

MINUTES OF THE
FINANCE COMMISSION MEETING

Friday, February 15, 2013

The Finance Commission of Texas met Friday, February 15, 2013, in the Finance Commission Building, William F. Aldridge Hearing Room, 2601 North Lamar Boulevard, Austin, Texas.

Members in attendance:

Bill White, Finance Commission Chair
Paul Plunket, Finance Commission Vice Chair
Susan Burton, Finance Commission Member
Victor Leal, Finance Commission Member
Stacy London, Finance Commission Member
Cindy Lyons, Finance Commission Member
Lori McCool, Finance Commission Member
Larry Patton, Finance Commission Member
Jay Shands, Finance Commission Member

Members absent:

Darby Byrd, Finance Commission Member
Jonathan Newton, Finance Commission Member

Others in attendance:

Doug Foster, Executive Director to the Finance Commission and Commissioner, Texas Department of Savings and Mortgage Lending (SML)
Charles Cooper, Commissioner, Texas Department of Banking (DOB)
Leslie Pettijohn, Commissioner, Office of Consumer Credit Commissioner (OCCC)
Kurt Purdom, Director of Bank and Trust Supervision, Texas Department of Banking (DOB)
Rudy Aguilar, Director of Consumer Protection, Office of Consumer Credit Commissioner (OCCC)
Jim Crowson, Assistant Attorney General, Office of the Attorney General

Finance Commission Chair Bill White announced a quorum with nine members present and called the meeting to order at 9:07 a.m.

Finance Commission Matters:

General Public Comment.

No public comments were received.

Consent Agenda.

Larry Patton made a motion that the Finance Commission approve consent agenda items A1; B2. Susan Burton seconded and the motion was adopted. (A copy of the consent agenda is attached).

Finance Commission Operations – Legislative Issues; Testimonies and Correspondence; and Agency Complaints.

Doug Foster, Executive Director to the Finance Commission, provided a legislative update on the House Committee on Investments and Financial Services reporting there will be an upcoming organizational meeting. This will be an opportunity for all agencies to describe their operations and regulatory responsibilities.

Commissioner Cooper highlighted the appointment of Chairman Mike Villarreal to the House Committee on Investments and Financial Services and other new legislative appointments.

Commissioner Pettijohn summarized the large number of legislative bills that had been filed with many in the Credit Access Businesses (CAB's) and payday lending areas. She continued by highlighting specific bills and those significant to the OCCC. There was discussion among members and the Commissioners addressed questions.

Chair White introduced Ms. Belinda Swan, the new executive assistant with the Department of Savings and Mortgage Lending.

Audit Committee Report

Committee Chair Lyons reported on the Audit Committee meeting held on February 15, 2013.

Agencies' November 30, 2012, Investment Officer Reports

Committee Chair Lyons made a recommendation on behalf of the Audit Committee that the Finance Commission approve the agencies' November 30, 2012, Investment Officer Reports. A second was not needed and the motion carried.

Agencies' First Quarter Financial Statements

Committee Chair Lyons made a recommendation on behalf of the Audit Committee that the Finance Commission approve the agencies' First Quarter Financial Statements. A second was not needed and the motion carried.

Internal Auditor's Audit Plan for Fiscal Year 2013

Committee Chair Lyons made a recommendation on behalf of the Audit Committee that the Finance Commission accept the Internal Audit Plan for the Finance Commission Agencies for Fiscal Year 2013. A second was not needed and the motion carried.

Invest Funds of the Texas Financial Education Endowment Fund in the Endowment Program of Texas Treasury Safekeeping Trust Company

Committee Chair Lyons made a recommendation on behalf of the Audit Committee that the Finance Commission approve the investment of \$1,400,000 of the Texas Financial Education Endowment Fund in the Endowment Program of Texas Treasury Safekeeping Trust Company. A second was not needed and the motion carried.

Proposal for the Grant Program of the Texas Financial Education Endowment Fund

Committee Chair Lyons made a recommendation on behalf of the Audit Committee that the Finance Commission accept the administration and oversight proposal for the grant program of the Texas Financial Education Endowment Fund. A second was not needed and the motion carried.

Amend Presiding Officer Provisions in the Finance Commission's Policies and Procedures with Respect to Excused Absences of Members

Chair White discussed the amendments to the presiding officer provisions with respect to excused absences of members.

Stacy London made a motion to amend the presiding officer provisions of the Finance Commission's policies and procedures with respect to excused absences of members. Susan Burton seconded and the motion was adopted.

Victor Leal made a motion to excuse absences of Finance Commission Members Darby Byrd and Jonathan Newton for business purposes. Jay Shands seconded and the motion was adopted.

Department of Banking

Industry Status and Department Operations:

Commissioner Cooper provided an update on several federal issues before presenting an overview of the agency's operations within the bank and trust supervision areas.

He summarized the CAMEL ratings noting that as of today the number of problem banks has reduced to 27, and for the first time in several years 90% of banks were rated either 1 or 2. This is a continuing and positive trend within the banking industry and shows the strong recovery in Texas.

The Commissioner provided an overview of banking administrative actions and their compliance with examination priorities. He commented on the thirteen banks that are past due; six are in the examination process and five are scheduled for examination in February. There are two banks not scheduled due to pending mergers.

He commented on meeting with the staff of U.S. Representative Jeb Hensarling, Vice Chairman for the House Financial Services Committee. The Representative did accept an invitation to address the Conference on State Bank Supervisors (CSBS) group in March.

Commissioner Cooper continued with an overview of corporate activities and detailed the applications of mergers and conversions. He commented on the testing stage of the Corporate Applications Filing Entry System (CAFE) where applicants can electronically produce the report.

He summarized the special audit activities and highlighted the past due examination process. The Commissioner continued with discussion of the agency's staffing information, performance measures and highlighted the new employee information data chart.

Commissioner Cooper concluded with a summary of strategic support activities and reported on the complaints area. Kurt Purdom provided an overview of the Bank Examination Testing System (BETS) and highlighted the new report.

There was discussion among members. Commissioner Cooper and Mr. Purdom addressed questions.

Department of Savings and Mortgage Lending

Industry Status and Departmental Operations:

Commissioner Foster provided an overview of the agency's executive summary report commenting on the increase in state savings banks due to federal conversions. He highlighted the examination activities within the residential mortgage loan origination area reporting a significantly smaller number than the previous year.

The Commissioner continued with the thrift activities report showing a reoccurring positive trend within the CAMELS ratings, which are expected to continue to improve.

The Commissioner provided an overview of the newly launched Compliance Observer Program reporting 19 FDIC compliance examinations. The agency has participated with bank management in every compliance exit meeting and also participated in the actual examination of 14.

He continued by highlighting the Emergency Communications System (ECS); a free tool provided by the Federal Reserve of St. Louis for the use by state depository regulators during emergency situations. Within the next 60 days all institutions should be on this system.

The Commissioner provided an overview of charters annual fee assessment rates with the Office of the Comptroller of the Currency's (OCC).

He further reported on the current mortgage licensee population with the agency continuing to have about 500 new license applications received per month with the expectation for these numbers to continue throughout the year. Commissioner Foster continued by summarizing the mortgage examination area with a total of 129 being conducted while covering 741 licensees.

He continued with the significant improvement in the consumer complaints area from one year ago with 82% of complaints now being open less than 60 days. The enforcement activity was summarized with the agency's hearing numbers again decreasing significantly.

The Commissioner concluded his discussion by highlighting the agency's staffing and employee data while including available hiring opportunities.

Office of Consumer Credit Commissioner

Industry Status and Departmental Operations:

Commissioner Pettijohn provided a general overview of the agency's consumer protection activities and highlighted examination staffing, noting gains and losses within this area. This has affected production somewhat, but the agency continues to attempt to address the issues and hopes to gain ground on the number of examinations in the last half of the fiscal year.

She continued with a discussion of the newly requested chart relating to motor vehicle sales finance examinations and compliance levels.

The Commissioner provided an overview of the agency's complaints with a breakdown by type and totals accumulated. There was an increase by 20% primarily due to the new CAB regulated activities. The members discussed the reports and ratio of complaints. Commissioner Pettijohn and Rudy Aguilar addressed questions.

She provided a general overview of the licensing report detailing the areas of registered creditors and refund anticipation lenders. There have been very significant improvements within the agency's customer service areas in the processing time for license applications.

Commissioner Pettijohn highlighted the CAB report noting more additional information and extra data fields were compiled in the processing of the report. The percentage of loans that are single installment payday loans have been added with other additional information. She addressed the number of vehicles surrendered or repossessed for auto title loans.

She continued with the administration report detailing the progress of the Information Technology Project and staffing vacancies within the agency. The Commissioner discussed the continual communication and outreach efforts with stakeholder and industry groups.

Commissioner Pettijohn provided an overview of the agency's executive summary report highlighting monies returned to consumers. The members discussed the refunding process to consumers. Commissioner Pettijohn and Rudy Aguilar addressed questions.

The Commissioner concluded her discussion by providing an overview of the legal report while highlighting an open records ruling from the Office of the Attorney General.

Discussion of and Possible Vote to Take Action on the Proposal for Publication and Comment of Amendments to 7 TAC §89.207, Concerning Files and Records Required, and §89.401, Concerning Branch Networks, Relating to Subsequent Transfers of Property Tax Loans.

Commissioner Pettijohn provided an overview of the proposed rule.

Susan Burton made a motion to approve the Proposal for Publication and Comment of Amendments to 7 TAC §89.207, Concerning Files and Records Required, and §89.401, Concerning Branch Networks, Relating to Subsequent Transfers of Property Tax Loans. Victor Leal seconded and the motion was adopted.

Finance Commission Matters (Continued)

Chairman White called for an Executive Session at 10:59 a.m.

Chairman White reconvened the Open Meeting of the Finance Commission at 11:39 p.m.

Chairman White noted that no final action, decision, or vote on matters deliberated during executive session was made by the members.

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

No discussion occurred on the agenda item.

Discussion of and Possible Action Regarding Facility Planning and Real Property Matters Pursuant to Section 551.072, Texas Government Code: Deliberations Regarding the Purchase, Exchange, Lease or Value of Real Property.

There was discussion with no vote on the agenda item.

Discussion of and Possible Action Regarding Anticipated and Pending Litigation Pursuant to Section 551.071, Texas Government Code, for the purpose of seeking the advice or attorney-client privileged communications from our attorneys regarding pending and contemplated litigation.

No discussion occurred on the agenda item.

Discussion of and Possible Vote to Modify the Agencies' Fiscal Year 2013 Budgets for Capital Expenditures.

Stacy London made a motion that the Commission approve amendments to the three agencies' fiscal year 2013 budgets that will allow the agencies to expend an aggregate amount not to exceed \$8,800,000 for the acquisition of a new headquarter facility and related expenses. The amount is to be allocated between the agencies according to an agreed upon percentage. Susan Burton seconded and the motion was adopted.

There being no further business, Commission Chair Bill White adjourned the meeting of the Finance Commission at 11:43 a.m.

Bill White, Chair
Finance Commission of Texas

Doug Foster, Executive Director of the
Finance Commission of Texas

Tammy King Wooten, Executive Assistant
Finance Commission of Texas