

MINUTES OF THE
FINANCE COMMISSION MEETING

Friday, February 21, 2014

The Finance Commission of Texas met Friday, February 21, 2014, in the Finance Commission Building, William F. Aldridge Hearing Room, 2601 North Lamar Boulevard, Austin, Texas.

Members in attendance:

Bill White, Finance Commission Chairman
Paul Plunket, Finance Commission Vice Chairman
Susan Burton, Finance Commission Member
Stacy London, Finance Commission Member
Will Lucas, Finance Commission Member
Cindy Lyons, Finance Commission Member
Jonathan Newton, Finance Commission Member
Larry Patton, Finance Commission Member
Jay Shands, 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)
Stephanie Newberg, Deputy Commissioner (DOB)
Kaylene Ray, General Counsel, (DOB)
Caroline Jones, General Counsel, (SML)
Sealy Hutchings, General Counsel (OCCC)
Laurie Hobbs, Assistant General Counsel, (OCCC)
Rudy Aguilar, Director of Consumer Protection, (OCCC)

Finance Commission Chairman Bill White announced a quorum with ten members present and called the meeting to order at 9:00 a.m.

Discussion of and Possible Vote to Excuse the Absence of a Commission Member.

Susan Burton made a motion to excuse Lori McCool from the Finance Commission meeting held on February 21, 2014. Will Lucas seconded and the motion was adopted.

Finance Commission Matters:

General Public Comment.

Ms. Joanne Groshardt submitted public testimony on payday lending institutions to the Finance Commission Members.

Consent Agenda.

Jonathan Newton made a motion that the Finance Commission approve consent agenda items A1; B3-4; and D2. 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 opened with a discussion of legislative interim charges from the Texas House of Representatives. These include the Business and Industry Committee review of existing lien laws in Texas; specifically examining those related to contract, mechanic or ad valorem tax liens. There will also be a review from the Investments and Financial Services Committee on Texas home equity laws with a study to ensure consumers have appropriate protection regarding the equity in their homes.

Audit Committee Report

Committee Chair Lyons reported on the Audit Committee meeting held on February 21, 2014.

Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' November 30, 2013, Investment Officer Reports.

Committee Chair Lyons made a recommendation on behalf of the Audit Committee that the Finance Commission approve the agencies' November 30, 2013, Investment Officer Reports. A second was not needed and the motion carried.

Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the 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.

Discussion of and Possible Vote to Take Action on the Internal Auditor's Risk Scoped Audit Plan for the Finance Commission Agencies' for Fiscal Year 2014.

Committee Chair Lyons made a recommendation on behalf of the Audit Committee that the Finance Commission approve the agencies' Internal Auditor's Risk Scoped Audit Plan for the Finance Commission Agencies' for Fiscal Year 2014; as amended with discussion and revisions. A second was not needed and the motion carried.

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

There was discussion with no vote on the agenda item.

Discussion Regarding the Process of Strategic Planning for the Finance Commission Agencies' 2015-2019 Strategic Plans.

Committee Chair Stacy London provided an overview of the tentative timeline regarding the agencies' strategic plans. She announced the member assignment to each agency's strategic planning process. Committee Member Jonathan Newton will work with the OCCC, Committee Member Larry Patton was assigned to the DOB, and she will be working with the TDSML.

Department of Banking

Industry Status and Department Operations:

Commissioner Cooper opened with a discussion of the quarterly legislative report sent to the Senate Committee on Business and Commerce. Chairman White commended the agency on the reported 13 financial institution conversions from national to state charter banks. There was discussion among members with Commissioner Cooper addressing the questions.

The Commissioner continued with a summary of the CAMEL ratings noting the total number of banks is now 283, continuing to decline primarily due to bank consolidations. Problem banks have been reduced to 18, and this continues to be a positive trend within the banking industry.

He provided an overview of the banking administrative actions and their compliance with examination priorities. He commented that currently there were five past due bank examinations.

Commissioner Cooper provided an overview of the corporate activities and detailed the applications for mergers and conversions. In December 2013, four banks converted from a national bank charter to a state bank charter, and reported one state charter bank in Florida was in the process of moving to Texas.

The Commissioner provided an update of the special audit division activities report. He summarized the Department's past due examination report noting a decrease in numbers by approximately 50%. There was discussion among members regarding employee data and benefits information with Commissioner Cooper addressing the questions.

He continued by detailing the summary of strategic support and other divisional activity items. The Commissioner commented on the Nationwide Mortgage Licensing System (NMLS) conference and the progress of working with the Consumer Financial Protection Bureau (CFPB) regarding consumer complaints. He highlighted the Closed Account Notification System (CANS) activity report.

Commissioner Cooper concluded his discussion by announcing the retirement of Kaylene Ray and commended her work and service to the agency.

Ms. Ray concluded the discussion by providing an update on the legal division report.

Discussion of the Department's 2013 Reaccreditation under the Conference of State Bank Supervisors' State Accreditation Program.

Commissioner Cooper introduced Mr. John Ryan, President and CEO of the Conference of State Bank Supervisors (CSBS), and acknowledged his positive contribution to the association and support within the banking industry.

Mr. Ryan provided an overview of the reaccreditation process for the Department outlining the requirement standards the agency must meet for approval. He commented on the agency's efforts while maintaining the highest level of professionalism within the banking supervision and industry area. Mr. Ryan concluded his discussion by praising the agency's national and state activity involvement.

Department of Savings and Mortgage Lending

Industry Status and Departmental Operations:

Commissioner Foster provided an overview of the agency's executive summary report while highlighting the improvements within the CAMELS ratings. He further reported on the decreasing trend in examinations resulting in the continual improving industry conditions. The Commissioner continued by reporting on the thrift assessment chart with calculations based on a percentage of the Office of the Comptroller of the Currency's (OCC) assessments.

He provided a summary of the residential mortgage loan originators activity report. The agency continued to see a trend of receiving 500 new license applications per month.

Commissioner Foster discussed the American Association of Residential Mortgage Regulators (AARMR) training provided to the department's mortgage examiners at the end of April. There was discussion among members regarding unlicensed or unauthorized activity within the mortgage examination area with Commissioner Foster addressing the questions.

The Commissioner highlighted the Department's recent submission for its annual update report as a condition of continued accreditation. The Department remains one of only 13 state mortgage regulators that are accredited through AARMR/CSBS. He continued with discussion regarding the lack of statutory and legislative authority to examine or take enforcement actions against mortgage banker companies that may need to be addressed in the upcoming legislative session.

Commissioner Foster provided an overview of the consumer complaints area. He reported the agency remained within target range while having no open complaints over 180 days. The largest complaint category continued to be the loan servicing area with mortgage loan originator complaints declining.

The Commissioner concluded his discussion with a summary of the significant decrease and continued improvement within the enforcement activity areas.

Discussion of and Possible Vote to Take Action on the Publication for Comment of Proposed Amendments to 7 TAC §80, Subchapter C, Concerning Loan Status Forms to Correct Graphics.

Caroline Jones provided an overview of the proposed rule.

Susan Burton made a motion to approve the Publication for Comment of Proposed Amendments to 7 TAC §80, Subchapter C, Concerning Loan Status Forms to Correct Graphics. Cindy Lyons seconded and the motion was adopted.

Office of Consumer Credit Commissioner

Industry Status and Departmental Operations:

Commissioner Pettijohn summarized the agency's consumer protection activities while providing an overview and comparison of examinations between September–December 2013. She noted the agency's tracking system of production hours to assist with the examinations process.

The Commissioner discussed the significant improvement and increase in the acceptable levels of compliance in motor vehicle sales financing examinations. The agency will continue to take action to keep improvement at a higher level in this area. There was discussion among members regarding examiner positions and trainings with Mr. Aguilar and Commissioner Pettijohn addressing questions.

She continued by highlighting the investigations completion report while assessing pending issues being moved to the enforcement actions area or those that had been closed. The Commissioner discussed the standard complaints report noting a 19% decline in the number of those being processed.

Commissioner Pettijohn summarized the licensing report noting aggregate differences in the licensed populations of financial service providers continued to be minor, reflecting an increase in total license population with a decreasing trend in the license registration area.

She discussed the CAB report noting several steps recently implemented to improve the current year's data for future submissions. There was discussion among members regarding the reporting cycle and proposed penalties within the CAB's area with Mr. Hutchings and Commissioner Pettijohn addressing the questions.

Commissioner Pettijohn continued with an update and progress report of the agency's information technology project, the licensing and registration web-based portal. The (ALECS) system officially went live on Feb 10, 2014, with the development of new license and registration processing completed and tested. The agency's feedback and response from the user testing sessions were positive regarding the capabilities and benefits of the new online system.

Jonathan Newton commended the agency on the success and improvements to the new online web-based portal.

The Commissioner provided an update and overview of the strategic planning process and stakeholder group participation. She acknowledged the appreciation and comments from feedback received from all involved.

Commissioner Pettijohn provided an update of the agency's executive summary report, highlighting the staffing and employee data, including available hiring opportunities.

The Commissioner concluded her discussion by providing an overview of the legal report and highlighting the agency's enforcement actions. The agency has received a significant increase in open records requests with a high volume of information requested especially within the CAB data reporting area. The procedures and process regarding the filing of potential proprietary information and the impact of the Public Information Act was also discussed.

Discussion of and Possible Vote to Take Action on the Publication for Comment of Proposed Amendments to 7 TAC, Chapter 85, Subchapter A, Concerning Rules of Operation for Pawnshops, Resulting from Rule Review.

Ms. Hobbs provided an overview of the proposed rule. There was discussion among members with Ms. Hobbs and Commissioner Pettijohn addressing the questions.

Jay Shands made a motion to approve the Publication for Comment of Proposed Amendments to 7 TAC, Chapter 85, Subchapter A, Concerning Rules of Operation for Pawnshops, Resulting from Rule Review. Victor Leal seconded and the motion was adopted.

Finance Commission Matters (Continued)

Chairman White called for an Executive Session at 11:21 a.m.

Chairman White reconvened the Open Meeting of the Finance Commission at 12:05 p.m.

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.

There was discussion with voting on the agenda item.

Stacy London made a motion to approve Commissioner Charles Cooper be appointed as the Executive Director for the Texas Finance Commission effective May 1, 2014. Commissioner Cooper's official first Finance Commission meeting will be June 20, 2014, and will also include responsibility for the Finance Commission's 2014 Strategic Plan.

Jonathan Newton seconded and the motion was adopted.

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 no discussion or 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.

There was no discussion or vote on the agenda item.

There being no further business, Commission Chairman Bill White adjourned the meeting of the Finance Commission at 12:07 p.m.

Bill White, Chairman
Finance Commission of Texas

Doug Foster, Executive Director of the
Finance Commission of Texas

Tammy King Wooten, Executive Assistant
Finance Commission of Texas