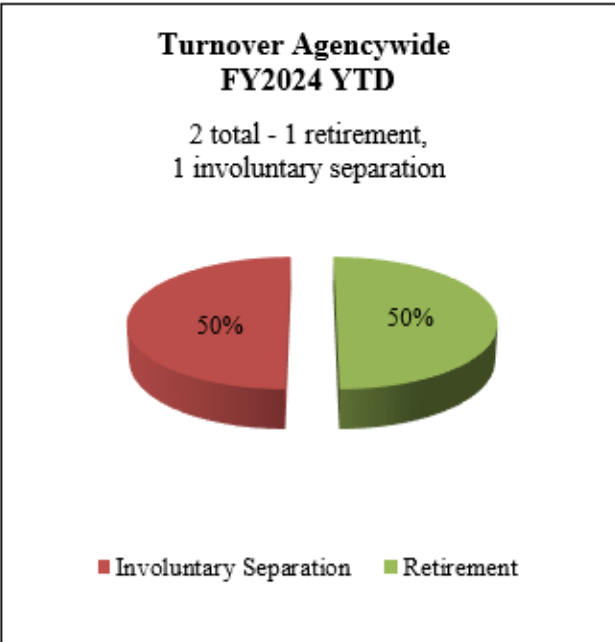
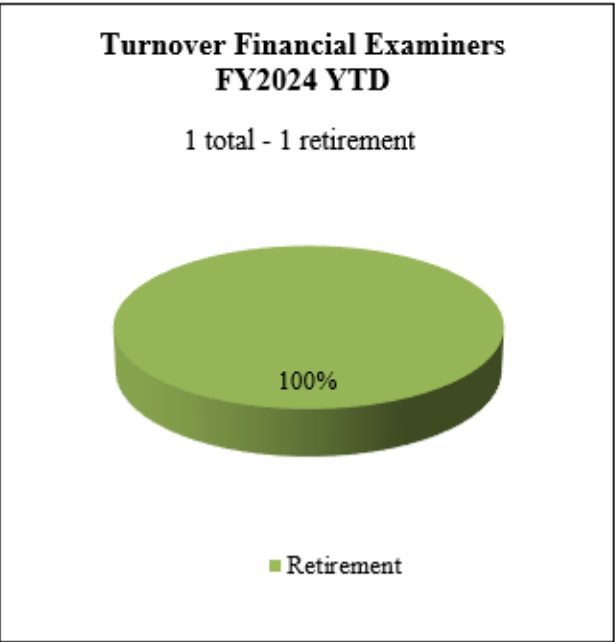
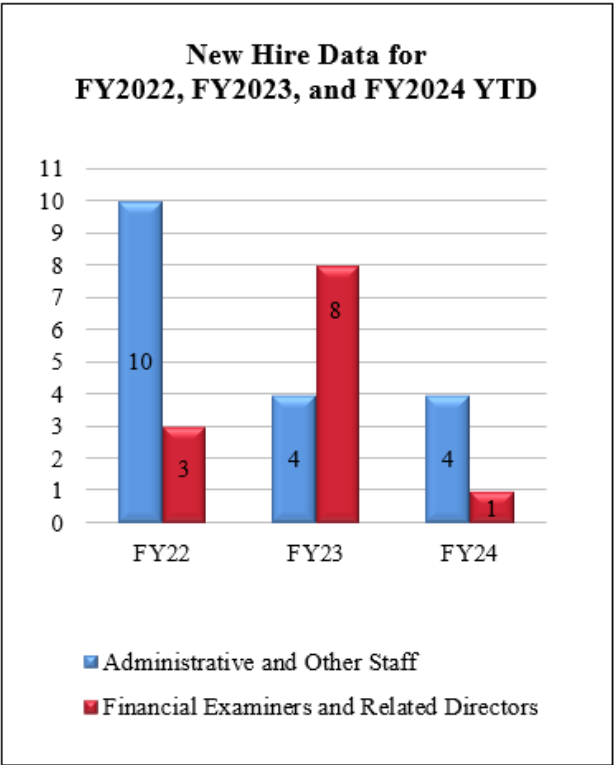
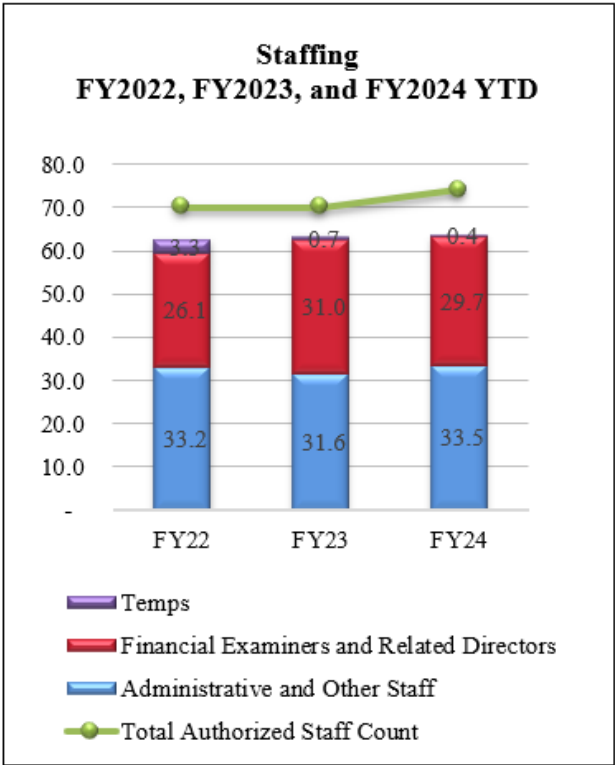
Audit

The Department is currently undergoing a Post-Payment and Procurement Audit conducted by the Comptroller of Public Accounts and preparing for a Risk Management Program Review by the State Office of Risk Management.

Human Resources

As of February 29, 2024, the Department was staffed at 65 regular full-time employees. During March, one Mortgage Examiner separated from the Department.

Staffing Charts as of February 29, 2024



Below is the status of the Department's vacancies:

Vacancy Status	
Financial Examiner I – Thrift Examinations - 2	Collecting and reviewing applications
Financial Examiner I-II - Thrift Examinations (Information Technology)	
Financial Examiner VI/VII – Thrift Examinations - 2	
Financial Examiner V – Thrift Examinations (Loan Review) - 2	
Program Specialist I – Mortgage Regulation	
Investigator II-IV – Mortgage Licensing	
Financial Examiner I-II – Mortgage Examinations - 3	

Outreach and Training

The quarterly agencywide meeting and training held on February 22, 2024, contained agency and division updates, as well as sessions on various information resources and personnel topics.

Department of Savings and Mortgage Lending
Actual Performance for Output Measures

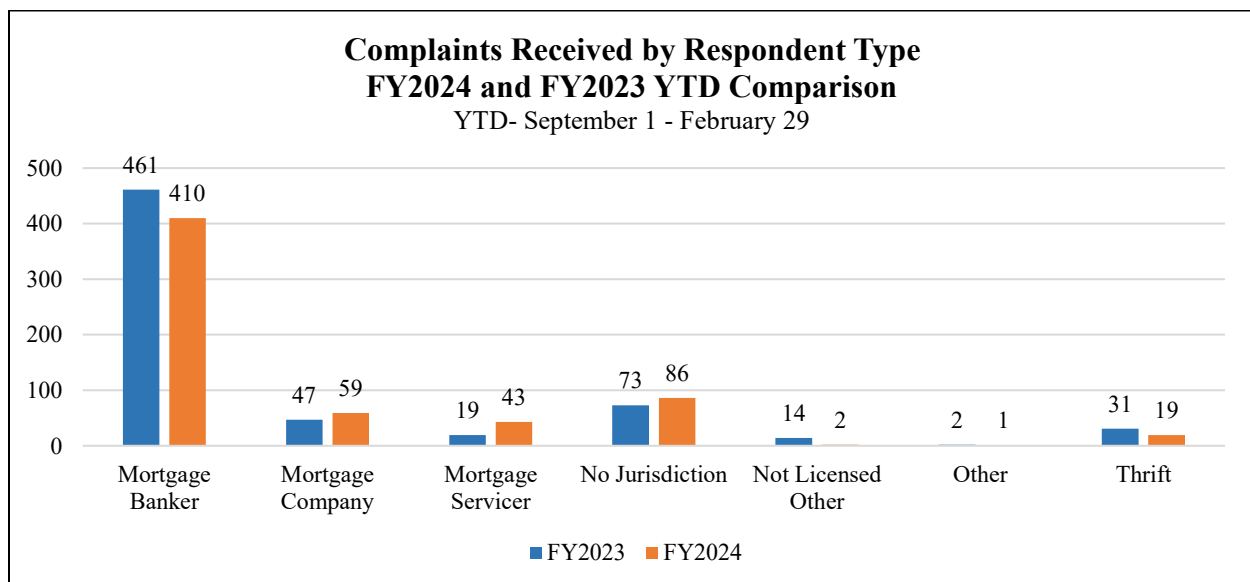
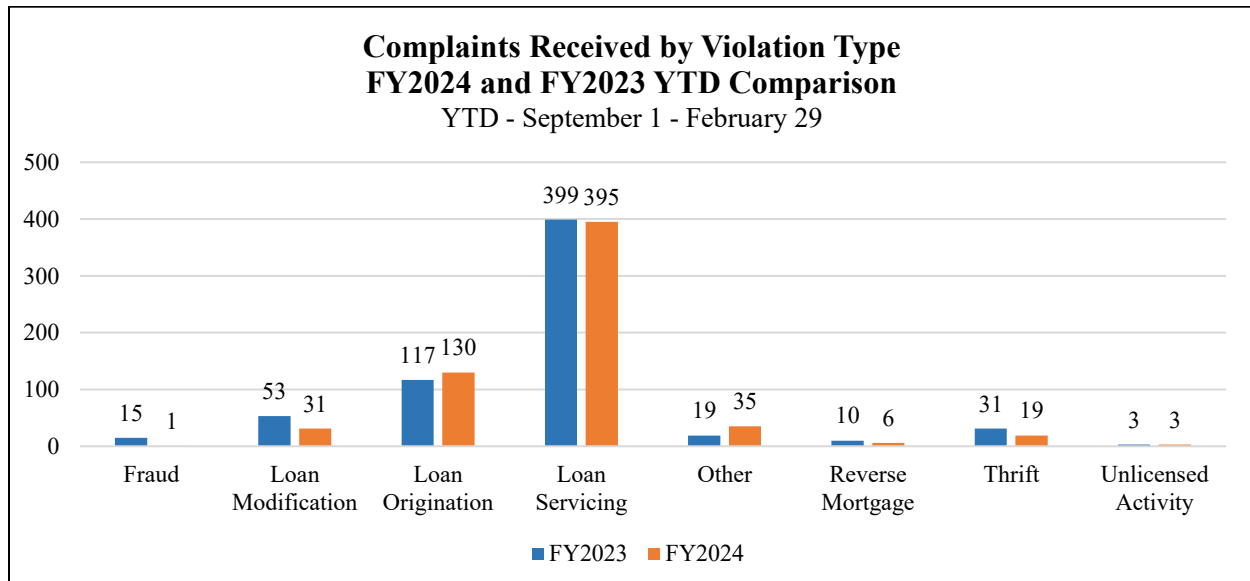
Type/Strategy/Measure	2024 Target	2024 Actual	2024 YTD	Percent of Annual Target	
Output Measures-Key					
1-1-1 Thrift Safety and Soundness					
1. Number of State Chartered Savings Institution Examinations Performed					
Quarter 1	19	6	6	31.58%	*
Quarter 2	19	2	8	42.11%	*
* The Department examines state-chartered savings banks jointly with the FDIC and FRB, based on a priority schedule. The results for this measure may fluctuate between quarters due to the timing of individual examinations.					
2-1-1 Mortgage Regulation					
1. Number of Applications Processed					
Quarter 1	9,350	2,185	2,185	23.37%	
Quarter 2	9,350	2,347	4,532	48.47%	
2. Number of Examination Reports Issued					
Quarter 1	575	88	88	15.30%	
Quarter 2	575	93	181	31.48%	*
* The transition of the examination process to the State Examination System (SES) platform by the examination staff has impacted production.					
3-1-1 Consumer Responsiveness					
1. Number of Complaints Closed					
Quarter 1	1,350	329	329	24.37%	
Quarter 2	1,350	321	650	48.15%	

* Varies by 5% or more from the target

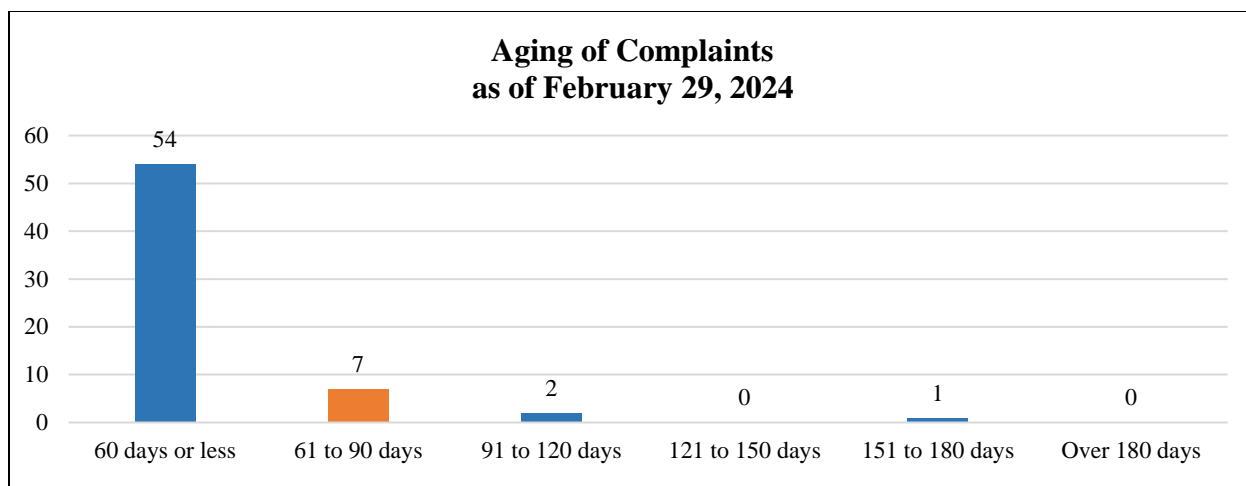
d) Legal Division Activities, including Consumer Complaints and Gift Reporting

Consumer Complaints Activity Report

Complaints Received – For the fiscal year to date (September 1, 2023 – February 29, 2024), the Department received 620 complaints, compared to 647 received during the same period in FY2023, representing a 4.2% decrease.



Aging of Open Complaints – As of February 29, 2024, there were 64 open complaint files. Complaint aging is acceptable with 98% of complaints aged 120 days or less.



Closed Complaints	FY2024			
	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr
Servicing Complaints				
Number of Servicing Complaints Closed	211	208		
Average Number of Days to Close a Complaint	27	22		
Percentage of Complaints Closed Within 90 Days	90%	94%		
Non-Servicing Complaints				
Number of Non-Servicing Complaints Closed	118	113		
Average Number of Days to Close a Complaint	24	23		
Percentage of Complaints Closed Within 90 Days	92%	94%		
Total	329	321		

Legal and Enforcement Activity Report

Mortgage Enforcement Actions –

Enforcement Action	FY2024			
	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr
Advisory Letter	10	4		
Agreed Order to Cease and Desist	0	0		
Agreed Order to Take Affirmative Action	0	1		
Agreed Order – Other	0	0		
Notice of Suspension/Revocation	1	0		
Order to Cease and Desist	3	7		
Order to Take Affirmative Action	2	0		
Order of Suspension/Revocation	0	0		
Total	16	12		

Recovery Claims –

Recovery Claim Applications Received	FY2024			
	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr
	1	0		

Status of Pending Recovery Claim Applications as of February 29, 2023	
Pending Investigation	1
Pending Preliminary Determination Letter	4
Preliminary Determination Letter Issued, Pending Opportunity to Appeal	2
On Appeal	0
Open to Facilitate Resolution by the Parties	0
Total	7

Closed Recovery Claim Files	FY2024			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Granted	0	1		
Denied	0	0		
Resolved by the Parties	0	0		
Claim Withdrawn	0	1		
Total	0	2		

Contested Cases at the State Office of Administrative Hearings (SOAH)

The Department does not have any cases pending at SOAH.

Litigation

Tim Schoenbauer v. Texas Department of Savings and Mortgage Lending (Cause No. JPC-23-02334-32; in the Justice Court, Precinct 3, Place 2, Dallas, County, Texas) In this lawsuit, Mr. Schoenbauer seeks to compel the Department to take action that would, in turn, cause the insurer on a lender-placed homeowner's insurance policy (a policy that insures Mr. Schoenbauer's home and protects the mortgagee against loss) to add Mr. Schoenbauer as an insured. On May 5, 2023, Mr. Schoenbauer filed his original petition. On June 16, 2023, the Department, represented by the Office of the Attorney General, filed its original answer. On June 29, 2023, Mr. Schoenbauer filed his response to the Department's original answer. No activity has occurred in this proceeding since the Finance Commission's August 18, 2023, meeting.

Julius Lamunn North v. Texas Department of Savings and Mortgage Lending, et al. (Cause No. 2023-50470; in the District Court, 270th Judicial District, Harris County, Texas) In this lawsuit, Mr. North alleges violations of the Texas Deceptive Trade Practices-Consumer Protection Act (Tex. Civ. Prac. & Rem. Code Ch. 17, Subchapter E). Mr. North seeks unspecified damages in excess of \$1 million and unspecified injunctive relief. On August 7, 2023, Mr. North filed his original petition. On September 5, 2023, the Department, represented by the Office of the Attorney General, filed its original answer. On September 12, 2023, the court issued a scheduling order establishing various deadlines for the proceeding. On October 4, 2023, the Department filed its plea to the jurisdiction and motion to dismiss, seeking to dismiss the case. On November 21, 2023, the Department's plea to the jurisdiction and motion to dismiss was granted, and the case was dismissed. On December 20, 2023, Mr. North filed a motion to reinstate the case on the court's

docket. On that same day, such motion was granted, and the case was reinstated. On February 1, 2024, the Department filed its second plea to the jurisdiction and motion to dismiss. A hearing on the second plea to the jurisdiction and motion to dismiss was set for February 26, 2024, and trial was set for March 18, 2024. On February 23, 2024, Mr. North filed a motion for continuance. On that same day, such motion was granted and trial was reset to September 23, 2024. On February 26, 2024 (the day of the hearing on the Department's second plea to the jurisdiction and motion to dismiss), Mr. North filed his response to the Department's second plea to the jurisdiction and motion to dismiss. At the hearing (conducted by videoconference), Mr. North stated that he was ill and unable to proceed, and the hearing was reset to April 1, 2024. On April 1, 2024, the Department's second plea to the jurisdiction and motion to dismiss was granted, and the case was dismissed.

Public Information Requests

Public Information Requests	FY2024			
	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr
Requests Received	39	44		

Rulemaking

SML Future Rule Activity		
Rule	Rulemaking Action	Projected Date for Presentation
Chapter 78, Wrap Mortgage Loans	Proposed Rule Changes Resulting from Rule Review	June 2024
Chapter 79, Residential Mortgage Loan Servicers	Proposed Rule Changes Resulting from Rule Review	June 2024
Chapter 80, Residential Mortgage Loan Companies	Proposed Rule Changes Resulting from Rule Review	June 2024
Chapter 81, Mortgage Bankers and Residential Mortgage Loan Originators	Proposed Rule Changes Resulting from Rule Review	June 2024
Chapter 51, Department Administration	Rule Review	FY2025

Gift Reporting

During February 12-16, 2024, Senior Mortgage Examiner Deana Dykes, License and Permit Specialist Alexis Gonzales, and Senior Mortgage Examiner Julianna Schwab attended the 2024 NMLS Annual Conference and Training in San Antonio, Texas. Registration fees and travel expenses totaling \$5,759.74 were reimbursed by the State Regulatory Registry LLC.

During February 26-28, 2024, Director of Mortgage Regulation William Purce attended a meeting of CSBS Mortgage Working Group in Denver, Colorado. Hotel and travel expenses totaling \$1,106.69 were reimbursed by CSBS.

During February 27-29, 2024, Senior Review Examiner Justin Accola attended the CSBS Accreditation Review Team Training in Washington, D.C. Hotel and travel expenses totaling \$876.31 were reimbursed by CSBS.

e) Legislative Activities

It is anticipated that the Lt. Governor and Speaker of the House will soon release their interim charges tasking the committees of each chamber with considering various issues in advance of the 89th Legislative session.

2. Discussion of and Possible Action Regarding Anticipated and Pending Litigation

Anticipated Litigation

None

Pending Litigation

Tim Schoenbauer v. Texas Department of Savings and Mortgage Lending (Cause No. JPC-23-02334-32; in the Justice Court, Precinct 3, Place 2, Dallas, County, Texas)

Julius Lamunn North v. Texas Department of Savings and Mortgage Lending, et al. (Cause No. 2023-50470; in the District Court, 270th Judicial District, Harris County, Texas)