

A.

Finance Commission

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FINANCE COMMISSION OF TEXAS

MEETING DATEFebruary 21, 2025

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 DATESApril 25, 2025
June 20, 2025
August 15, 2025
October 24, 2025
December 19, 2025

*** 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*

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FINANCE COMMISSION AGENDA

Friday, February 21, 2025
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 December 13, 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' 2025 First Quarter Investment Officer Reports

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

B. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2025 First Quarter Financial Statements

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

C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Activities of the Texas Financial Education Endowment Fund

D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Appointment of New Texas Financial Education Endowment Fund Grant Advisory Committee Member Stefanie Beecoff

6. Discussion of and Possible Vote to Take Action on the Revisions and Updates to the Finance Commission's Policies and Procedures

7. 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

8. 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
9. 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
10. 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
11. 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

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
2. *Discussion of and Possible Vote to Take Action on the Adoption of Amendments in 7 TAC, Part 1, Chapter 2, Concerning Residential Mortgage Loan Originators Regulated by the Office of Consumer Credit Commissioner*
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

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) Strategic Projects, Initiatives, and Information Resources; e) Legal Division Activities, including Consumer Complaints and Gift Reporting; and f) Legislative Activities
2. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation

D. 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 Anticipated and Pending Litigation

Anthony Hrcir v. Internal Revenue Service, the Texas Department of Banking, et al.; Cause No. 4:24-cv-00692-SDJ-AGD, United States District Court, Eastern District of Texas

Ifeoluwa Adeusi v. State of Texas, the Texas Department of Banking, et al.; Cause No. JP07-24-SC00011762, Small Claims Court, Tarrant 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, December 13, 2024

The Finance Commission of Texas convened at 9:15 a.m., on Friday, December 13, 2024, with the following members present:

Finance Commission Members in Attendance:

Phillip Holt, Chairman	Kathleen Fields	Roselyn “Rosie” Morris
Bob Borochoff	Martin “Marty” Green	David Osborn
Hector Cerna	Troy Lambden	Miguel Romano, Jr.

Finance Commission Members Absent:

Sharon McCormick Laura Warren, Vice Chairman

Deputy Commissioner Wendy Rodriguez announced there was a quorum with nine (9) members present. *(1:04 on audio file).*

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Finance Commission Matters		
1. Review and Approval of the Minutes of the October 25, 2024 Finance Committee Meeting	On Consent Agenda – Item A1 This item Approved on the Consent Agenda.	n/a
2. General Public Comment	No Action Required.	1:22 Start of Discussion
3. Consent Agenda – Items A1, C2, and D2	Marty Green made a motion to Approve Consent Agenda items A1, C2 and D2. Kathleen Fields seconded, and the motion passed.	1:49 Start of Discussion 2:01 Vote
4. Finance Commission Operations	No Action Required.	2:21 Start of Discussion
5. Audit Committee Report		
A. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies’ Fiscal Year 2025 Internal Auditor’s Risk Assessment and Audit Plan	Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve the Agencies’ Fiscal Year 2025 Internal Auditor’s Risk Assessment and Audit Plan passed.	4:55 start of discussion
1. Department of Savings and Mortgage Lending		5:08
2. Texas Department of Banking		Vote
3. Office of Consumer Credit Commissioner		

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
B. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Activities of the Texas Financial Education Endowment Fund	No Action Required.	n/a
6. 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	No Discussion.	n/a
7. 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	No Discussion.	n/a
8. 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
9. 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	No Discussion.	n/a
10. 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

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
B. 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; e) Legislative Activities	No Action Required.	5:43 Start of Discussion
2. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation	No Discussion.	n/a
C. 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	No Action Required.	14:31 Start of Discussion
2. Discussion of and Possible Vote to Take Action on the Reappointment of J. Kyle Williams as the Industry Representative to the Guaranty Fund Advisory Council for the Period January 1, 2025, to December 31, 2026	On Consent Agenda – Item C2 This item Approved on the Consent Agenda.	n/a
3. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation	No Discussion.	n/a
D. 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.	33:28 Start of Discussion
2. Discussion of and Possible Vote to Take Action on the Adoption of Amendments to 7 TAC, Part 1, Chapter 7, Concerning Texas Financial Education Endowment Fund, Resulting from Rule Review Item	On Consent Agenda – Item D2 This item Approved on the Consent Agenda.	n/a

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
3. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of Amendments in 7 TAC, Part 1, Chapter 2, Concerning Residential Mortgage Loan Originators Regulated by the Office of Consumer Credit Commissioner	Marty Green made a motion to Approve the Proposal and Publication for Comment of Amendments in 7 TAC, Part 1, Chapter 2, Concerning Residential Mortgage Loan Originators Regulated by the Office of Consumer Credit Commissioner. Troy Lambden seconded, and the motion passed.	55:03 Start of discussion 1:00:14 Vote
4. 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, in the First Court of Appeals, Houston, Texas</i>	No Discussion.	n/a

There being no further business, Chairman Phillip Holt adjourned the meeting of the Finance Commission at 10:16 a.m. (1:01:11 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

February 21, 2025

A. Finance Commission Matters

1. Review and Approval of the Minutes of the December 13, 2024 Finance Commission Meeting

B. Office of Consumer Credit Commissioner

2. Discussion of and Possible Vote to Take Action on the Adoption of Amendments in 7 TAC, Part 1, Chapter 2, Concerning Residential Mortgage Loan Originators Regulated by the Office of Consumer Credit Commissioner



Finance Commission of Texas - Policies and Procedures -

February 2025



Finance Commission of Texas
2601 N. Lamar Blvd.
Austin, Texas 78705
www.fc.texas.gov

Finance Commission of Texas
Policies and Procedures
(updated February 2025)

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STRATEGIC PLANNING

STATUTE¹

Section 11.002. PURPOSE OF COMMISSION; STRATEGIC PLAN.

- (a) The finance commission is responsible for overseeing and coordinating the Texas Department of Banking, the Department of Savings and Mortgage Lending, and the Office of Consumer Credit Commissioner and serves as the primary point of accountability for ensuring that state depository and lending institutions function as a system, considering the broad scope of the financial services industry. The finance commission is the policy-making body for those finance agencies and is not a separate state agency. The finance commission shall carry out its functions in a manner that protects consumer interests, maintains a safe and sound banking system, and increases the economic prosperity of the state.
- (b) The finance commission shall prepare and periodically update a strategic plan for coordination of the state financial system. Each finance agency shall cooperate in preparation of the plan.

POLICY STATEMENT

The Finance Commission recognizes the benefit of sound short-term and long-term planning and the need to provide oversight for the regulatory responsibilities of each Finance Commission agency (finance agency) in a manner intended to protect the integrity of the state's financial system as well as to promote economic prosperity. In this regard, the Finance Commission will prepare and adopt a five-year strategic plan each biennium. Revisions and updates to the plan are permitted, but shall be limited to items that are material in nature and that will result in significant changes to the goals and objectives of the Finance Commission.

The Chair of the Finance Commission will appoint three members to serve on a Strategic Planning Committee. The Strategic Planning Committee shall be responsible for the oversight of the preparation and update of the strategic plan so that it encompasses the goals and objectives of the Finance Commission. The plan will embody the high-level goals, objectives and discussions of the finance agency plans.

¹ Unless otherwise indicated, all references to statutes are to the Texas Finance Code.

PRESIDING OFFICER

STATUTE

Section 11.107. PRESIDING OFFICER.

- (a) The governor shall appoint a member of the finance commission as presiding officer of the commission. The presiding officer serves at the will of the governor.
- (b) The presiding officer shall preside at and provide for the keeping of minutes of each public meeting of the finance commission.
- (c) The presiding officer may:
 - (1) adopt rules and procedures as the presiding officer considers necessary for the orderly operation of the finance commission and for communication among the finance commission, the Texas Department of Banking, the Department of Savings and Mortgage Lending, and the Office of Consumer Credit Commissioner;
 - (2) adopt internal procedures governing the time and place of meetings, the type of notice for special public meetings, the manner in which public meetings are to be conducted, and other similar matters; and
 - (3) appoint committees composed of finance commission members as the presiding officer considers necessary to carry out the commission's business.

POLICY STATEMENT

Meetings of the Finance Commission will be conducted with decorum and respect for all parties attending and appearing before the Commission. In furtherance of providing for the orderly operations of the Commission, the presiding officer (Chair) may designate a Vice-Chair. In the Chair's absence, the Vice-Chair will conduct and complete all business before the Commission in accordance with applicable statutes, proper open meeting protocols, and these Finance Commission policies. The rules contained within the current edition of *Robert's Rules of Order Newly Revised* shall govern the Commission in all cases to which they are applicable and in which they are not inconsistent with these policies and any special rules the Finance Commission may adopt.

Before each meeting of the Finance Commission, the finance agencies will coordinate to prepare a meeting agenda. Each agenda will be submitted to the Texas Secretary of State in accordance with the notice requirements of the Texas Open Meetings Act (Tex. Gov't Code ch. 551). The agenda may include a consent agenda, under which one or more agenda items will be taken up in a single vote. A Commission member may request

that an item be removed from the consent agenda and placed on the regular agenda, so that the item will be voted on individually.

In furtherance of Section 11.103(a)(5), Texas Finance Code, each member of the Commission shall notify the Chair of an expected absence from a meeting of the Commission as soon as practicable after learning of the events that will cause the absence. The member shall also notify the Chair of the reasons for the expected absence. At the meeting where the member is absent, the Chair shall call for a vote of all members in attendance on whether the absence is excused.

The Chair will assign members to the Finance Commission committees. Standing committees are the Audit Committee, the Study Committee, and the Strategic Planning Committee. Committee membership will be assigned or reaffirmed annually, to become effective September 1, upon member replacement, or as the Chair determines to be necessary or appropriate. Though not required, each committee's membership will normally be comprised of three members. From a committee's membership, the Chair will designate a Chairperson for each committee. All considerations of a committee, other than adoption of minutes, are recommendations for full Finance Commission action.

The Chair of the Finance Commission shall appoint members to serve on ad hoc committees as the need arises. The Chair shall designate a Chairperson for each such committee.

The Chair and Vice-Chair of the Finance Commission serve in an ex officio, non-voting capacity on each standing committee and each ad hoc committee. However, when the Chairperson of a committee learns that one or more members of a committee will be unable to attend a scheduled meeting, such Chairperson may request that either the Chair or Vice-Chair of the Finance Commission (or both if more than one member will be absent) serve on the committee in a voting capacity on a one-time basis, at the scheduled meeting. The minutes of the scheduled meeting shall reflect the actual voting membership of the committee.

The Chair will designate Commission members to coordinate the annual evaluation process of the three finance agency commissioners. This ad hoc committee will include at least one public member and three industry members (one industry member representing each finance agency).

The Finance Commission reserves to itself as a body the responsibility for passing upon and prescribing the manner of communication of matters of policy which represent the official position of the Finance Commission. Accordingly, it would be inappropriate for individual members to communicate official positions of the Finance Commission unless instructed or authorized to do so by an action of the Commission.

AUDIT COMMITTEE

The Audit Committee shall be responsible for:

- providing oversight of the finance agencies' internal audit function, including:
 - interviewing and recommending the selection of an internal auditor,
 - reviewing and recommending the actions to be taken as a result of the annual risk assessments performed by the internal auditor,
 - reviewing, with the internal auditors, the audit scope and plan of the internal auditors,
 - reviewing and recommending the actions to be taken on the audit plan resulting from the annual internal audit reports, including management's responses thereto, and monitoring the finance agencies' corrective actions.
- reviewing and monitoring the action plans resulting from external audits conducted by state and federal agencies, including management's responses thereto, and monitoring the finance agencies' corrective actions.
- reviewing and recommending the actions to be taken, if any, on the annual operating budgets, quarterly financial statements, and investment reports of the finance agencies.
- providing oversight and administration of the Texas Financial Education Endowment, including recommending the actions to be taken on the investment of funds and awarding of grants that support the objectives of the endowment.

A Certified Public Accountant member of the Finance Commission shall be appointed as a member of the Committee unless specifically excluded by a majority vote of the Finance Commission.

STUDY COMMITTEE

The Study Committee shall be responsible for:

- coordinating and reviewing any statutorily required or authorized research studies or projects decided to be undertaken, as well as those determined to be necessary by the Finance Commission.
- monitoring and overseeing Legislative Interim Studies as appropriate.
- monitoring and overseeing activities related to the self-directed, semi-independent (SDSI) status of the finance agencies by conferring with the finance agencies on material interests, issues, and matters related to SDSI status, as well as monitoring general reporting requirements to governing bodies and the state legislature associated with the SDSI status, and exploring additional strategies with finance agency heads regarding implementation and operational policies related to SDSI status.

- reviewing and making recommendations for updates to the policies and procedures of the Finance Commission every biennium.
- monitoring the Sunset Review process, as appropriate, for the Finance Commission and its finance agencies.

On recommendation of the finance agencies or as required by law, the Study Committee may conduct research on:

- The availability, quality, and prices of financial services, including lending and depository services offered to agricultural businesses, small businesses, and individual consumers in this state, and
- The practices of business entities in this state that provide financial services to agricultural businesses, small businesses, and individual consumers in this state.

STRATEGIC PLANNING COMMITTEE

The Strategic Planning Committee shall be responsible for:

- providing direction for and review of the strategic plans developed by each of the finance agencies under the Finance Commission.
- defining the scope and development of the Finance Commission's strategic plan ensuring alignment with legislative mandates, industry and economic indicators, and finance agency strategic plans.
- playing an active role in legislative hearings and communications with elected officials.
- overseeing the selection of the finance agency heads.

STANDARDS OF CONDUCT

STATUTE

Section 11.109. STANDARDS OF CONDUCT.

The presiding officer of the finance commission or the presiding officer's designee shall provide to members of the finance commission, as often as necessary, information regarding the requirements for office under this title, including information regarding a person's responsibilities under applicable laws relating to standards of conduct for state officers.

POLICY STATEMENT

Subchapter C, Chapter 572, Texas Government Code, specifically addresses **Standards of Conduct and Conflict of Interest** for state officers and employees. Members of the Finance Commission are committed to following these guidelines and abiding by the provisions therein. Portions of the statute applicable to Finance Commission members are found in Exhibit A. Pursuant to Texas Government Code §572.051, the Finance Commission and each of the finance agencies under its jurisdiction have adopted an ethics policy.

If a member of the Finance Commission or a finance agency commissioner is made aware of a potential conflict of interest involving a member of the Finance Commission or a finance agency commissioner as such conflicts are described in Exhibit A to these Policies and Procedures, it is the duty of that person to report the matter to the Chair of the Finance Commission, the Chair of the Audit Committee, and the Chair of the Strategic Planning Committee. The Chair of the Finance Commission, two committee Chairs, or a majority of the Finance Commission at a properly posted Finance Commission meeting may engage, as deemed appropriate the services of one or more of the Office of the Attorney General, independent counsel (through prescribed procedures), its internal auditors, and/or the Office of the State Auditor to determine and report to the Finance Commission for its consideration the relevant facts and circumstances surrounding the potential conflict of interest.

Standards of Conduct

Subchapter C, Chapter 572, Texas Government Code, is headed "STANDARDS OF CONDUCT AND CONFLICT OF INTEREST PROVISIONS." It contains sections that are only applicable to members of the Legislature and these sections have been omitted.

The following sections of Subchapter C are applicable to the Finance Commission:

§ 572.051. Standards of Conduct; State Agency Ethics Policy

- (a) A state officer or employee should not:
 - (1) accept or solicit any gift, favor, or service that might reasonably tend to influence the officer or employee in the discharge of official duties or that the officer or employee knows or should know is being offered with the intent to influence the officer's or employee's official conduct;
 - (2) accept other employment or engage in a business or professional activity that the officer or employee might reasonably expect would require or induce the officer or employee to disclose confidential information acquired by reason of the official position;
 - (3) accept other employment or compensation that could reasonably be expected to impair the officer's or employee's independence of judgment in the performance of the officer's or employee's official duties;
 - (4) make personal investments that could reasonably be expected to create a substantial conflict between the officer's or employee's private interest and the public interest; or
 - (5) intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised the officer's or employee's official powers or performed the officer's or employee's official duties in favor of another.
- (b) A state employee who violates Subsection (a) or an ethics policy adopted under Subsection (c) is subject to termination of the employee's state employment or another employment-related sanction. Notwithstanding this subsection, a state officer or employee who violates Subsection (a) is subject to any applicable civil or criminal penalty if the violation also constitutes a violation of another statute or rule.
- (c) Each state agency shall:
 - (1) adopt a written ethics policy for the agency's employees consistent with the standards prescribed by Subsection (a) and other provisions of this subchapter; and

- (2) distribute a copy of the ethics policy and this subchapter to:
 - (A) each new employee not later than the third business day after the date the person begins employment with the agency; and
 - (B) each new officer not later than the third business day after the date the person qualifies for office.
- (d) The office of the attorney general shall develop, in coordination with the commission, and distribute a model policy that state agencies may use in adopting an agency ethics policy under Subsection (c). A state agency is not required to adopt the model policy developed under this subsection.
- (e) Subchapters E and F, Chapter 571, do not apply to a violation of this section.
- (f) Notwithstanding Subsection (e), if a person with knowledge of a violation of an agency ethics policy adopted under Subsection (c) that also constitutes a criminal offense under another law of this state reports the violation to an appropriate prosecuting attorney, then, not later than the 60th day after the date a person notifies the prosecuting attorney under this subsection, the prosecuting attorney shall notify the commission of the status of the prosecuting attorney's investigation of the alleged violation. The commission shall, on the request of the prosecuting attorney, assist the prosecuting attorney in investigating the alleged violation. This subsection does not apply to an alleged violation by a member or employee of the commission.

§ 572.054. Representation by Former Officer or Employee of Regulatory Agency Restricted; Criminal Offense

- (a) A former member of the governing body or a former executive head of a regulatory agency may not make any communication to or appearance before an officer or employee of the agency in which the member or executive head served before the second anniversary of the date the member or executive head ceased to be a member of the governing body or the executive head of the agency if the communication or appearance is made:
 - (1) with the intent to influence; and
 - (2) on behalf of any person in connection with any matter on which the person seeks official action.
- (b) A former state officer or employee of a regulatory agency who ceases service or employment with that agency on or after January 1, 1992, may not represent any person or receive compensation for services rendered on behalf of any person regarding a particular matter in which

the former officer or employee participated during the period of state service or employment, either through personal involvement or because the case or proceeding was a matter within the officer's or employee's official responsibility.

- (c) Subsection (b) applies only to:
 - (1) a state officer of a regulatory agency; or
 - (2) a state employee of a regulatory agency who is compensated, as of the last date of state employment, at or above the amount prescribed by the General Appropriations Act for step 1, salary group 17, of the position classification salary schedule, including an employee who is exempt from the state's position classification plan.
- (d) Subsection (b) does not apply to a rulemaking proceeding that was concluded before the officer's or employee's service or employment ceased.
- (e) Other law that restricts the representation of a person before a particular state agency by a former state officer or employee of that agency prevails over this section.
- (f) An individual commits an offense if the individual violates this section. An offense under this subsection is a Class A misdemeanor.
- (g) In this section, the comptroller and the secretary of state are not excluded from the definition of "regulatory agency."
- (g-1) For purposes of this section, the Department of Information Resources is a regulatory agency.
- (h) In this section:
 - (1) "Participated" means to have taken action as an officer or employee through decision, approval, disapproval, recommendation, giving advice, investigation, or similar action.
 - (2) "Particular matter" means a specific investigation, application, request for a ruling or determination, rulemaking proceeding, contract, claim, charge, accusation, arrest, or judicial or other proceeding.

§ 572.056. Contracts by State Officers With Governmental Entities; Criminal Offense

- (a) A state officer may not solicit or accept from a governmental entity a commission, fee, bonus, retainer, or rebate that is compensation for the

officer's personal solicitation for the award of a contract for services or sale of goods to a governmental entity.

- (b) This section does not apply to:
 - (1) a contract that is awarded by competitive bid as provided by law and that is not otherwise prohibited by law; or
 - (2) a court appointment.
- (c) In this section, "governmental entity" means the state, a political subdivision of the state, or a governmental entity created under the Texas Constitution or a statute of this state.
- (d) A state officer who violates this section commits an offense. An offense under this subsection is a Class A misdemeanor.

§ 572.057. Certain Leases Prohibited

- (a) Except as provided by Subsection (d), a member of the legislature, an executive or judicial officer elected in a statewide election, or a business entity in which the legislator or officer has a substantial interest may not lease any office space or other real property to the state, a state agency, the legislature or a legislative agency, the Supreme Court of Texas, the Court of Criminal Appeals, or a state judicial agency.
- (b) A lease made in violation of Subsection (a) is void.
- (c) This section does not apply to an individual who is an elected officer on June 16, 1989, for as long as the officer holds that office.
- (d) A member of the legislature or a business entity in which the legislator has a substantial interest may donate the use of office space that the member or entity owns and that is located in the member's district to the house of the legislature in which the member serves to be used for the member's official business. Office space donated under this subsection is not a contribution for purposes of Title 15, Election Code. Acceptance of a donation of office space under this subsection is not subject to Section 301.032.

§ 572.058. Private Interest in Measure or Decision; Disclosure; Removal From Office for Violation

- (a) An elected or appointed officer, other than an officer subject to impeachment under Article XV, Section 2, of the Texas Constitution, who is a member of a board or commission having policy direction over a state agency and who has a personal or private interest in a measure, proposal, or decision pending before the board or commission shall publicly disclose the fact to the board or commission in a meeting called

and held in compliance with Chapter 551. The officer may not vote or otherwise participate in the decision. The disclosure shall be entered in the minutes of the meeting.

- (b) An individual who violates this section is subject to removal from office on the petition of the attorney general on the attorney general's own initiative or on the relation of a resident or of any other member of the board or commission. The suit must be brought in a district court of Travis County or of the county where the violation is alleged to have been committed.
- (c) If the court or jury finds from a preponderance of the evidence that the defendant violated this section and that an ordinary prudent person would have known the individual's conduct to be a violation of this section, the court shall enter judgment removing the defendant from office.
- (d) A suit under this section must be brought before the second anniversary of the date the violation is alleged to have been committed, or the suit is barred.
- (e) The remedy provided by this section is cumulative of other methods of removal from office provided by the Texas Constitution or a statute of this state.
- (f) In this section, "personal or private interest" has the same meaning as is given to it under Article III, Section 22, of the Texas Constitution, governing the conduct of members of the legislature. For purposes of this section, an individual does not have a "personal or private interest" in a measure, proposal, or decision if the individual is engaged in a profession, trade, or occupation and the individual's interest is the same as all others similarly engaged in the profession, trade, or occupation.

§ 572.060. Solicitation Of Or Recommendations Regarding Contributions To Charitable Organizations And Governmental Entities

- (a) Unless otherwise prohibited by the Code of Judicial Conduct, a state officer or state employee may:
 - (1) solicit from any person a contribution to:
 - (A) an organization that:
 - (i) is exempt from income taxation under Section 501(a), Internal Revenue Code of 1986, by being listed under Section 501(c)(3) of that code;
 - (ii) does not attempt to influence legislation as a substantial part of the organization's activities; and

(iii) has not elected under Section 501(h), Internal Revenue Code of 1986, to have that subsection apply to the organization;
or

(B) a governmental entity; or

(2) recommend to any person that the person make a contribution to an organization or entity described by Subdivision (1).

(b) A monetary contribution solicited or recommended as provided by Subsection (a) must:

(1) be paid or made directly to the charitable organization or governmental entity by the person making the contribution;

(2) be in the form of a check, money order, or similar instrument payable to the charitable organization or governmental entity; or

(3) be in the form of a deduction from a state employee's salary or wage payment under the state employee charitable campaign under Subchapter I, Chapter 659.

(c) A contribution solicited or recommended as provided by Subsection (a) that is not a monetary contribution must be delivered directly to the charitable organization or governmental entity by the person making the contribution.

(d) A contribution paid as provided by Subsection (b) or delivered as provided by Subsection (c) is not:

(1) a political contribution to, or political expenditure on behalf of, the state officer or state employee for purposes of Title 15, Election Code;

(2) an expenditure for purposes of Chapter 305; or

(3) benefit to the state officer or state employee for purposes of Sections 36.08 and 36.09, Penal Code.

ETHICS POLICY

STATUTE

Section 572.051. STANDARDS OF CONDUCT; STATE AGENCY ETHICS POLICY.

- (a) A state officer or employee should not:
 - (1) accept or solicit any gift, favor, or service that might reasonably tend to influence the officer or employee in the discharge of official duties or that the officer or employee knows or should know is being offered with the intent to influence the officer's or employee's official conduct;
 - (2) accept other employment or engage in a business or professional activity that the officer or employee might reasonably expect would require or induce the officer or employee to disclose confidential information acquired by reason of the official position;
 - (3) accept other employment or compensation that could reasonably be expected to impair the officer's or employee's independence of judgment in the performance of the officer's or employee's official duties;
 - (4) make personal investments that could reasonably be expected to create a substantial conflict between the officer's or employee's private interest and the public interest; or
 - (5) intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised the officer's or employee's official powers or performed the officer's or employee's official duties in favor of another.
- (b) A state employee who violates Subsection (a) or an ethics policy adopted under Subsection (c) is subject to termination of the employee's state employment or another employment-related sanction. Notwithstanding this subsection, a state officer or employee who violates Subsection (a) is subject to any applicable civil or criminal penalty if the violation also constitutes a violation of another statute or rule.
- (c) Each state agency shall:
 - (1) adopt a written ethics policy for the agency's employees consistent with the standards prescribed by Subsection (a) and other provisions of this subchapter; and
 - (2) distribute a copy of the ethics policy and this subchapter to:
 - (A) each new employee not later than the third business day after the date the person begins employment with the agency; and

- (B) each new officer not later than the third business day after the date the person qualifies for office.
- (d) The office of the attorney general shall develop, in coordination with the commission, and distribute a model policy that state agencies may use in adopting an agency ethics policy under Subsection (c). A state agency is not required to adopt the model policy developed under this subsection.
- (e) Subchapters E and F, Chapter 571, do not apply to a violation of this section.
- (f) Notwithstanding Subsection (e), if a person with knowledge of a violation of an agency ethics policy adopted under Subsection (c) that also constitutes a criminal offense under another law of this state reports the violation to an appropriate prosecuting attorney, then, not later than the 60th day after the date a person notifies the prosecuting attorney under this subsection, the prosecuting attorney shall notify the commission of the status of the prosecuting attorney's investigation of the alleged violation. The commission shall, on the request of the prosecuting attorney, assist the prosecuting attorney in investigating the alleged violation. This subsection does not apply to an alleged violation by a member or employee of the commission.

Note:

Under §572.051(d), the term "commission" means the Texas Ethics Commission. Under §572.051(e), Subchapters E and F, Chapter 571, Texas Government Code (made inapplicable to a violation of this Section) set out respectively the procedures (including hearings) for dealing with certain complaints by the Texas Ethics Commission and the institution by the Texas Ethics Commission of civil and enforcement procedures related to certain alleged violations of law. Section 2261.252. TEXAS GOVERNMENT CODE. DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST; CERTAIN CONTRACTS PROHIBITED.

- (a) Each state agency employee or official who is involved in procurement or in contract management for a state agency shall disclose to the agency any potential conflict of interest specified by state law or agency policy that is known by the employee or official with respect to any contract with a private vendor or bid for the purchase of goods or services from a private vendor by the agency.
- (a-1) A state agency employee or official is required to disclose under Subsection (a) any potential conflict of interest specified by state law or agency policy that is known by the employee or official at any time during:
 - (1) the procurement process, from the initial request for bids for the purchase of goods or services from a private vendor until the completed delivery of the goods or services; or
 - (2) the term of a contract with a private vendor.

- (b) A state agency may not enter into a contract for the purchase of goods or services with a private vendor with whom any of the following agency employees or officials have a financial interest:
 - (1) a member of the agency's governing body;
 - (2) the governing official, executive director, general counsel, chief procurement officer, or procurement director of the agency; or
 - (3) a family member related to an employee or official described by Subdivision (1) or (2) within the second degree by affinity or consanguinity.
- (c) A state agency employee or official has a financial interest in a person if the employee or official:
 - (1) owns or controls, directly or indirectly, an ownership interest of at least one percent in the person², including the right to share in profits, proceeds, or capital gains; or
 - (2) could reasonably foresee that a contract with the person could result in a financial benefit to the employee or official.
- (d) A financial interest prohibited by this section does not include a retirement plan, a blind trust, insurance coverage, or an ownership of less than one percent in a corporation.
- (e) This section applies only to a contract for the purchase of goods and services solicited through a purchase order if the amount of the purchase order exceeds \$25,000.
- (f) *(Subsection not applicable to the Finance Commission.)*

² From Tex. Bus. & Com. Code Sec. 1.201(b)(27): "Person" means an individual, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, government, governmental subdivision, agency, or instrumentality, public corporation, any other legal or commercial entity, or a particular series of a for-profit entity.

POLICY STATEMENT

I. OVERVIEW

Pursuant to Section 572.051(c) of the Texas Government Code, the Finance Commission promulgates the following ethics policy. This ethics policy prescribes standards of conduct for all Finance Commission members. This ethics policy does not supersede any applicable federal or Texas law or administrative rule. All Finance Commission members must familiarize themselves with this ethics policy. All Finance Commission members must abide by all applicable federal and Texas laws, administrative rules, and Finance Commission conduct policies, including this ethics policy. A Finance Commission member who violates any applicable federal or Texas law or rule may be subject to civil or criminal penalties.

II. ETHICS POLICY

A. A Finance Commission member shall not:

- (1) accept or solicit any gift, favor, or service that might reasonably tend to influence the member in the discharge of official duties, or that the member knows or should know is being offered with the intent to influence the member's official conduct;
- (2) intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised his or her official powers or performed his or her official duties in favor of another;
- (3) disclose confidential information, information that is excepted from public disclosure under the Texas Public Information Act (Tex. Gov't Code Ann. Ch. 552), or information that has been ordered sealed by a court, that was acquired by reason of the member's official position, or accept other employment, including self-employment, or engage in a business, charity, nonprofit organization, or professional activity that the member might reasonably expect would require or induce the member to disclose confidential information, information that is excepted from public disclosure under the Texas Public Information Act, or information that has been ordered sealed by a court, that was acquired by reason of the member's official position;
- (4) accept other employment, including self-employment, or compensation or engage in a business, charity, nonprofit organization, or professional activity that could reasonably be expected to impair the member's independence of judgment in the performance of the member's official duties (Notwithstanding anything herein to the contrary, it is expected that members who are industry representatives will continue or accept employment that enables them to meet the qualifications required under Finance Code §11.102, relating to Qualifications of Members of the Texas Finance Commission);

- (5) utilize state personnel, property, facilities, or equipment for any purpose other than official state business, unless such use is reasonable and incidental and does not result in any direct cost to the state, interfere with the member's official duties, and interfere with Finance Commission functions;
- (6) utilize his or her official position, or state issued items, such as a badge, indicating such position for financial gain, obtaining privileges, or avoiding consequences of illegal acts;
- (7) knowingly make misleading statements, either oral or written, or provide false information, in the course of official state business; or
- (8) utilize state resources for any political activity.

B. A Finance Commission member shall:

- (1) perform his or her official duties in a lawful, professional, and ethical manner befitting the state and the Finance Commission; and
- (2) pursuant to the STANDARDS OF CONDUCT policy, report any conduct or activity that the member believes to be in violation of this ethics policy to the Chair of the Finance Commission, the Chair of Audit Committee, and the Chair of the Strategic Planning Committee.

C. Routinely in the performance of their duties as members of the Finance Commission, industry- representative members are required to vote on rules and take other actions that will have an impact on the industry they represent. Therefore, such cases are not conflicts of interest under this policy. However, if there is to be action on a matter that is specific to the Finance Commission member's employer or to an entity in which the Finance Commission member has a substantial interest as described in §572.005 Texas Government Code, then the member must not participate in the action and shall recuse herself or himself from deliberating or voting on the matter.

D. The finance agencies may not enter into a contract for the purchase of goods or services with a private vendor with whom any of the following has a financial interest: (1) a Finance Commission member or (2) a family member of a Finance Commission member within the second degree by affinity or consanguinity. Examples of family members within the second degree of affinity include a brother-in-law, stepdaughter, and a spouse's grandchild. Examples of family members within the second degree of consanguinity include a sibling, child, and grandchild. A Finance Commission member must notify the commissioner of a finance agency if a family member of the Finance Commission member has a financial interest in a private vendor that has or will have a contract with the finance agency.

TRAINING

STATUTE

Section 11.110. TRAINING.

- (a) A person who is appointed to and qualifies for office as a member of the finance commission may not vote, deliberate, or be counted as a member in attendance at a meeting of the finance commission until the person completes a training program that complies with this section.
- (b) The training program must provide the person with information regarding:
 - (1) the legislation that created the finance agencies and the finance commission;
 - (2) the programs operated by the finance agencies;
 - (3) the role and functions of the finance agencies;
 - (4) the rules of the finance commission with an emphasis on the rules that relate to disciplinary and investigatory authority;
 - (5) the current budget for the finance agencies;
 - (6) the results of the most recent formal audit of the finance agencies;
 - (7) the requirements of:
 - (A) the open meetings law, Chapter 551, Government Code;
 - (B) the public information law, Chapter 552, Government Code;
 - (C) the administrative procedure law, Chapter 2001, Government Code; and
 - (D) other laws relating to public officials, including conflict-of-interest laws; and
 - (8) any applicable ethics policies adopted by the finance commission or the Texas Ethics Commission.
- (c) A person appointed to the finance commission is entitled to reimbursement under Section 11.104, as if the person were a member of the finance commission, for the travel expenses incurred in attending the training program regardless of whether the attendance at the program occurs before or after the person qualifies for office.
- (d) The commissioner of each finance agency shall create a training manual that includes the information required by Subsection (b) applicable to that commissioner's agency. The commissioner of each finance agency shall distribute a copy of the training manual created under this subsection annually to each member of the finance commission. Each member of the finance commission shall sign and submit to the appropriate commissioner a statement

acknowledging that the member received and has reviewed the training manual.

- (e) Notwithstanding Subsection (d), the commissioner of each finance agency may collaborate and jointly create one training manual that includes the information required by Subsection (b) applicable to each finance agency.

POLICY STATEMENT

Finance Commission members acknowledge that state service is a privilege and duty that requires dedication and proper training. In this regard, members of the Finance Commission adopt the following training program that shall be administered by representatives of the finance agencies. The three finance agency commissioners will serve as the Finance Commission Training Committee. The Training Committee is charged with developing and preparing appropriate training material for new Finance Commission members that, at a minimum, includes items found in section 11.110(b) of the Finance Code.

Periodically, the Training Committee shall revise and update the training manual and other materials so that its content is consistent with applicable statutory rules and regulations.

The Training Committee will provide classroom instruction to new Commission members as soon after appointment as possible, but not later than prior to the first scheduled meeting of the Finance Commission after their appointment. This training is required before a Finance Commission member may vote, deliberate, or be counted as a member in attendance at a Commission meeting. The Training Committee may utilize the expertise of other state agencies in providing this training, including the areas of ethics, conflicts of interest, and open government.

Other training required before a Finance Commission member may vote, deliberate or be counted as a member in attendance at a Commission meeting includes:

- The Office of Attorney General's online courses - Open Meetings and Public Information Act.
- The Texas Procurement and Support Service's online course - Governing Boards Webinar Training.

Finance Commission members should also complete the University of North Texas online investment training video - Texas Public Funds Investment Act Compliance.

The finance agencies will keep the Finance Commission members apprised of changes or developments in the law and recommend related training, if deemed appropriate. Each Finance Commission member must attest to receiving and reviewing the training manual annually.

SEPARATION OF FUNCTIONS

STATUTE

Section 11.111. SEPARATION OF FUNCTIONS.

The finance commission shall develop and implement policies that clearly separate the policymaking responsibilities of the finance commission and the management responsibilities of the banking commissioner, savings and mortgage lending commissioner, and consumer credit commissioner and staff of the finance agencies.

POLICY STATEMENT

The Finance Commission is responsible for implementing policies through its rulemaking authority in accordance with the Administrative Procedure Act, Texas Government Code, Chapter 2001. The Finance Commission also provides oversight and coordination of the finance agencies.

The commissioners of the finance agencies are responsible for managing staff and carrying out the administrative duties, and statutory responsibilities of their finance agencies. The Finance Commission may offer advice and direction to the commissioners.

Under the direction of the commissioners, the staff of the finance agencies is responsible for managing programs that supervise and regulate entities in accordance with applicable statutes and Finance Commission rules. Confidential information of the finance agencies may not be released to Finance Commission members, however, a file or record pertinent to a hearing or matter pending before the Finance Commission may be provided to the members.

The Finance Commission must remain adequately informed of activities occurring with respect to legislation affecting the Finance Commission or the finance agencies. Legislative reporting will include the following:

LEGISLATION ACTIVITY REPORTING

The finance agency commissioners will email the Finance Commission members a weekly update during the legislative session. The report will list recently filed legislation or developments with respect to previously filed legislation that proposes to amend laws over which the Finance Commission or a finance agency has jurisdiction, or which otherwise impacts the Finance Commission or its finance agencies. The information will include an overview of the legislation, the author, and an explanation as to how the bill would affect the finance agency or the affected regulated area.

Weekly updates include any recent action on a bill previously reported in addition to other new legislation. If a bill is no longer viable due to legislative deadlines or other action, that fact will also be reported and the bill will be removed from future reporting.

TESTIMONY

The finance agency commissioners will send an email notice to the Commission members when they are requested to testify or appear as a resource witness for a legislative committee. During session, the weekly update may include these scheduled appearances and any written testimony will be forwarded to Commission members.

AGENCY RESOURCE INFORMATION

The finance agency commissioners and their staff are routinely consulted on issues regarding pending or potential legislation. These communications are often informal and merely informational in nature. Many legislators involved in these communications expect and request confidentiality regarding their requests. The finance agency heads will strive to report requests for legislative assistance in areas of substantial concern while balancing the need for confidentiality and maintenance of effective working relationships. Finance agency commissioners will maintain effective working relationships with the legislature by balancing confidentiality requests and appropriate reporting to the Finance Commission.

LEGISLATIVE COMMUNICATIONS WITH FINANCE COMMISSION MEMBERS

Finance Commission members who communicate with legislators regarding legislation that impacts the finance agencies should notify the finance agencies and other Finance Commission members.

RULEMAKING

STATUTES

Section 11.301. BANKING RULES.

The finance commission may adopt banking rules as provided by Section 31.003.

Section 11.302. SAVINGS ASSOCIATION AND SAVINGS BANK RULES.

- (a) The finance commission may adopt rules applicable to state savings associations or to savings banks and may authorize state savings associations and savings banks to invest money of state savings associations or savings banks in any manner permitted for a federal savings association or federal savings bank domiciled in this state. This subsection does not authorize the finance commission to diminish or limit a right or power specifically given to state savings associations or savings banks by state law.
- (b) The finance commission may adopt rules to:
 - (1) prevent state savings associations or savings banks from concentrating an excessive or unreasonable portion of the resources of state savings associations or savings banks in a type or character of loan or security authorized by Subtitle B or C, Title 3; and
 - (2) establish standards for investments by state savings associations or savings banks, including limits on the amount that a state savings association or savings bank may invest in a type or character of investment to an amount or percentage of the savings association's or savings bank's assets or net worth.

Section 11.304. CONSUMER CREDIT RULES.

The finance commission may adopt rules necessary to supervise the consumer credit commissioner and ensure compliance with Chapter 14 and Title 4.

Section 11.306. RESIDENTIAL MORTGAGE LOAN ORIGINATION RULES.

The finance commission may adopt residential mortgage loan origination rules as provided by Chapter 156.

POLICY STATEMENT

The Finance Commission is authorized by statute to adopt rules to supervise the finance agencies and regulated industries. All rules will be proposed and adopted in accordance with the rulemaking requirements of the Texas Administrative Procedure Act (Tex. Gov't Code ch. 2001). Staff of the finance agencies will prepare rule actions and present them for approval at meetings of the Finance Commission.

SUBMISSION TO TEXAS REGISTER

After the Finance Commission approves a rule action (including a rule proposal, final rule adoption, or readoption resulting from rule review), staff of the appropriate finance agency will submit the rule action to the Texas Register on the Finance Commission's behalf. Finance agency staff must submit the text of the rule action as approved by the Finance Commission, but staff may make minor technical corrections if necessary to conform to formatting requirements of the Texas Register. The finance agencies are authorized to submit notices of intent to review rules to the Texas Register on the Finance Commission's behalf.

RULE ACTIONS ON CONSENT AGENDA

A final rule adoption may be placed on the consent agenda for a Finance Commission meeting if:

- the Finance Commission received no official comments opposing the rule proposal or suggesting changes to the proposal; and
- there are no changes to the rule text between the proposal and the adoption (i.e., the adoption is without changes to the proposed rule text).

An action to readopt rules following rule review may be placed on the consent agenda.

PUBLIC TESTIMONY

STATUTES

Section 11.112. PUBLIC TESTIMONY.

The finance commission shall develop and implement policies that provide the public with a reasonable opportunity to appear before the finance commission and to speak on any issue under the jurisdiction of the finance agencies.

POLICY STATEMENT

PUBLIC INPUT ON RULES BEFORE THE COMMISSION

The finance agencies will provide time for public comment (written or oral) on all proposed rules by:

- Posting notice of the rule proposal in accordance with the Open Meetings Act, with notice in the *Texas Register*, for the regular meeting date and time at which the Finance Commission will discuss and vote whether to officially publish the rule proposal for public comment. The Finance Commission will allow written and oral public comment at the meeting, prior to its deliberations, and
- Posting notice of the rule proposal for a minimum of 30 days, or longer if directed by the Finance Commission, in the *Texas Register* following commission action to publish for public comment. During this period the public may submit written comments for consideration before final rule adoption by the Finance Commission.

The finance agencies may also provide additional time for public comment (written or oral) on proposed rules by:

- Seeking pre-publication informal public comment by interested parties; or
- Posting notice of and holding a special meeting at which public comment is received on a proposed rule.

PUBLIC INPUT ON NON-AGENDA ITEMS

Time will be set aside in regular meetings of the Finance Commission for the public to comment on any subject that is not a scheduled item on the agenda except for public testimony regarding an outstanding rule proposal for which the public comment period has expired. Persons wishing to comment must state their name and who they represent for the record. Unless authorized by a majority vote of the meeting quorum, comments will be limited to no more than five minutes.

PUBLIC INPUT ON AGENDA ITEMS

Time will be set aside in regular meetings of the Finance Commission for the public to comment on agenda items. Persons wishing to comment must state their name and who they represent for the record. If multiple persons from an organization or affiliated group

are present, one representative must be designated to speak on behalf of that organization or group. Unless authorized by a majority vote of the meeting quorum, comments will be limited to no more than five minutes.

At regular meetings, when the Finance Commission is considering publishing a rule for comment, or when a rule has been published for comment and its public comment period remains in effect, public comment is allowed.

Public comment will not be allowed on agenda items related to final rule adoptions except upon majority vote of the commission, in which case comments will be limited to five minutes. All written comments received by a finance agency during the public comment period are included in the Finance Commission packet when the rule proposal is posted for final adoption.

HEARINGS OFFICER AND AUDITOR

STATUTE

Section 11.202. HEARINGS OFFICER AND AUDITOR.

- (a) The finance commission shall direct a finance agency to employ an internal auditor to provide services to and facilitate commission oversight and control over the finance agencies.
- (b) The Texas Department of Banking may employ a hearings officer to serve the finance agencies as determined by interagency agreement. For the purposes of Section 2003.021, Government Code, a hearings officer employed under this section may be retained under contract to provide services on a part-time basis and is considered to be an employee of each agency for which hearing services are provided. The hearings officer's only duty under the hearings officer's contract is to preside over matters related to contested cases before a finance agency.

Section 11.203. LIMITATION ON DIRECTION OF AUDITOR.

The internal auditor reports to the finance commission and is not subject to direction by the employing finance agency.

POLICY STATEMENT

HEARINGS OFFICER

The finance agencies may contract with the State Office of Administrative Hearings or a third-party for administrative law judge and hearings officer services to preside over contested cases brought before the Finance Commission or one of the finance agencies. The contracted party must be a licensed attorney in good standing with the state bar and have experience presiding over administrative hearings or presiding over hearings as a judge or master of a court.

AUDIT

The Finance Commission, through the Audit Committee, supervises the internal auditor engaged to audit the finance agencies. The internal auditor may be an external public accounting firm. Audits will address areas as designated by the Finance Commission based upon statute, risk assessments, or other concerns.

SHARING OF STAFF, EQUIPMENT, AND FACILITIES: ALLOCATION OF COSTS

STATUTE

Section 11.204. SHARING OF STAFF, EQUIPMENT, AND FACILITIES; ALLOCATION OF COSTS.

- (a) The finance commission shall use the staff, equipment, and facilities of the finance agencies to the extent necessary to carry out the finance commission's duties. To reduce administrative costs, the finance agencies shall share staff, equipment, and facilities to the extent that the sharing contributes to cost efficiency without detracting from the staff expertise needed for individual areas of agency responsibility.
- (b) An interagency agreement must provide that the cost of staff used by the finance commission, including the internal auditor, is to be charged to the finance agencies in proportion to the amount of time devoted to each agency's business. All other costs of operation of the finance commission are to be shared by and included in the budgets of the finance agencies in proportion to the amount of cash receipts of each of those agencies.
- (c) The finance commission shall have charge and control of the property known as the Finance Commission Building and use of staff, equipment, and facilities of the finance agencies. The Finance Commission Building refers to the property located in the city of Austin and titled in the name of the Banking Section of the Finance Commission of Texas, as described by deed recorded in Volume 5080, Page 1099, of the Deed Records of Travis County, Texas.

POLICY STATEMENT

On or before September 1 of each year, the finance agencies will enter into an interagency agreement that proportionally distributes all costs incurred by the Finance Commission or by one or more of the finance agencies in administering the affairs of the Finance Commission. Costs will include travel and expense reimbursements of the Finance Commission members along with administrative costs of one or more of the finance agencies, including personnel time, copying, and facilities.

The Finance Commission will appoint one of the finance agency commissioners as the executive director of the Finance Commission to facilitate the oversight of Finance Commission activities and shared resources of the finance agencies. The Finance Commission will review the appointment, the term of the appointment, and possible reassignment of the appointment every two years, as well as review the executive director's performance annually when the finance agency commissioners are reviewed. The executive director will supervise, support, and coordinate the activities of the Finance Commission and activities jointly engaged in by the finance agencies,

including:

- meetings of the Finance Commission;
- shared personnel, equipment, and building resources of the finance agencies;
- requests for information or reports;
- activities of Finance Commission committees;
- permanent records of the Finance Commission; and,
- other duties and responsibilities as assigned by the Finance Commission or its Chair.

The executive director for the Finance Commission will act as facilitator and coordinator on Finance Commission and joint finance agency matters. The associated costs for the executive assistant and any salary supplement amount for the executive director will be equally allocated among the finance agencies. As each commissioner retains their own substantive responsibilities that relate to the Finance Commission, these duties are considered offsetting as to their costs. The finance agencies will allocate by interagency agreement those substantive costs of shared operations (e.g., building maintenance, Finance Commission administrative assistant, and utilities).

RESEARCH

STATUTE

Section 11.305. RESEARCH.

- (a) The consumer credit commissioner shall establish a program to address alternatives to high-cost lending in this state. The program shall:
 - (1) study and report on high-cost lending, including the availability, quality, and prices of financial services offered in this state to individual consumers in this state;
 - (2) evaluate alternatives to high-cost lending and the practices of business entities in this state that provide financial services to individual consumers in this state.
- (b) The program may:
 - (1) apply for and receive public and private grants and gifts to conduct the research authorized by this section;
 - (2) contract with public and private entities to carry out studies and analyses under this section;
 - (3) provide funding for pilot programs; and
 - (4) make grants to nonprofit institutions working to provide alternatives to high-cost loans.
- (c) Not later than December 1 of each year, the consumer credit commissioner shall provide to the legislature a report detailing its findings and making recommendations to improve the availability, quality, and prices of financial services.
- (d) The Texas Department of Banking and the Department of Savings and Mortgage Lending shall jointly conduct a continuing review of the condition of the state banking system. The review must include a review of all available national and state economic forecasts and an analysis of changing banking practices and new banking legislation. Periodically the departments shall submit a report to the finance commission on the results of the review, including information relating to the condition of the state banking system at the time of the report and the predicted condition of that system in the future.

Section 11.3055. FINANCIAL SERVICES STUDY.

- (a) The finance commission may assign the banking commissioner, savings and mortgage lending commissioner, or consumer credit commissioner to conduct research on:

- (1) the availability, quality, and prices of financial services, including lending and depository services, offered in this state to agricultural businesses, small businesses, and individual consumers in this state; and
 - (2) the practices of business entities in this state that provide financial services to agricultural businesses, small businesses, and individual consumers in this state.
- (b) The banking commissioner, savings and mortgage lending commissioner, or consumer credit commissioner may:
 - (1) apply for and receive public and private grants and gifts to conduct the research authorized by this section; and
 - (2) contract with public and private entities to carry out studies and analyses under this section.

POLICY STATEMENT

RESEARCH

From time to time, the Chair of the Finance Commission may appoint one or more of the commissioners of the finance agencies the responsibility of coordinating and conducting research on the availability, quality, and prices of financial services as prescribed in Section 11.3055(a), Texas Finance Code, during the ensuing year.

The Study Committee of the Finance Commission shall decide on the nature of any of the above research studies or projects after considering relevant economic and legislative factors affecting the agricultural, small business, and consumer financial systems in the state. The Study Committee's recommendation shall be presented to the Finance Commission which is responsible for approving the final nature or type of research or study projects. The Study Committee may also consider the prior reports issued and any resource or funding limitations in its consideration of future studies or projects.

REPORTING

Pursuant to §11.305 (c), the Consumer Credit Commissioner shall issue a report no later than December 1 of each year providing information on the availability, quality, and pricing of financial services to individual consumers in this state.

Pursuant to §11.305 (d), the Texas Department of Banking and the Department of Savings and Mortgage Lending shall periodically issue a joint report to the Finance Commission describing the following:

- 1. the financial condition of the state banking system, including but not limited to, a comparison to national and regional trends and conditions;
- 2. an analysis of relevant national and state economic forecasts;
- 3. an analysis of changing banking practices and their impact upon the state's

banking system; and

4. a forecast of the condition and composition of the state's banking system within the next 12-month period.

Pursuant to TEX. CONST., art. XVI, §50(s), the Department of Savings and Mortgage Lending shall issue a report no later than December 1 of each year concerning the lending activities of business entities making residential mortgage loans.

LIQUIDITY POLICY

POLICY STATEMENT

The long-term financial stability and health of the finance agencies requires a liquidity policy to ensure that the finance agencies preserve the capacity to provide adequate regulatory oversight. The finance agencies must maintain adequate levels of cash reserves for the purpose of mitigating current and future risks and ensuring consistent and adequate levels of regulation of the industries and services provided to Texas citizens. As self-directed, semi-independent agencies, it is essential that this policy provide accountability and transparency in guiding the finance agencies in setting goals, and terms and conditions, for cash reserves. This policy is not intended to be a policy related to the GAAP fund balance of a finance agency reported in the Annual Financial Report or GAAP accounting but rather a policy to ensure the finance agencies maintain adequate levels of liquidity that will position the finance agencies to respond to increases in the need for regulatory action, avoid cash flow stress, make planned capital purchases, and generally maintain financial flexibility and plan for future needs.

The amount of cash reserves for each finance agency will differ depending on the finance agency's predictability of revenues, volatility of expenditures, timing of cash flows, and potential exposure to significant one-time outlays.

Reserved cash should prudently include amounts for, but not be limited to:

1. amounts necessary to address probable, quantifiable, and non-routine needs related to building maintenance or improvement, or information technology or cybersecurity projects. These outlays may span more than one fiscal year.
2. amounts for long-term facilities master planning, e.g. funds for building acquisition. These outlays may span more than one year.
3. amounts owed or obligated by the fiscal period end for payroll, goods and services for which the finance agency has not yet made payment. Accounts receivable for this same period may be netted against this amount.
4. lump sum vacation benefits for retirement eligible employees.
5. amounts for a specific purpose by a decision and a vote by the Finance Commission to fund a new or expand an existing program under the finance agencies, e.g. the Texas Financial Education Endowment Fund.
6. any other necessary amounts to manage risk and cash flow or maintain adequate levels of regulation and services that are probable, quantifiable, and non-routine.

The remaining funds are considered unreserved funds and can be used for current or future operations. This category should be at least two, but no more than six, months of budgeted operating expenditures of the finance agency (excluding extraordinary budget items). Seasonal fluctuations may cause this category to be larger at certain times of the fiscal year.

If the unreserved funds of a finance agency are projected to exceed the six months of budgeted operating expenditures for four consecutive quarters, the finance agency shall create a plan to reduce the excess amount.

If the unreserved funds of a finance agency are projected to fall below the two months of budgeted operating expenditures, the finance agency shall create a plan to replenish the amount.

The amounts included in the liquidity reports are based on each finance agency's best estimate and should be reviewed and adjusted as needed by finance agency staff. The finance agencies will present their liquidity reports and any required plan reports to the Finance Commission quarterly. Measurement of the level of liquidity should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unreserved funds at any one time.

FINANCE COMMISSION OF TEXAS EXPENSE REIMBURSEMENT POLICY

The finance agencies are self-directed, semi-independent agencies. As such, the finance agencies and the commission are not subject to the provisions of the General Appropriations Act that set limitations on rates of reimbursement for travel. The Finance Commission and its finance agencies require a formal policy to guide the rates of reimbursement for travel.

STATUTE

Section 11.104. EXPENSES AND COMPENSATION OF MEMBERS.

A member of the finance commission is entitled to:

- (1) the reimbursement for reasonable and necessary expenses incidental to travel incurred in connection with the performance of official duties; and
- (2) a per diem for each day that the member engages in the business of the finance commission.

POLICY STATEMENT

The Finance Commission believes that its members should be reimbursed for reasonable expenses incurred in connection with the members performing their Finance Commission duties.

Finance Commission members may claim reimbursement of out-of-pocket expenses in accordance with this policy for official state Finance Commission business. Reimbursement for expenses related to attendance at events on behalf of the Finance Commission, other than Finance Commission meetings, requires advance approval of the Finance Commission Chair. It is generally the policy of the Finance Commission to conserve funds to the extent possible by approximating the standard state limitations on travel unless specific circumstances warrant an exception. The Finance Commission encourages its members to minimize the amount of travel expenses incurred by ensuring that each travel arrangement is cost-effective considering all relevant circumstances.

- (a) Meal reimbursement. Commission members may be reimbursed for actual expenses for meals not to exceed the maximum meal rates based on the federal travel regulations, as announced by the Texas Comptroller of Public Accounts (Comptroller). Alcohol and gratuity are not reimbursable expenses.
- (b) Lodging reimbursement. Commission members should be guided by the maximum lodging rates based on the federal travel regulations and should use reasonable efforts to obtain a state rate. If a state rate is not available,

a Commission member may be reimbursed for lodging at a rate of \$150 or the current federal city travel regulation rate per night, whichever is greater, exclusive of incidental expenses such as occupancy taxes and service fees.

- (c) Transportation. Commission members may be reimbursed for transportation expenses, including:
 - (1) Personally owned vehicle. For the Commission member's use of a personally owned or leased motor vehicle, the mileage reimbursement rate equals the maximum fixed mileage allowance specified in the revenue rulings issued by the Internal Revenue Service under the federal income tax regulations as announced by the Comptroller. Mileage may be reimbursed, for instance, in conjunction with Finance Commission business, including travel to and from home and office, to and from the airport and to and from the location of any Finance Commission related meeting.
 - (2) Airfare and rental car. Commission members may be reimbursed for actual expenses for airfare and rental car expenses. A member should use reasonable efforts to obtain state contract rates, if available.
- (d) Incidental expenses. A Commission member may be reimbursed for actual incidental expenses.

Reimbursement shall be subject to the Finance Commission member completing appropriate expense reimbursement forms and providing the Executive Director receipts or other reasonable acceptable evidence of costs incurred.

FINANCE AGENCY BUDGETING AND TRAVEL REPORTING

STATUTE

Section 16.003. BUDGET, REVENUE AND EXPENSES.

- (a) A financial regulatory agency shall submit to the policy-making body of the financial regulatory agency a budget annually using generally accepted accounting principles. Notwithstanding any other provision of law, including the General Appropriations Act, the budget shall be adopted and approved only by the policy-making body of the financial regulatory agency.
- (b) A financial regulatory agency shall be responsible for all direct and indirect costs of the agency's existence and operation. The financial regulatory agency may not directly or indirectly cause the general revenue fund to incur any cost.
- (c) Subject to any limitations in a financial regulatory agency's enabling legislation, a financial regulatory agency may set the amounts of fees, penalties, charges, and revenues required or permitted by statute or rule as necessary for the purpose of carrying out the functions of the financial regulatory agency and funding the budget adopted and approved under Subsection (a).
- (d) All fees and funds collected by a financial regulatory agency and any funds appropriated to the financial regulatory agency shall be deposited in interest-bearing deposit accounts in the Texas Treasury Safekeeping Trust Company. The comptroller shall contract with the financial regulatory agency for the maintenance of the deposit accounts under terms comparable to a contract between a commercial banking institution and the institution's customers.
- (e) Periodically, each financial regulatory agency shall submit to the agency's policy-making body, as directed by the policy-making body, a report of the receipts and expenditures of the financial regulatory agency.
- (f) The fiscal year for a financial regulatory agency begins on September 1 and ends on August 31.

POLICY STATEMENT

BUDGETING

The finance agencies will present their budget proposals annually to the Audit Committee in August. Prior to this meeting, the finance agencies will conduct a public hearing to receive input on their proposed budgets as well as publish the proposed budgets on their websites with directions on how to make comments on the proposal. All written comments will be provided to the Audit Committee.

Each finance agency's budget proposal must include all direct and indirect costs of the finance agency. Fees and assessments to be collected from each area of regulation during the budget period must be set in a consistent and predictable manner and should be substantially sufficient to cover an area's anticipated cost of regulation. If necessary, budgeted fees and assessments may be adjusted to reflect activity from the preceding year. Each budget proposal must include a comparison of the budgeted fees and assessments to the maximum fees or assessments allowed to be charged to each regulatory area.

Flexibility in setting the fees and assessments is important to ensure that the finance agencies can meet their regulatory responsibilities and maintain compliance with the liquidity policy requirements. Fees and assessments should be accurately forecasted for an upcoming budget period, and significant discounts during the budget period should be limited. Any significant changes in fees and assessments during the budget period should be limited and must be communicated to the Finance Commission, the regulated industries, and affected stakeholders, as soon as information becomes available.

The finance agencies will provide quarterly financial data to the Audit Committee. The data will include current quarter and year to date budget to actual revenue and expenditure comparisons.

A finance agency may not expend funds in excess of the total budgeted expenditures without prior approval of the Finance Commission.

TRAVEL REPORTING

For transparency in travel expenditures and increased monitoring by the Finance Commission, the finance agencies will track and report travel in the following four categories (separately for in-state and out-of-state travel):

Regulatory Supervision – This category is for travel related to regulatory functions associated with financial service entities including examinations, visitations, inspections, reviews, investigations, enforcement actions and management meetings. Also included is travel related to meetings with other regulators, financial education outreach and speaking or panelist engagements associated with regulatory matters.

Development and Training – This category is for travel related to training and staff or agency development. The category includes examiner education classes, administrative staff professional development, commission testing, conducting interviews, recruiting, participating in university banking programs, conferences, forums and seminars.

Other Regulatory Activities – This category is for travel activities ancillary to the regulatory statutory functions of the finance agency. This category includes travel related to service on a board or committee as an officer or director, legislative fly-ins, and instructors at graduate banking programs.

Non-Employee - This category is for travel activities of the members of the finance commission or advisory councils and any other non-agency person eligible for travel reimbursement by the finance agency.

Travel expenditures in the above categories will be presented quarterly to the Finance Commission.

The Chair of the Finance Commission shall have the power to interpret, construe, and implement these policies. In the absence of the Chair, or in consultation with the Chair, the Executive Director may exercise such power. These policies may be amended by simple majority vote of the Finance Commission.

A photograph of the Texas State Capitol building at night. The building is illuminated with white lights, and the dome is lit with a warm orange glow. The sky is a deep blue. In the foreground, there are dark silhouettes of trees and a black metal fence with white star-shaped lights.

Finance Commission of Texas - Policies and Procedures -

February 2025



Finance Commission of Texas
2601 N. Lamar Blvd.
Austin, Texas 78705
www.fc.texas.gov

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STATUTE¹

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- ## POLICY STATEMENT

The Chair of the Finance Commission will appoint three members to serve on a Strategic Planning Committee. The Strategic Planning Committee shall be responsible for the oversight of the preparation and update of the strategic plan so that it encompasses the goals and objectives of the Finance Commission. The plan will embody the high-level goals, objectives and discussions of the finance agency plans.

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PRESIDING OFFICER

STATUTE

Section 11.107. PRESIDING OFFICER.

- (a) The governor shall appoint a member of the finance commission as presiding officer of the commission. The presiding officer serves at the will of the governor.
- (b) The presiding officer shall preside at and provide for the keeping of minutes of each public meeting of the finance commission.
- (c) The presiding officer may:
 - (1) adopt rules and procedures as the presiding officer considers necessary for the orderly operation of the finance commission and for communication among the finance commission, the Texas Department of Banking, the Department of Savings and Mortgage Lending, and the Office of Consumer Credit Commissioner;
 - (2) adopt internal procedures governing the time and place of meetings, the type of notice for special public meetings, the manner in which public meetings are to be conducted, and other similar matters; and
 - (3) appoint committees composed of finance commission members as the presiding officer considers necessary to carry out the commission's business.

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POLICY STATEMENT

Meetings of the Finance Commission will be conducted with decorum and respect for all parties attending and appearing before the Commission. In furtherance of providing for the orderly operations of the Commission, the presiding officer (Chair) may designate a Vice-Chair. In the Chair's absence, the Vice-Chair will conduct and complete all business before the Commission in accordance with applicable statutes, proper open meeting protocols, and these Finance Commission policies. The rules contained within the current edition of *Robert's Rules of Order Newly Revised* shall govern the Commission in all cases to which they are applicable and in which they are not inconsistent with these policies and any special rules the Finance Commission may adopt.

Before each meeting of the Finance Commission, the finance agencies will coordinate to prepare a meeting agenda. Each agenda will be submitted to the Texas Secretary of State in accordance with the notice requirements of the Texas Open Meetings Act (Tex. Gov't Code ch. 551). The agenda may include a consent agenda, under which one or more agenda items will be taken up in a single vote. A Commission member may request

that an item be removed from the consent agenda and placed on the regular agenda, so that the item will be voted on individually.

In furtherance of Section 11.103(a)(5), Texas Finance Code, each member of the Commission shall notify the Chair of an expected absence from a meeting of the Commission as soon as practicable after learning of the events that will cause the absence. The member shall also notify the Chair of the reasons for the expected absence. At the meeting where the member is absent, the Chair shall call for a vote of all members in attendance on whether the absence is excused.

The Chair will assign members to the Finance Commission committees. Standing committees are the Audit Committee, the Study Committee, and the Strategic Planning Committee. Committee membership will be assigned or reaffirmed annually, to become effective September 1, upon member replacement, or as the Chair determines to be necessary or appropriate. Though not required, each committee's membership will normally be comprised of three members. From a committee's membership, the Chair will designate a Chairperson for each committee. All considerations of a committee, other than adoption of minutes, are recommendations for full Finance Commission action.

The Chair of the Finance Commission shall appoint members to serve on ad hoc committees as the need arises. The Chair shall designate a Chairperson for each such committee.

The Chair and Vice-Chair of the Finance Commission serve in an ex officio, non-voting capacity on each standing committee and each ad hoc committee. However, when the Chairperson of a committee learns that one or more members of a committee will be unable to attend a scheduled meeting, such Chairperson may request that either the Chair or Vice-Chair of the Finance Commission (or both if more than one member will be absent) serve on the committee in a voting capacity on a one-time basis, at the scheduled meeting. The minutes of the scheduled meeting shall reflect the actual voting membership of the committee.

The Chair will designate Commission members to coordinate the annual evaluation process of the three finance agency commissioners. This ad hoc committee will include at least one public member and three industry members (one industry member representing each finance agency).

The Finance Commission reserves to itself as a body the responsibility for passing upon and prescribing the manner of communication of matters of policy which represent the official position of the Finance Commission. Accordingly, it would be inappropriate for individual members to communicate official positions of the Finance Commission unless instructed or authorized to do so by an action of the Commission.

AUDIT COMMITTEE

The Audit Committee shall be responsible for:

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- providing oversight of the finance agencies' internal audit function, including:
 - interviewing and recommending the selection of an internal auditor,
 - reviewing and recommending the actions to be taken as a result of the annual risk assessments performed by the internal auditor,
 - reviewing, with the internal auditors, the audit scope and plan of the internal auditors,
 - reviewing and recommending the actions to be taken on the audit plan resulting from the annual internal audit reports, including management's responses thereto, and monitoring the finance agencies' corrective actions.
- reviewing and monitoring the action plans resulting from external audits conducted by state and federal agencies, including management's responses thereto, and monitoring the finance agencies' corrective actions.
- reviewing and recommending the actions to be taken, if any, on the annual operating budgets, quarterly financial statements, and investment reports of the finance agencies.
- ~~providing oversight and administration of the Texas Financial Education Endowment, including recommending the actions to be taken on the investment of funds and awarding of grants that support the objectives of the endowment.~~

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A Certified Public Accountant member of the Finance Commission shall be appointed as a member of the Committee unless specifically excluded by a majority vote of the Finance Commission.

STUDY COMMITTEE

The Study Committee shall be responsible for:

- coordinating and reviewing any statutorily required or authorized research studies or projects decided to be undertaken, as well as those determined to be necessary by the Finance Commission.
- monitoring and overseeing Legislative Interim Studies as appropriate.
- monitoring and overseeing activities related to the self-directed, semi-independent (SDSI) status of the finance agencies by conferring with the finance agencies on material interests, issues, and matters related to SDSI status, as well as monitoring general reporting requirements to governing bodies and the state legislature associated with the SDSI status, and exploring additional strategies with finance agency heads regarding implementation and operational policies related to SDSI status.

- reviewing and making recommendations for updates to the policies and procedures of the Finance Commission every biennium.
- monitoring the Sunset Review process, as appropriate, for the Finance Commission and its finance agencies.

On recommendation of the finance agencies or as required by law, the Study Committee may conduct research on:

- The availability, quality, and prices of financial services, including lending and depository services offered to agricultural businesses, small businesses, and individual consumers in this state, and
- The practices of business entities in this state that provide financial services to agricultural businesses, small businesses, and individual consumers in this state.

STRATEGIC PLANNING COMMITTEE

The Strategic Planning Committee shall be responsible for:

- providing direction for and review of the strategic plans developed by each of the finance agencies under the Finance Commission.
- defining the scope and development of the Finance Commission's strategic plan ensuring alignment with legislative mandates, industry and economic indicators, and finance agency strategic plans.
- playing an active role in legislative hearings and communications with elected officials.
- overseeing the selection of the finance agency heads.

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STANDARDS OF CONDUCT

STATUTE

Section 11.109. STANDARDS OF CONDUCT.

The presiding officer of the finance commission or the presiding officer's designee shall provide to members of the finance commission, as often as necessary, information regarding the requirements for office under this title, including information regarding a person's responsibilities under applicable laws relating to standards of conduct for state officers.

POLICY STATEMENT

Subchapter C, Chapter 572, Texas Government Code, specifically addresses **Standards of Conduct and Conflict of Interest** for state officers and employees. Members of the Finance Commission are committed to following these guidelines and abiding by the provisions therein. Portions of the statute applicable to Finance Commission members are found in Exhibit A. Pursuant to [Texas Government Code §572.051](#), the Finance Commission and each of the finance agencies under its jurisdiction have adopted an ethics policy.

If a member of the Finance Commission or a finance agency commissioner is made aware of a potential conflict of interest involving a member of the Finance Commission or a finance agency commissioner as such conflicts are described in Exhibit A to these Policies and Procedures, it is the duty of that person to report the matter to the Chair of the Finance Commission, the Chair of the Audit Committee, and the Chair of the Strategic Planning Committee. The Chair of the Finance Commission, two committee Chairs, or a majority of the Finance Commission at a properly posted Finance Commission meeting may engage, as deemed appropriate the services of one or more of the Office of the Attorney General, independent counsel (through prescribed procedures), its internal auditors, and/or the Office of the State Auditor to determine and report to the Finance Commission for its consideration the relevant facts and circumstances surrounding the potential conflict of interest.

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Standards of Conduct

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Subchapter C, Chapter 572, Texas Government Code, is headed "STANDARDS OF CONDUCT AND CONFLICT OF INTEREST PROVISIONS." It contains sections that are only applicable to members of the Legislature and these sections have been omitted.

The following sections of Subchapter C are applicable to the Finance Commission:

§ 572.051. Standards of Conduct; State Agency Ethics Policy

- (a) A state officer or employee should not:
 - (1) accept or solicit any gift, favor, or service that might reasonably tend to influence the officer or employee in the discharge of official duties or that the officer or employee knows or should know is being offered with the intent to influence the officer's or employee's official conduct;
 - (2) accept other employment or engage in a business or professional activity that the officer or employee might reasonably expect would require or induce the officer or employee to disclose confidential information acquired by reason of the official position;
 - (3) accept other employment or compensation that could reasonably be expected to impair the officer's or employee's independence of judgment in the performance of the officer's or employee's official duties;
 - (4) make personal investments that could reasonably be expected to create a substantial conflict between the officer's or employee's private interest and the public interest; or
 - (5) intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised the officer's or employee's official powers or performed the officer's or employee's official duties in favor of another.
- (b) A state employee who violates Subsection (a) or an ethics policy adopted under Subsection (c) is subject to termination of the employee's state employment or another employment-related sanction. Notwithstanding this subsection, a state officer or employee who violates Subsection (a) is subject to any applicable civil or criminal penalty if the violation also constitutes a violation of another statute or rule.
- (c) Each state agency shall:
 - (1) adopt a written ethics policy for the agency's employees consistent with the standards prescribed by Subsection (a) and other provisions of this subchapter; and

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- (2) distribute a copy of the ethics policy and this subchapter to:
 - (A) each new employee not later than the third business day after the date the person begins employment with the agency; and
 - (B) each new officer not later than the third business day after the date the person qualifies for office.
- (d) The office of the attorney general shall develop, in coordination with the commission, and distribute a model policy that state agencies may use in adopting an agency ethics policy under Subsection (c). A state agency is not required to adopt the model policy developed under this subsection.
- (e) Subchapters E and F, Chapter 571, do not apply to a violation of this section.
- (f) Notwithstanding Subsection (e), if a person with knowledge of a violation of an agency ethics policy adopted under Subsection (c) that also constitutes a criminal offense under another law of this state reports the violation to an appropriate prosecuting attorney, then, not later than the 60th day after the date a person notifies the prosecuting attorney under this subsection, the prosecuting attorney shall notify the commission of the status of the prosecuting attorney's investigation of the alleged violation. The commission shall, on the request of the prosecuting attorney, assist the prosecuting attorney in investigating the alleged violation. This subsection does not apply to an alleged violation by a member or employee of the commission.

§ 572.054. Representation by Former Officer or Employee of Regulatory Agency Restricted; Criminal Offense

- (a) A former member of the governing body or a former executive head of a regulatory agency may not make any communication to or appearance before an officer or employee of the agency in which the member or executive head served before the second anniversary of the date the member or executive head ceased to be a member of the governing body or the executive head of the agency if the communication or appearance is made:
 - (1) with the intent to influence; and
 - (2) on behalf of any person in connection with any matter on which the person seeks official action.
- (b) A former state officer or employee of a regulatory agency who ceases service or employment with that agency on or after January 1, 1992, may not represent any person or receive compensation for services rendered on behalf of any person regarding a particular matter in which

the former officer or employee participated during the period of state service or employment, either through personal involvement or because the case or proceeding was a matter within the officer's or employee's official responsibility.

- (c) Subsection (b) applies only to:
 - (1) a state officer of a regulatory agency; or
 - (2) a state employee of a regulatory agency who is compensated, as of the last date of state employment, at or above the amount prescribed by the General Appropriations Act for step 1, salary group 17, of the position classification salary schedule, including an employee who is exempt from the state's position classification plan.
- (d) Subsection (b) does not apply to a rulemaking proceeding that was concluded before the officer's or employee's service or employment ceased.
- (e) Other law that restricts the representation of a person before a particular state agency by a former state officer or employee of that agency prevails over this section.
- (f) An individual commits an offense if the individual violates this section. An offense under this subsection is a Class A misdemeanor.
- (g) In this section, the comptroller and the secretary of state are not excluded from the definition of "regulatory agency."
- (g-1) For purposes of this section, the Department of Information Resources is a regulatory agency.
- (h) In this section:
 - (1) "Participated" means to have taken action as an officer or employee through decision, approval, disapproval, recommendation, giving advice, investigation, or similar action.
 - (2) "Particular matter" means a specific investigation, application, request for a ruling or determination, rulemaking proceeding, contract, claim, charge, accusation, arrest, or judicial or other proceeding.

§ 572.056. Contracts by State Officers With Governmental Entities; Criminal Offense

- (a) A state officer may not solicit or accept from a governmental entity a commission, fee, bonus, retainer, or rebate that is compensation for the

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officer's personal solicitation for the award of a contract for services or sale of goods to a governmental entity.

- (b) This section does not apply to:
 - (1) a contract that is awarded by competitive bid as provided by law and that is not otherwise prohibited by law; or
 - (2) a court appointment.
- (c) In this section, "governmental entity" means the state, a political subdivision of the state, or a governmental entity created under the Texas Constitution or a statute of this state.
- (d) A state officer who violates this section commits an offense. An offense under this subsection is a Class A misdemeanor.

§ 572.057. Certain Leases Prohibited

- (a) Except as provided by Subsection (d), a member of the legislature, an executive or judicial officer elected in a statewide election, or a business entity in which the legislator or officer has a substantial interest may not lease any office space or other real property to the state, a state agency, the legislature or a legislative agency, the Supreme Court of Texas, the Court of Criminal Appeals, or a state judicial agency.
- (b) A lease made in violation of Subsection (a) is void.
- (c) This section does not apply to an individual who is an elected officer on June 16, 1989, for as long as the officer holds that office.
- (d) A member of the legislature or a business entity in which the legislator has a substantial interest may donate the use of office space that the member or entity owns and that is located in the member's district to the house of the legislature in which the member serves to be used for the member's official business. Office space donated under this subsection is not a contribution for purposes of Title 15, Election Code. Acceptance of a donation of office space under this subsection is not subject to Section 301.032.

§ 572.058. Private Interest in Measure or Decision; Disclosure; Removal From Office for Violation

- (a) An elected or appointed officer, other than an officer subject to impeachment under Article XV, Section 2, of the Texas Constitution, who is a member of a board or commission having policy direction over a state agency and who has a personal or private interest in a measure, proposal, or decision pending before the board or commission shall publicly disclose the fact to the board or commission in a meeting called

and held in compliance with Chapter 551. The officer may not vote or otherwise participate in the decision. The disclosure shall be entered in the minutes of the meeting.

- (b) An individual who violates this section is subject to removal from office on the petition of the attorney general on the attorney general's own initiative or on the relation of a resident or of any other member of the board or commission. The suit must be brought in a district court of Travis County or of the county where the violation is alleged to have been committed.
- (c) If the court or jury finds from a preponderance of the evidence that the defendant violated this section and that an ordinary prudent person would have known the individual's conduct to be a violation of this section, the court shall enter judgment removing the defendant from office.
- (d) A suit under this section must be brought before the second anniversary of the date the violation is alleged to have been committed, or the suit is barred.
- (e) The remedy provided by this section is cumulative of other methods of removal from office provided by the Texas Constitution or a statute of this state.
- (f) In this section, "personal or private interest" has the same meaning as is given to it under Article III, Section 22, of the Texas Constitution, governing the conduct of members of the legislature. For purposes of this section, an individual does not have a "personal or private interest" in a measure, proposal, or decision if the individual is engaged in a profession, trade, or occupation and the individual's interest is the same as all others similarly engaged in the profession, trade, or occupation.

§ 572.060. Solicitation Of Or Recommendations Regarding Contributions To Charitable Organizations And Governmental Entities

- (a) Unless otherwise prohibited by the Code of Judicial Conduct, a state officer or state employee may:
 - (1) solicit from any person a contribution to:
 - (A) an organization that:
 - (i) is exempt from income taxation under Section 501(a), Internal Revenue Code of 1986, by being listed under Section 501(c)(3) of that code;
 - (ii) does not attempt to influence legislation as a substantial part of the organization's activities; and

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(iii) has not elected under Section 501(h), Internal Revenue Code of 1986, to have that subsection apply to the organization; or

(B) a governmental entity; or

(2) recommend to any person that the person make a contribution to an organization or entity described by Subdivision (1).

(b) A monetary contribution solicited or recommended as provided by Subsection (a) must:

(1) be paid or made directly to the charitable organization or governmental entity by the person making the contribution;

(2) be in the form of a check, money order, or similar instrument payable to the charitable organization or governmental entity; or

(3) be in the form of a deduction from a state employee's salary or wage payment under the state employee charitable campaign under Subchapter I, Chapter 659.

(c) A contribution solicited or recommended as provided by Subsection (a) that is not a monetary contribution must be delivered directly to the charitable organization or governmental entity by the person making the contribution.

(d) A contribution paid as provided by Subsection (b) or delivered as provided by Subsection (c) is not:

(1) a political contribution to, or political expenditure on behalf of, the state officer or state employee for purposes of Title 15, Election Code;

(2) an expenditure for purposes of Chapter 305; or

(3) benefit to the state officer or state employee for purposes of Sections 36.08 and 36.09, Penal Code.

ETHICS POLICY

STATUTE

Section 572.051. STANDARDS OF CONDUCT; STATE AGENCY ETHICS POLICY.

- (a) A state officer or employee should not:
 - (1) accept or solicit any gift, favor, or service that might reasonably tend to influence the officer or employee in the discharge of official duties or that the officer or employee knows or should know is being offered with the intent to influence the officer's or employee's official conduct;
 - (2) accept other employment or engage in a business or professional activity that the officer or employee might reasonably expect would require or induce the officer or employee to disclose confidential information acquired by reason of the official position;
 - (3) accept other employment or compensation that could reasonably be expected to impair the officer's or employee's independence of judgment in the performance of the officer's or employee's official duties;
 - (4) make personal investments that could reasonably be expected to create a substantial conflict between the officer's or employee's private interest and the public interest; or
 - (5) intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised the officer's or employee's official powers or performed the officer's or employee's official duties in favor of another.
- (b) A state employee who violates Subsection (a) or an ethics policy adopted under Subsection (c) is subject to termination of the employee's state employment or another employment-related sanction. Notwithstanding this subsection, a state officer or employee who violates Subsection (a) is subject to any applicable civil or criminal penalty if the violation also constitutes a violation of another statute or rule.
- (c) Each state agency shall:
 - (1) adopt a written ethics policy for the agency's employees consistent with the standards prescribed by Subsection (a) and other provisions of this subchapter; and
 - (2) distribute a copy of the ethics policy and this subchapter to:
 - (A) each new employee not later than the third business day after the date the person begins employment with the agency; and

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- (B) each new officer not later than the third business day after the date the person qualifies for office.
- (d) The office of the attorney general shall develop, in coordination with the commission, and distribute a model policy that state agencies may use in adopting an agency ethics policy under Subsection (c). A state agency is not required to adopt the model policy developed under this subsection.
- (e) Subchapters E and F, Chapter 571, do not apply to a violation of this section.
- (f) Notwithstanding Subsection (e), if a person with knowledge of a violation of an agency ethics policy adopted under Subsection (c) that also constitutes a criminal offense under another law of this state reports the violation to an appropriate prosecuting attorney, then, not later than the 60th day after the date a person notifies the prosecuting attorney under this subsection, the prosecuting attorney shall notify the commission of the status of the prosecuting attorney's investigation of the alleged violation. The commission shall, on the request of the prosecuting attorney, assist the prosecuting attorney in investigating the alleged violation. This subsection does not apply to an alleged violation by a member or employee of the commission.

Note:

Under §572.051(d), the term "commission" means the Texas Ethics Commission. Under §572.051(e), Subchapters E and F, Chapter 571, Texas Government Code (made inapplicable to a violation of this Section) set out respectively the procedures (including hearings) for dealing with certain complaints by the Texas Ethics Commission and the institution by the Texas Ethics Commission of civil and enforcement procedures related to certain alleged violations of law. Section 2261.252. TEXAS GOVERNMENT CODE. DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST; CERTAIN CONTRACTS PROHIBITED.

- (a) Each state agency employee or official who is involved in procurement or in contract management for a state agency shall disclose to the agency any potential conflict of interest specified by state law or agency policy that is known by the employee or official with respect to any contract with a private vendor or bid for the purchase of goods or services from a private vendor by the agency.
- (a-1) A state agency employee or official is required to disclose under Subsection (a) any potential conflict of interest specified by state law or agency policy that is known by the employee or official at any time during:
 - (1) the procurement process, from the initial request for bids for the purchase of goods or services from a private vendor until the completed delivery of the goods or services; or
 - (2) the term of a contract with a private vendor.

- (b) A state agency may not enter into a contract for the purchase of goods or services with a private vendor with whom any of the following agency employees or officials have a financial interest:
- (1) a member of the agency's governing body;
 - (2) the governing official, executive director, general counsel, chief procurement officer, or procurement director of the agency; or
 - (3) a family member related to an employee or official described by Subdivision (1) or (2) within the second degree by affinity or consanguinity.
- (c) A state agency employee or official has a financial interest in a person if the employee or official:
- (1) owns or controls, directly or indirectly, an ownership interest of at least one percent in the person², including the right to share in profits, proceeds, or capital gains; or
 - (2) could reasonably foresee that a contract with the person could result in a financial benefit to the employee or official.
- (d) A financial interest prohibited by this section does not include a retirement plan, a blind trust, insurance coverage, or an ownership of less than one percent in a corporation.
- (e) This section applies only to a contract for the purchase of goods and services solicited through a purchase order if the amount of the purchase order exceeds \$25,000.
- (f) *(Subsection not applicable to the Finance Commission.)*

² From Tex. Bus. & Com. Code Sec. 1.201(b)(27): "Person" means an individual, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, government, governmental subdivision, agency, or instrumentality, public corporation, any other legal or commercial entity, or a particular series of a for-profit entity.

POLICY STATEMENT

I. OVERVIEW

Pursuant to Section 572.051(c) of the Texas Government Code, the Finance Commission promulgates the following ethics policy. This ethics policy prescribes standards of conduct for all Finance Commission members. This ethics policy does not supersede any applicable federal or Texas law or administrative rule. All Finance Commission members must familiarize themselves with this ethics policy. All Finance Commission members must abide by all applicable federal and Texas laws, administrative rules, and Finance Commission conduct policies, including this ethics policy. A Finance Commission member who violates any applicable federal or Texas law or rule may be subject to civil or criminal penalties.

II. ETHICS POLICY

A. A Finance Commission member shall not:

- (1) accept or solicit any gift, favor, or service that might reasonably tend to influence the member in the discharge of official duties, or that the member knows or should know is being offered with the intent to influence the member's official conduct;
- (2) intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised his or her official powers or performed his or her official duties in favor of another;
- (3) disclose confidential information, information that is excepted from public disclosure under the Texas Public Information Act (Tex. Gov't Code Ann. Ch. 552), or information that has been ordered sealed by a court, that was acquired by reason of the member's official position, or accept other employment, including self-employment, or engage in a business, charity, nonprofit organization, or professional activity that the member might reasonably expect would require or induce the member to disclose confidential information, information that is excepted from public disclosure under the Texas Public Information Act, or information that has been ordered sealed by a court, that was acquired by reason of the member's official position;
- (4) accept other employment, including self-employment, or compensation or engage in a business, charity, nonprofit organization, or professional activity that could reasonably be expected to impair the member's independence of judgment in the performance of the member's official duties (Notwithstanding anything herein to the contrary, it is expected that members who are industry representatives will continue or accept employment that enables them to meet the qualifications required under Finance Code §11.102, relating to Qualifications of Members of the Texas Finance Commission);

- (5) utilize state personnel, property, facilities, or equipment for any purpose other than official state business, unless such use is reasonable and incidental and does not result in any direct cost to the state, interfere with the member's official duties, and interfere with Finance Commission functions;
- (6) utilize his or her official position, or state issued items, such as a badge, indicating such position for financial gain, obtaining privileges, or avoiding consequences of illegal acts;
- (7) knowingly make misleading statements, either oral or written, or provide false information, in the course of official state business; or
- (8) utilize state resources for any political activity.

B. A Finance Commission member shall:

- (1) perform his or her official duties in a lawful, professional, and ethical manner befitting the state and the Finance Commission; and
- (2) pursuant to the STANDARDS OF CONDUCT policy, report any conduct or activity that the member believes to be in violation of this ethics policy to the Chair of the Finance Commission, the Chair of Audit Committee, and the Chair of the Strategic Planning Committee.

C. Routinely in the performance of their duties as members of the Finance Commission, industry- representative members are required to vote on rules and take other actions that will have an impact on the industry they represent. Therefore, such cases are not conflicts of interest under this policy. However, if there is to be action on a matter that is specific to the Finance Commission member's employer or to an entity in which the Finance Commission member has a substantial interest as described in §572.005 Texas Government Code, then the member must not participate in the action and shall recuse herself or himself from deliberating or voting on the matter.

D. The finance agencies may not enter into a contract for the purchase of goods or services with a private vendor with whom any of the following has a financial interest: (1) a Finance Commission member or (2) a family member of a Finance Commission member within the second degree by affinity or consanguinity. Examples of family members within the second degree of affinity include a brother-in-law, stepdaughter, and a spouse's grandchild. Examples of family members within the second degree of consanguinity include a sibling, child, and grandchild. A Finance Commission member must notify the commissioner of a finance agency if a family member of the Finance Commission member has a financial interest in a private vendor that has or will have a contract with the finance agency.

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TRAINING

STATUTE

Section 11.110. TRAINING.

- (a) A person who is appointed to and qualifies for office as a member of the finance commission may not vote, deliberate, or be counted as a member in attendance at a meeting of the finance commission until the person completes a training program that complies with this section.
- (b) The training program must provide the person with information regarding:
 - (1) the legislation that created the finance agencies and the finance commission;
 - (2) the programs operated by the finance agencies;
 - (3) the role and functions of the finance agencies;
 - (4) the rules of the finance commission with an emphasis on the rules that relate to disciplinary and investigatory authority;
 - (5) the current budget for the finance agencies;
 - (6) the results of the most recent formal audit of the finance agencies;
 - (7) the requirements of:
 - (A) the open meetings law, Chapter 551, Government Code;
 - (B) the public information law, Chapter 552, Government Code;
 - (C) the administrative procedure law, Chapter 2001, Government Code; and
 - (D) other laws relating to public officials, including conflict-of-interest laws; and
 - (8) any applicable ethics policies adopted by the finance commission or the Texas Ethics Commission.
- (c) A person appointed to the finance commission is entitled to reimbursement under Section 11.104, as if the person were a member of the finance commission, for the travel expenses incurred in attending the training program regardless of whether the attendance at the program occurs before or after the person qualifies for office.
- (d) The commissioner of each finance agency shall create a training manual that includes the information required by Subsection (b) applicable to that commissioner's agency. The commissioner of each finance agency shall distribute a copy of the training manual created under this subsection annually to each member of the finance commission. Each member of the finance commission shall sign and submit to the appropriate commissioner a statement

acknowledging that the member received and has reviewed the training manual.

- (e) Notwithstanding Subsection (d), the commissioner of each finance agency may collaborate and jointly create one training manual that includes the information required by Subsection (b) applicable to each finance agency.

POLICY STATEMENT

Finance Commission members acknowledge that state service is a privilege and duty that requires dedication and proper training. In this regard, members of the Finance Commission adopt the following training program that shall be administered by representatives of the finance agencies. The three finance agency commissioners will serve as the Finance Commission Training Committee. The Training Committee is charged with developing and preparing appropriate training material for new Finance Commission members that, at a minimum, includes items found in section 11.110(b) of the Finance Code.

Periodically, the Training Committee shall revise and update the training manual and other materials so that its content is consistent with applicable statutory rules and regulations.

The Training Committee will provide classroom instruction to new Commission members as soon after appointment as possible, but not later than prior to the first scheduled meeting of the Finance Commission after their appointment. This training is required before a Finance Commission member may vote, deliberate, or be counted as a member in attendance at a Commission meeting. The Training Committee may utilize the expertise of other state agencies in providing this training, including the areas of ethics, conflicts of interest, and open government.

Other training required before a Finance Commission member may vote, deliberate or be counted as a member in attendance at a Commission meeting includes:

- The Office of Attorney General's online courses - Open Meetings and Public Information Act.
- The Texas Procurement and Support Service's online course - Governing Boards Webinar Training.

Finance Commission members should also complete the University of North Texas online investment training video - Texas Public Funds Investment Act Compliance.

The finance agencies will keep the Finance Commission members apprised of changes or developments in the law and recommend related training, if deemed appropriate. Each Finance Commission member must attest to receiving and reviewing the training manual annually.

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SEPARATION OF FUNCTIONS

STATUTE

Section 11.111. SEPARATION OF FUNCTIONS.

The finance commission shall develop and implement policies that clearly separate the policymaking responsibilities of the finance commission and the management responsibilities of the banking commissioner, savings and mortgage lending commissioner, and consumer credit commissioner and staff of the finance agencies.

POLICY STATEMENT

The Finance Commission is responsible for implementing policies through its rulemaking authority in accordance with the Administrative Procedure Act, Texas Government Code, Chapter 2001. The Finance Commission also provides oversight and coordination of the finance agencies.

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The commissioners of the finance agencies are responsible for managing staff and carrying out the administrative duties and statutory responsibilities of their finance agencies. The Finance Commission may offer advice and direction to the commissioners.

Under the direction of the commissioners, the staff of the finance agencies is responsible for managing programs that supervise and regulate entities in accordance with applicable statutes and Finance Commission rules. Confidential information of the finance agencies may not be released to Finance Commission members, however, a file or record pertinent to a hearing or matter pending before the Finance Commission may be provided to the members.

The Finance Commission must remain adequately informed of activities occurring with respect to legislation affecting the Finance Commission or the finance agencies. Legislative reporting will include the following:

LEGISLATION ACTIVITY REPORTING

The finance agency commissioners will email the Finance Commission members a weekly update during the legislative session. The report will list recently filed legislation or developments with respect to previously filed legislation that proposes to amend laws over which the Finance Commission or a finance agency has jurisdiction, or which otherwise impacts the Finance Commission or its finance agencies. The information will include an overview of the legislation, the author, and an explanation as to how the bill would affect the finance agency or the affected regulated area.

Weekly updates include any recent action on a bill previously reported in addition to other new legislation. If a bill is no longer viable due to legislative deadlines or other action, that fact will also be reported and the bill will be removed from future reporting.

TESTIMONY

The finance agency commissioners will send an email notice to the Commission members when they are requested to testify or appear as a resource witness for a legislative committee. During session, the weekly update may include these scheduled appearances and any written testimony will be forwarded to Commission members.

AGENCY RESOURCE INFORMATION

The finance agency commissioners and their staff are routinely consulted on issues regarding pending or potential legislation. These communications are often informal and merely informational in nature. Many legislators involved in these communications expect and request confidentiality regarding their requests. The finance agency heads will strive to report requests for legislative assistance in areas of substantial concern while balancing the need for confidentiality and maintenance of effective working relationships. Finance agency commissioners will maintain effective working relationships with the legislature by balancing confidentiality requests and appropriate reporting to the Finance Commission.

LEGISLATIVE COMMUNICATIONS WITH FINANCE COMMISSION MEMBERS

Finance Commission members who communicate with legislators regarding legislation that impacts the finance agencies should notify the finance agencies and other Finance Commission members.

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SUBMISSION TO TEXAS REGISTER

After the Finance Commission approves a rule action (including a rule proposal, final rule adoption, or readoption resulting from rule review), staff of the appropriate finance agency will submit the rule action to the Texas Register on the Finance Commission's behalf. Finance agency staff must submit the text of the rule action as approved by the Finance Commission, but staff may make minor technical corrections if necessary to conform to formatting requirements of the Texas Register. The finance agencies are authorized to submit notices of intent to review rules to the Texas Register on the Finance Commission's behalf.

RULE ACTIONS ON CONSENT AGENDA

A final rule adoption may be placed on the consent agenda for a Finance Commission meeting if:

- the Finance Commission received no official comments opposing the rule proposal or suggesting changes to the proposal; and
- there are no changes to the rule text between the proposal and the adoption (i.e., the adoption is without changes to the proposed rule text).

An action to readopt rules following rule review may be placed on the consent agenda.

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PUBLIC TESTIMONY

STATUTES

Section 11.112. PUBLIC TESTIMONY.

The finance commission shall develop and implement policies that provide the public with a reasonable opportunity to appear before the finance commission and to speak on any issue under the jurisdiction of the finance agencies.

POLICY STATEMENT

PUBLIC INPUT ON RULES BEFORE THE COMMISSION

The finance agencies will provide time for public comment (written or oral) on all proposed rules by:

- Posting notice of the rule proposal in accordance with the Open Meetings Act, with notice in the *Texas Register*, for the regular meeting date and time at which the Finance Commission will discuss and vote whether to officially publish the rule proposal for public comment. The Finance Commission will allow written and oral public comment at the meeting, prior to its deliberations, and
- Posting notice of the rule proposal for a minimum of 30 days, or longer if directed by the Finance Commission, in the *Texas Register* following commission action to publish for public comment. During this period the public may submit written comments for consideration before final rule adoption by the Finance Commission.

The finance agencies may also provide additional time for public comment (written or oral) on proposed rules by:

- Seeking pre-publication informal public comment by interested parties; or
- Posting notice of and holding a special meeting at which public comment is received on a proposed rule.

PUBLIC INPUT ON NON-AGENDA ITEMS

Time will be set aside in regular meetings of the Finance Commission for the public to comment on any subject that is not a scheduled item on the agenda except for public testimony regarding an outstanding rule proposal for which the public comment period has expired. Persons wishing to comment must state their name and who they represent for the record. Unless authorized by a majority vote of the meeting quorum, comments will be limited to no more than five minutes.

PUBLIC INPUT ON AGENDA ITEMS

Time will be set aside in regular meetings of the Finance Commission for the public to comment on agenda items. Persons wishing to comment must state their name and who they represent for the record. If multiple persons from an organization or affiliated group

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are present, one representative must be designated to speak on behalf of that organization or group. Unless authorized by a majority vote of the meeting quorum, comments will be limited to no more than five minutes.

At regular meetings, when the Finance Commission is considering publishing a rule for comment, or when a rule has been published for comment and its public comment period remains in effect, public comment is allowed.

Public comment will not be allowed on agenda items related to final rule adoptions except upon majority vote of the commission, in which case comments will be limited to five minutes. All written comments received by a finance agency during the public comment period are included in the Finance Commission packet when the rule proposal is posted for final adoption.

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HEARINGS OFFICER AND AUDITOR

STATUTE

Section 11.202. HEARINGS OFFICER AND AUDITOR.

- (a) The finance commission shall direct a finance agency to employ an internal auditor to provide services to and facilitate commission oversight and control over the finance agencies.
- (b) The Texas Department of Banking may employ a hearings officer to serve the finance agencies as determined by interagency agreement. For the purposes of Section 2003.021, Government Code, a hearings officer employed under this section may be retained under contract to provide services on a part-time basis and is considered to be an employee of each agency for which hearing services are provided. The hearings officer's only duty under the hearings officer's contract is to preside over matters related to contested cases before a finance agency.

Section 11.203. LIMITATION ON DIRECTION OF AUDITOR.

The internal auditor reports to the finance commission and is not subject to direction by the employing finance agency.

POLICY STATEMENT

HEARINGS OFFICER

The finance agencies may contract with the State Office of Administrative Hearings or a third-party for administrative law judge and hearings officer services to preside over contested cases brought before the Finance Commission or one of the finance agencies. The contracted party must be a licensed attorney in good standing with the state bar and have experience presiding over administrative hearings or presiding over hearings as a judge or master of a court.

AUDIT

The Finance Commission, through the Audit Committee, supervises the internal auditor engaged to audit the finance agencies. The internal auditor may be an external public accounting firm. Audits will address areas as designated by the Finance Commission based upon statute, risk assessments, or other concerns.

SHARING OF STAFF, EQUIPMENT, AND FACILITIES: ALLOCATION OF COSTS

STATUTE

Section 11.204. SHARING OF STAFF, EQUIPMENT, AND FACILITIES; ALLOCATION OF COSTS.

- (a) The finance commission shall use the staff, equipment, and facilities of the finance agencies to the extent necessary to carry out the finance commission's duties. To reduce administrative costs, the finance agencies shall share staff, equipment, and facilities to the extent that the sharing contributes to cost efficiency without detracting from the staff expertise needed for individual areas of agency responsibility.
- (b) An interagency agreement must provide that the cost of staff used by the finance commission, including the internal auditor, is to be charged to the finance agencies in proportion to the amount of time devoted to each agency's business. All other costs of operation of the finance commission are to be shared by and included in the budgets of the finance agencies in proportion to the amount of cash receipts of each of those agencies.
- (c) The finance commission shall have charge and control of the property known as the Finance Commission Building and use of staff, equipment, and facilities of the finance agencies. The Finance Commission Building refers to the property located in the city of Austin and titled in the name of the Banking Section of the Finance Commission of Texas, as described by deed recorded in Volume 5080, Page 1099, of the Deed Records of Travis County, Texas.

POLICY STATEMENT

On or before September 1 of each year, the finance agencies will enter into an interagency agreement that proportionally distributes all costs incurred by the Finance Commission or by one or more of the finance agencies in administering the affairs of the Finance Commission. Costs will include travel and expense reimbursements of the Finance Commission members along with administrative costs of one or more of the finance agencies, including personnel time, copying, and facilities.

The Finance Commission will appoint one of the finance agency commissioners as the executive director of the Finance Commission to facilitate the oversight of Finance Commission activities and shared resources of the finance agencies. The Finance Commission will review the appointment, the term of the appointment, and possible reassignment of the appointment every two years, as well as review the executive director's performance annually when the finance agency commissioners are reviewed. The executive director will supervise, support, and coordinate the activities of the Finance Commission and activities jointly engaged in by the finance agencies,

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including:

- meetings of the Finance Commission;
- shared personnel, equipment, and building resources of the finance agencies;
- requests for information or reports;
- activities of Finance Commission committees;
- permanent records of the Finance Commission; and,
- other duties and responsibilities as assigned by the Finance Commission or its Chair.

The executive director for the Finance Commission will act as facilitator and coordinator on Finance Commission and joint finance agency matters. The associated costs for the executive assistant and any salary supplement amount for the executive director will be equally allocated among the finance agencies. As each commissioner retains their own substantive responsibilities that relate to the Finance Commission, these duties are considered offsetting as to their costs. The finance agencies will allocate by interagency agreement those substantive costs of shared operations (e.g., building maintenance, Finance Commission administrative assistant, and utilities).

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RESEARCH

STATUTE

Section 11.305. RESEARCH.

- (a) The consumer credit commissioner shall establish a program to address alternatives to high-cost lending in this state. The program shall:
- (1) study and report on high-cost lending, including the availability, quality, and prices of financial services offered in this state to individual consumers in this state;
 - (2) evaluate alternatives to high-cost lending and the practices of business entities in this state that provide financial services to individual consumers in this state.
- (b) The program may:
- (1) apply for and receive public and private grants and gifts to conduct the research authorized by this section;
 - (2) contract with public and private entities to carry out studies and analyses under this section;
 - (3) provide funding for pilot programs; and
 - (4) make grants to nonprofit institutions working to provide alternatives to high-cost loans.
- (c) Not later than December 1 of each year, the consumer credit commissioner shall provide to the legislature a report detailing its findings and making recommendations to improve the availability, quality, and prices of financial services.
- (d) The Texas Department of Banking and the Department of Savings and Mortgage Lending shall jointly conduct a continuing review of the condition of the state banking system. The review must include a review of all available national and state economic forecasts and an analysis of changing banking practices and new banking legislation. Periodically the departments shall submit a report to the finance commission on the results of the review, including information relating to the condition of the state banking system at the time of the report and the predicted condition of that system in the future.

Section 11.3055. FINANCIAL SERVICES STUDY.

- (a) The finance commission may assign the banking commissioner, savings and mortgage lending commissioner, or consumer credit commissioner to conduct research on:

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¶ track the location of lenders who enter into loan contracts providing for an interest charge authorized by Section 342.201, map the location of the lenders by senatorial district and by any other appropriate areas, provide other demographic information relating to the loans and the location of the lenders, and provide information on the changes in the distribution of the lenders from 1997 through the date of the report.¶

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- (1) the availability, quality, and prices of financial services, including lending and depository services, offered in this state to agricultural businesses, small businesses, and individual consumers in this state; and
 - (2) the practices of business entities in this state that provide financial services to agricultural businesses, small businesses, and individual consumers in this state.
- (b) The banking commissioner, savings and mortgage lending commissioner, or consumer credit commissioner may:
- (1) apply for and receive public and private grants and gifts to conduct the research authorized by this section; and
 - (2) contract with public and private entities to carry out studies and analyses under this section.

POLICY STATEMENT

RESEARCH

From time to time, the Chair of the Finance Commission may appoint one or more of the commissioners of the finance agencies the responsibility of coordinating and conducting research on the availability, quality, and prices of financial services as prescribed in Section 11.3055(a), Texas Finance Code, during the ensuing year.

The Study Committee of the Finance Commission shall decide on the nature of any of the above research studies or projects after considering relevant economic and legislative factors affecting the agricultural, small business, and consumer financial systems in the state. The Study Committee's recommendation shall be presented to the Finance Commission which is responsible for approving the final nature or type of research or study projects. The Study Committee may also consider the prior reports issued and any resource or funding limitations in its consideration of future studies or projects.

REPORTING

Pursuant to §11.305 (c), the Consumer Credit Commissioner shall issue a report no later than December 1 of each year providing information on the availability, quality, and pricing of financial services to individual consumers in this state.

Pursuant to §11.305 (d), the Texas Department of Banking and the Department of Savings and Mortgage Lending shall periodically issue a joint report to the Finance Commission describing the following:

1. the financial condition of the state banking system, including but not limited to, a comparison to national and regional trends and conditions;
2. an analysis of relevant national and state economic forecasts;
3. an analysis of changing banking practices and their impact upon the state's

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banking system; and

4. a forecast of the condition and composition of the state's banking system within the next 12-month period.

Pursuant to TEX. CONST., art. XVI, §50(s), the Department of Savings and Mortgage Lending shall issue a report no later than December 1 of each year concerning the lending activities of business entities making residential mortgage loans.

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POLICY STATEMENT

The amount of cash reserves for each finance agency will differ depending on the finance agency's predictability of revenues, volatility of expenditures, timing of cash flows, and potential exposure to significant one-time outlays.

1. amounts necessary to address probable, quantifiable, and non-routine needs related to building maintenance or improvement, or information technology of cybersecurity projects. These outlays may span more than one fiscal year.
2. amounts for long-term facilities master planning, e.g. funds for building acquisition. These outlays may span more than one year.
3. amounts owed or obligated by the fiscal period end for payroll, goods and services for which the finance agency has not yet made payment. Accounts receivable for this same period may be netted against this amount.
4. lump sum vacation benefits for retirement eligible employees.
5. amounts for a specific purpose by a decision and a vote by the Finance Commission to fund a new or expand an existing program under the finance agencies, e.g. the Texas Financial Education Endowment Fund.
6. any other necessary amounts to manage risk and cash flow or maintain adequate levels of regulation and services that are probable, quantifiable, and non-routine.

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If the unreserved funds of a finance agency are projected to exceed the six months of budgeted operating expenditures for four consecutive quarters, the finance agency shall create a plan to reduce the excess amount.

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If the unreserved funds of a finance agency are projected to fall below the two months of budgeted operating expenditures, the finance agency shall create a plan to replenish the amount.

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The amounts included in the liquidity reports are based on each finance agency's best estimate and should be reviewed and adjusted as needed by finance agency staff. The finance agencies will present their liquidity reports and any required plan reports to the Finance Commission quarterly. Measurement of the level of liquidity should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unreserved funds at any one time.

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FINANCE COMMISSION OF TEXAS EXPENSE REIMBURSEMENT POLICY

The finance agencies are self-directed, semi-independent agencies. As such, the finance agencies and the commission are not subject to the provisions of the General Appropriations Act that set limitations on rates of reimbursement for travel. The Finance Commission and its finance agencies require a formal policy to guide the rates of reimbursement for travel.

STATUTE

Section 11.104. EXPENSES AND COMPENSATION OF MEMBERS.

A member of the finance commission is entitled to:

- (1) the reimbursement for reasonable and necessary expenses incidental to travel incurred in connection with the performance of official duties; and
- (2) a per diem for each day that the member engages in the business of the finance commission.

POLICY STATEMENT

The Finance Commission believes that its members should be reimbursed for reasonable expenses incurred in connection with the members performing their Finance Commission duties.

Finance Commission members may claim reimbursement of out-of-pocket expenses in accordance with this policy for official state Finance Commission business. Reimbursement for expenses related to attendance at events on behalf of the Finance Commission, other than Finance Commission meetings, requires advance approval of the Finance Commission Chair. It is generally the policy of the Finance Commission to conserve funds to the extent possible by approximating the standard state limitations on travel unless specific circumstances warrant an exception. The Finance Commission encourages its members to minimize the amount of travel expenses incurred by ensuring that each travel arrangement is cost-effective considering all relevant circumstances.

- (a) Meal reimbursement. Commission members may be reimbursed for actual expenses for meals not to exceed the maximum meal rates based on the federal travel regulations, as announced by the Texas Comptroller of Public Accounts (Comptroller). Alcohol and gratuity are not reimbursable expenses.
- (b) Lodging reimbursement. Commission members should be guided by the maximum lodging rates based on the federal travel regulations and should use reasonable efforts to obtain a state rate. If a state rate is not available,

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a Commission member may be reimbursed for lodging at a rate of \$150 or the current federal city travel regulation rate per night, whichever is greater, exclusive of incidental expenses such as occupancy taxes and service fees.

- (c) Transportation. Commission members may be reimbursed for transportation expenses, including:

- (1) Personally owned vehicle. For the Commission member's use of a personally owned or leased motor vehicle, the mileage reimbursement rate equals the maximum fixed mileage allowance specified in the revenue rulings issued by the Internal Revenue Service under the federal income tax regulations as announced by the Comptroller. Mileage may be reimbursed, for instance, in conjunction with Finance Commission business, including travel to and from home and office, to and from the airport and to and from the location of any Finance Commission related meeting.
- (2) Airfare and rental car. Commission members may be reimbursed for actual expenses for airfare and rental car expenses. A member should use reasonable efforts to obtain state contract rates, if available.

- (d) Incidental expenses. A Commission member may be reimbursed for actual incidental expenses.

Reimbursement shall be subject to the Finance Commission member completing appropriate expense reimbursement forms and providing the Executive Director receipts or other reasonable acceptable evidence of costs incurred.

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FINANCE AGENCY BUDGETING AND TRAVEL REPORTING

STATUTE

Section 16.003. BUDGET, REVENUE AND EXPENSES.

- (a) A financial regulatory agency shall submit to the policy-making body of the financial regulatory agency a budget annually using generally accepted accounting principles. Notwithstanding any other provision of law, including the General Appropriations Act, the budget shall be adopted and approved only by the policy-making body of the financial regulatory agency.
- (b) A financial regulatory agency shall be responsible for all direct and indirect costs of the agency's existence and operation. The financial regulatory agency may not directly or indirectly cause the general revenue fund to incur any cost.
- (c) Subject to any limitations in a financial regulatory agency's enabling legislation, a financial regulatory agency may set the amounts of fees, penalties, charges, and revenues required or permitted by statute or rule as necessary for the purpose of carrying out the functions of the financial regulatory agency and funding the budget adopted and approved under Subsection (a).
- (d) All fees and funds collected by a financial regulatory agency and any funds appropriated to the financial regulatory agency shall be deposited in interest-bearing deposit accounts in the Texas Treasury Safekeeping Trust Company. The comptroller shall contract with the financial regulatory agency for the maintenance of the deposit accounts under terms comparable to a contract between a commercial banking institution and the institution's customers.
- (e) Periodically, each financial regulatory agency shall submit to the agency's policy-making body, as directed by the policy-making body, a report of the receipts and expenditures of the financial regulatory agency.
- (f) The fiscal year for a financial regulatory agency begins on September 1 and ends on August 31.

POLICY STATEMENT

BUDGETING

The finance agencies will present their budget proposals annually to the Audit Committee in August. Prior to this meeting, the finance agencies will conduct a public hearing to receive input on their proposed budgets as well as publish the proposed budgets on their websites with directions on how to make comments on the proposal. All written comments will be provided to the Audit Committee.

Each finance agency's budget proposal must include all direct and indirect costs of the finance agency. Fees and assessments to be collected from each area of regulation during the budget period must be set in a consistent and predictable manner and should be substantially sufficient to cover an area's anticipated cost of regulation. If necessary, budgeted fees and assessments may be adjusted to reflect activity from the preceding year. Each budget proposal must include a comparison of the budgeted fees and assessments to the maximum fees or assessments allowed to be charged to each regulatory area.

Flexibility in setting the fees and assessments is important to ensure that the finance agencies can meet their regulatory responsibilities and maintain compliance with the liquidity policy requirements. Fees and assessments should be accurately forecasted for an upcoming budget period, and significant discounts during the budget period should be limited. Any significant changes in fees and assessments during the budget period should be limited and must be communicated to the Finance Commission, the regulated industries, and affected stakeholders, as soon as information becomes available.

The finance agencies will provide quarterly financial data to the Audit Committee. The data will include current quarter and year to date budget to actual revenue and expenditure comparisons.

A finance agency may not expend funds in excess of the total budgeted expenditures without prior approval of the Finance Commission.

TRAVEL REPORTING

For transparency in travel expenditures and increased monitoring by the Finance Commission, the finance agencies will track and report travel in the following four categories (separately for in-state and out-of-state travel):

Regulatory Supervision – This category is for travel related to regulatory functions associated with financial service entities including examinations, visitations, inspections, reviews, investigations, enforcement actions and management meetings. Also included is travel related to meetings with other regulators, financial education outreach and speaking or panelist engagements associated with regulatory matters.

Development and Training – This category is for travel related to training and staff or agency development. The category includes examiner education classes, administrative staff professional development, commission testing, conducting interviews, recruiting, participating in university banking programs, conferences, forums and seminars.

Other Regulatory Activities – This category is for travel activities ancillary to the regulatory statutory functions of the finance agency. This category includes travel related to service on a board or committee as an officer or director, legislative fly-ins, and instructors at graduate banking programs.

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Non-Employee - This category is for travel activities of the members of the finance commission or advisory councils and any other non-agency person eligible for travel reimbursement by the finance agency.

Travel expenditures in the above categories will be presented quarterly to the Finance Commission.

The Chair of the Finance Commission shall have the power to interpret, construe, and implement these policies. In the absence of the Chair, or in consultation with the Chair, the Executive Director may exercise such power. These policies may be amended by simple majority vote of the Finance Commission.

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**Office of Consumer Credit
Commissioner**

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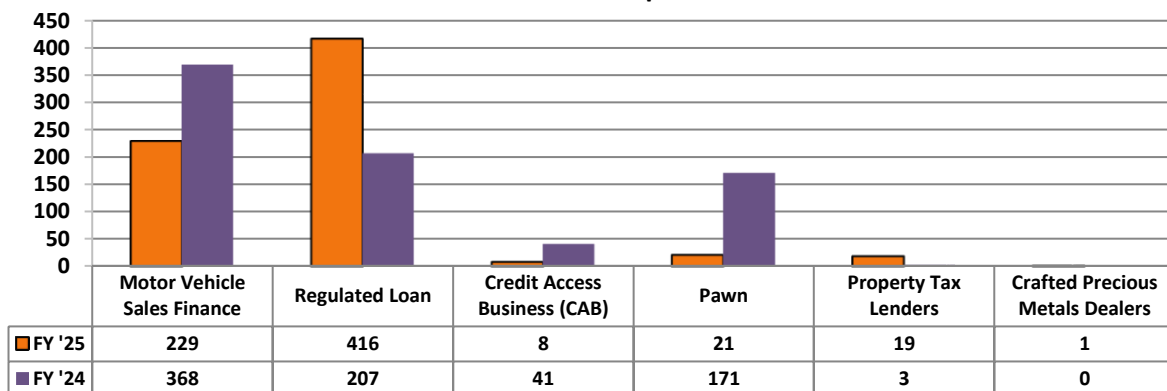
Consumer Protection and Consumer Assistance Report

First quarter pro rata examination production lagged by more than 5% from the goal due to specific training commitments and dedicated project work. During the first and second quarters, the focus has purposefully been on mortgage examinations in the State Exam System (SES) and property tax examinations and scheduling regulated lender examinations using the ALECS system. As of January 31, 2025, the OCCC has completed 70% of regulated lending exam annual goals and 92% of property tax exam annual goals. Additionally, Crafted Precious Metals Dealers exam production stands at 50% of the annual goal. Exam production is expected to gain ground towards the target in the spring. Considerable progress was made in pawnshop examinations during January.

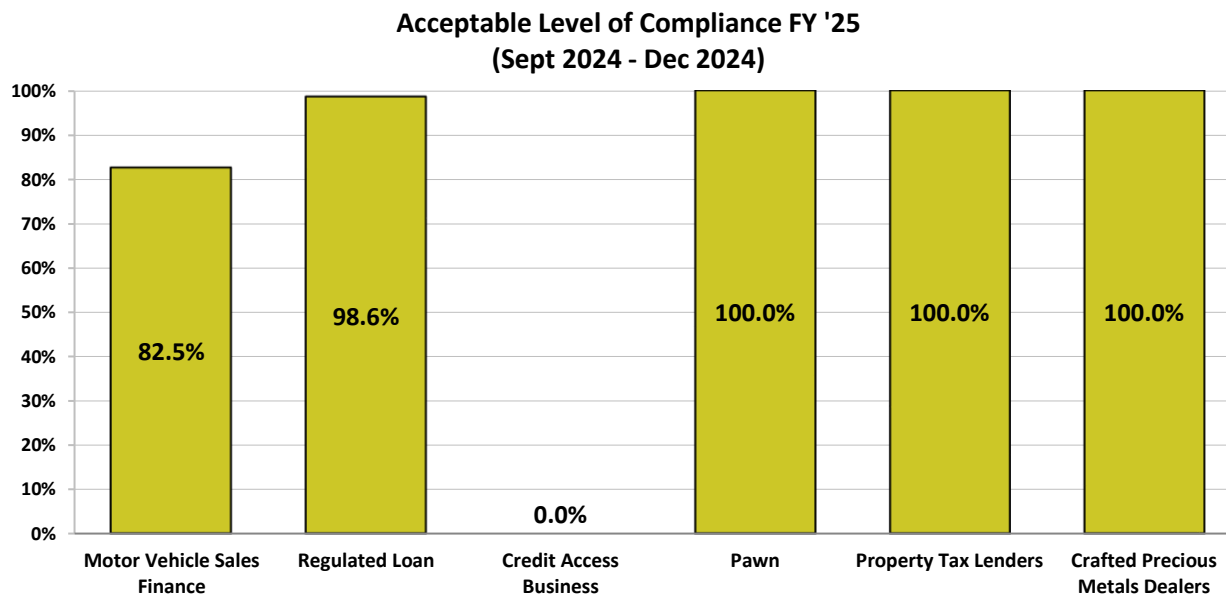
The OCCC has committed to participate in and lead two multi-state auto finance (MSAF) examinations in FY 2025 using SES. The OCCC will lead these examinations providing both the Examiner-in-Charge (EIC) and Single Point of Contact (SPOC) roles which will be performed by two senior examiners. The participating senior examiners will alternate roles (EIC-SPOC) on these two MSAF exams. The first MSAF exam activities commence the week of February 18, 2025, with the OCCC exam team in Austin for just in time training. Site-work is scheduled for the week of February 24, 2025.

The examination department continues to prioritize examiner training and development certifying four additional examiners in pawn and 342-F exams during January 2025. The OCCC plans to deliver classroom training for Credit Access Business exams and 342-E large loan exams in the Spring of 2025. Finally, recruiting for a new examiner class will begin in the Spring of 2025 with the goal of filling a class of five examiners for a June 2025 training class. Three college recruiting trips are planned for Spring 2025.

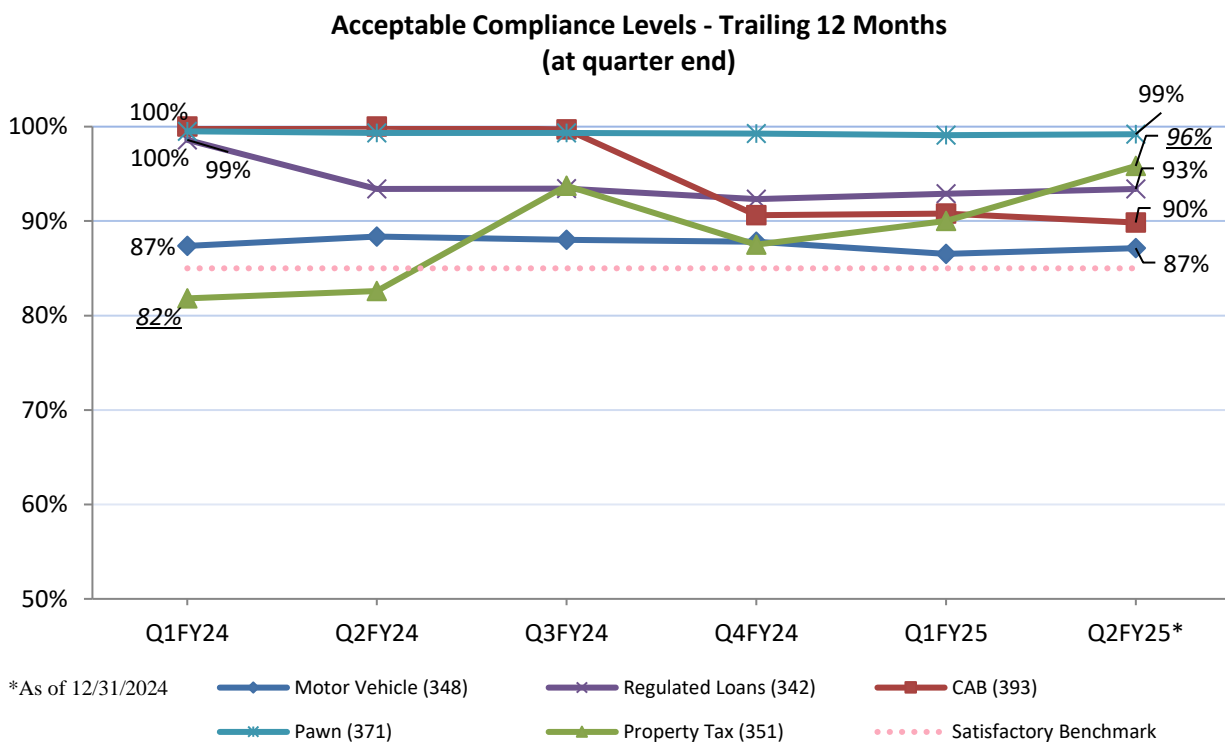
**Examinations Conducted: Sept - Dec
Fiscal Year Comparison**



The following chart denotes the acceptable level of compliance for exams completed in FY 2025. The 0% acceptable level of compliance for CAB exams is a result of a small number of examinations in the period. The percentage should stabilize as large CAB exams are completed in the 2nd and 3rd quarters.



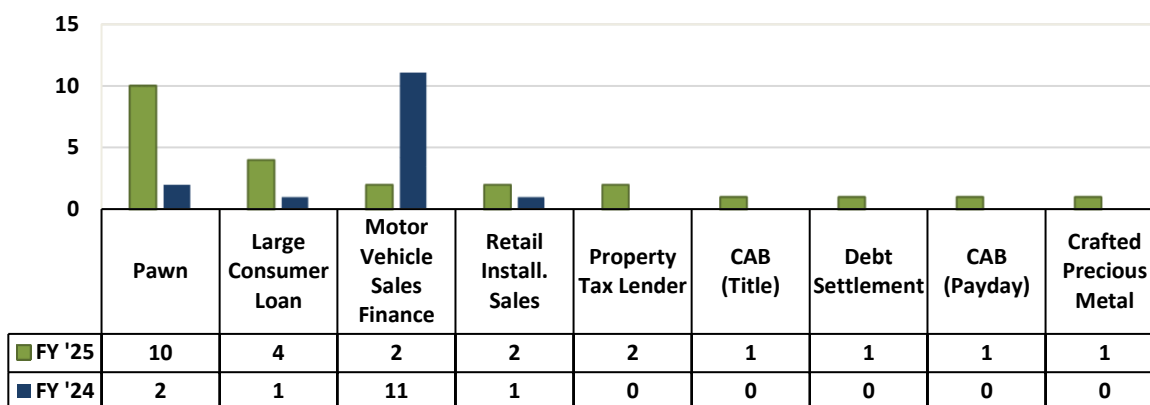
The following chart denotes the acceptable level of compliance on a trailing 12-month basis through the end of December 2024.



Investigations

For FY 2025, the OCCC completed 19 investigations out of the annual goal of 75. Pawn issues comprise 41.7% of the overall number of completed investigations.

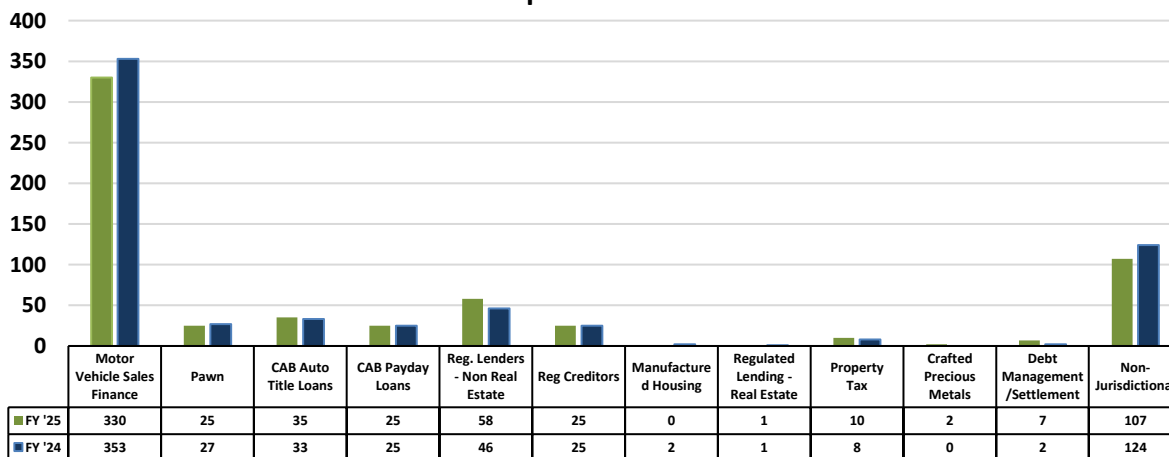
Investigations Completed FY '25 (Sept 2024 - Dec 2024) Total: 19 FY '24 (Sept 2023 - Dec 2023) Total: 15



Consumer Assistance

From September 1, 2024, through December 31, 2024, 625 complaints were closed, of which 107 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 52.8%. The second largest category was Credit Access Business complaints at 9.6% collectively, separately these are 4% for payday loans and 5.6% for title loans. The third largest category came from Regulated Lenders Non-Real Estate at 9.3%. The fourth largest category was Pawnshops at 4%.

Complaints Closed FY '25: Sept 2024 - Dec 2024 FY '24: Sept 2023 - Dec 2023



Fiscal Year 2025: 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	423			
Business	1			
Law Enforcement	0			
State or Federal Agency	39			
OCCC	3			
Whistleblower	1			
Other	0			
Total	467	0	0	0

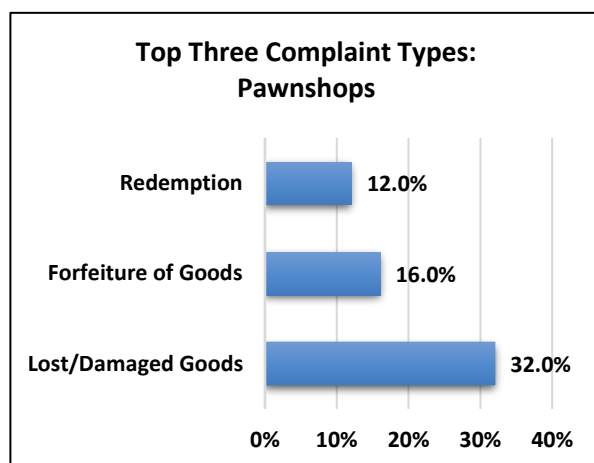
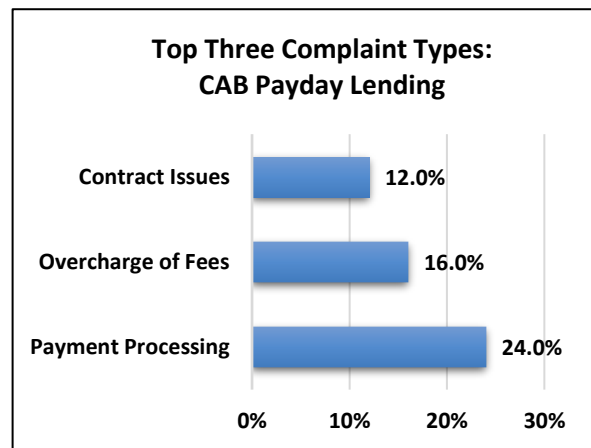
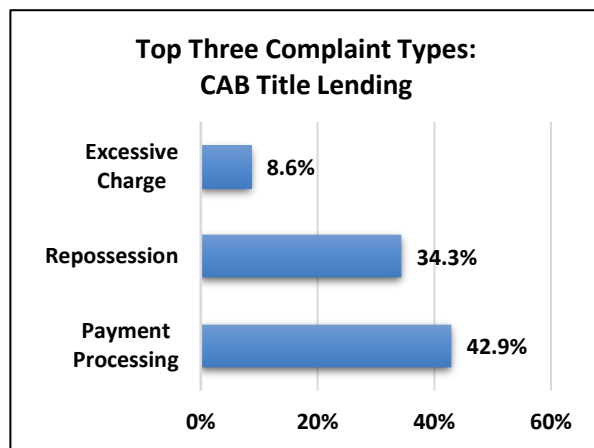
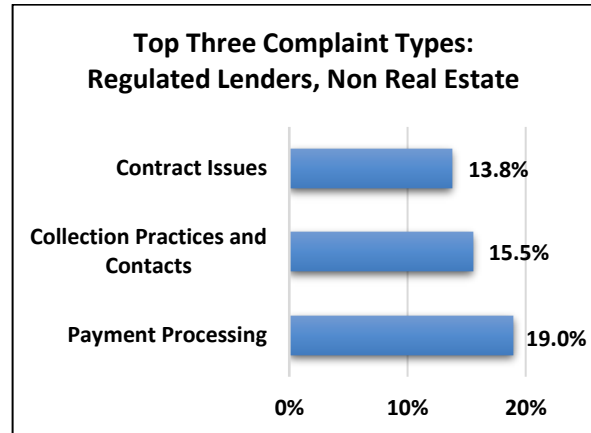
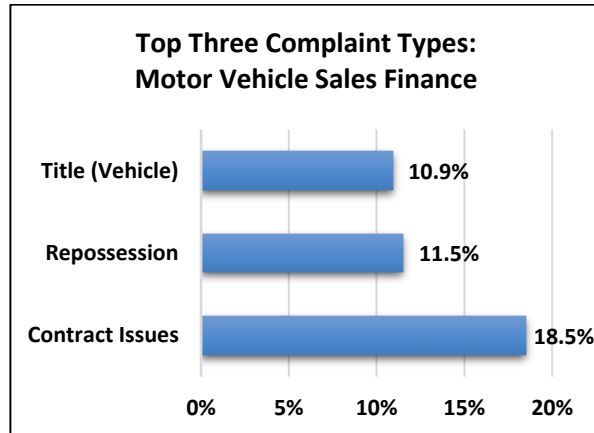
Table 2

Subjects	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Motor Vehicle Sales Finance	254			
CAB Payday Loans	17			
CAB Auto Title Loans	27			
Reg. Lenders - Non-Real Estate	45			
Pawn	17			
Registered Creditors	17			
Crafted Precious Metal Dealers	0			
Regulated Lenders - Real Estate	1			
Manufactured Housing	0			
Property Tax Lenders	8			
Debt Management/Settlement	4			
Refund Anticipation Loan	0			
Non-Jurisdictional	77			
Commercial Motor Vehicle Sales Finance	0			
Total	467	0	0	0

Table 3

Disposition	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Closed to Investigation	4			
Closed to Legal	0			
Closed -Action Taken	80			
Closed -No Violation	173			
Closed - Administratively	133			
Close - Non-Jurisdictional	77			
Total	467	0	0	0

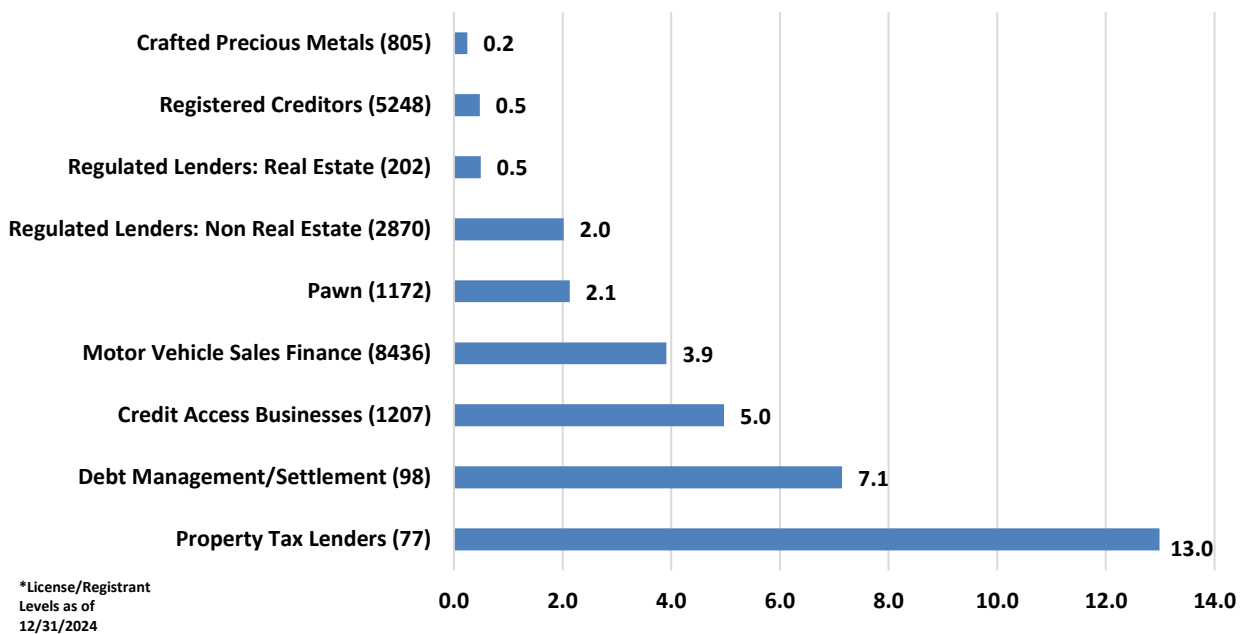
The following charts represent the top three complaint areas per license type.



Production Targets and Priorities	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Percentage of Written Complaints Closed within 90 days	91.6%			
Average Number of Days to Close a Complaint	45.7			
Number of Complaints Closed	467			

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 Debt Management/Settlement, Credit Access Businesses, and Motor Vehicle Sales Finance.

Ratio of Complaints to Total Active Licenses and Registrants*
FY '25: Sept 2024 - Dec 2024





Licensing Department Report- February 2025

Mirand Diamond, Director of Licensing, Finance & HR

Ginger Harmon, Manager

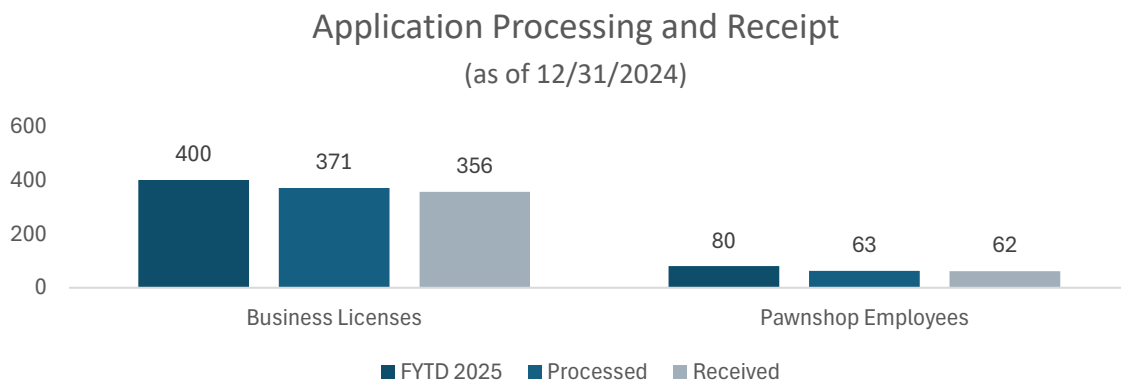
Renewals Report

The department successfully concluded the renewal process for regulated lenders, credit access businesses, and property tax lenders licenses. In this renewal period, 76% of credit access businesses renewed, 91% of property tax lenders, and 97% for regulated lender renewed. Management estimated that 94% of credit access businesses, 90% of property tax lenders, and 92% of regulated lenders would renew.

Registration renewals for crafted precious metal dealers, refund anticipation loan facilitators, registered creditors, and debt management settlement providers also concluded in December and January.

Application Processing

As of December 31, 2024, a total of 371 business applications were processed so far FY25. The projections for FYTD 2025 are 400 for business applications and 80 for pawnshop employees. FY25 year-end targets are 1,200 for business applications and 250 for employee pawnshop applications.

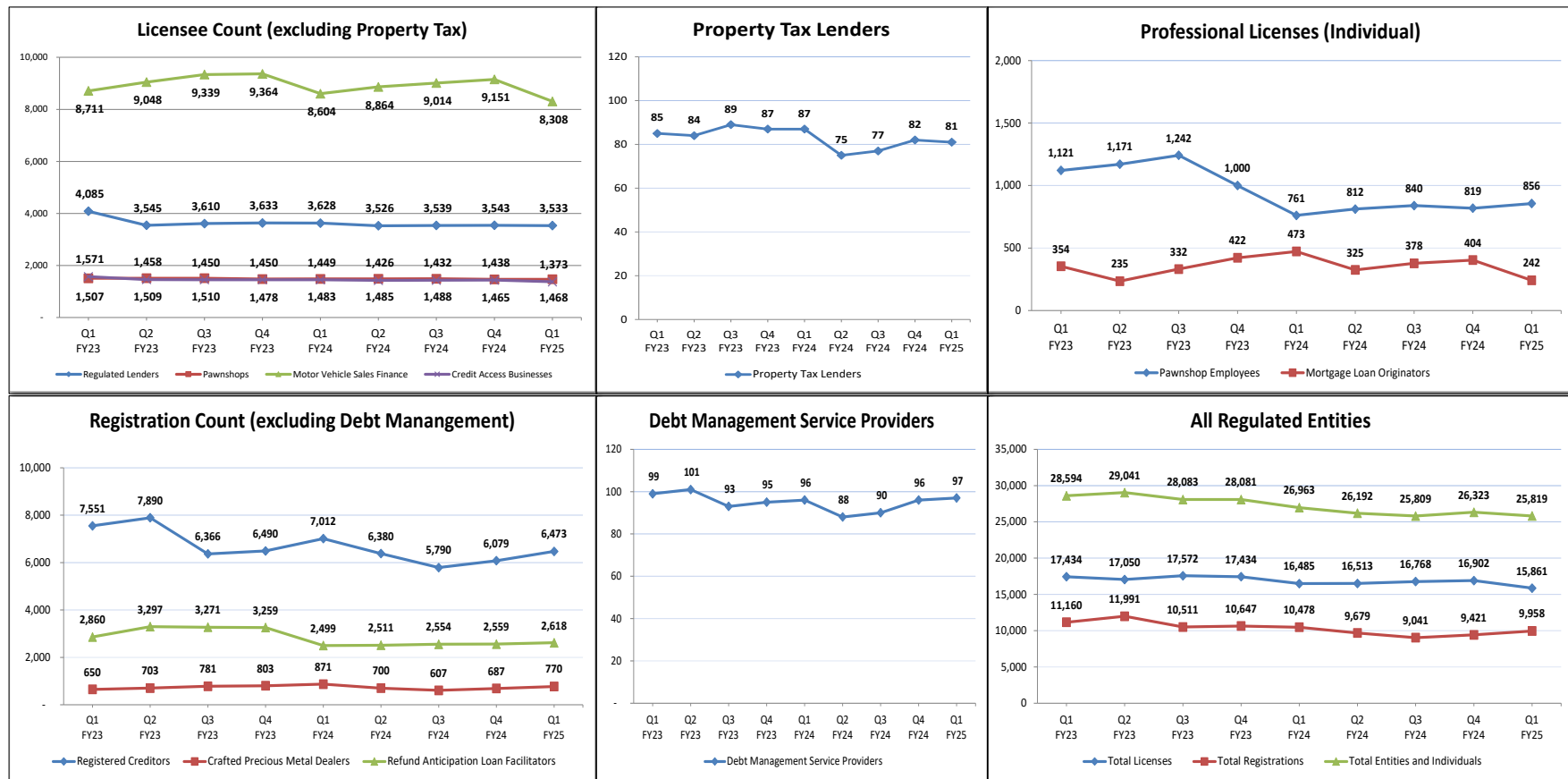


Other Updates

Transition to NMLS

The department is preparing for property tax lender licenses and regulated lender licenses to transition to NMLS this fiscal year. The property tax lenders' transition period will begin in March.

Number of OCCC Regulated Entities Quarterly Comparison FY 23-25





Financial Education

The OCCC partnered with the City of Katy Senior Center to provide a presentation on Avoiding Financial Exploitation and hosted a Financial Fitness webinar with the Department of Banking. Additionally, staff will participate in Georgetown's Sun City Town Hall on Elder Fraud in March. The agency maintains ongoing outreach efforts and is preparing for Financial Literacy month in April.

The second reporting period for TFEE's 2024-2025 grant cycle concluded on December 31, 2024. A Reimbursement Procedures webinar was conducted on January 16 to review processes, address questions and clarify best practices for efficient reporting. Final semi-annual reports and reimbursement requests are currently being reviewed.

Communication

The OCCC hosted its quarterly Town Hall on January 10, 2025, to foster engagement and open communication among staff. Leadership provided important updates on the agency's performance, upcoming projects, and strategic goals for the new year. The staff winter newsletter was published in December.

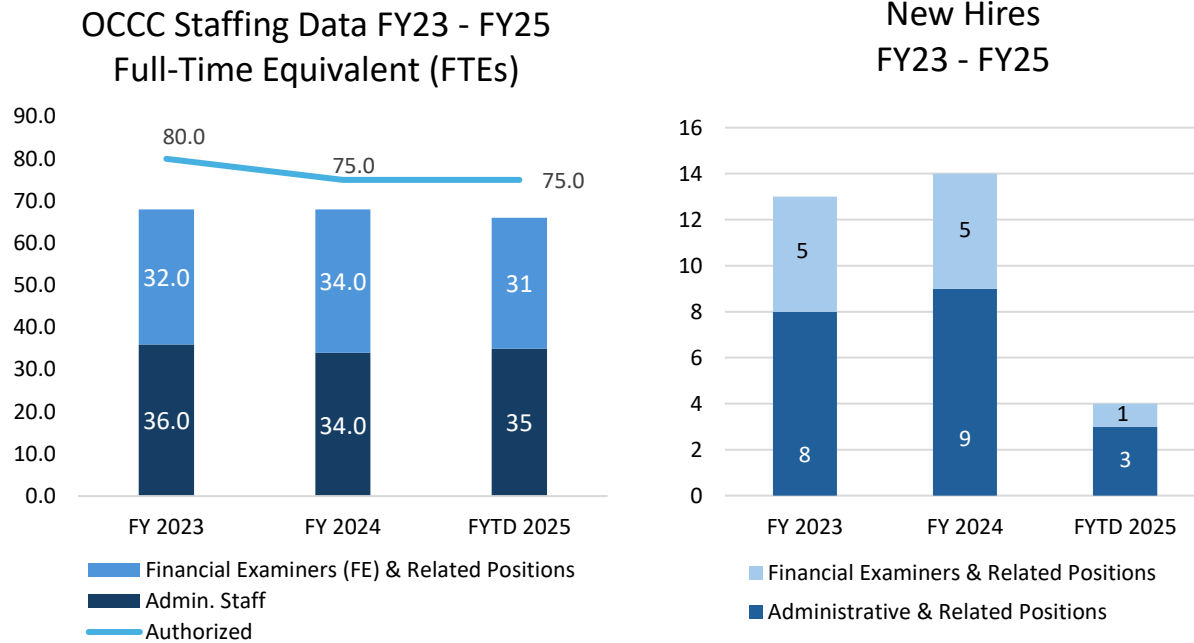
The OCCC continues to communicate with stakeholders, and staff have provided presentations to regulated entities and other groups as follows:

- On November 21, 2024, Commissioner Pettijohn, General Counsel Nance, Director Diamond, Legal Assistant Fisher, and Assistant General Counsel Spalding conducted an RMLO NMLS Registration Rule webinar.
- On December 5, 2024, Financial Examiner Fancher, presented to automobile dealers during a webinar sponsored by the Texas Department of Motor Vehicles (DMV).
- On January 2, 2025, Financial Examiner Traweck and Financial Examiner Verrett presented to automobile dealers during a webinar sponsored by the Texas Department of Motor Vehicles (DMV).

Human Resources

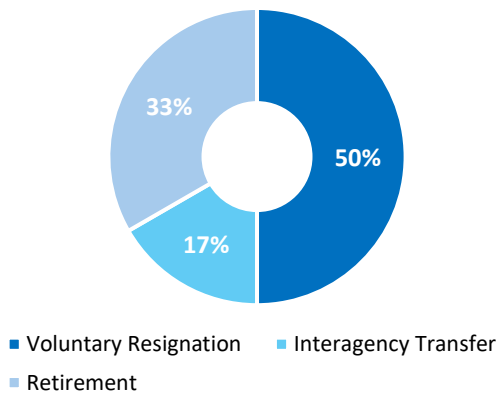
As of February 3, 2025, the OCCC was staffed with a total of 66 FTEs and has worked to fill four vacancies in FY 2025. Recruiting for a new class of Financial Examiner I's will begin later in the year.

The following charts represent staffing data for fiscal years 2023-2025.

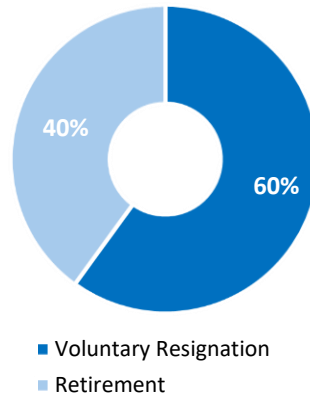


The turnover ratio as of 01/16/2025 is 8%. The charts below represent FY25 data.

OCCC Turnover FY 25
All Employees
6 total: 3 - Voluntary Resignation, 1 - Interagency Transfer, 2 - Retirement



OCCC Turnover FY 25
Financial Examiner Series
5 total - 3 - Voluntary Resignation, 2 - Retirement



Information Technology

Technology modernization and deployment

The project work to modify ALECS is continuing in preparation for the migration to the new Texas Payment Engine operation and accompanying changes in technology. User acceptance testing is scheduled to begin soon.

Cybersecurity

IT policies and procedures updating and restructuring was successfully completed by the end of CY 24.

Semi-annual agency users access reviews were completed during November-December 2024.

Preparation and compilation of documentary evidence for the upcoming Texas Cybersecurity Framework assessment and review is underway.



Accounting Report- February 2025

Mirand Diamond, Director of Licensing, Finance & HR

Staffing

The department currently has one vacancy and anticipates it will be filled with a qualified candidate in February.

Financial Reporting

The first quarter of fiscal year 2025 ended on November 30, 2024. The first quarter financial statements are presented elsewhere in the meeting material.

Other Items

In compliance with Government Code, Section 2101.0115, the accounting staff submitted the Annual Non-Financial Report by the December 31 due date.

In accordance with Government Code, Section 2052.103, the agency reported to the State Auditor's Office the management-to-staff ratio as specified in Texas Government Code, Section 651.004.

As required by Government Code, Section 657.008(c), the Veteran Workforce Summary Report was submitted. Additionally, the Multiple Worksite quarterly report was submitted in January.

Requests for fiscal notes related to applicable legislation are being received from the Legislative Budget Board. Staff will be analyzing the fiscal impacts of proposed legislation and responding to these requests.

OFFICE OF CONSUMER CREDIT COMMISSIONER

EXECUTIVE SUMMARY

As of November 30, 2024

	FY 2023	FY 2024	FISCAL YEAR 2025				
			1st QTR	2nd QTR	3rd QTR	4th QTR	FYTD
CONSUMER PROTECTION							
Monies Returned (000)	13,720	6,683	2,628				2,628
Regulated Lenders Examinations	830	821	273				273
Property Tax Lender Examinations	24	8	3				3
Pawnshop Examinations	398	399	9				9
Motor Vehicle Examinations	1,360	1,344	175				175
Credit Access Businesses Examinations	563	427	8				8
Crafted Precious Metal Dealers	10	10	0				0
CONSUMER ASSISTANCE							
Telephone Complaints Received	496	377	126				126
Written Complaints Received	1,310	922	336				336
Total Complaints Closed	1,797	1,263	467				467
% of Written Complaints Closed within 90 Calendar Days	92.5%	96.7%	91.6%				91.6%
ADMINISTRATIVE ENFORCEMENT ACTIONS							
Originated	124	117	39				39
Finalized	133	147	42				42
LICENSING AND REGISTRATION							
Licenses							
Regulated Lender Licenses	3,633	3,543	3,533				3,533
Pawnshop Licenses	1,478	1,465	1,468				1,468
Pawnshop Employee Licenses	1,000	819	856				856
Commercial MV Sales Fin. Licenses	65	75	72				72
Motor Vehicle Sales Finance Licenses	9,364	9,076	8,236				8,236
Property Tax Lender Licenses	87	82	81				81
Mortgage Loan Originators	422	404	242				242
Credit Access Business Licenses	1,450	1,438	1,373				1,373
Registrations							
Registered Creditors	6,490	6,079	6,473				6,473
Crafted Precious Metal Dealers	803	687	770				770
Debt Management Service Providers	95	96	97				97
Refund Anticipation Loan Facilitators	3,259	2,559	2,618				2,618
Applications							
Business -- New	1,118	1,046	302				302
Business -- Change of Ownership	85	197	7				7
Pawnshop Employees -- New	286	231	52				52
HUMAN RESOURCES DATA							
Field Examiners Staffing	32	34	37				37
Total Staffing	68	68	69				69

Office of Consumer Credit Commissioner
Actual Performance for Output Measures
Fiscal Year 2025

Type/Strategy/Measure	2025 Target	2025 Actual	2025 YTD	Percent of Annual Target	
Output Measures-Key					
CONSUMER PROTECTION					
1-1-1 Complaint Resolution					
1. # Complaints Closed					
Quarter 1	1,750	467	467	26.7%	
2-1-1 Examination and Enforcement					
1. # Examinations Completed					
Quarter 1	2,700	468	468	17.3%	*
<i>During this quarter the OCCC purposefully focused on mortgage examinations in the State Exam System (SES), property tax examinations, and regulated lender examinations. Resources were devoted toward training and performance is expected to improve throughout the year.</i>					
EFFECTIVE LICENSING & REGISTRATION					
2-2-1 Licensing and Registration					
1. # Business License Applications Processed					
Quarter 1	1,200	309	309	25.8%	
FINANCIAL EDUCATION					
3-3-1 Financial Education					
1. # People Receiving Direct Educational Services					
Quarter 1	650	64	64	9.8%	*
<i>The OCCC had fewer opportunities for financial education classes during the first quarter. Performance is expected to improve throughout the year.</i>					

*Varies by 5% or more from target.



Legal Department Report

Matthew Nance, General Counsel

February 2025

Enforcement Report

Contested Cases

As of January 31, 2025, the OCCC does not have any contested cases pending before the State Office of Administrative Hearings (SOAH).

Enforcement Case Highlights

Order on reporting violation

Under Chapter 393 of the Texas Finance Code and its implementing rules, each credit access business is required to file quarterly and annual reports with the OCCC describing transaction activity. The reports are due January 31, April 30, July 31, and October 31 of each year. If a credit access business 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 January 2025, the OCCC issued one order against a credit access business for failing to file its 2024 third quarter report by the deadline of October 31, 2024.

Orders disapproving plain language contract submissions

Under Chapter 341 of the Texas Finance Code, regulated lenders and motor vehicle sales finance licensees are required to use contracts that are written in plain language. Licensees must use either a model contract adopted by rule of the Texas Finance Commission or a contract that has been submitted to the OCCC for plain language review. In December 2024, the OCCC issued six orders disapproving plain language contract submissions for failure to comply with Chapter 341 and its implementing rules.

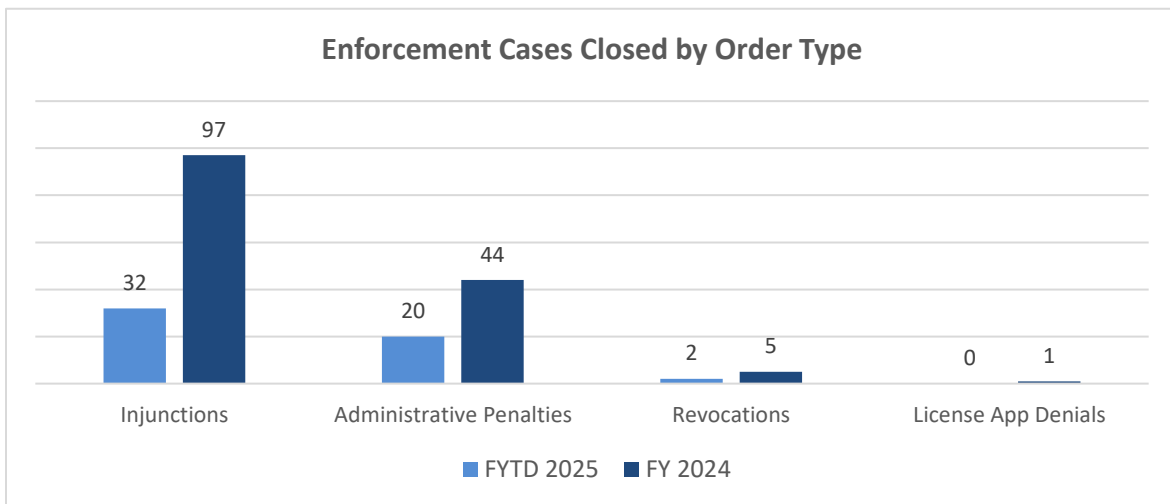
Orders for failure to furnish information

Under Chapter 348 of the Texas Finance Code, the OCCC is authorized to examine and investigate motor vehicle sales finance licensees. Licensees are required to allow the OCCC to access their records and to respond to the OCCC's requests for information. If a licensee fails to provide requested information in an investigation, the OCCC's typical practice is to send an order to the licensee to provide the requested information and to allow an investigation. Failure to comply with an order may result in administrative penalties and license revocation. In December 2024, the OCCC issued two orders revoking the licenses of motor vehicle dealers that failed to comply with orders to furnish information.

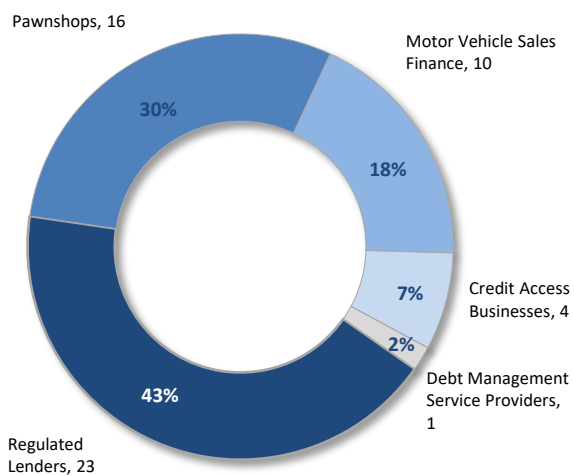
Enforcement Case Tracking

The following table includes enforcement case tracking information for FY 2024 (September 1, 2023, through August 31, 2024) and FY 2025 to date (September 1, 2024, through January 31, 2025).

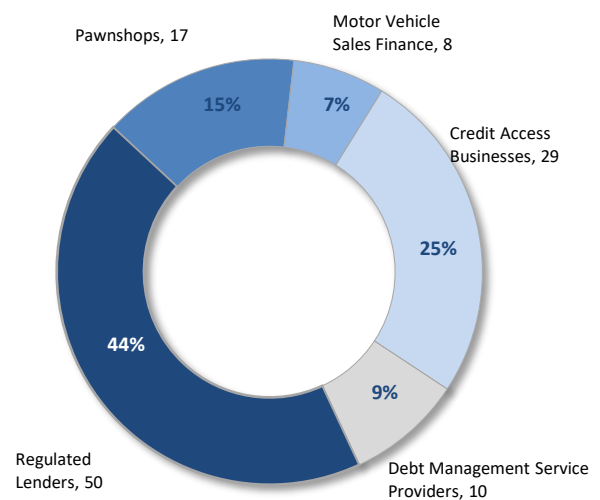
Enforcement Case Tracking Information	FYTD 2025	FY 2024
Enforcement Cases Opened	45	117
Enforcement Cases Closed	54	147
Enforcement Cases Closed by Final Order	54	140
Average Number of Days to Close an Enforcement Action	85	79
Contested Cases Docketed at SOAH	0	1



**Cases Closed by Industry
FYTD 2025**



**Cases Closed by Industry
FY 2024**



Litigation

Ernest Polk v. Texas Office of Consumer Credit Commissioner

This is an employment discrimination lawsuit that was previously 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. On September 17, 2024, the court of appeals issued a decision in the OCCC's favor, affirming the district court's decision to dismiss the plaintiff's case. The plaintiff did not request a rehearing or appeal the case to the Texas Supreme Court within the applicable time periods. On January 3, 2025, the court of appeals issued its mandate confirming that the district court's ruling is affirmed. The case is now closed.

Rulemaking

At the February 2025 Finance Commission meeting, the OCCC is presenting one rule action to adopt amendments to 7 TAC Chapter 2 (relating to residential mortgage loan originators).

Federal Rulemaking and Litigation

CFPB Payday Lending Rule Litigation

The Consumer Financial Protection Bureau's Payday Lending Rule contains payment-withdrawal requirements for certain short-term and long-term consumer loans. A lawsuit challenging the Payday Lending Rule's constitutionality, *Community Financial Services Association v. Consumer Financial Protection Bureau*, was brought by trade groups representing payday loan companies. In May 2024, the U.S. Supreme Court issued a decision finding that the CFPB's funding structure is constitutional and remanded the case to the Fifth Circuit. In June 2024, the Fifth Circuit issued a decision rendering judgment in the CFPB's favor and declared that the Payday Lending Rule is constitutional. In November 2024, the Fifth Circuit denied the plaintiffs' motion for rehearing. On January 10, 2025, the CFPB issued a statement that it expects the Payday Lending Rule to go into effect on March 30, 2025.

FTC CARS Rule Litigation

In December 2023, the Federal Trade Commission issued its Combating Auto Retail Scams (CARS) Rule, which prohibits motor vehicle dealers from making certain misrepresentations in selling motor vehicles, requires accurate pricing disclosures in advertising and sales discussions, prohibits the sale of certain add-on products and services, and requires dealers to maintain records of advertisements and transactions. In January 2024, the National Automobile Dealers Association and the Texas Automobile Dealers Association filed a petition for review with the Fifth Circuit, alleging that the rule did not comply with procedural notice requirements and should be vacated. On January 27, 2025, the Fifth Circuit issued an opinion finding that the CARS Rule did not comply with procedural requirements and vacating the rule.

CFPB Proposed Data Broker Rule

On December 3, 2024, the CFPB published a proposed rule that would govern data brokers' use of consumer information. The proposed rule would provide that certain data broker activities are subject to the requirements for consumer reporting agencies under the federal Fair Credit Reporting Act. The CFPB has requested public comments by March 3, 2025.

CFPB Proposed Rule on Prohibited Contract Provisions

On January 13, 2025, the CFPB published a proposed rule that would prohibit certain terms in consumer credit contracts. The proposed rule would prohibit waivers of federal and state laws designed to protect consumers (unless an applicable statute explicitly allows a waiver), would prohibit terms allowing the creditor to unilaterally modify the contract, and would prohibit restraints on the consumer's free and lawful expression, among other prohibitions. The CFPB has requested public comments by April 1, 2025.

Advisory Guidance

From November 1, 2024, to January 31, 2025, the OCCC issued two advisory bulletins:

- The first bulletin describes how motor vehicle dealers should disclose inspection program replacement fees and emissions inspection fees in retail installment contracts, starting January 1, 2025.
- The second bulletin describes requirements for placing substitute insurance in a motor vehicle retail installment transaction when a buyer fails to maintain property insurance on the vehicle.

From November 1, 2024, to January 31, 2025, the OCCC received one request for an official interpretation of the Texas Finance Code. The request deals with requirements for substitute insurance in motor vehicle retail installment transactions. After considering the request, the OCCC determined that the most appropriate way to address the request would be an advisory bulletin for motor vehicle dealers (as discussed above). As of January 31, 2025, there were no pending requests for official interpretations of the Texas Finance Code.

Public Information Requests

Public Information Tracking Information	FYTD 2025	FY 2024
Public Information Requests Received	52	144
Public Information Requests Closed	49	134
Public Information Requests Withdrawn	1	8
Public Information Requests Referred to Office of Attorney General	0	0
Average Number of Days to Address a Public Information Request	2.9	2.5

On September 26, 2024, the OCCC received a third-party notice from the Texas Department of Information Resources. The notice explains that a person sent a public information request to DIR for "All automated decision system inventories submitted to DIR by Texas state agencies, as required by Section 2054.623 of the Government Code." DIR requested a ruling from the Office of the Attorney General on whether some responsive information is confidential and may be withheld from the requestor (request R003874-082724). On October 8, the OCCC filed a brief with the Office of the Attorney General (OAG) arguing that certain OCCC information should be withheld from the requestor, because the information relates to network security. On December 19, 2024, the OAG issued a letter ruling finding that certain information should be withheld from the requestor because it relates to computer network security, and that certain information should be released (OR2024-042377).

Gifts Received by the OCCC

From November 1, 2024 to January 31, 2025, the OCCC received no gifts.

B. OFFICE OF CONSUMER CREDIT COMMISSIONER

2. Discussion of and Possible Vote to Take Action on the Adoption of Amendments in 7 TAC, Part 1, Chapter 2, Concerning Residential Mortgage Loan Originators Regulated by the Office of Consumer Credit Commissioner

PURPOSE: The purpose of the amendments to 7 TAC Chapter 2 is to remove language providing that certain entities are not required to register with the NMLS system, in order to support the OCCC's efforts to migrate license groups to NMLS.

RECOMMENDED ACTION: The OCCC requests that the Finance Commission approve the adoption of the amendments to 7 TAC Chapter 2.

RECOMMENDED MOTION: I move that the Finance Commission approve the adoption of the amendments to 7 TAC Chapter 2.

Title 7, Texas Administrative Code

Part 1. Finance Commission of Texas

Chapter 2. Residential Mortgage Loan Originators Regulated by the Office of Consumer Credit Commissioner

Subchapter A. Application Procedures

The Finance Commission of Texas (commission) adopts the amendments to §2.102 (relating to Registration with Nationwide Mortgage Licensing System and Registry) in 7 TAC Chapter 2, concerning Residential Mortgage Loan Originators Regulated by the Office of Consumer Credit Commissioner.

The commission adopts the amendments to §2.102 without changes to the proposed text as published in the December 27, 2024, issue of the *Texas Register* (49 TexReg 10451).

The commission did not receive any official comments on the proposed amendments.

The rule at §2.102 relates to procedures for an individual to register with the NMLS system as a residential mortgage loan originator (RMLO). In general, the purpose of the adopted rule changes to 7 TAC §2.102 is to remove language providing that certain entities are not required to register with NMLS, in order to support efforts to migrate license groups to NMLS.

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. During the webinar, the OCCC answered questions from stakeholders about the rule changes. The OCCC appreciates the input provided by stakeholders. The OCCC

did not receive any written precomments on the rule text draft.

The Nationwide Multistate Licensing System (NMLS) is an online platform used by state financial regulatory agencies to manage licenses, including license applications and renewals. State agencies created NMLS in 2008. The federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 explains that the purposes of NMLS include increasing uniformity and reducing regulatory burden. Federal SAFE Act, 12 USC §5101. Each state currently uses NMLS for licensing individual RMLOs, and 59 state agencies use the system for licensing mortgage companies. See NMLS, Q1 2024 Mortgage Industry Report (June 2024). NMLS is managed by the Conference of State Bank Supervisors and is subject to ongoing modernization efforts and enhancements.

Under Texas Finance Code, §14.109, the OCCC is authorized to require use of NMLS for certain license and registration types. During calendar year 2025, the OCCC intends to begin a phased process of migrating license groups from ALECS (the OCCC's current licensing platform) to NMLS. The OCCC believes that moving to NMLS will improve the user experience of the licensing system and promote efficiency. This is particularly true for entities that hold licenses with the OCCC and with another state agency, because these entities will be able to manage multiple licenses through NMLS.

Currently, the rule at §2.102 describes procedures for an individual to register with NMLS as an RMLO. Current §2.102(b) states: "Entities licensed or applying for a license with the OCCC to make, transact, or negotiate residential mortgage loans are not required to register with NMLS."

Adopted amendments to §2.102 remove current subsection (b). This change will support the OCCC's efforts to migrate license groups to NMLS. This change is consistent with the OCCC's authority under Texas Finance Code, §14.109, to require use of the NMLS system for certain license and registration types. Other adopted amendments throughout §2.102 renumber other subsections accordingly.

The rule amendments are adopted under Texas Finance Code, §11.304, which authorizes the commission to adopt rules necessary to supervise the OCCC and ensure compliance with Texas Finance Code, Chapter 14 and Title 4. In addition, Texas Finance Code, §180.004, authorizes the commission to implement rules necessary to comply with Texas Finance Code, Chapter 180, and to carry out the intentions of the federal Secure and Fair Enforcement for Mortgage Licensing Act. Also, Texas Finance Code, §180.061, authorizes the commission to adopt rules establishing requirements for licensing through NMLS.

The statutory provisions affected by the adoption are contained in Texas Finance Code, Chapters 14 and 180.

§2.102. Registration with Nationwide Mortgage Licensing System and Registry

(a) Individuals. Individuals applying for a license with the OCCC and who, for actual or expected compensation or gain, take a

residential mortgage loan application, or who offer or negotiate the terms of a residential mortgage loan, are required to register with NMLS, except for individuals engaged in authorized activity subject to the authority of a regulatory official under Texas Finance Code, §180.251(a).

~~[(b) Entities. Entities licensed or applying for a license with the OCCC to make, transact, or negotiate residential mortgage loans are not required to register with NMLS.]~~

(b) [(e)] Withdrawal of application. If an application is not completed within 30 calendar days after notice of deficiency has been sent to the applicant, the application may be considered abandoned and will be withdrawn.

(c) [(d)] Inactive status. The OCCC may issue a license in an inactive status if the applicant complies with all requirements of licensure and completes the required application except for the requirement of providing an employer. After the inactive RMLO has submitted an employer and the OCCC has verified that the employer is currently registered or licensed by the OCCC, the license may be changed to active status.

(d) [(e)] Conditional status. The OCCC may issue a license on a conditional basis.

Certification

The agency certifies that legal counsel has reviewed the adoption and found it to be a valid exercise of the agency's legal authority.

Issued in Austin, Texas on February 21,
2025.

Matthew J. Nance
General Counsel
Office of Consumer Credit Commissioner

C.

**Department of Savings and
Mortgage Lending**

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D. Department of Savings and Mortgage Lending

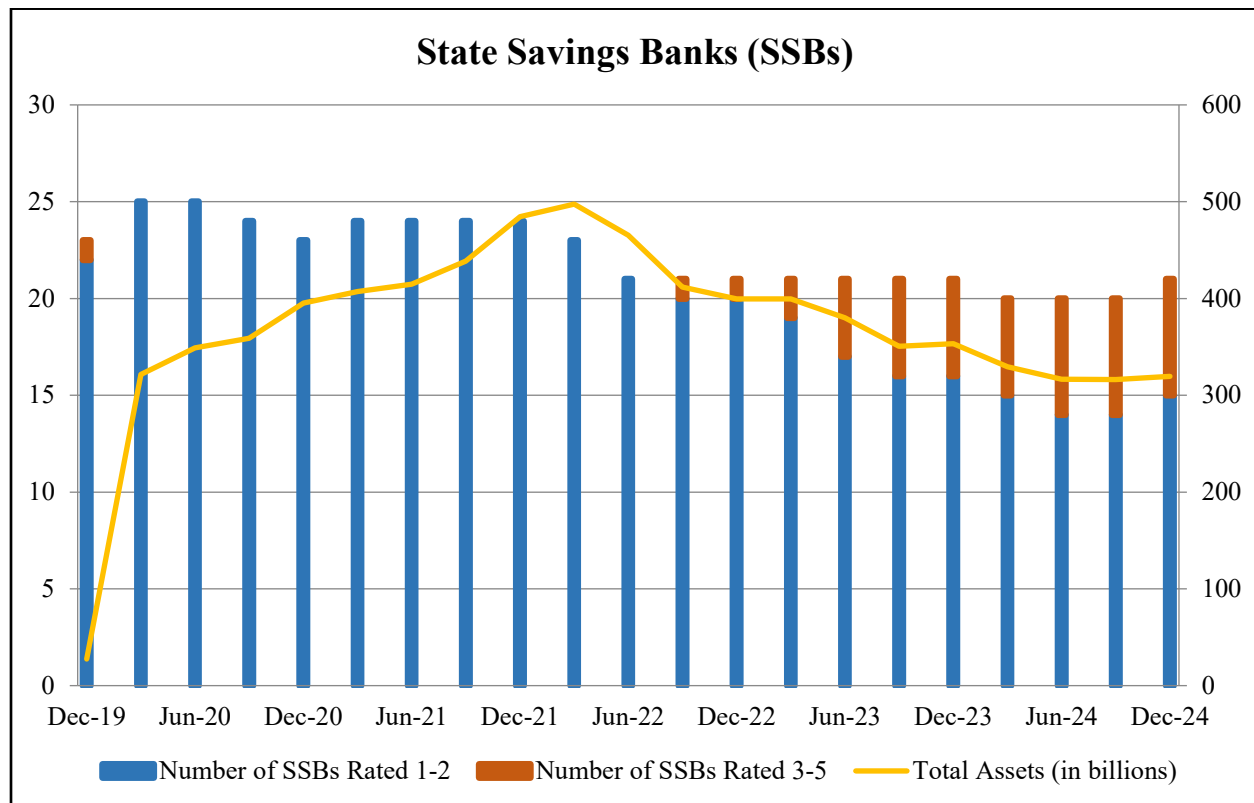
1. Industry Status and Departmental Operations

a) Thrift Regulation Division Activities

Industry Status

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

SML 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 \$319.5 billion as of December 31, 2024. The industry consists of 71% of banks being well-rated as of December 31, 2024, with four informal and two 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.

Thrift Examination Activity Report

On-site examinations are being conducted based on a risk priority schedule.

Thrift Supervision Activity Report

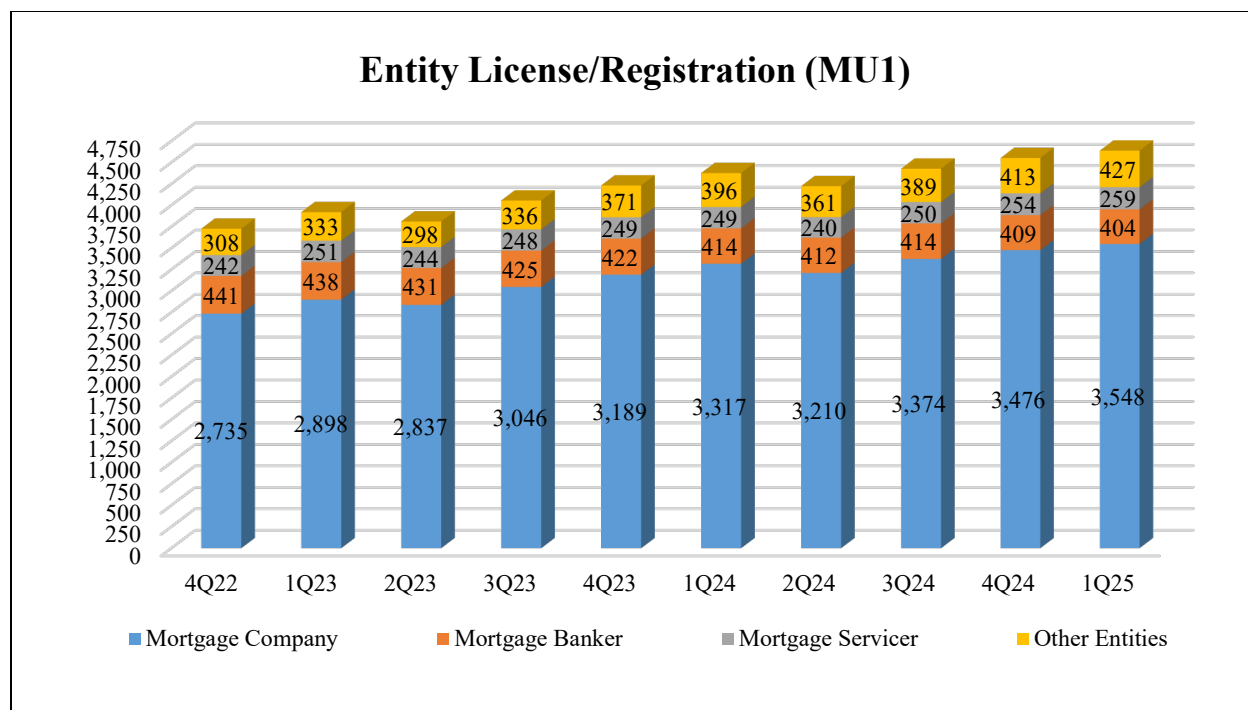
The Thrift Supervision section continues to receive and process various requests for approval, including branch, subsidiary, and holding company applications.

b) Mortgage Regulation Division Activities

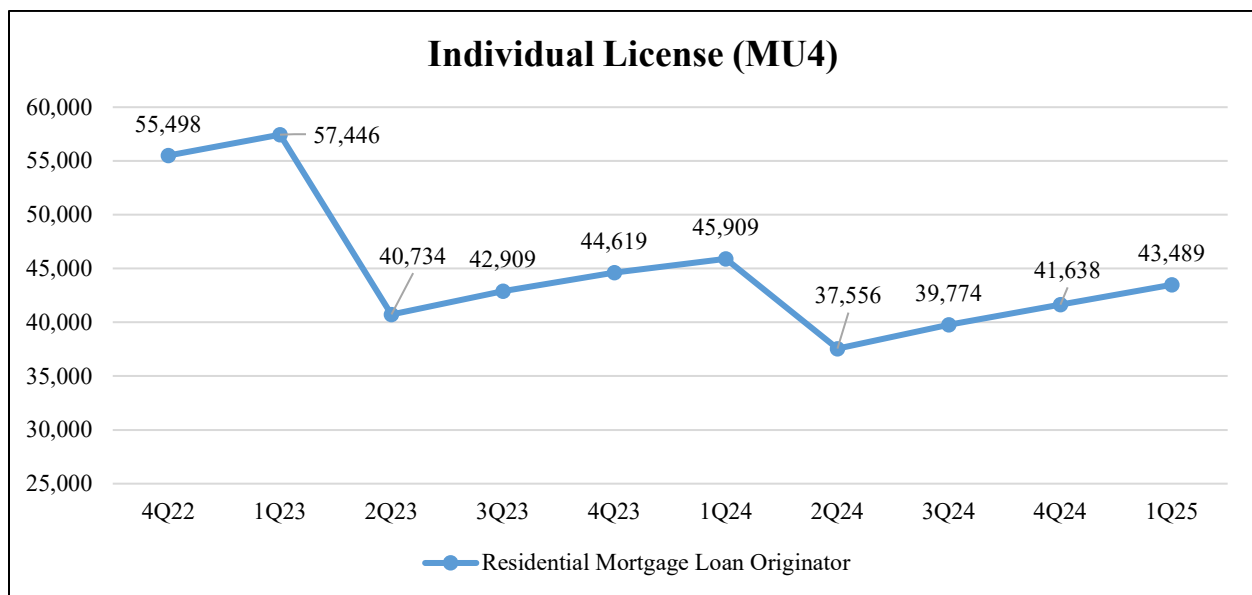
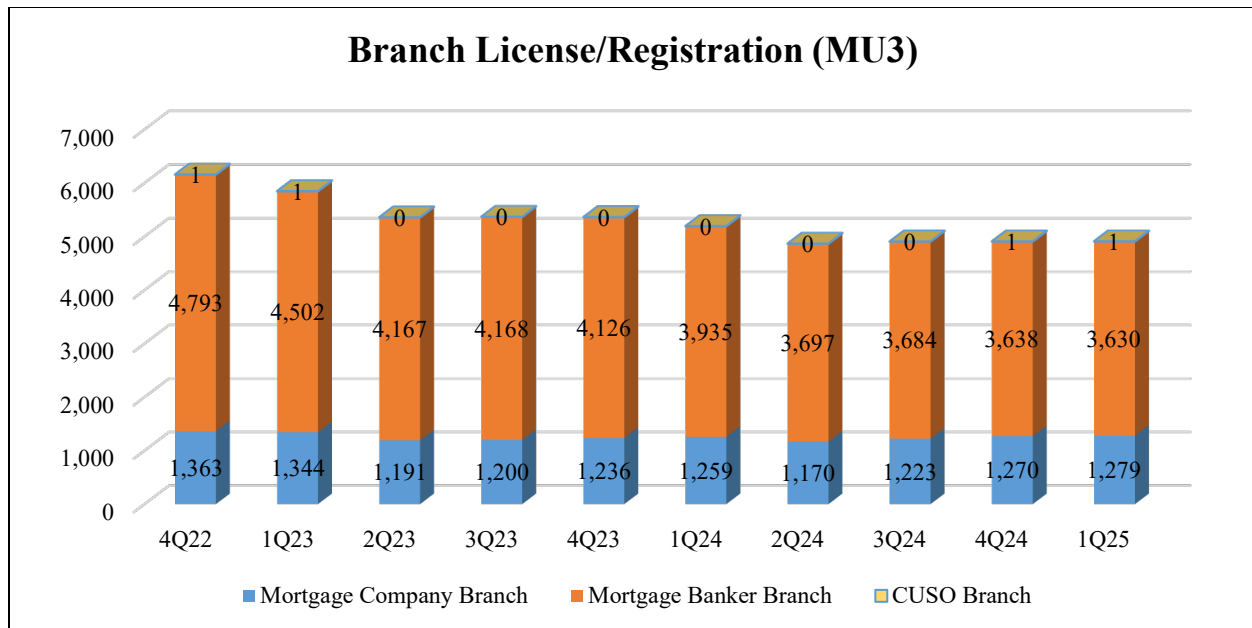
Industry Status

SML 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.

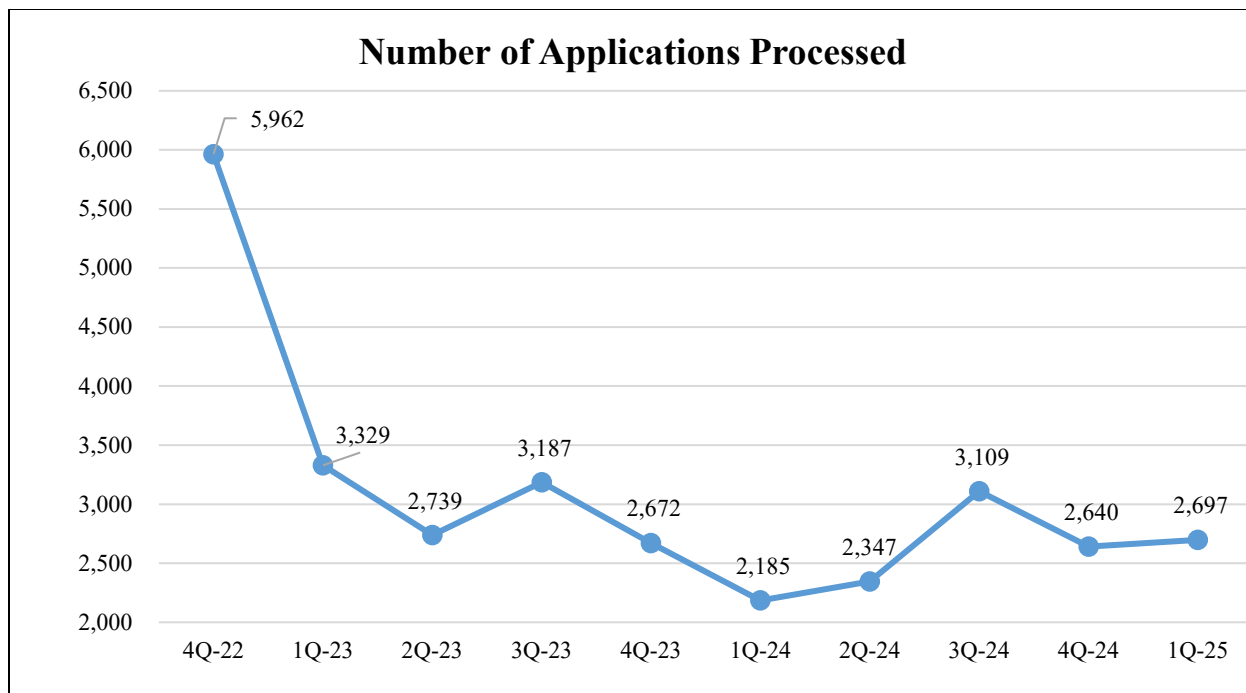


Other entities include Auxiliary Mortgage Loan Activity Company, Credit Union Subsidiary Organization (CUSO), Financial Services Company, and Independent Contractor Processor/Underwriter Company.



Licensing Activity Report

For the first quarter of FY2025, the Mortgage Licensing section processed 2,697 applications and approved 2,371 applications, including 145 mortgage entities, 322 branch offices, and 1,904 residential mortgage loan originators. The remaining 326 applications were either withdrawn by the applicant or denied by SML.



The Mortgage Licensing section experienced a 23.43% increase in the number of applications processed when comparing year-over-year results, largely due to the increase in the number of residential mortgage loan originator applications.

According to NMLS Data Analytics, for the first quarter of FY2025, the Mortgage Licensing section processed 17,820 license amendments, 4,508 credit report reviews, 3,119 sponsorship removals, and 4,247 sponsorship requests.

Mortgage Examination Activity Report

For the first quarter of FY2025, the Mortgage Examination section issued 81 mortgage origination examinations covering 1,544 individual licensees. Compared to the same reporting period in FY2024, the overall number of examinations issued decreased by approximately 8% (81 versus 88); however, the number of individual licensees examined increased by 15% (1,544 versus 1,341). In addition to the mortgage origination examinations, the Mortgage Examination section accepted two multi-state committee (MMC) servicing examinations.

SML has committed to participate in three MMC origination examinations and one joint mortgage origination and servicing examination with the Office of Consumer Credit Commissioner (OCCC) in FY2025.

The most common violations for 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 Program, and Remote Work Policies), non-compliant social media advertisements, and non-compliant Conditional Pre-Qualification and Approval Letters.

**Department of Savings and Mortgage Lending
Actual Performance for Output Measures**

Type/Strategy/Measure		2025 Target	2025 Actual	2025 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	17	6	6	35.29%	*
	*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	2,697	2,697	28.84%	
	2. Number of Examination Reports Issued					
	Quarter 1	400	83	83	20.75%	
3-1-1	Consumer Responsiveness					
	1. Number of Complaints Closed					
	Quarter 1	1,350	237	237	16.93%	*
	*The volume of complaints received was lower than anticipated, resulting in fewer complaints closed.					

* Varies by 5% or more from the target

c) Operations Division Activities

Accounting, Budget, and Financial Reporting

Staff closed out the first quarter of fiscal 2025.

In compliance with the Texas Government Code, Section 2101.0112 SML submitted the Annual Report of Nonfinancial Data for the year ended August 31, 2024, including the annual HUB progress report to the Governor's Office, State Auditor's Office, and the Legislative Budget Board.

As a self-directed semi-independent agency, the Department of Savings and Mortgage Lending submitted financial information regarding the funds held outside the state treasury, required under Texas Government Code, Section 403.011, and Texas Finance Code, Chapter 16, to the Texas Comptroller of Public Accounts.

Legislative Activity – Staff is reviewing and analyzing filed bills for fiscal impact on the agency and the regulated industries.

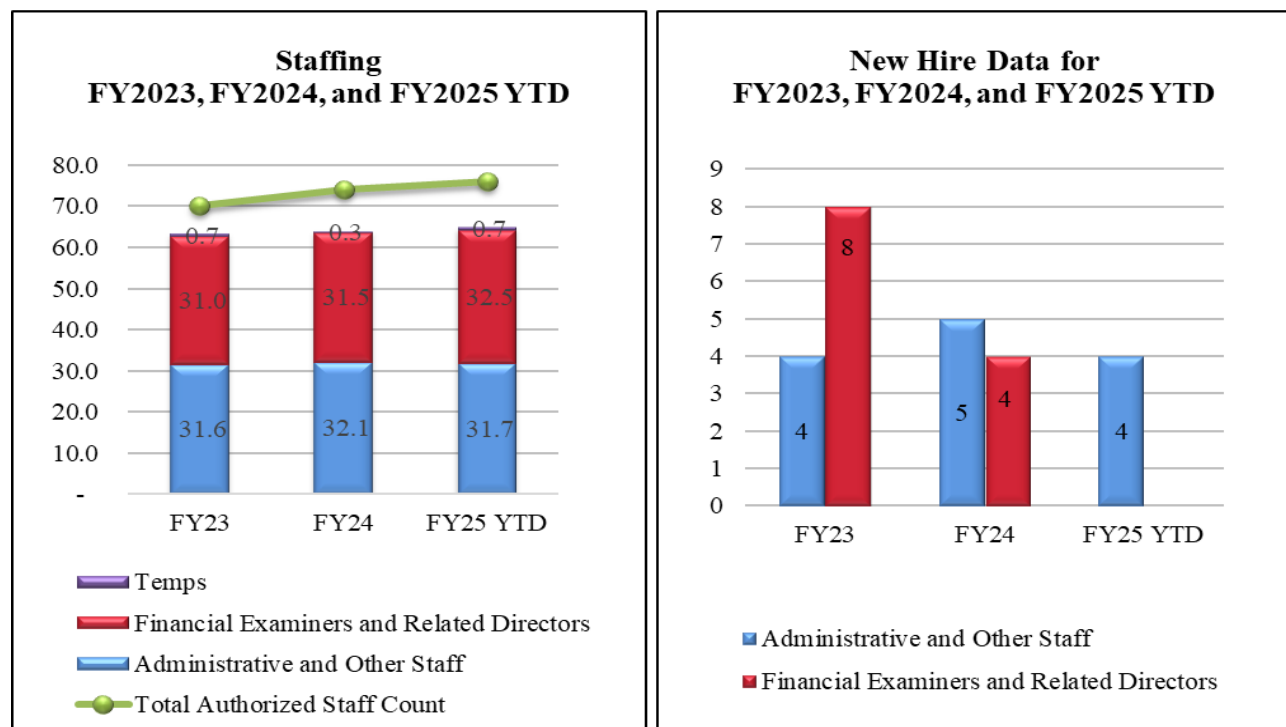
Audit

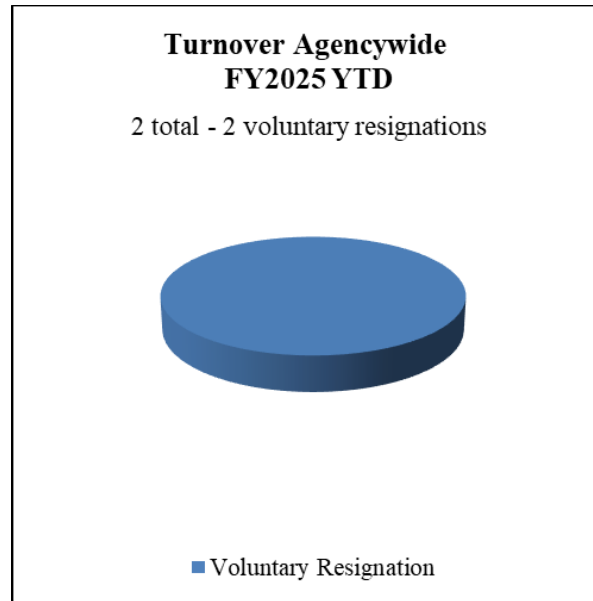
SML is undergoing a Post-Payment and Procurement Audit, conducted by the Comptroller of Public Accounts, and a Self-Directed Semi-Independent Audit by the State Auditor's Office.

Human Resources

As of January 31, 2024, SML was staffed at 66 regular full-time employees. Since the last report, three new hires joined SML – an Accountant, a Program Specialist, and an Administrative Assistant. There were no separations during the same period.

Staffing Charts as of January 31, 2024





Below is the status of SML's vacancies:

Vacancy Status	
Program Specialist II – Executive	Filled
Administrative Assistant III/V	
Accountant VI/VII	
Executive Assistant II/III	Published in Recruit, collecting applications
Cybersecurity Analyst III	
Investigator II/IV - Licensing	
Attorney I/II	Preparing for publication
Financial Examiner – Thrift I-V - 6	

Activities and Projects

The Texas Workforce Commission Review of SML's Human Resources policies, procedures, and practices was completed. SML was certified as fully compliant.

CAPPS Recruit was fully implemented and went live on January 30, 2025.

Outreach and Training

The next quarterly agencywide meeting and training is scheduled for February 27, 2025.

d) Strategic Projects, Initiatives, and Information Resources

Strategic Projects and Initiatives

SML implemented Element LMS, a learning management system. All employees were trained according to their roles.

SML started the planning phase for an IT-related legacy modernization project.

The 2023-2024 Mortgage Grant Fund cycle is complete, and final reimbursements are being processed. The 2025-2026 cycle has begun. SML hired a Program Specialist II, whose primary responsibility is to be the Grant Coordinator.

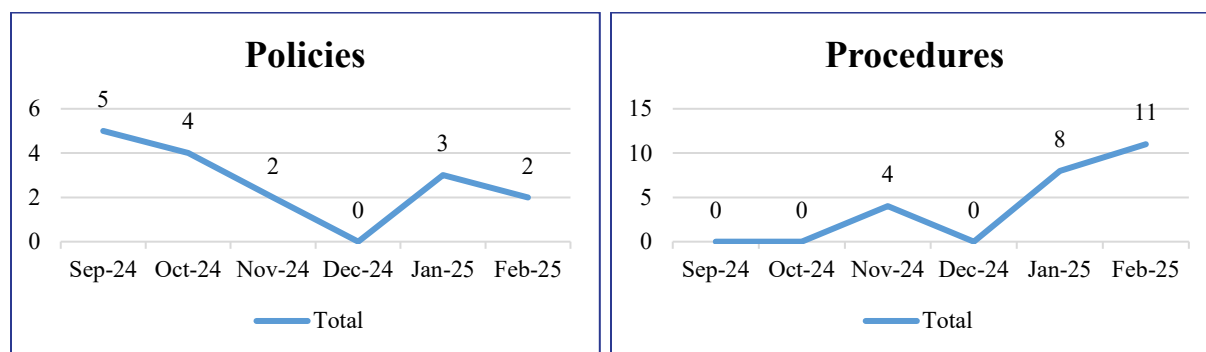
Information Resources

SML continues to focus on readiness and legacy modernization.

SML is impacted by and working through the Texas.gov Payment Services Migration.

Policy and Procedure Updates

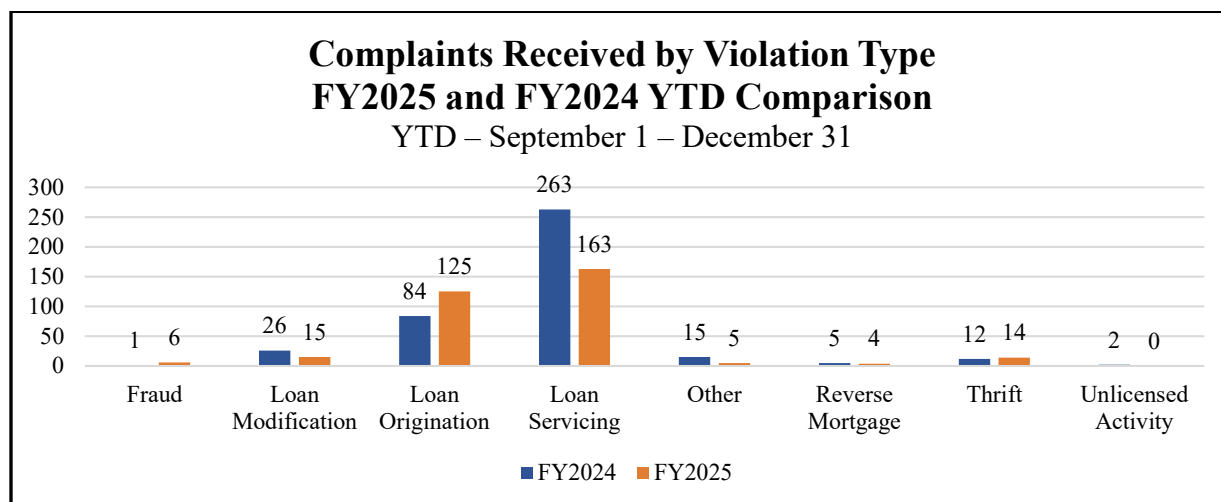
SML is making a concerted effort to update all agency policies and procedures. As of January 2025, the Strategic Projects and Initiatives Section leading this charge is fully staffed with two FTEs. The charts below depict the policies and procedures that were fully approved and published in the agency's policy management database by month for this FY.

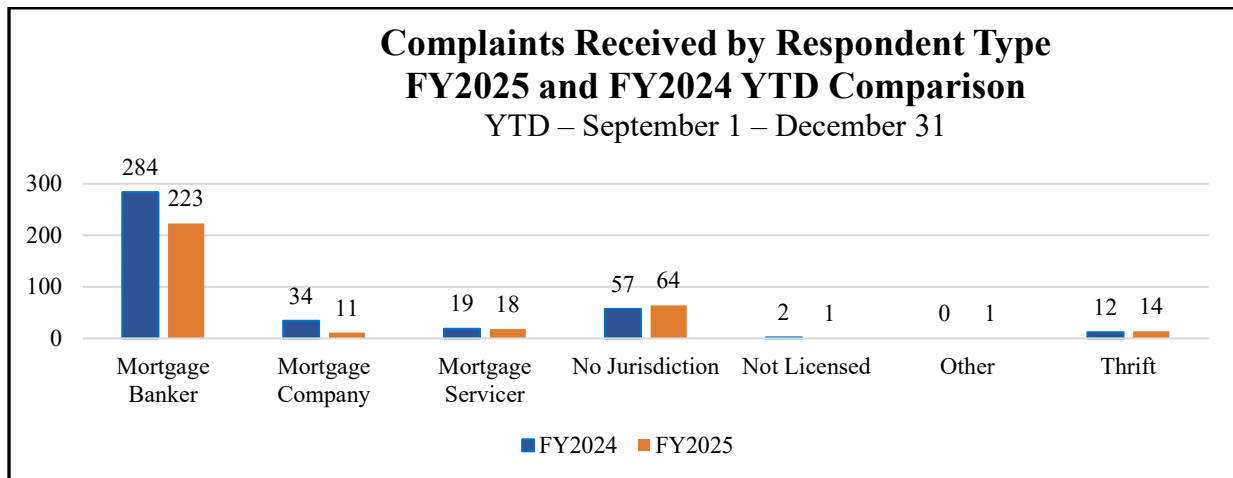


e) Legal Division Activities, including Consumer Complaints and Gift Reporting

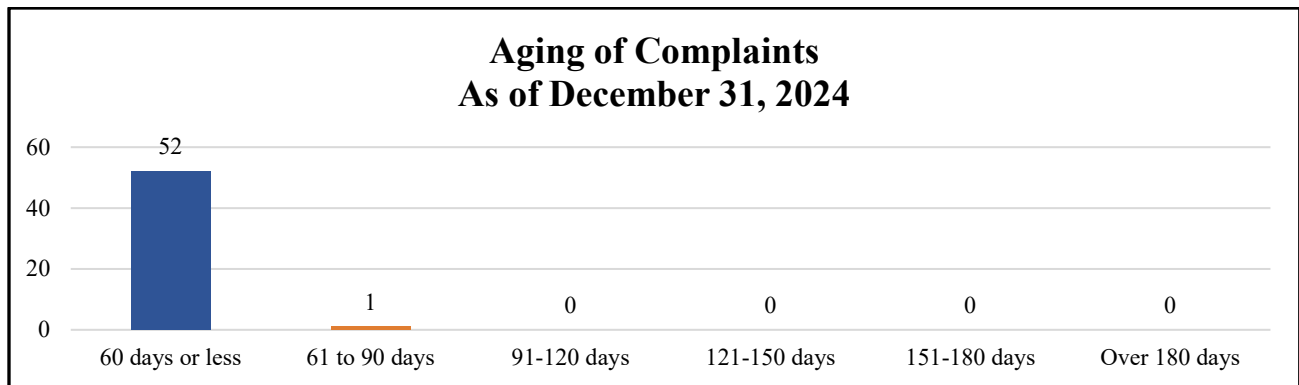
Consumer Complaints Activity Report

Complaints Received – For the fiscal year to date (September 1 – December 31, 2024), SML received 332 complaints, compared to 408 received in FY2024 - an 18.6% decrease.





Aging of Open Complaints – As of December 31, 2024, there were 53 open complaint files. Complaint aging is optimal with 100% of complaints aged 120 days or less.



Closed Complaints

Closed Complaints	FY2025			
	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr
Servicing Complaints				
Number of Servicing Complaints Closed	125			
Average Number of Days to Close a Complaint	24			
Percentage of Complaints Closed Within 120 Days	98%			
Non-Servicing Complaints				
Number of Non-Servicing Complaints Closed	112			
Average Number of Days to Close a Complaint	23			
Percentage of Complaints Closed Within 120 Days	94%			
Total	237			

Legal and Enforcement Activity Report

Mortgage Enforcement Actions	FY2025			
	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr
Advisory Letter	4			
Order to Cease and Desist	1			
Order to Take Affirmative Action	9			
Total	14			

Recovery Claims

Recovery Claim Applications Received	FY2025			
	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr
	4			

Status of Pending Recovery Claim Applications as of December 31, 2024	
Pending Investigation	0
Pending Preliminary Determination Letter	11
Preliminary Determination Letter Issued, Pending Opportunity to Appeal	0
On Appeal	0
Open to Facilitate Resolution by the Parties	1
Total	12

Closed Recovery Claim Files	FY2025			
	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr
Granted	1			
Denied	0			
Resolved by the Parties	0			
Claim Withdrawn	1			
Total	2			

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

SML does not have any cases pending at SOAH.

Public Information Requests

Public Information Requests	FY2025			
	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr
Requests Received	27			

SML Future Rule Activity		
Rule	Rulemaking Action	Projected Date for Presentation
Chapter 51, Department Administration	Proposed Rule Changes Resulting From Rule Review	April 2025

Gift Reporting

SML does not have any gifts to report for November and December 2024.

f) Legislative Activities

The 89th Legislature convened on January 14, 2025. On January 21, 2025, SML began its weekly reporting to the Finance Commission concerning bills that might significantly impact SML or its regulated industries.

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

Anticipated Litigation

None

Pending Litigation

None

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D.

Texas Department of Banking

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Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

2601 North Lamar Blvd., Austin, Texas 78705

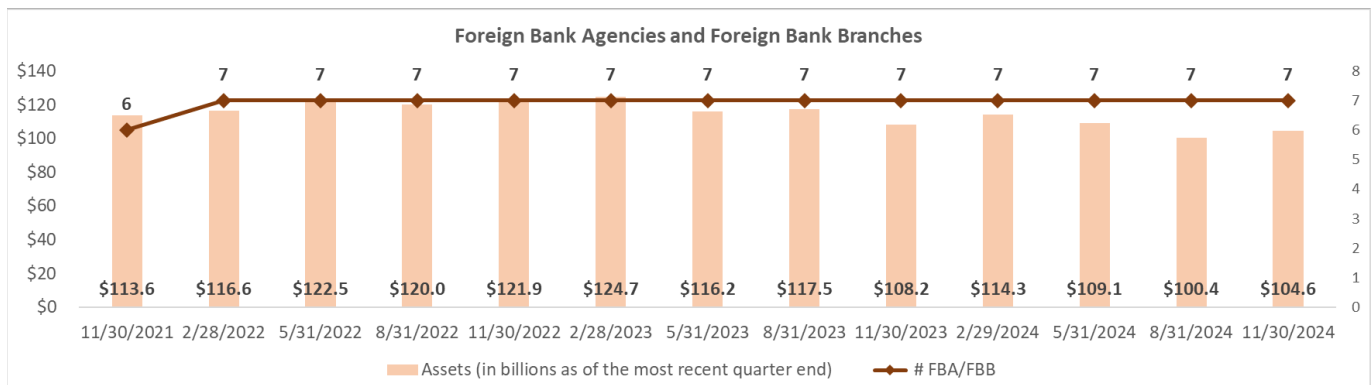
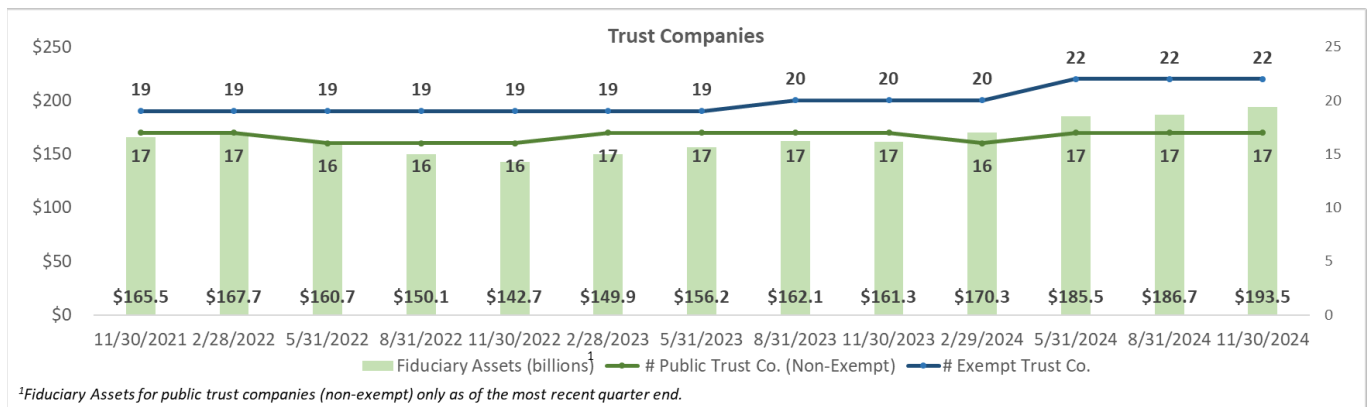
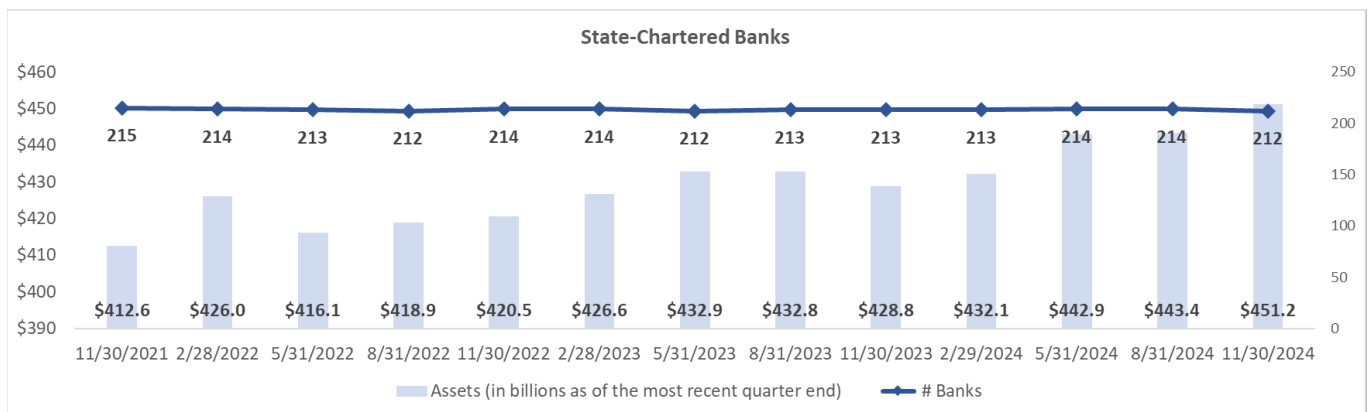
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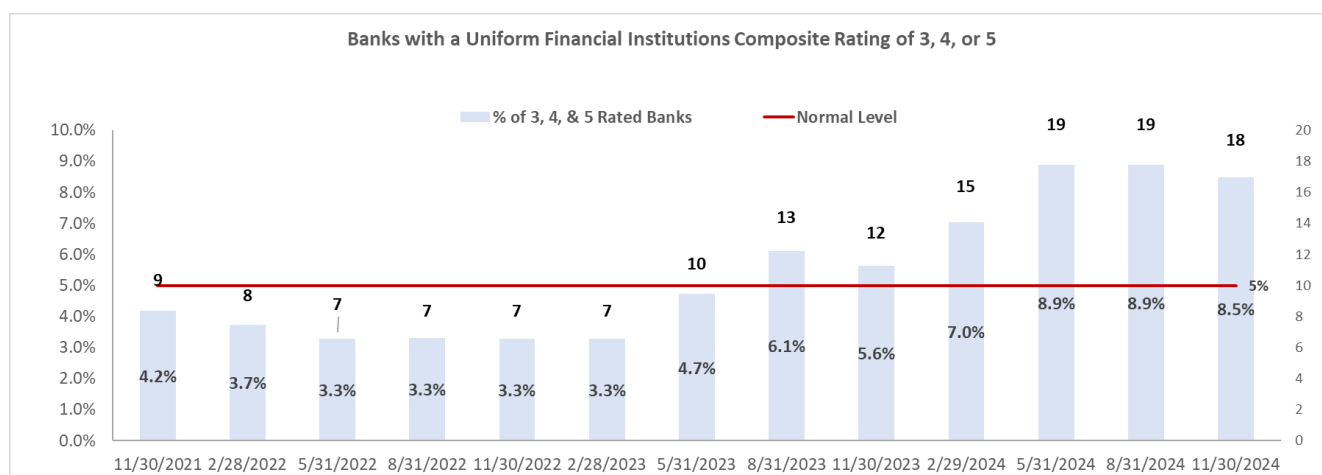
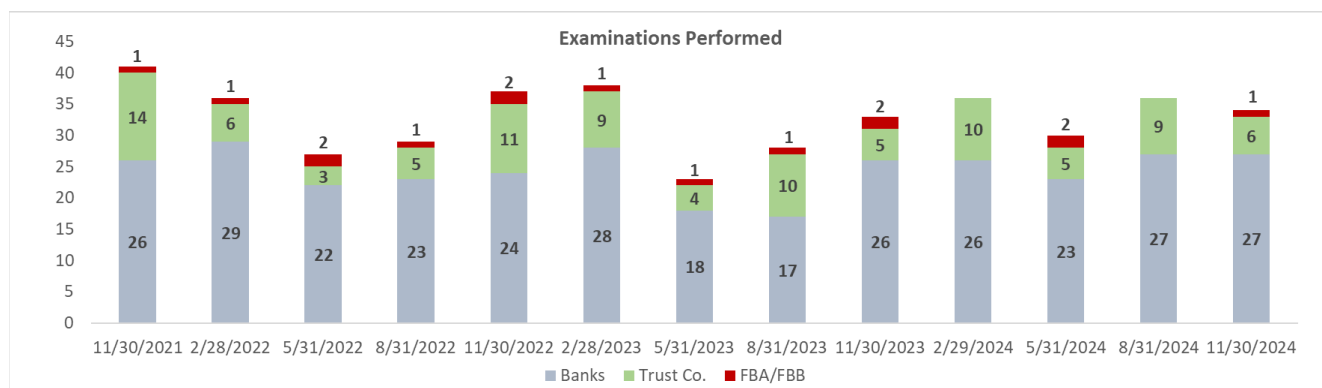
www.dob.texas.gov

To: Finance Commission Members
From: Jared Whitson, Director of Bank & Trust Supervision 
Date: February 5, 2025
Subject: Summary of the Bank & Trust Supervision Division Activities

Bank and Trust Supervision – Industry Profiles

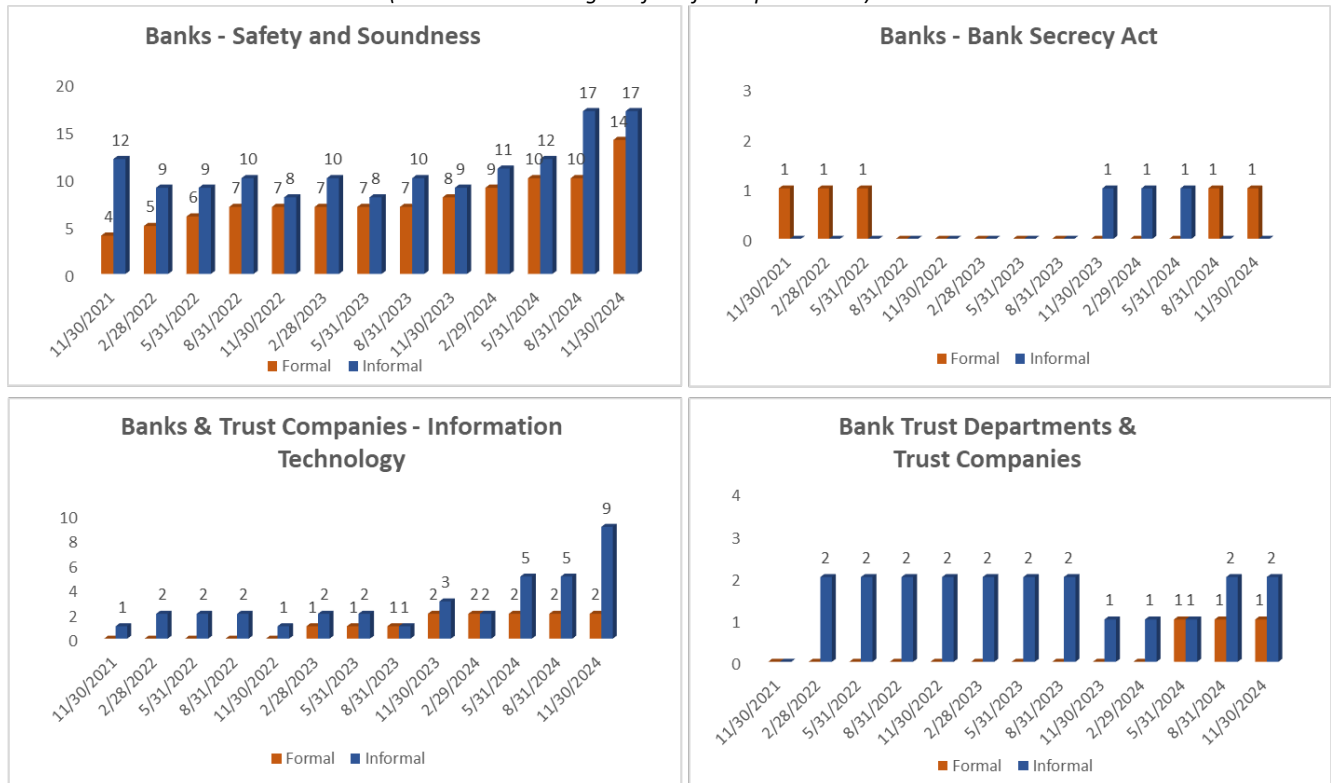
As of fiscal quarter-end (assets as of the preceding calendar quarter)





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 19 as of August 2024 and above the normal range of 5% of the total number of institutions. Elevated interest rates 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 (NIM).

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 2024	FY 2025 (YTD – December 2024)
Commercial Banks	83%	92%
IT	87%	84%
Trust Departments	97%	86%
Foreign Banks (FRB)	100%	100%
Trust Companies (DOB)	97%	100%
IT	75%	60%

Examination categories with less than 95% of examinations conducted within guidelines for FY 2025 include:

- Bank Examinations – 4 exams past due by an average of 35 days.
- IT Examinations of Banks – 8 exams past due by an average of 23 days.
- Trust Department Examinations of Banks - 1 exam past due by an average of 7 days.
- IT Examinations of Trust Companies – 2 exams past due by an average of 31 days.

Compliance with commercial bank and IT examination priorities for FY 2025 will be challenging due to an increase in problem bank and IT examinations being performed, conversion examinations, insufficient staffing, and less experienced examiners.

Division Highlights

- **Interest Rate Impacts:** The Department continues monitoring higher interest rates and its effects on banks' financial condition. Deposit competition is heightened as elevated rates have driven depositors to seek better returns, placing noticeable pressure on banks' NIM. Credit quality remains relatively stable despite modest weakening in asset quality metrics. Examiners continue to stress that banks with commercial real estate concentrations warrant robust risk management practices, including market monitoring and analysis, credit underwriting and administration, and portfolio stress testing.
- **Newly Commissioned Examiners:** The Bank & Trust Supervision Division is proud to congratulate five examiners for passing the Department's Bank Examination Testing System (BETS) and thereby earning their promotion to Commissioned Examiner. During calendar 2024, the following examiners earned their commission: Matthew Barber, Robert Spencer, Nestor Santos, Austin Rokas and Jeanette Segovia-Hoyle.
- **Senior Leadership Meeting:** At least semi-annually, the Bank & Trust Supervision Division holds a meeting with senior leaders of the agency. This generally includes Commissioner Charles G. Cooper, Deputy Commissioner Wendy Rodriguez, Director of Bank and Trust Supervision, Regional Directors, Director of Information Technology Security Examinations, Director of Examination Support Activities, Chief Trust Examiner, and Chief IT Security Examiner. The most recent meeting was held in Austin the week of January 13, 2025, and included discussions on the state of the division, staffing, training, region specific updates, and supervisory challenges.
- **Special Operations and Conferences:**
 - Commissioner Charles G. Cooper and staff represented the Department at the Conference of State Bank Supervisors (CSBS) Board Meetings and Supervisors Symposium in Scottsdale, Arizona, beginning December 9, 2024.

Beginning on January 26, 2025, Director of Bank and Trust Supervision Jared Whitson represented the Department on two regulatory panels at the Independent Bankers Association of Texas (IBAT) 2025 Winter Summit in Avon, Colorado.



Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

2601 North Lamar Blvd., Austin, Texas 78705

512-475-1300 / 877-276-5554

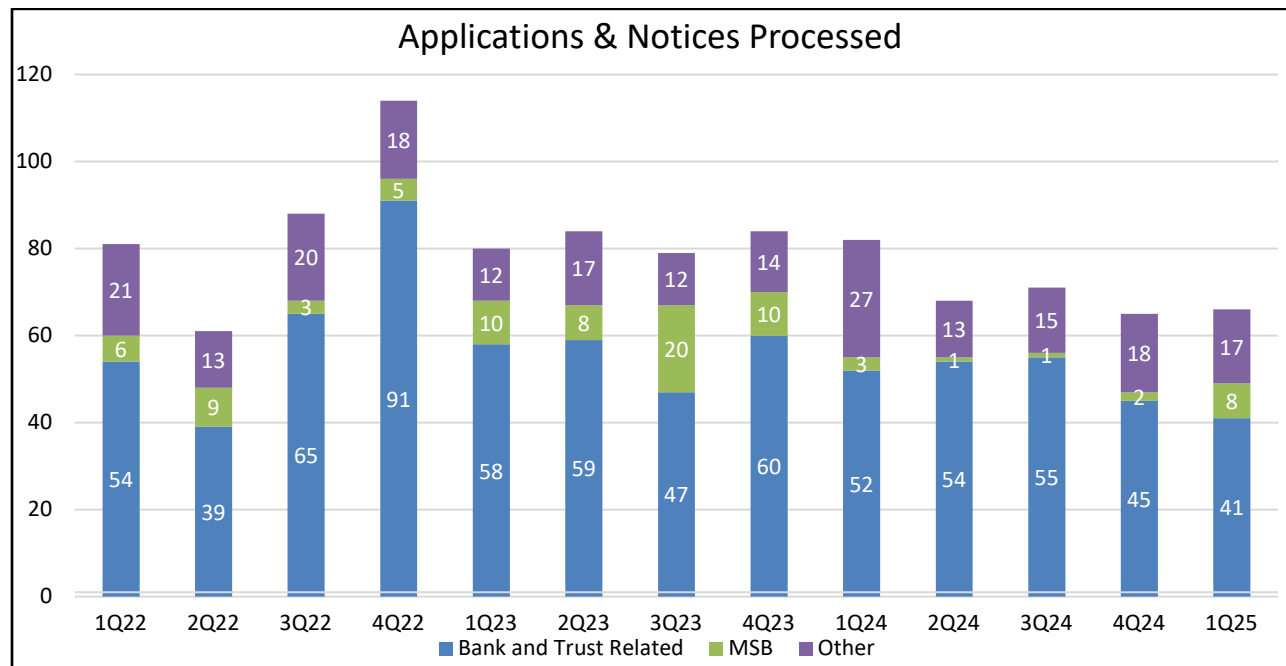
www.dob.texas.gov

To: Finance Commission Members

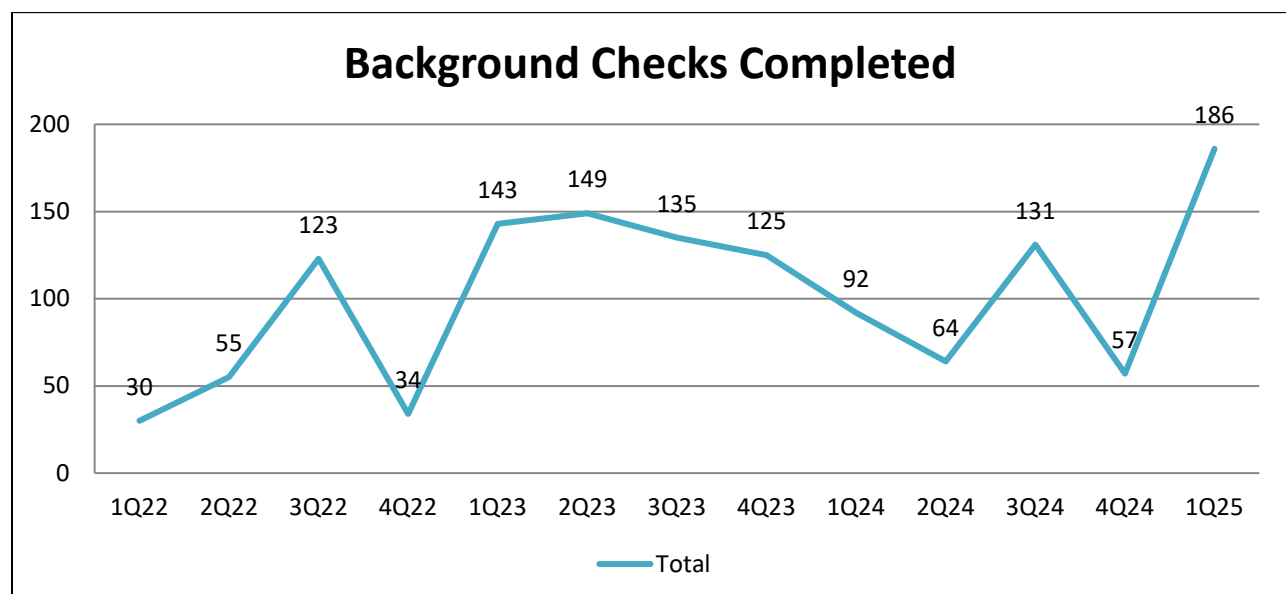
From: Dan Frasier, Director of Corporate Activities and Financial Innovation DBF

Date: February 5, 2025

Subject: Summary of Corporate Division Activities



Information on a Fiscal Quarter Basis.



Information on a Fiscal Quarter Basis.

Applications and Notices Under Review							
Entities	October 31, 2024	Received	*Returned	Processed	December 31, 2024	# Change	% Change
Bank	25	26	-	28	23	-2	-8%
MSB	35	5	4	4	32	-3	-9%
Other	1	11	-	6	6	5	500%
Trust	5	0	-	2	3	-2	-40%
Total	66	42	4	40	64	-2	-3%

*Incomplete MSB applications which were returned.

The number of open filings under review decreased by 3% as compared to the level reported at the last Finance Commission meeting. The Division has successfully resolved some more substantive bank and trust filings over the last two months. Ongoing efforts to lower the number of outstanding MSB filings are showing results.

Division Highlights

- **Personnel:** The division is in the process of hiring an additional analyst with an anticipated start date in March 2025.
- **Significant Applications:** Since the last report, the following significant bank application has been received:
 - Farmers and Merchants Bank, De Leon, Texas, applied to acquire Farmers State Bank of Newcastle, Newcastle, Texas, via merger [no change to state banking assets].
- **Charter, Conversion, and Merger Activity:** Since the last report, the following transactions have consummated:
 - *Banks*
 - Independent Bank, McKinney, Texas, merged with and into SouthState Bank, N.A., Winter Haven, Florida [estimated loss in state banking assets of \$18.6 billion].
 - Hill Bank & Trust Company, Weimer, Texas, merged with and into Columbus State Bank, Columbus, Texas [no change to state banking assets].
 - *Trust Companies*
 - None



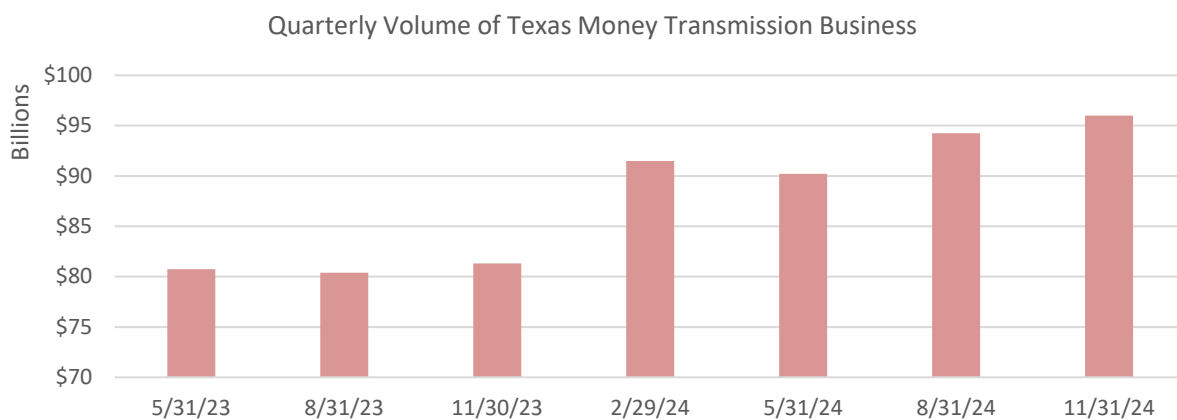
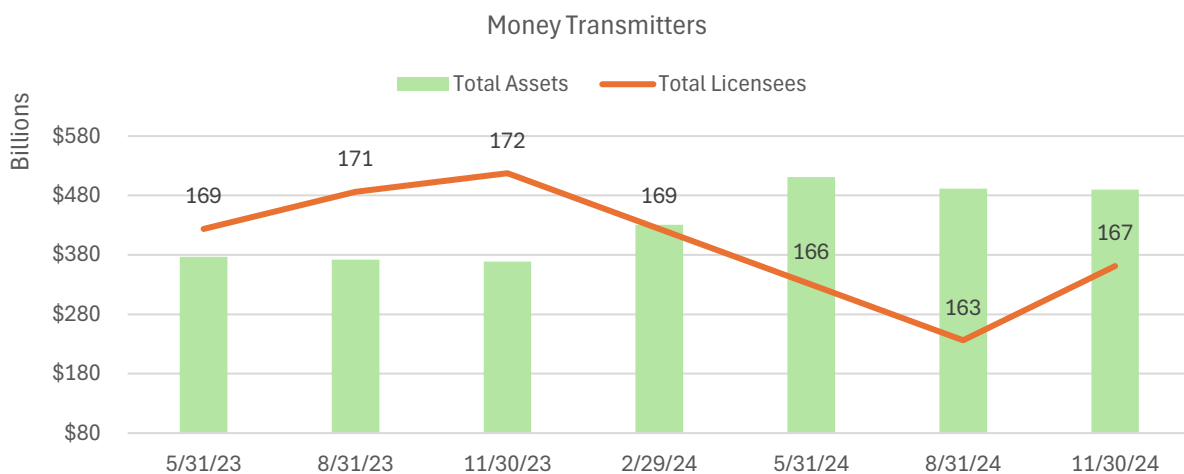
Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

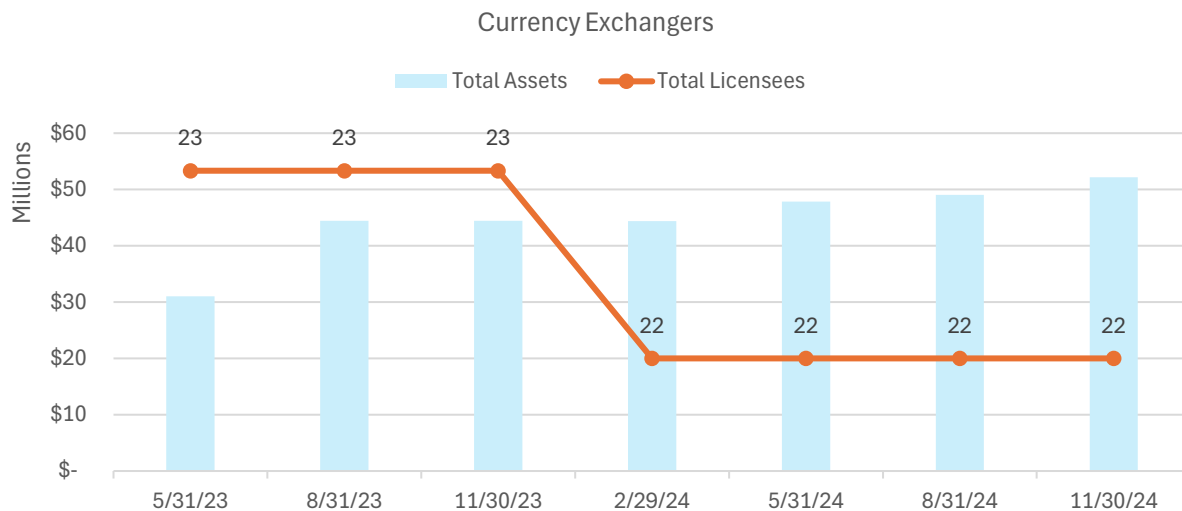
2601 North Lamar Blvd., Austin, Texas 78705
512-475-1300 / 877-276-5554
www.dob.texas.gov

To: Finance Commission Members
From: Jesus "Jesse" Saucillo, Director of Non-Depository Supervision
Date: February 3, 2025
Subject: Summary of Non-Depository Supervision (NDS) Activities

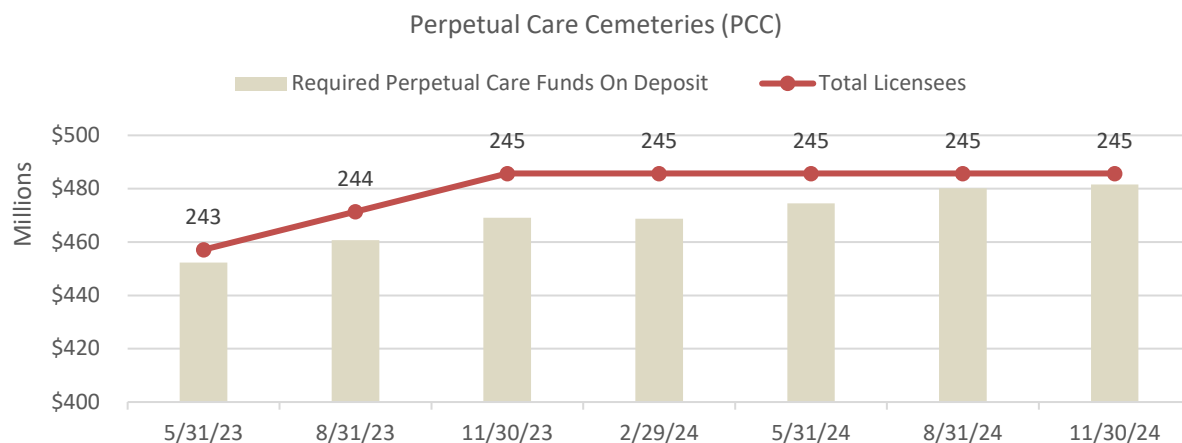
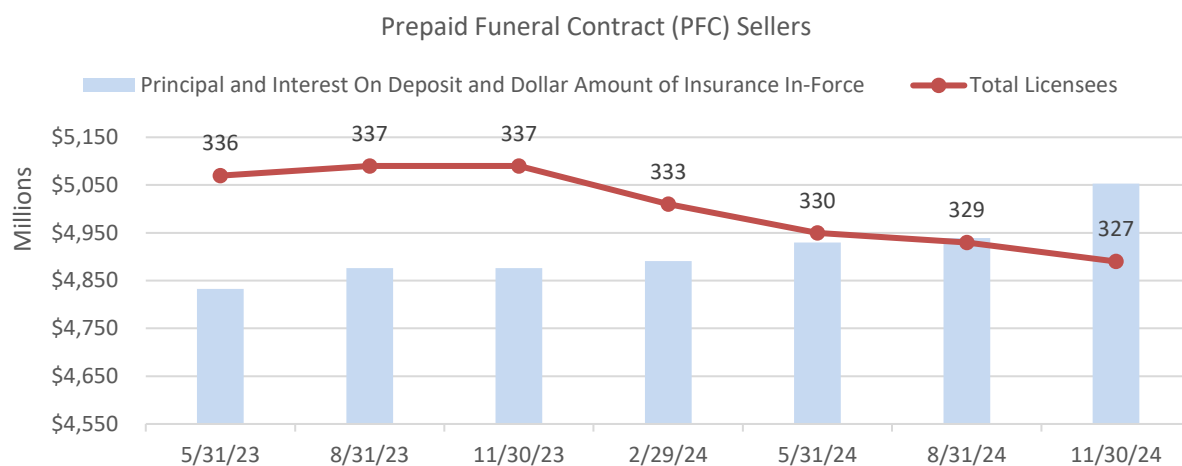
Non-Depository Supervision – Industry Profiles



Total assets and Texas money transmission volume noted above are primarily based on the information provided by license holders on the Nationwide Multistate Licensing System (NMLS) Money Services Business (MSB) Call Reports as of the preceding calendar quarter. During the first quarter of fiscal year 2025, four new MSB licenses were issued, which included two entities offering cryptocurrency-related services.

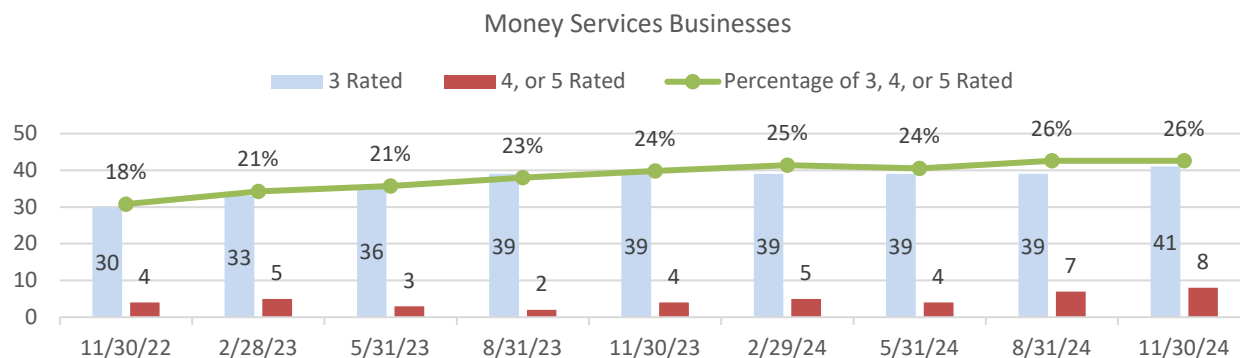


Total assets noted above are based on annual reports provided by license holders through June 30, 2024, and from quarterly reports starting September 30, 2024.

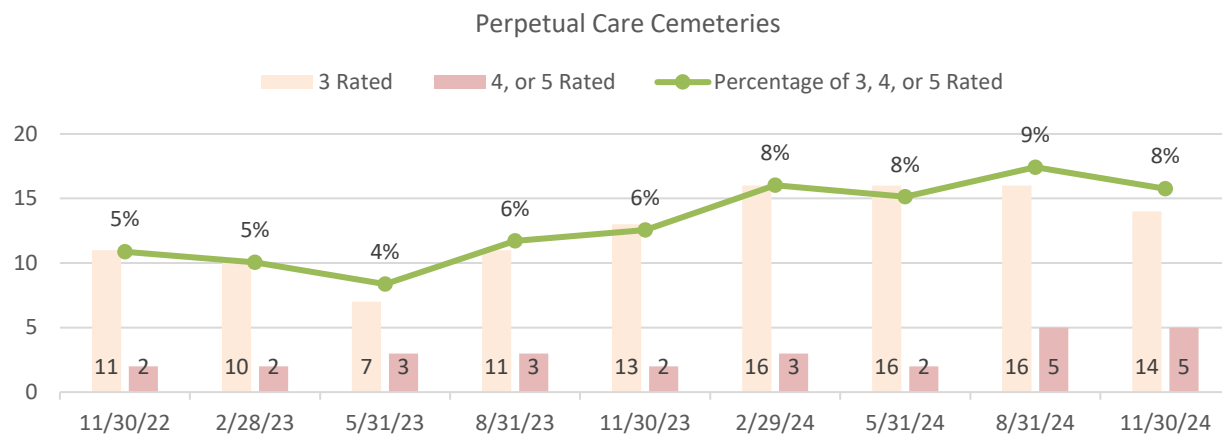
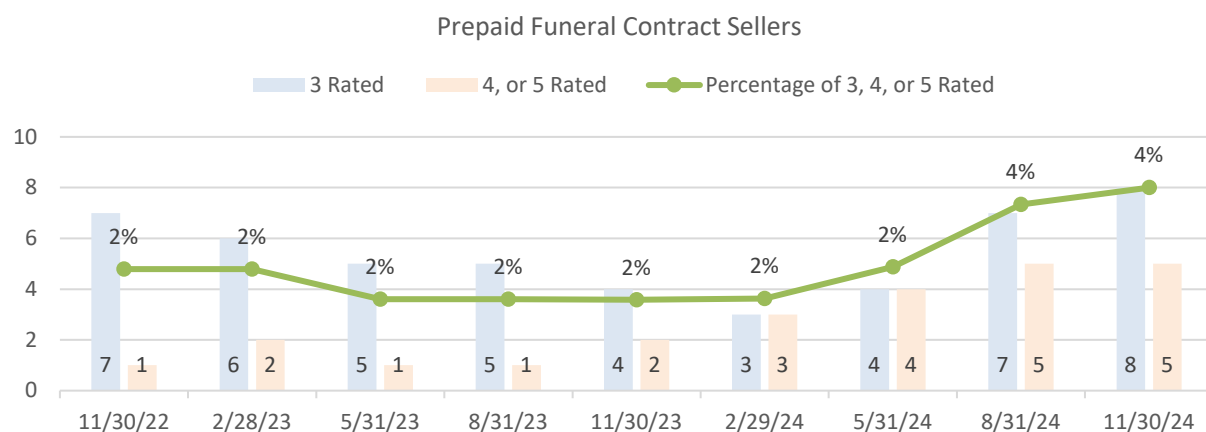


PFC and PCC fund balances noted above are based on the most current examination data. The reduction of two PFC sellers is due to a conversion of trust-funded PFCs to insurance-funded PFCs under an existing permit holder, and the closure of the permit due to no outstanding PFCs (zero balance).

Ratings Assigned to Regulated Entities



As noted above, the number of MSBs rated 3, 4, or 5 continues to trend upward due to various factors including financial condition concerns, poor management oversight, and Bank Secrecy Act / Anti-Money Laundering compliance deficiencies. Additional resources, and ongoing coordination with the legal division and other state regulators as part of the nationwide state supervisory process are necessary to prepare and follow up on corresponding Reports of Examinations.



The number of 3, 4, and 5 rated PFC and PCC license holders has been on an upward trend in recent quarters. However, as a percentage to total license holders, these entities represent a much lower percentile for each industry.

Examinations Performed

ENTITY TYPE	FY 2024	FY 2025 (YTD – November 2024)
MSB	100	23
MSB Limited Scope	0	0
MSB Accepted other State	5	1
PFC	196	52
PFC Limited Scope	1	2
PCC	158	36
PCC Limited Scope	2	0

Noncompliance with Examination Priorities (Past Due)

ENTITY TYPE	FY 2024	FY 2025 (As of November 2024)
MSB	13	13
PFC	11	8
PCC	14	9

Division Highlights

- **Examination Activities:** The division met the Quarterly Output Measure – Number of Licensees examined in the first quarter of FY 2025. The total number of examinations conducted (114) is reflected in the table above.
 - Of the 13 past due MSB examinations, representing less than 8% of licensed MSBs:
 - Nine were conducted in December 2024 and January 2025; one will be conducted in February 2025; and the remaining three were delayed to participate in the coordination of examinations with other state MSB regulators.
 - Of the eight past due PFC examinations, representing less than 3% of licensees:
 - Six were conducted in January 2025, and the remaining two are scheduled to be completed in February 2025.
 - The nine past due PCC examinations, representing less than 4% of licensees, were conducted in January 2025.
- **Operations:**
 - The division is in the initial application screening process to fill four MSB vacancies. If qualified candidates are identified and job offers are accepted, the division anticipates filling these vacancies as early as March 2025.

Enforcement Action and Collaboration: The division continues to work in collaboration with other MSB state regulators on several legal administrative matters concerning MSB license holders in non-compliance with state and federal regulations. During this reporting period, two enforcement actions were finalized against MSB entities, including a multi-state action against Block, Inc. for violations of the

BSA and AML laws. The settlement was a result of collaboration between 48 state MSB regulators, led by seven MSB regulators, including the Department.

Department of Banking
Actual Performance for Output Measures
Fiscal Year 2025

Type/Strategy/Measure	2025 Target	2025 Actual	2025 YTD	Percent of Annual Target
Output Measures-Key				
1-1-1 Bank Examination				
1. # Bank Examinations Performed				
Quarter 1	101	27	27	26.73%
2. # Foreign/Trust/IT Examinations Performed				
Quarter 1	194	55	55	28.35%
1-2-1 Non-Bank Examination				
1. # NDS Licensees Examined				
Quarter 1	490	114	114	23.27%
1-3-1 Application Processing				
1. # License Applications Completed				
Quarter 1	350	70	70	20.00%



TEXAS DEPARTMENT OF BANKING

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Memorandum

To: Finance Commission Members
From: Pam Pennington, Human Resources Manager
Date: February 1, 2025
Subject: Summary of the Human Resources Division Activities

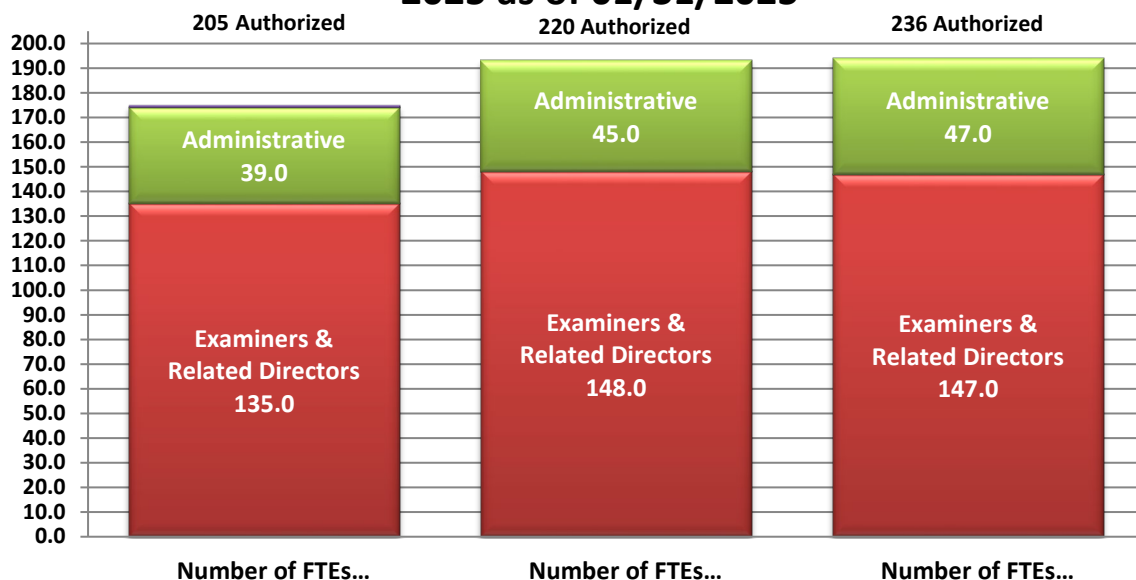
Active Postings				
<i>Number of Positions</i>	<i>Position</i>	<i>Division</i>	<i>Status</i>	<i>Activities</i>
2	Financial Examiner I – Commercial Bnk Examiner (Dallas)	Bank and Trust	Open Until March 7, 2025	Recruiting
4	Financial Examiner I – Commercial Bnk Examiner (Houston)	Bank and Trust	Open Until March 7, 2025	Recruiting
2	Financial Examiner I – Commercial Bnk Examiner (San Antonio)	Bank and Trust	Open Until March 7, 2025	Recruiting
2	Financial Examiner I – Commercial Bnk Examiner (Lubbock)	Bank and Trust	Open Until March 7, 2025	Recruiting
2	Financial Examiner I – Asst. IT Security Examiner (All Regions)	Bank and Trust – IT	Open Until March 7, 2025	Recruiting
2	Financial Examiner I – Trust Examiner (All Regions)	Bank and Trust - Trust	Open Until March 7, 2025	Recruiting
1	Financial Examiner VI-VII: Large Bank Operations Specialist (Dallas)	Bank and Trust	Open Until Filled	Recruiting
2	Financial Examiner III: Assistant IT Examiner (All Regions)	Bank and Trust – IT	Open Until Filled	Recruiting
1	Financial Examiner IV – V Commercial Bank Examiner (All Regions) (Reposted)	Bank and Trust	Open Until Filled	Recruiting
1	Financial Examiner VI – VII: Commercial Bank Examiner (All Regions) (Reposted)	Bank and Trust	Open Until Filled	Recruiting
1	Financial Examiner V – Credit Review Specialist (All Regions) (Reposted)	Bank and Trust	Open Until Filled	Recruiting
3	Financial Examiner IV -VII: Information Technology Specialist (All Regions) (Reposted)	Bank and Trust – IT	Open Until Filled	Recruiting
1	Financial Examiner VII – Review Examiner (Austin) (Reposted)	Bank and Trust	Open Until Filled	Recruiting

Status of Postings that Closed before February 1, 2025				
Number of Positions	Position	Division	Status	Activities
1	Payroll / Travel Accountant	Admin. Svcs.	Closed November 26, 2024	Reposting
1	Network Specialist IV	MIS	Closed January 28, 2025	Screening
1	Financial Examiner VIII – Regional Review Examiner	B&T – Houston	Closed January 20, 2025	Interviewing
2	Financial Examiner I – II (Money Services Businesses Examiner)	NDS – MSB	Closed January 15, 2025	Screening
1	Financial Examiner III - IV (Money Services Businesses Examiner)	NDS – MSB	Closed January 15, 2025	Screening
1	Financial Examiner III – IV (Corporate Analyst)	Corporate	Closed December 27, 2024	Selection

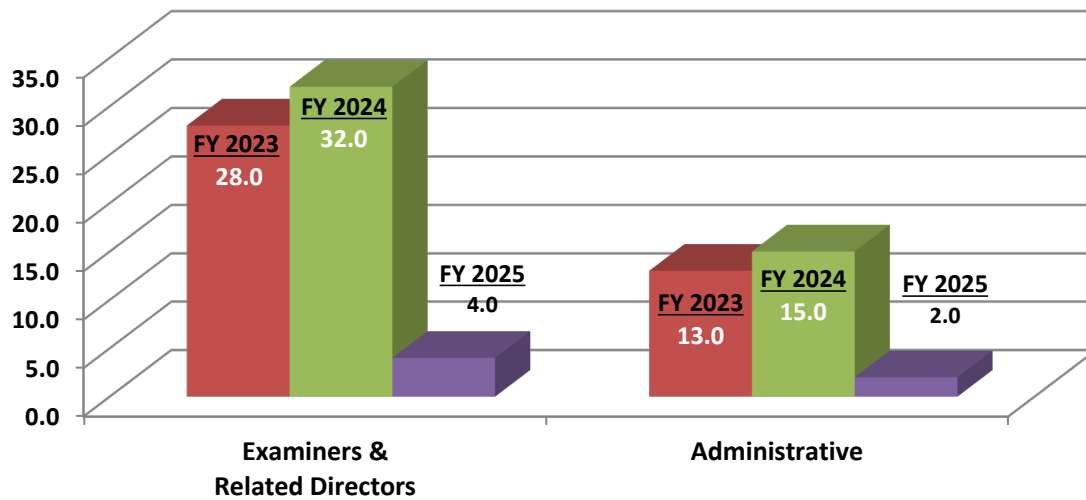
Division Activities:

- *New Employee Orientation:*
 - Held February 3, 2025: one Large Bank Specialist Financial Examiner VII for the Bank and Trust Division.
- *Performance Appraisals*
 - Staff performance appraisals are in process and due March 14, 2025.
- *Interview Skills Training*
 - Dallas and Houston regional staff attended Interview Skills Training on February 3, 2025, in the Dallas Region Office. Attendees will be provided with a refresher on interviewing skills and how to execute a successful interview while remaining in compliance.
 - Austin Headquarters, Lubbock and San Antonio staff will attend the training on March 12, 2025, in Austin, Texas.

Texas Department of Banking Employee Data for Fiscal Years 2023, 2024 and 2025 as of 01/31/2025



New Hire Data for Fiscal Years 2023, 2024 and 2025

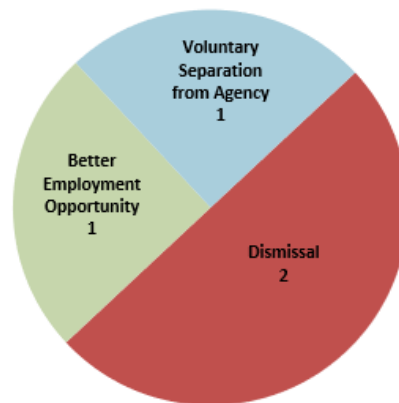


FY 2025 Employee Turnover Reasons

All Employees
5 Resignations



Financial Examiners Only
4 Resignations



As of 01/31/2025



Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

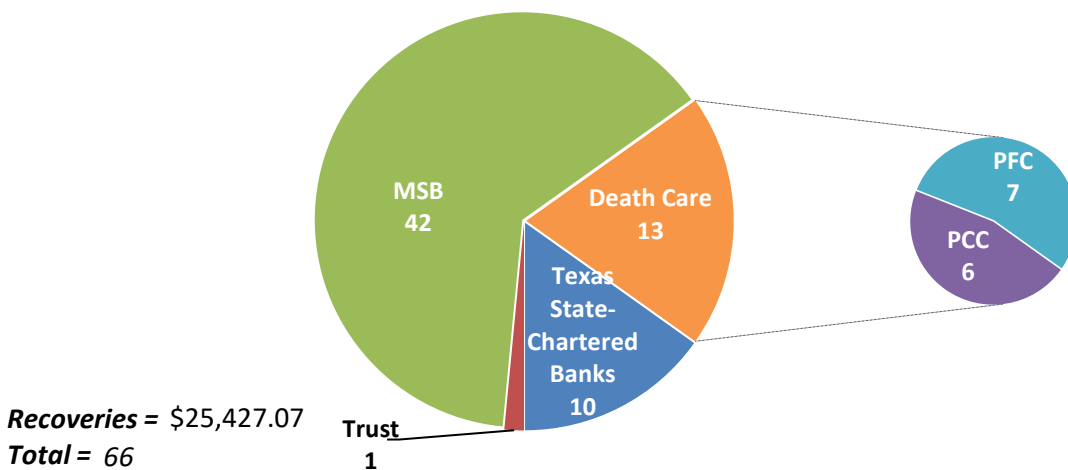
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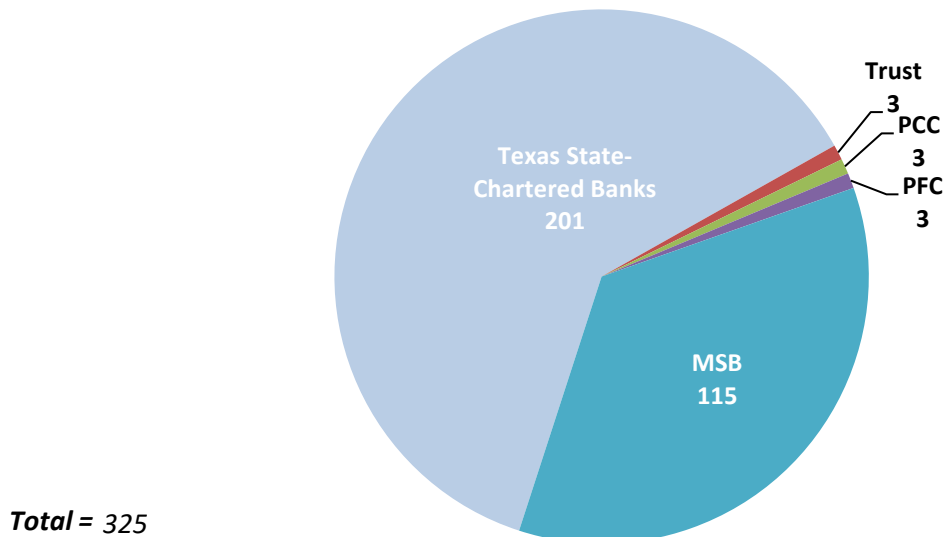
www.dob.texas.gov

To: Finance Commission Members
From: Phil Lena, Acting Director and Financial Analyst
Date: February 5, 2025
Subject: Summary of the Strategic Support Division Activities

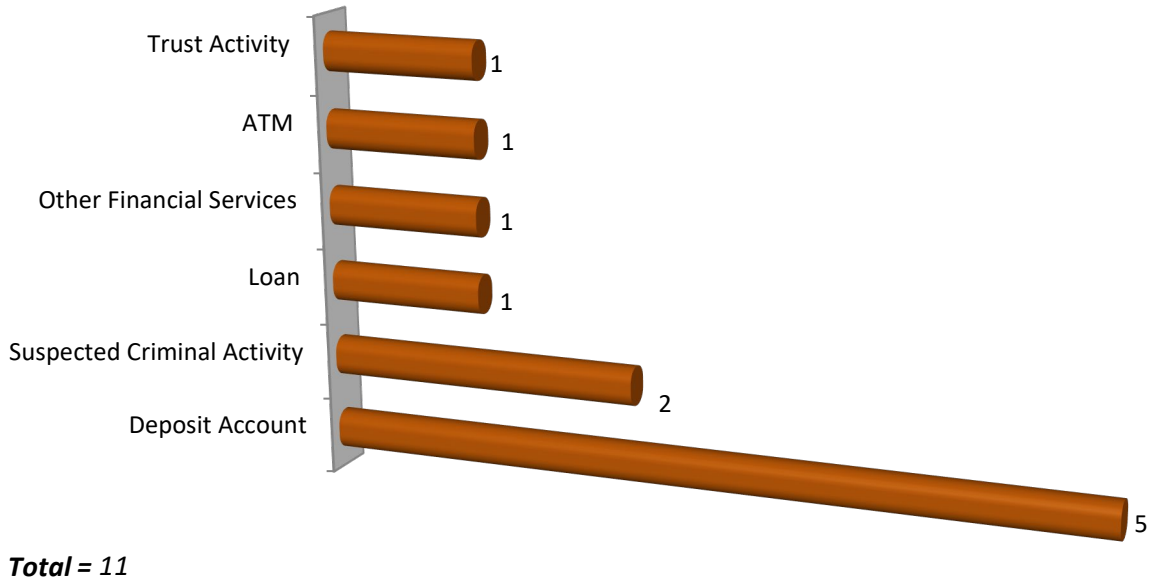
Jurisdictional Written Complaints September 2024-December 2024



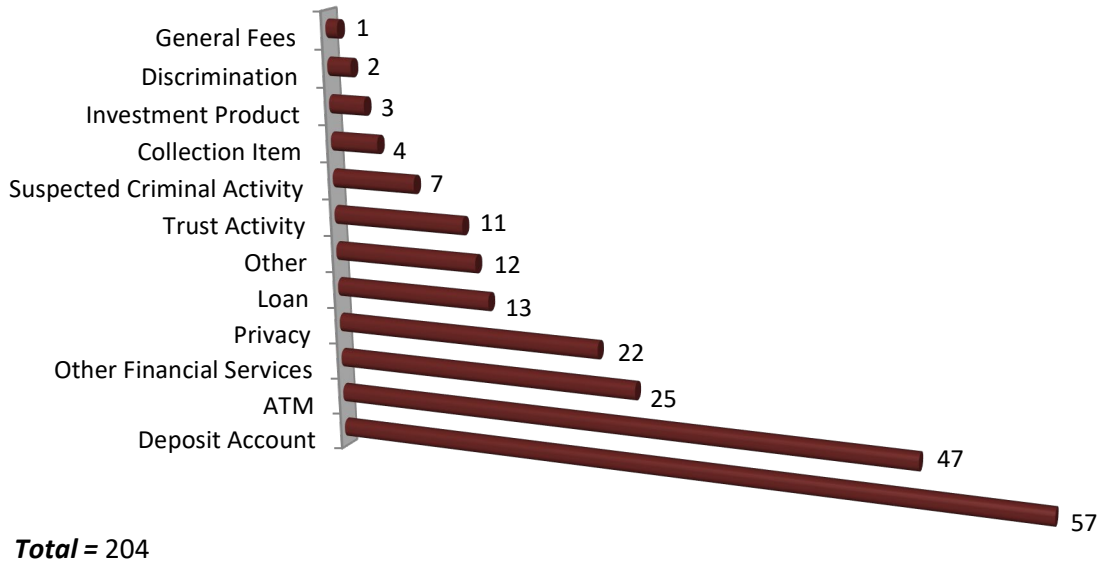
Inquiries on Jurisdictional Entities September 2024-December 2024



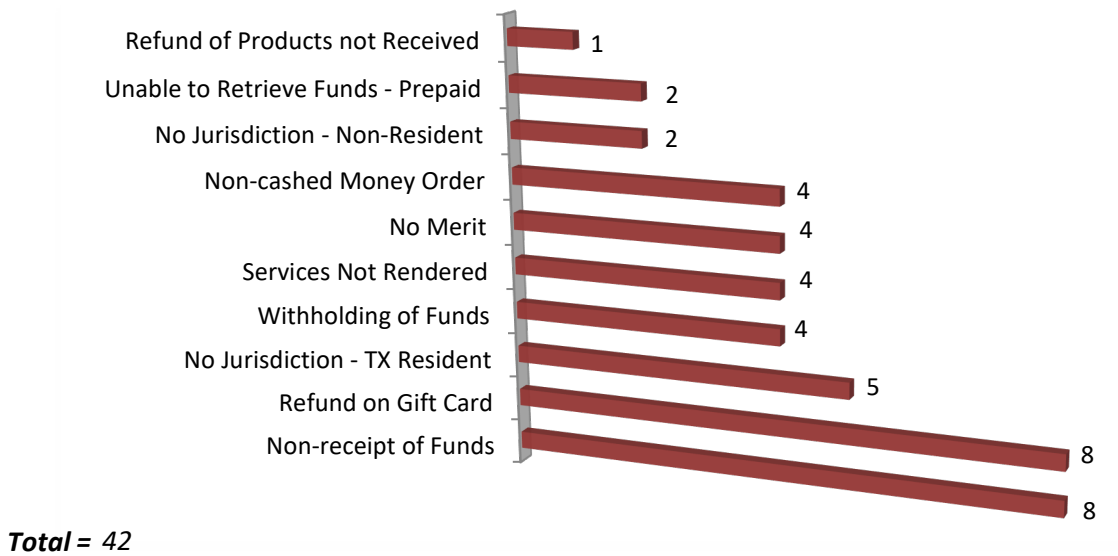
**State-Chartered Banks and Trust Companies
Written Complaints by Type
September 2024-December 2024**



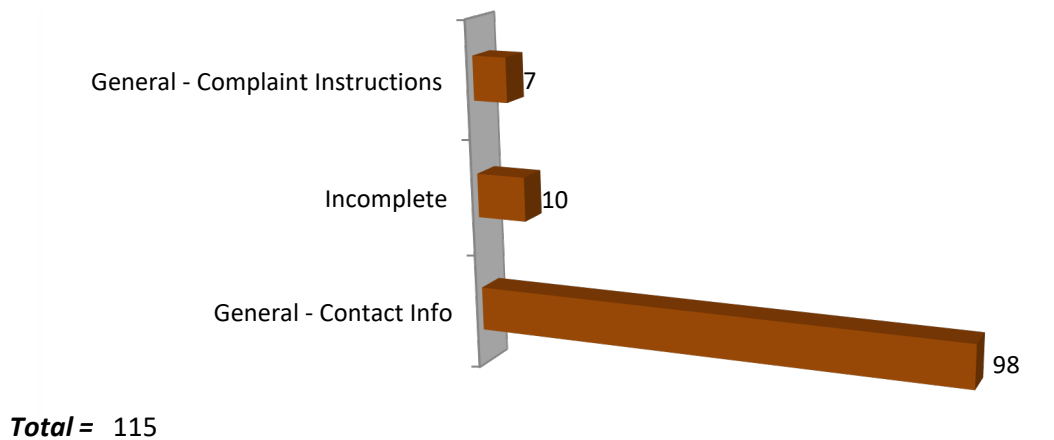
**State-Chartered Banks and Trust Companies
Inquiries by Type
September 2024-December 2024**



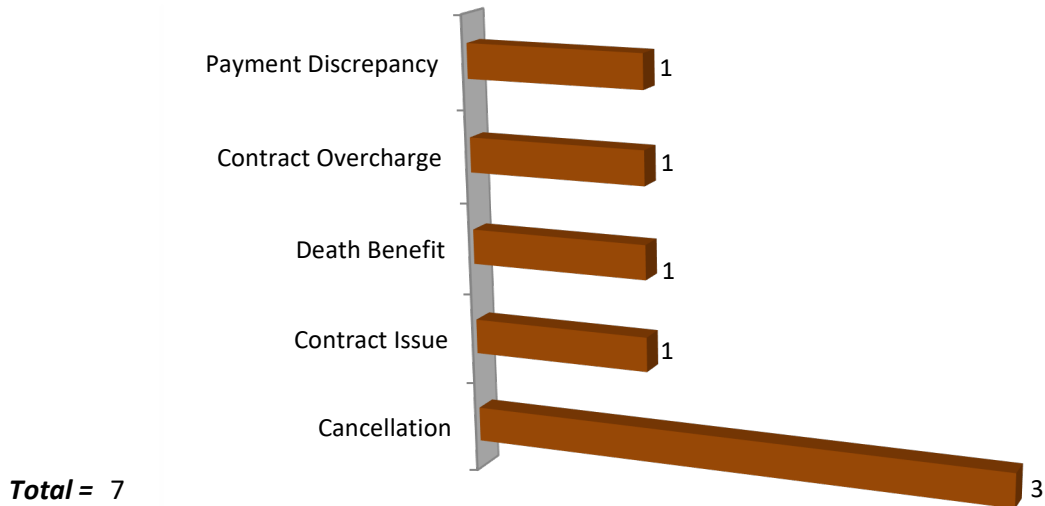
**Money Services Businesses
Written Complaints by Type
September 2024-December 2024**



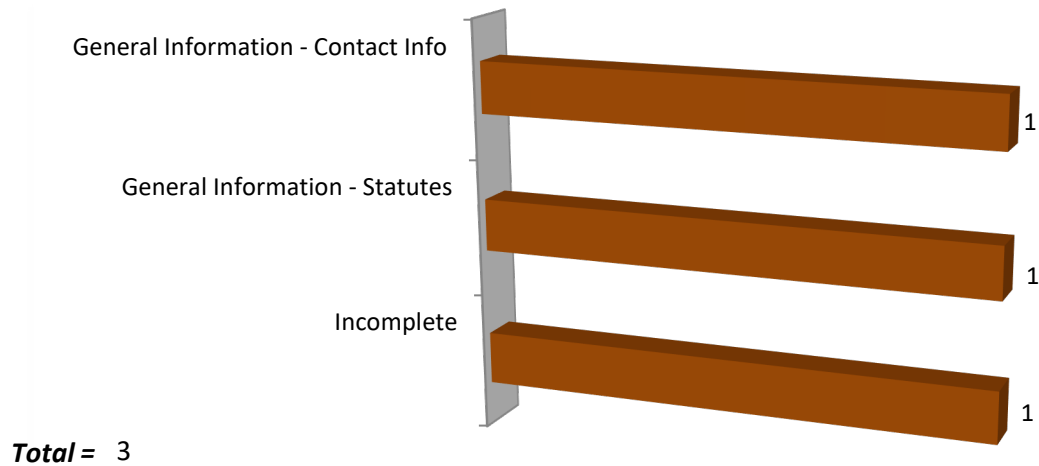
**Money Services Businesses
Inquiries by Type
September 2024-December 2024**



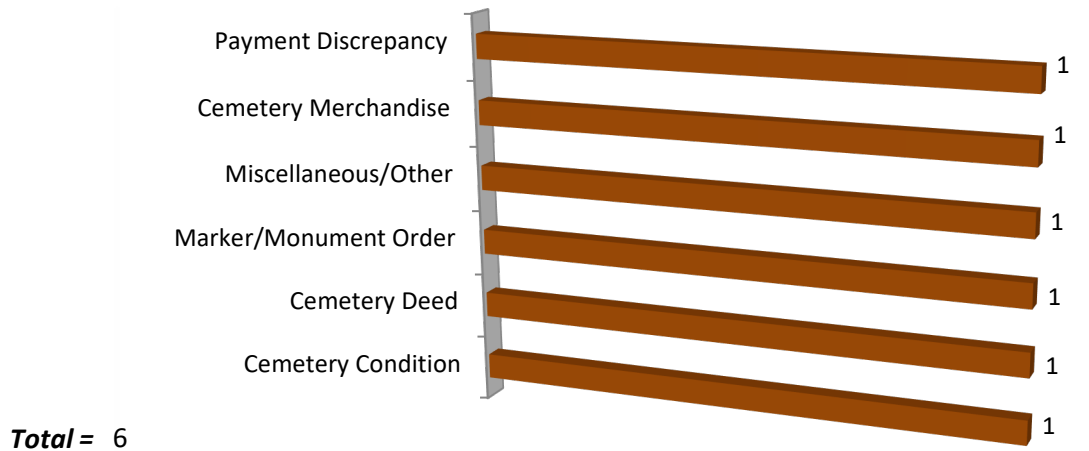
**Prepaid Funeral Contract Sellers
Written Complaints by Type
September 2024-December 2024**



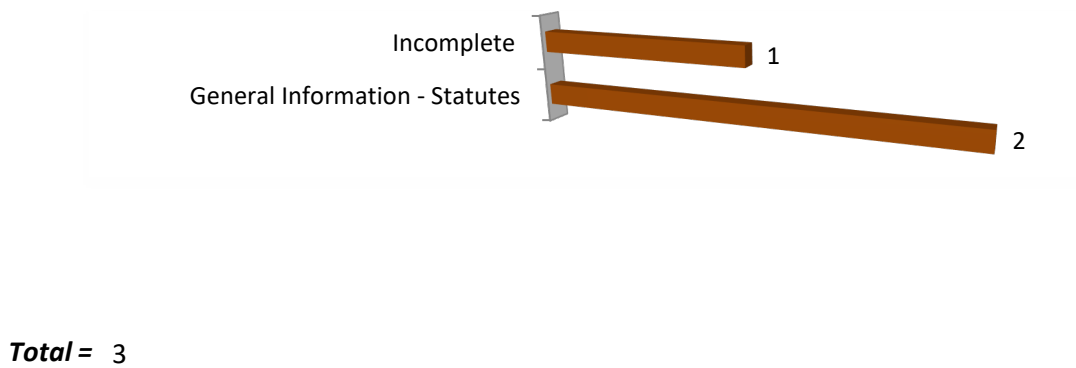
**Prepaid Funeral Contract Sellers
Inquiries by Type
September 2024-December 2024**



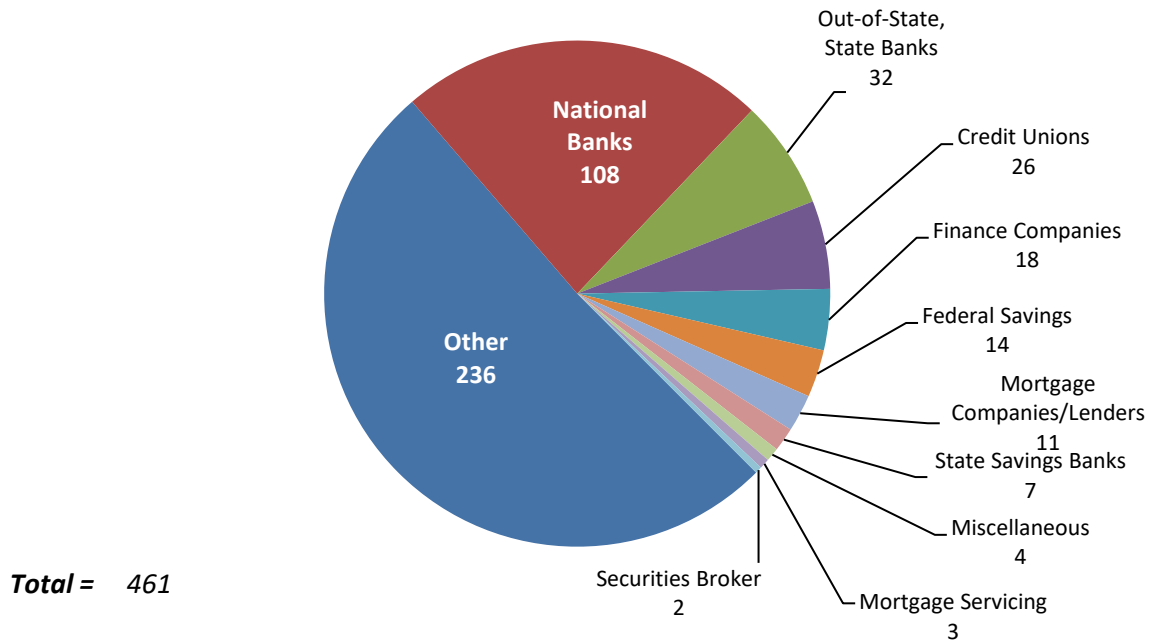
**Perpetual Care Cemeteries
Written Complaints by Type
September 2024-December 2024**



**Perpetual Care Cemeteries
Inquiries by Type
September 2024-December 2024**



Complaints and Inquiries Against Non-Jurisdictional Entities September 2024-December 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	5	N/A	N/A	N/A
Percentage of Written Complaints Resolved Within 90 days	100%	N/A	N/A	N/A
Number of Written Complaints Resolved	8	N/A	N/A	N/A
Trust				
Avg. Number of Days to Close a Written Complaint	N/A	N/A	N/A	N/A
Percentage of Written Complaints Resolved Within 90 days	N/A	N/A	N/A	N/A
Number of Written Complaints Resolved	N/A	N/A	N/A	N/A
PFC/PCC				
Avg. Number of Days to Close a Written Complaint	42	N/A	N/A	N/A
Percentage of Written Complaints Resolved Within 90 days	100%	N/A	N/A	N/A
Number of Written Complaints Resolved	17	N/A	N/A	N/A
MSB				
Avg. Number of Days to Close a Written Complaint	19	N/A	N/A	N/A
Percentage of Written Complaints Resolved Within 90 days	100%	N/A	N/A	N/A
Number of Written Complaints Resolved	41	N/A	N/A	N/A

Closed Account Notification System (CANS) Activity
January 1, 2020 – January 31, 2025

Entity	Enrolled	Compromised Accounts Reported
Texas State-Chartered Banks	180	495
Texas State-Chartered Savings Banks	24	72
Federal Savings Banks	10	0
State Credit Unions	135	875
Federal Credit Unions	229	708
National Banks	171	108
Out-of-State State-Chartered Banks	12	76
Out-of-State National Banks	6	0
Total	767	2,334

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

	FY 2022	FY 2023	FY 2024	FY 2025 As of 12/31/2024
I. General Knowledge	5	4	8	2
II. Loan Analysis	3	3	5	1
III. Panel	3	4	4	3
IV. Test Bank	3	6	3	2
Total FE3	13	14	14	14

Promotions

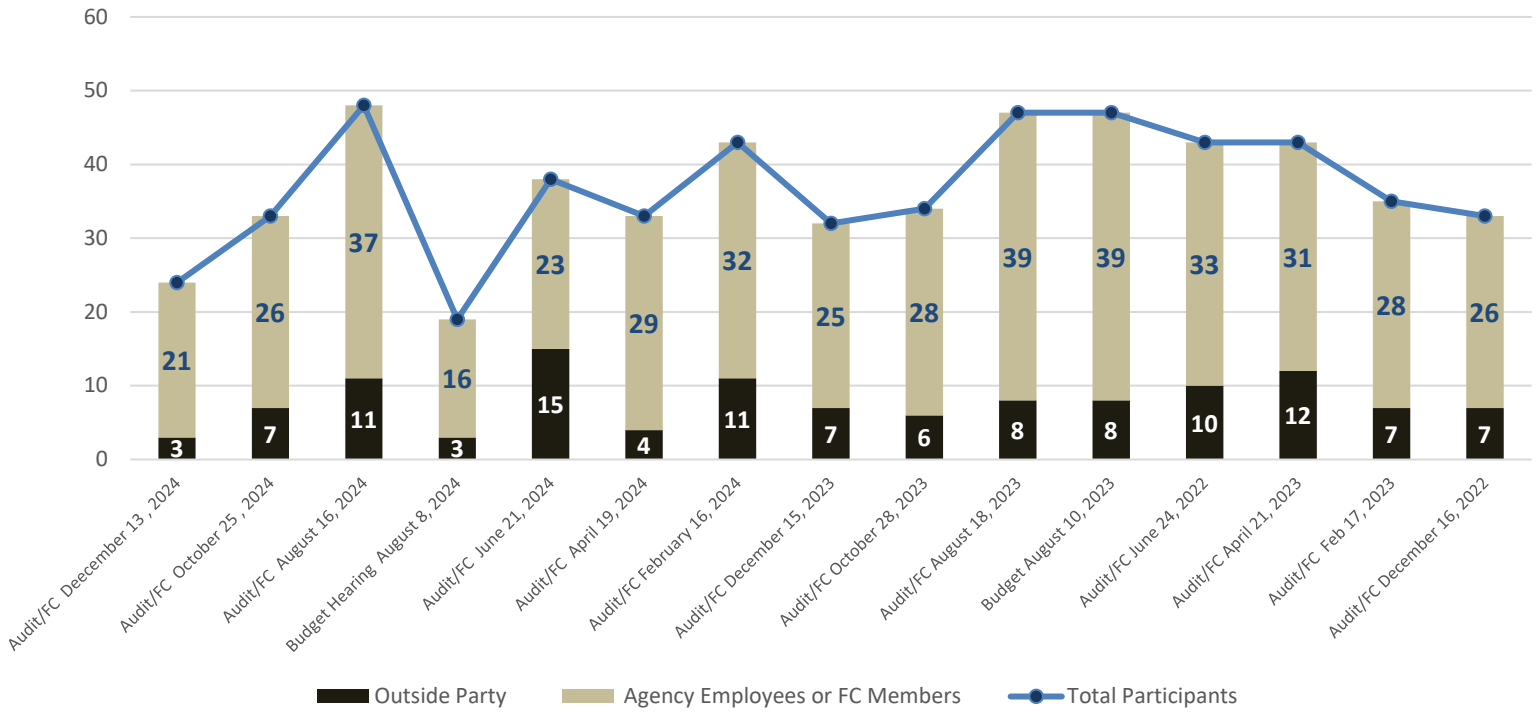
Commissioned Examiners	3	5	4	2
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Other Divisional Items:

- *89th Legislative Session*
 - The Texas Legislature convened on Tuesday, January 14, 2025. The first weekly tracking report on bills of interest to the Finance Commission (FC) was provided to each FC member on January 21, 2025. Senate Committee assignments were made on January 17, 2025, and have been provided to FC members. House Committee assignments are expected by mid-February. As of February 3, 2025, there have been 3,453 bills filed. The Department is tracking 235 bills. Bill tracking reports are updated weekly and posted to the Department's intranet to help keep agency staff informed of legislative activities.
- *Financial Education:*
 - The Texas Department of Banking and the Office of Consumer Credit Commissioner will host the Financial Fitness webinar on February 19, 2025. The webinar will focus on the financial tools, knowledge and skills that help consumers make sound financial decisions.

- *Accreditation:*
 - The Department received the official reaccreditation letter for our banking and MSB programs from the Conference of State Bank Supervisors on January 8, 2025.
- *Publications:*
 - The Winter Edition of the Texas Bank Report will be published in February 2025.
- *Policy Revisions/Updates:*
 - Administrative Memorandums (AM)
 - AM 2015 – Work Paper Organization, Retention, and Review (December)
 - AM 2008 – Normal Work Hours and Schedules for Department Employees (December)
 - AM 2028 – Background Checks Conducted in Accordance with Statutory Authority (January)
 - Supervisory Memorandum (SM)
 - SM 1037 – Regulatory Treatment of Virtual Currencies Under the Money Services Modernization Act (January)
- *Examination Procedure Revisions/Updates:*
 - Commercial, trust, and IT exam critiques (January)
 - Commercial Procedures:
 - Request List (January)
 - #23 Retail Sale of Nondeposit Investment Products (January)
 - #27 Other Supervisory Issues into the Exam Modernization procedure format. (January)
 - Examination reference materials for commercial, trust, and IT procedures (December, January)
- *Examiners' Council:*
 - Examiners' Council met in Austin the week of January 13, 2025, to review examination work papers for commercial, trust, and IT. The Examiner's Council also recommended changes to Examiner Bulletins on work paper guidelines.

Finance Commission Webcast Historical Data





Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

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To: Finance Commission Members
From: Robert Nichols, General Counsel
Date: February 1, 2025
Subject: Legal Division Update

Litigation

Anthony Hrnecir v. Internal Revenue Service, the Texas Department of Banking, et al., Cause No. 4:24-cv-00692-SDJ-AGD, United States District Court, Eastern District of Texas. This case was filed on August 1, 2024, alleges the Internal Revenue Service, the Department of the Treasury, the Department of Banking, and other agencies have monetized the intellectual property that the Plaintiff's name represents without his consent, and he seeks a declaratory judgment and relief under the Privacy Act. The Plaintiff is petitioning the Court to require the agencies to disclose information related to the financial transactions through which the Plaintiff's name was monetized. The Department of Banking filed its Motion to Dismiss on November 12, 2024, the Plaintiff replied, and the Department responded to the reply on December 23, 2024. The matter remains pending.

Ifeoluwa Adeuusi v. State of Texas, the Texas Department of Banking, et al., Cause No. JP07-24-SC00011762, Small Claims Court, Tarrant County, Texas. This case originally filed July 9, 2024, and amended on October 10, 2024, alleges the State of Texas, the Texas Department of Banking, the Texas Department of Public Safety, and other agencies committed medical malpractice, law enforcement aggression, civil violations, government services negligence, nondescript employment tribunal offenses, legal aid abuse of discretion, and abuse of process toward the Plaintiff. The Plaintiff seeks \$20,000 in damages, plus court costs. The Department of Banking answered the complaint on November 11, 2024, and filed its Motion for Summary Disposition on December 12, 2024. The matter remains pending.

Orders Issued December 1, 2024 – January 31, 2025

The Commissioner issued three enforcement orders during this period:

Bank and Trust Supervision

- Prohibition Order issued November 14, 2024, and final on December 19, 2024; Elijah Adam Vega, San Antonio, Texas

Non-Depository Supervision

- Consent Order issued December 12, 2024; MoonPay USA LLC, Miami, Florida
- Consent Order issued January 15, 2025; Block, Inc., Oakland, California

Public Information Requests

From December 1, 2024, through January 30, 2024, staff received and responded to 20 requests for public information addressed to the Department of Banking and received nine inquiries through the “Ask a Question” feature. During the same period, we received 1 public information request addressed to the Finance Commission.

Gifts

No gifts to report during this period.

FY 2025 Quarterly Order Activity

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

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

FY 2025 Quarterly Order Activity Continued

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