

June 2016

Proposed Plan



2017 ————— 2021

STRATEGIC PLAN



Texas Department of Banking
2601 N. Lamar Blvd.
Austin, Texas 78705
Toll Free 877-276-5554
www.dob.texas.gov

AGENCY STRATEGIC PLAN
FISCAL YEARS 2017 TO 2021
BY THE
TEXAS DEPARTMENT OF BANKING

FINANCE COMMISSION OF TEXAS		
COMMISSION MEMBER	DATES OF TERM	HOMETOWN
Stacy G. London, Chair	June 26, 2008 to Feb 1, 2020	Houston
Robert (Bob) Borochoff	Feb 22, 2016 to Feb 1, 2022	Houston
Hector J. Cerna	Dec 16, 2015 to Feb 1, 2020	Eagle Pass
Margaret (Molly) Curl	Feb 23, 2016 to Feb 1, 2022	Richardson
Phillip A. Holt	Feb 23, 2016 to Feb 1, 2022	Bonham
Victor E. Leal	Feb 2, 2012 to Feb 1, 2018	Amarillo
William M. (Will) Lucas	Sept 27, 2011 to Feb 1, 2018	Center
Lori B. McCool	Apr 27, 2009 to Feb 1, 2020	Boerne
Matthew (Matt) Moore	Feb 23, 2016 to Feb 1, 2022	Amarillo
Paul Plunket	June 26, 2008 to Feb 1, 2020	Dallas
Hilliard (Jay) Shands, III, Vice Chair	Aug 23, 2010 to Feb 1, 2018	Lufkin

SUBMITTED JUNE 10, 2016

SIGNED: _____
Charles G. Cooper, Banking Commissioner

APPROVED: _____
Stacy G. London, Finance Commission Chair

THIS PAGE INTENTIONALLY LEFT BLANK.

TABLE OF CONTENTS

Department of Banking Mission.....	1
Agency Goals and Action Plans.....	1
Goal: Effective Bank and Trust Regulation.....	2
Actions Required to Achieve Goal.....	2
Goals and Action Items Support Statewide Objectives.....	2
Other Considerations.....	4
Goal: Effective Regulation Of Special Audit Licensees.....	7
Actions Required to Achieve Goal.....	7
Goals and Action Items Support Statewide Objectives.....	7
Other Considerations.....	9
Goal: Effective Regulation Through Corporate Activities.....	12
Actions Required to Achieve Goal.....	12
Goals and Action Items Support Statewide Objectives.....	12
Other Considerations.....	13
Goal: Effective and Efficient Operations Compliant with State Laws.....	15
Actions Required to Achieve Goal.....	15
Goals and Action Items Support Statewide Objectives.....	15
Other Considerations.....	17
Redundancies and Impediments.....	19

THIS PAGE INTENTIONALLY LEFT BLANK

DEPARTMENT OF BANKING MISSION

The mission of the Department of Banking is to ensure Texas has a safe, sound and competitive financial services system.

AGENCY GOALS AND ACTION PLANS

The Department's mission is accomplished primarily by the examination of the chartered and licensed entities under our supervision. In order to meet our goals and fulfill our mission, the Department will abide by these core values and operating principles:

- Adhere to the highest ethical and professional standards;
- Be statutorily accountable and responsible;
- Anticipate and respond to a dynamic environment;
- Identify and promote innovative practices;
- Operate efficiently and maintain consistent and prudent regulatory standards;
- Communicate effectively;
- Foster teamwork while encouraging individual excellence and career development;
- Provide a desirable work environment that values cultural and individual differences;
- Seek input from and be responsive to the public, our supervised entities, and State leadership; and
- Adhere to the principle of "Tough but Fair" regulatory oversight.

GOAL: EFFECTIVE BANK AND TRUST REGULATION

To ensure timely, fair, and effective supervision and regulation of the financial institutions under our jurisdiction in order to promote a stable banking and financial services environment and provide the public with convenient, safe, and competitive financial services. In doing so, provide quality regulation and maintain the credibility of the Department with the public, industries we regulate, federal banking regulators and other government agencies.

ACTIONS REQUIRED TO ACHIEVE GOAL

- Conduct commercial bank, trust company, foreign bank agency, and foreign representative office examinations, in cooperation with the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Bank (FRB), in conformance with the Department's examination priority schedule and in a thorough, accurate, and timely manner.
- Maintain contact with, and monitor the condition of, regulated entities between examinations through processes which include an off-site monitoring program.
- Monitor industry status and engage in regular communication with federal regulators (FDIC and FRB) and the Conference of State Bank Supervisors (CSBS).
- Promote cybersecurity awareness among regulated entities.
- Ensure correction-oriented enforcement actions will be taken, as appropriate, against regulated entities that demonstrate higher than normal weakness or risk, including consideration for noncompliance with laws, regulations, and policies.
- Maintain sufficient regulatory resources in the event of further industry deterioration or systemic industry problems, the reallocation of federal regulatory resources away from Texas, a significant increase in the regulated asset base or a substantial loss of examiners.
- Optimize efficiencies in the examination process, including automating examination procedures, adopting electronic examination tools, and utilizing the secure data exchange portal to share information with regulated entities and federal counterparts.
- Research and report on changing industry, statutory, and economic conditions and develop appropriate supervisory strategies to adapt to these changes.
- Provide the industry with electronic access to regulatory and supervisory information through the agency's website.
- Attract and retain qualified employees through a competitive salary program, specialized training, and career advancement opportunities. Create a culture that state service can be a career.
- Maintain accreditation status by CSBS.

GOALS AND ACTION ITEMS SUPPORT STATEWIDE OBJECTIVES

1. Accountable to tax and fee payers of Texas.

Consumers

- Ensure Texans have access to safe and sound financial services providers that comply with applicable laws and regulations.
- Provide consumers access to a Consumer Assistance hotline and other avenues for filing complaints on entities regulated by the Department.

- Protect consumers by maintaining the Closed Account Notification System (CANS) which provides depository institutions with a method to report, to check verification companies, accounts closed due to risk of fraud or identity theft.
- Ensure adherence with self-leveling, self-funding and Self-Directed, Semi-Independent (SDSI) statutory requirements.

Regulated Entities

- Provide useful and timely information on the website.
- Issue regulatory and supervisory guidance accessible in the Department's Law and Guidance Manual.
- Provide outreach efforts to industry stakeholders for discussing important issues impacting the industry such as cybersecurity.
- Assist the industry in mitigating risks of emerging electronic crimes through the use of the Texas Bankers Electronic Crimes Task Force (ECTF).
- Seek input on the annual budget through a public hearing.
- Provide an avenue for employees of regulated entities to report suspicious activity, fraud, or abuse to the Department.

2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including the elimination of redundant and non-core functions.

- Coordinate examinations and other supervisory activities with federal regulators to reduce duplicative responses by financial institutions.
- Maintain a secure electronic Data Exchange (DEX) portal for use by regulated entities and examination staff.
- Conduct streamlined and risk-focused examinations to target risk areas of concern.
- Develop and refine examination procedures on a continual basis.
- Utilize and continue to enhance technology allowing examiners to be more efficient when on-site and perform portions of an examination off site, when practical.
- Allow flexible work schedules to reduce travel burden and minimize associated expenses.

3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures and implementing plans to continuously improve.

- Meet or exceed performance measures related to banks, trust companies, and foreign bank agencies.
- Explore ways to further automate examination and related administrative processes.
- Monitor legislative and emerging issues and their impact on regulated entities.
- Perform on-going reviews of examination procedures and policies.
- Review regulatory and supervisory guidance regularly to ensure they are current and relevant.
- Provide ongoing formal and informal training opportunities for examination staff.

4. Providing excellent customer service.

- Provide professional and timely resolutions to consumer complaints.
- Seek feedback from consumers upon closure of their complaint against a regulated entity.
- Seek feedback from regulated entities at the conclusion of each examination and through the annual *Rate the Department Survey*.
- Adhere to policies regarding timely dissemination of reports of examinations.
- Notify regulated entities of new or revised rules, regulations or policies in a timely manner.
- Participate in town hall outreach events for bankers held in various locations across the state.
- Ensure that managers of entities under examination are well informed about the progress of the examination and significant findings.

5. Transparent such that agency actions can be understood by any Texan.

- Ensure the Department's website contains the following information:
 - Proposed rule changes written in plain language and instructions on how to submit comments;
 - Enforcement actions and orders;
 - Examination procedures;
 - Corporate applications, notices, and filing activity; and
 - Links to the Law and Guidance Manual which contains regulatory and supervisory guidance issued by the Department.
- Provide status reports regarding agency activities and industry conditions to the Finance Commission (FC).

OTHER CONSIDERATIONS

To be successful in meeting our goals, the agency must be knowledgeable of regulatory changes, emerging trends, and economic conditions at both the state and national level. In order to stay informed of the matters affecting our regulated entities, the Department will continue to work closely with various organizations, trade groups, and federal and state agencies. Agency staff will continue to participate in numerous committees, workgroups, and task forces through CSBS, a national organization dedicated to advancing the quality and effectiveness of regulation and supervision of state banking and financial services, and other federal regulatory agencies in order to stay abreast of legislative and regulatory issues.

The number of banking entities supervised by the Department as of December 31, 2015 is shown in the following chart:

AGENCY GOALS AND ACTION PLANS

Regulated Entities	Number of Entities As of December 31, 2015	Total Assets (\$ millions)
Commercial Banks	252	246,960
Trust Companies	20 Nonexempt / 17 Exempt	97,453
Offices of Foreign Bank Agencies(FBAs)*	9 FBAs / 17 Representative Offices / 1 Bank Branch	77,941

**Texas state branch, agency or representative office of a foreign bank.*

The number of these entities supervised by the Department has declined over the years, although the size and complexity have grown. This trend is expected to continue.

Examinations and off-site monitoring are conducted by staff in the Bank & Trust Supervision Division, and account for 65% of the agency's 189 employees. As banks increase in asset size and complexity, the number of examiners needed to examine these entities within the required timeframes increases. In addition, the number of additional specialty examiners in the capital markets, Bank Secrecy Act/Anti-Money Laundering, trust and Information Technology (IT) areas will increase.

Challenges facing the banking industry which are expected to continue over the next five years include:

- (1) Regulatory burden as many new federal regulations are phased in and compliance costs continue to rise;
- (2) Economic conditions such as low interest rates and industry downturns are impacting the bottom line;
- (3) Technology risks including cybersecurity threats that are becoming more complex and are targeting financial institutions;
- (4) Human resources which include finding and retaining qualified staff; replacing retiring management and board members;
- (5) Advances in technology and the evolving payments system;
- (6) Competition and the easing of credit underwriting standards; and
- (7) Finding new revenue sources.

Technology risks facing our regulated entities continue to increase as cybercrimes continue to evolve. The Department and federal banking agencies are requiring financial institutions to perform cybersecurity risk assessments. Examiners review the financial institution's cybersecurity risk assessment at every examination. The ECTF website, maintained by the Department, provides numerous resources for bankers related to cybercrimes.

Examiner training and development continues to be a priority for the agency. The general training policy includes on-the-job training, conferences, and a core curriculum of internal and external schools for financial examiner levels I-III in order to progress from an assistant examiner to a commissioned examiner. As banks and trust companies under the Department's supervision become larger and more complex, more resources will be required to develop staff to keep up with the changing industry.

AGENCY GOALS AND ACTION PLANS

During the coming year, the Department's Bank & Trust Supervision Division examiners will adopt the FDIC's Examination Tool Suite (ETS) which is an examination program for asset review, operations work, and report of examination preparation. This will replace the current systems, GENESYS and ETS-ALERT. ETS was developed through a cooperative effort between the FDIC, state banking departments and the FRB, and has new features including enhanced security, increased accuracy checking, and improved collaboration of findings among examination staff and review examiners. ETS will allow bank examiners with the Department, FDIC and FRB to more effectively and efficiently examine financial institutions for safety and soundness.

The Department will continue to expand the functionality of DEX. Future enhancements will be made to the data sharing function between examiners and our federal counterparts and our regulated entities' ability to store and retrieve documents for use by agency staff.

GOAL: EFFECTIVE REGULATION OF SPECIAL AUDIT LICENSEES

To ensure timely, fair, and effective supervision and regulation of the non-bank licensees under our jurisdiction in order to promote a stable financial services environment and provide the public with convenient, safe, and competitive financial services. In doing so, provide quality regulation and maintain the credibility of the Department with the public, industries we regulate, and other government agencies.

ACTIONS REQUIRED TO ACHIEVE GOAL

- Conduct Money Services Business (MSB), Prepaid Funeral Contract (PFC), and Perpetual Care Cemetery (PCC) examinations, in cooperation with federal and other state regulatory entities, in conformance with the Department's examination priority schedule and in a thorough, accurate, and timely manner.
- Maintain contact with, and monitor the condition of, regulated entities between examinations.
- Promote cybersecurity awareness among regulated entities.
- Optimize efficiencies in the examination process, including automating the data exchange of examination documents through a secure portal, and utilizing electronic examination procedures and reference materials.
- Research and report on changing industry, statutory, and economic conditions and develop appropriate supervisory strategies to adapt to these changes.
- Monitor industry status and engage in regular communication with federal and state regulators.
- Provide the industry with electronic access to regulatory and supervisory information through the agency's website.
- Identify and investigate non-licensed entities and fraudulent activities.
- Ensure proper enforcement actions are taken against unlicensed entities in an effort to bring such entities into compliance with rules and regulations.
- Ensure proper enforcement actions will be taken against regulated entities that demonstrate noncompliance with rules and regulations.
- Attract and retain qualified employees through a competitive salary program, specialized training, and career advancement opportunities. Create a culture that state service can be a career.

GOALS AND ACTION ITEMS SUPPORT STATEWIDE OBJECTIVES

1. Accountable to tax and fee payers of Texas.

Consumers

- Ensure Texans have access to safe and sound financial services providers that comply with applicable laws and regulations.
- Ensure consumer funds collected for PFCs will be available when needed.
- Ensure consumer funds used to purchase a burial right in a perpetual care cemetery are properly deposited in a trust account and used appropriately.
- Ensure consumer funds collected by an MSB are properly transmitted and received by the beneficiary.
- Provide consumers access to a Consumer Assistance hotline and other avenues for filing

complaints on entities regulated by the Department.

- Oversee the Prepaid Funeral Guaranty Fund.
- Ensure adherence with self-leveling, self-funding and SDSI statutory requirements.

Regulated Entities

- Provide useful and timely information on the website.
- Issue regulatory and supervisory guidance accessible in the Department's Law and Guidance Manual.
- Organize stakeholder meetings to gather feedback on proposed rules and regulations.
- Seek input on the annual budget through a public hearing.
- Provide outreach efforts to the industry stakeholders for discussing important issues impacting the industry such as cybersecurity.
- Provide an avenue for employees of regulated entities to report suspicious activity, fraud, or abuse to the Department.

2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including the elimination of redundant and non-core functions.

- Utilize the ability to accept another state's examination report when certain criteria is met, in an effort to avoid unnecessary regulatory duplication and facilitate the process of supervision and examination with the least regulatory burden to our licensed entities.
- Maintain DEX, which is used by regulated entities and examination staff to improve the flow of information.
- Utilize and continue to enhance technology allowing examiners to be more efficient when on-site and perform portions of an examination off site, when practical.
- Utilize technology to receive annual PFC and PCC license renewals and MSB annual report submissions online to reduce processing time.
- Utilize streamlined and risk-focused procedures, when appropriate.
- Develop and refine examination procedures on a continual basis.
- Allow flexible work schedules to reduce travel burden and minimize associated expenses.
- Coordinate and participate in multi-state MSB examinations utilizing the Money Transmitter Regulators Association (MTRA) standard examination procedures.

3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures and implementing plans to continuously improve.

- Meet or exceed performance measures related to MSBs, PFCs, and PCCs.
- Monitor legislative and emerging issues and their impact on regulated entities.
- Hold stakeholder meetings to discuss proposed rule and statute changes.
- Perform on-going reviews of examination procedures and policies.
- Review regulatory and supervisory guidance regularly to ensure they are current and relevant.

- Explore ways to further automate examination and related administrative processes.
- Provide ongoing formal and informal training opportunities for examination staff.

4. Providing excellent customer service.

- Provide professional and timely resolutions to consumer complaints.
- Seek feedback from consumers upon closure of their complaint against a regulated entity.
- Maintain PFC website to provide information which will help consumers to make informed decisions relating to the purchase of preneed funeral merchandise or services.
- Seek feedback from regulated entities through the annual *Rate the Department Survey*.
- Notify regulated entities of new or revised rules, regulations or policies in a timely manner.
- Ensure that managers of entities under examination are well informed about the progress of the examination and significant findings.

5. Transparent such that agency actions can be understood by any Texan.

- Ensure the Department's website contains the following information:
 - Proposed rule changes written in plain language and instructions on how to submit comments;
 - Enforcement actions and orders;
 - Corporate applications, notices and filing activity; and
 - Links to the Law and Guidance Manual which contains regulatory and supervisory guidance issued by the Department.
- Provide status reports about agency activities and industry conditions to the FC.

OTHER CONSIDERATIONS

To be successful in effectively regulating and supervising licensees, agency staff must be knowledgeable of regulatory changes, emerging trends, and economic conditions at both the state and national level. In order to stay informed of the matters affecting our regulated entities, the Department will continue to work closely with various organizations, such as CSBS and MTRA, and federal agencies such as the Financial Crimes Enforcement Network (FinCEN) and the Internal Revenue Service (IRS).

The entities licensed by the Department and subject to examinations are shown in the following chart:

Regulated Entities	Number of Entities As of December 31, 2015	Total Assets (\$ millions)
Money Services Businesses	147	104,133
Prepaid Funeral Contract Sellers	378	3,638
Perpetual Care Cemeteries	245	308

Examinations and monitoring of these licensees are conducted by staff in the Special Audits Division, accounting for approximately 11% of the agency's employees. The number of MSBs supervised by the Department has increased over the years, while the number of PFC licensees has decreased and the number of PCC licensees has remained stable. These trends are expected to continue.

The MSB industry is continually evolving. MSBs are becoming more complex and shifting towards more innovative technology products, such as virtual wallets, and away from traditional money transmission activities. Licensees are also now using numerous payment processors and agents in their business models making the flow of funds much more complicated. As new technologies are adopted, regulators must ensure that MSBs have policies and procedures in place to help prevent criminals from hacking computer information systems, infrastructures, and/or computer networks containing valuable customer information. Cybersecurity will be an ongoing issue for this industry and the Department will continue to promote awareness in this area.

Department staff must stay abreast of current and emerging issues and adapt quickly to adequately supervise these entities. In addition, the agency will be challenged to identify fraudulent activities and unlicensed entities doing business with Texans, particularly internet-based companies. Given these challenges, the number of knowledgeable staff required to complete examinations and meet performance goals could increase in the next five years.

The Department is considered a leader in MSB regulation/examinations, often providing training for examiners in other states. The Department strives to work cooperatively with other state and federal agencies, such as FinCEN and the IRS. Working with other regulators and industry groups helps the Department provide MSBs with clear and consistent guidance and allows examination personnel to stay abreast of current and emerging issues. Also, the Department has been proactive in issuing guidance related to the emerging issues in the money services business industry.

The death care industry, which includes PFC and PCC, is a more mature industry operating in a well-established regulatory environment. Over the past several years, the number of permit holders administering preneed trust funds has been declining, while the amount of funds administered by the PFCs licensed by the Department is rising. This trend is expected to continue. Smaller funeral homes and cemeteries will continue to struggle as the industry faces several challenges, including:

- (1) Low interest rates impacting the bottom line;
- (2) Reduction in revenue as consumers shift away from the more expensive traditional burials towards cremation services;
- (3) Finding new revenue sources to offset the increase in cremations;
- (4) Rising maintenance costs for cemeteries;

AGENCY GOALS AND ACTION PLANS

- (5) Continuity of family owned operations as heirs are not interested in taking over the family business; and
- (6) Increased risk of fraudulent activity.

The Department will continue its ongoing monitoring for illegal and fraudulent activity in the death care industry, including the sale of PFCs by unlicensed entities and /or individuals, and misuse of trust funds by permit holders.

GOAL: EFFECTIVE REGULATION THROUGH CORPORATE ACTIVITIES

To ensure that the citizens of Texas have access to convenient, safe, sound, and competitive financial services through an effective corporate activities process to evaluate and act upon corporate filings requesting to initiate, expand, or modify financial services to Texans.

ACTIONS REQUIRED TO ACHIEVE GOAL

- Process all filings in a timely and thorough manner while adhering to the principle of providing Texans with access to convenient and competitive financial services in a safe and sound manner.
- Optimize efficiencies in the application process by enhancing automated systems, where possible, in order to improve the quality and speed of information exchanged internally and between the Department, its stakeholders, applicants, and the various federal and state agencies that we partner with to process applications.
- Perform thorough background checks as appropriate to determine if the individuals proposed have the experience, personal and financial integrity, and financial ability to direct and/or lead a financial institution's or MSB's affairs in a safe, sound, and legal manner.
- Attract and retain qualified employees through a competitive salary program, specialized training, and career advancement opportunities. Create a culture that state service can be a career.

GOALS AND ACTION ITEMS SUPPORT STATEWIDE OBJECTIVES

1. Accountable to tax and fee payers of Texas.

Consumers

- Charter and license entities with sound business operations and plans which demonstrate the ability and propensity to abide by applicable laws, including consumer protection laws.
- Promote a thriving and competitive financial services industry.
- Prevent the introduction of bad actors into a regulated entity by performing appropriate background checks.
- Ensure adherence with self-leveling, self-funding and SDSI statutory requirements.

2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including the elimination of redundant and non-core functions.

- Ensure that staffing resources are periodically evaluated and adjusted in consideration of application type and volume.
- Maintain the secure web portal for applicants and regulated entities to securely and expediently deliver applications and accompanying documentation.
- Encourage a risk-based process for processing applications such that additional time and resources are spent reviewing higher-risk applications and less time and resources are spent processing low-risk applications.
- Allow the use of federal or other states' forms, when available, to minimize duplicate efforts by the applicant.
- Allow the use of Nationwide Multistate Licensing System & Registry (NMLS) for MSB applications.

3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures and implementing plans to continuously improve.

- Meet or exceed our goal for processing bank, trust, MSB, check verification company, and private child support enforcement agency registration and renewal applications; and cemetery broker and bullion depository agent registrations within statutory time periods.
- Strive to reduce manual processes by leveraging technology.

4. Providing excellent customer service.

- Expedite application processing, review and approval processes.
- Monitor compliance with rules currently in place to require timely responses to applications.
- Review forms and applications regularly to improve the quality of initial submission and ease of completion, flexibility, and ultimately timely processing.
- Obtain feedback from entities using corporate services through the annual *Rate the Department Survey*.

5. Transparent such that agency actions can be understood by any Texan.

- Ensure Corporate Activities application forms are logically organized and accessible by the public through our website and meet accessibility standards.
- Provide corporate application activity information through our website.
- Ensure that our website continues to accurately list the chartered and licensed entities supervised by the Department.

OTHER CONSIDERATIONS

The Department is entrusted with ensuring the safety of the public's money held by businesses that provide financial services. The Department does not license and regulate all financial service providers in Texas. Entities that are chartered or licensed by the Department and subject to examinations to ensure they are operating in a safe and sound manner and in compliance with state and federal laws are state-chartered banks, trust companies, offices of foreign bank agencies, MSBs, PFC sellers, and PCCs. Entities which are required to register with the Department, but not subject to examination, are private child support enforcement agencies, cemetery brokers, check verification entities, and Texas bullion depository agents. The 84th Legislature amended the Texas Finance Code requiring the licensing of Texas bullion depository agent services, effective September 1, 2015.

The volume of corporate applications and filings related to the entities chartered and licensed by the Department is expected to remain steady while the complexity continues to increase moderately over the next five years. In the banking sector, mergers and consolidations are expected to continue at a modest pace, particularly among the smaller community banks that find it harder to operate profitably in an environment with increasing costs, competition, and regulatory risk. There have been no bank de novo charter applications since 2008; however, federal regulators have taken steps to encourage de novo applications which may entice organizers to seek new charters. The number of MSB license applications is expected to grow and increase in complexity as technology is quickly evolving in the payments system arena. Recent legislative changes have introduced the licensing of Texas bullion depository agents and cemetery brokers to the agency's corporate filings activities.

AGENCY GOALS AND ACTION PLANS

In addition to the entities identified in the previous goals, other entities that are required to file applications with the Department, as of December 31, 2015 are shown in the following chart. Corporate filings from these entities are nominal.

Regulated Entities (Registration Only)	Number of Entities As of December 31, 2015
Cemetery Brokers	9
Private Child Support Enforcement Agencies	10
Check Verification Entities	2
Texas Bullion Depository Agent Services*	0

**Licensing of these entities will begin after the Texas Bullion Depository has been established by the Texas Comptroller of Public Accounts.*

The Department utilizes technology to streamline corporate application related processes. A secure system is in place to accept online filings through the Corporate Application Filing Entry (CAFE) program. Other operating efficiencies are achieved with the utilization of the NMLS, an electronic filing system, which the Department may use for receiving money transmitter applications and processing fingerprint information.

GOAL: EFFECTIVE AND EFFICIENT OPERATIONS COMPLIANT WITH STATE LAWS

To ensure that Texans and stakeholders are effectively and efficiently served by high-quality professionals entrusted to implement regulatory requirements and industry standards, utilize advanced technologies, safeguard confidential information, and provide educational opportunities to support and strengthen the financial services industry.

ACTIONS REQUIRED TO ACHIEVE GOAL

- Investigate, process, and respond to consumer complaints about Department supervised entities in a professional, appropriate and timely manner.
- Develop comprehensive annual budget and staffing plan.
- Adhere to the agency's annual budget.
- Update and test Continuity of Operations Plan (COOP) annually.
- Utilize technology to streamline processes throughout the agency.
- Promote financial education.
- Migrate to the Centralized Accounting & Payroll/Personnel Systems (CAPPS) by 2020.
- Promote information security and cybersecurity awareness within the agency through training and processes designed to protect sensitive data.
- Engage in regular communication and reporting with the FC.
- Prepare and deliver SDSI agency reports to the Governor and Legislature in an accurate and timely manner.
- Attract and retain qualified staff and maintain professional service.

GOALS AND ACTION ITEMS SUPPORT STATEWIDE OBJECTIVES

1. Accountable to tax and fee payers of Texas.

Consumers

- Conduct outreach efforts for financial education across the state through workshops, webinars, and on-site visits.
 - Provide consumers with several methods for filing complaints against regulated entities.
 - Publish, on the agency website, contract and purchase information as well as Contract Management Guide and Handbook.
 - Provide quarterly reporting of agency financials, budget variance analysis and performance measures to the FC.
 - Ensure adherence with self-leveling, self-funding and SDSI statutory requirements.
- 2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including the elimination of redundant and non-core functions.**
- Utilize secure electronic mailbox to communicate with regulated entities.
 - Utilize a document imaging system to maintain documents electronically, and allow information to be shared more quickly and easily among staff.

- Share resources such as building maintenance and receptionist duties with the two other FC agencies, Department of Savings and Mortgage Lending (DSML) and the Office of Consumer Credit Commissioner (OCCC), in an effort to eliminate unnecessary processes and maximize efficiency and productivity.
- Implement improvements noted or suggested in any external audits.
- Comply with all requirements of Senate Bill 20 from the 84th Legislative Session, related to contracting.

3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures and implementing plans to continuously improve.

- Review internal processes and program applications continuously to find opportunities to further automate or enhance features using advancing technologies.
- Perform periodic testing of COOP, including disaster recovery efforts.
- Review budget performance on a quarterly basis with explanations required for variances between actual expenses and budget.
- Promote and provide cybersecurity awareness training to staff on a continuous basis.
- Provide adequate hardware and software to enable staff to efficiently perform their job duties.
- Conduct an annual employee survey and discuss results with the Employee Advisory Council to explore ideas to enhance agency efficiencies.

4. Providing excellent customer service.

- Handle consumer complaints in a professional and timely manner.
- Offer various avenues in which a consumer may contact the Department.
- Provide extensive selection of consumer related information on the Department's website.
- Work closely with various consumer organizations and trade groups in order to respond to issues that are important to our regulated entities.

5. Transparent such that agency actions can be understood by any Texan.

- Hold annual public hearing on the agency's budget prior to submission of budget to the FC.
- Publish enforcement actions taken by the Department which include removal and/or prohibition orders, and enforcement orders on the website.
- Seek input to improve the agency's services.
- Publish contract and purchase information on the agency website. Adhere to and comply with the Department's Contract Management Guide and Handbook.
- Provide status reports on agency activities for the FC meetings, which are open to the public. Ensure that the FC meeting agenda, materials, and packets, and minutes are posted on the FC website.

OTHER CONSIDERATIONS

As a self-leveling, self-funding agency, the Department's revenue is derived from fees and assessments collected from regulated entities. The Department is responsible for all direct and indirect costs and does not receive any general revenue funds. All revenues for operations are placed in a separate account at the Texas Treasury Safekeeping Trust Company. Various provisions in the Finance Code and Health and Safety Code authorize the Commissioner to impose and collect fees to cover only the cost of examination, the equitable or proportionate cost of maintenance and operation of the Department, and the cost of enforcement. The Department operates in a prudent and fiscally responsible manner while performing its statutory duties.

The Department develops a budget annually that is evaluated and reviewed by the FC, the eleven member governing body which oversees three state agencies: the Department, the DSML, and the OCCC. The FC must approve the Department's budget before any expenditure can be made. A budget hearing, which is open to the public, is held each year.

In addition, the Department has been a SDSI agency since 2009. This status has been instrumental over the past years in supporting the agency's efforts to fulfill its mission. Being a SDSI agency, the Department is able to respond effectively and timely to the changing dynamics in our economy and our regulated industries. This includes the ability to adjust budgets to implement immediate changes in staffing strategies as well as adjust salaries to retain and attract qualified personnel and strive for more competitive salary levels with the FDIC. Having SDSI status has allowed the Department to operate more efficiently and has provided the flexibility needed to expand or diminish resources in response to economic conditions.

The Department offers employees an opportunity to provide feedback to improve agency effectiveness and efficiency. Each year, employees are invited to participate in either an internally developed employee satisfaction survey or the University of Texas' Survey of Employee Engagement. In addition, the Department maintains an online (intranet) Suggestion Box for employees to communicate ideas with senior management. An Employee Advisory Council meets at least annually to discuss strengths and weaknesses of the agency and make appropriate suggestions to enhance agency operations.

The Department has begun moving physical servers to virtual servers. Virtual servers allow the Department to save money on hardware, have faster deployment, easier backups and a more energy efficient platform. Virtualizing servers creates a failover system where if one server goes down, it immediately falls over to another system and conserves energy. In the next five years, the agency would like to create a virtual disaster recovery site in order to more efficiently maintain a working network environment in case of a disaster.

To meet the Department's objectives to provide quality regulation, maintain the Department's credibility and to ensure timely, fair, and effective supervision and regulation, it is important to maintain up-to-date computer technology that allows maximum efficiency and minimum down time. To accomplish this, the Department will continue to upgrade equipment and provide new web services to our customers and the public.

Over the next five years, the Department will implement an initiative to develop technologies and approaches to secure networks and systems, including mobile devices, the website and the cloud. By utilizing new technologies and approaches, faster detection and remediation of threats will ensure the Department's information is kept secure. The Information Technology Division will also continue to focus on training Department employees in the area of cybersecurity. Social engineering continues to be the biggest cyber threat and educating users will be a priority in keeping the Department's electronic information safe. The training is required to meet the agency's internal security awareness policy and procedures.

AGENCY GOALS AND ACTION PLANS

According to a recent nationwide survey by the FDIC of unbanked and underbanked households, Texas has one of the highest numbers of unbanked or underbanked households in the nation. The Department strongly supports financial education and will continue to promote and participate in financial literacy initiatives and host financial education events, partnering with financial institutions, businesses, schools, nonprofit organizations, and government agencies to educate and promote financial literacy in their communities. These efforts help to fulfill DOB's financial education mission: *Bankers helping Texans in making informed decisions about budget, credit, asset-building, savings and debt management through financial education.*

The Department is in compliance with the directives of the State Office of Risk Management (SORM) and the Department of Public Safety (DPS) regarding the Continuity of Operations Plan (COOP). Two continuity exercises were conducted in August 2015 and January 2016 with good results. The yearly COOP update and submission to SORM was completed in March 2016. The Department will continue to comply with SORM and DPS requirements and improve its continuity of operations plan and related exercises.

As part of the statewide Enterprise Resource Planning, the Department will need to transition to CAPPs financial and human resources (HR)/personnel modules by fiscal year 2020. In order to transition to the new systems, the Department will face the following challenges:

- Existing Accounting, HR, and Information Technology (IT) staff will dedicate resources as subject matter experts to ensure thorough business process analysis; sound system migration, verification, and validation; and disposition of legacy systems;
- Software and hardware costs will be incurred in order to implement the modules;
- Additional costs will also be incurred related to training, travel, and overall implementation; and
- Changes will impact all staff and must be effectively managed.

Management succession is on the forefront as approximately 31% of the agency staff, or 58 employees, will be eligible to retire over the next five years. Included in this group are all executive management and seven division and regional directors. The knowledge and expertise these individuals will take with them is significant. As a smaller state agency, with less than 200 employees, we rely heavily on these individuals to oversee the agency's regulatory and operational activities. With this in mind, the Department is taking steps towards developing staff to fill these foreseeable vacancies. Efforts to develop up and coming employees include cross-training to expose staff to other aspects of the agency, attending management development courses sponsored by the Government Center for Management Development, involving staff in special projects and participating in committees with organizations outside of the Department. These steps will help to better prepare current employees for taking on new roles as the need arises with minimal disruption to daily operations.

The Department and the other FC agencies, the DSML and the OCCC, are currently located at 2601 N. Lamar Blvd. in a building owned by the three agencies. During the next five years, the Department anticipates relocating the Austin headquarters to facilities which will better meet our needs. Relocating the Austin office is challenging as it is difficult to find building space to meet the requirements of all FC agencies. The staffing resources needed to plan, organize, and execute the move efficiently and effectively will be significant. Cash reserves have been set aside to cover future expenses related to a new building and relocation.

REDUNDANCIES AND IMPEDIMENTS

The Department monitors and modifies Texas Administrative Code rules as necessary to reflect changes in state and federal laws, clarify existing laws, and address the dynamics of the changing industries. Periodic reviews of fee rules are performed to ensure each regulated area covers its cost of regulation. Each legislative session, the agency works with state legislators to make necessary changes to state statutes to improve regulations for the industries we charter or license. The following regulation has been identified as a potential barrier to efficient agency operations.

Service, Statute, Rule or Regulation (Provide Specific Citation if applicable)	Describe why the Service, Statute, Rule or Regulation is Resulting in inefficient or ineffective Agency Operations	Provide Agency Recommendations for Modification or Elimination	Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change
Finance Code Section 202.001	Current statute requires a bank holding company (BHC) to file an application with the Department for all acquisitions of Texas banks, including Texas state savings banks, which are regulated by the DSML. This creates a redundancy in which both agencies review the same proposed transaction.	Amend the Finance Code to place responsibility for review and approval of holding company transactions involving only state savings banks with the DSML	Eliminates agency staff time required for redundant review; and Entity seeking to acquire a Texas state savings bank would only be required to submit one application and pay one filing fee, to obtain approval from the state regulatory agency charged with overseeing it, DSML.

THIS PAGE INTENTIONALLY LEFT BLANK

SCHEDULE A

BUDGET STRUCTURE

The Department of Banking has been a Self-Directed, Semi-Independent agency since 2009 and does not have a bill pattern in the General Appropriations Act. The Department, which is self-funding and self-leveling, is responsible for all costs as no resources are appropriated from the General Revenue Fund. All revenues for operations are derived from assessments and fees paid by regulated entities. The revenues are placed in a separate account at the Texas Treasury Safekeeping Trust Company and not included in the General Revenue Fund.

The Department develops a budget annually that is evaluated and reviewed by the Finance Commission (FC). The budgeting process begins in the last quarter of the fiscal year with the proposed budget presented at a public hearing typically at the end of July. The final budget is presented to the FC at its regularly scheduled August meeting. The FC must approve the budget before any expenditure can be made.

GOAL: EFFECTIVE BANK AND TRUST REGULATION

To ensure timely, fair, and effective supervision and regulation of the financial institutions and other licensees under our jurisdiction in order to promote a stable banking and financial services environment and provide the public with convenient, safe, and competitive financial services.

OBJECTIVES

Quality Bank Regulation: To provide quality regulation and maintain the credibility of the Department with the public, industries we regulate, federal banking regulators and other government agencies by striving that through 2021:

- Examinations of regulated entities will be performed when due;
- Correction-oriented enforcement action will be taken, as appropriate, against regulated entities that demonstrate higher than normal weakness or risk;
- Accreditation status by the Conference of State Bank Supervisors (CSBS) is maintained; and
- Agency will strive to attract and retain qualified employees.

OUTCOME MEASURES

- Percentage of banks receiving examinations when due.
- Percentage of foreign bank organizations receiving examinations when due.
- Percentage of trust companies receiving examinations when due.
- Percentage of problem institutions with appropriate supervisory actions in place.
- Certificate of accreditation by the CSBS maintained in good standing.

STRATEGIES

Bank Examination: Conduct commercial bank, trust company, foreign bank agency, and foreign representative office examinations, in cooperation with federal regulatory entities, in conformance with the Department's examination priority schedule and in a thorough, accurate, and timely manner. Maintain national accreditation. Maintain contact with, and monitor the condition of, regulated entities between examinations through processes which include an off-site monitoring program. Monitor industry status and engage in regular communication with federal regulators (FDIC and FRB) and the Conference of State Bank Supervisors (CSBS). Promote cybersecurity awareness among regulated entities. Optimize efficiencies in the examination process, including automating examination procedures, adopting electronic

SCHEDULE A

BUDGET STRUCTURE

examination tools, and utilizing the secure data exchange portal to share information with regulated entities and federal counterparts. Research and report on changing industry, statutory, and economic conditions. Provide the industry with electronic access to regulatory and supervisory information through the website.

FDIC / Industry Deterioration / Federal Regulatory Consolidation Contingency Plan: Maintain a contingency plan to provide additional regulatory resources in the event of further industry deterioration or systemic industry problems, the reallocation of federal regulatory resources away from Texas, a significant increase in the regulated asset base or a substantial loss of examiners.

OUTPUT MEASURES

- Number of bank and foreign bank examinations performed.
- Number of trust company, trust department and information technology examinations or certifications and other specialized reviews performed.

EFFICIENCY MEASURES

- Average cost per bank examination.
- Assets examined per examiner day (in millions).

EXPLANATORY MEASURES

- Percentage of banks classified safe and sound.
- Number of state-chartered banks in Texas.
- Total assets (dollars in billions) in state-chartered banks in Texas.

SCHEDULE A

BUDGET STRUCTURE

GOAL: EFFECTIVE REGULATION OF SPECIAL AUDIT LICENSEES

To ensure timely, fair, and effective supervision and regulation of the non-bank licensees under our jurisdiction in order to promote a stable banking and financial services environment and provide the public with convenient, safe, and competitive financial services.

OBJECTIVE

Quality Non-bank Regulation: To provide quality regulation and maintain the credibility of the Department with the public, the industries we regulate, and other government agencies by striving that through 2021:

- Examinations of regulated entities will be performed when due; and,
- Correction-oriented enforcement action will be taken against regulated entities that demonstrate higher than normal weakness or risk.

OUTCOME MEASURES

- Percentage of MSB licensees examined when due.
- Percentage of PFC licensees examined when due.
- Percentage of PCC licensees examined when due.
- Percentage of PCC and PFC applications completed within statutory period.

STRATEGIES

Non-bank Examination: Conduct Perpetual Care Cemetery (PCC), Prepaid Funeral Contract (PFC) and Money Service Business (MSB) examinations, in cooperation with federal and other state regulatory entities, in conformance with the Department's examination priority schedule and in a thorough, accurate, and timely manner. Promote cybersecurity awareness among regulated entities. Maintain contact with, and monitor the condition of regulated entities between examinations. Optimize efficiencies in the examination process, including automating the data exchange of examination documents through a secure portal, and utilizing electronic examination procedures and reference materials. Research and report on changing industry, statutory, and economic conditions. Ensure proper enforcement actions are taken against unlicensed entities.

OUTPUT MEASURES

- Number of Special Audits licensees examined.
- Number of Special Audits licensees.

EFFICIENCY MEASURE

- Average direct cost per PFC and PCC licensee examination.

EXPLANATORY MEASURE

SCHEDULE A

BUDGET STRUCTURE

- Dollar amount (billions) of PFC in force.

GOAL: EFFECTIVE REGULATION THROUGH CORPORATE ACTIVITIES

To ensure timely, fair, and effective supervision and regulation of the financial institutions and other licensees under our jurisdiction in order to promote a stable banking and financial services environment and provide the public with convenient, safe, and competitive financial services.

OBJECTIVE

Corporate Activities: To provide convenient and competitive financial services and protect the public by striving through 2021, that all applications, notices, and filings receive a timely and thorough review resulting in knowledgeable and competent recommendations.

OUTCOME MEASURE

- Percentage of bank and trust, MSB, check verification company and private child support enforcement agency registration and renewal applications and cemetery broker registrations completed within statutory time periods.

STRATEGIES

Application Processing: Optimize efficiencies in the application process by enhancing automated systems, where possible, in order to improve the quality and speed of information exchanged during the processing of corporate applications, notices and other filings. . Perform thorough background checks as appropriate to determine if the individuals proposed have the experience, personal and financial integrity, and financial ability to direct and/or lead a financial institution's or MSB's affairs in a safe, sound, and legal manner. Process applications, filings and information requests timely and thoroughly, resulting in knowledgeable and competent recommendations.

OUTPUT MEASURE

- Number of bank and trust applications, notices, and filings, MSB license, check verification company and private child support enforcement agency registration and renewal applications and cemetery broker registrations completed.

EXPLANATORY MEASURE

- Number of requests for information received.

SCHEDULE B
PERFORMANCE MEASURE DEFINITIONS

Outcome Measure **01-01.01 Percentage of Banks Receiving Examinations When Due**

Short Definition: The number of banks due for examination per the examination priority schedule (described in Supervisory Memorandum 1003) and examinations started timely by the Department of Banking, FDIC, or Federal Reserve Bank during the reporting period.. An examination is the process by on-site or off-site review, to review and evaluate the records of a regulated entity to the extent necessary to determine compliance with applicable laws.

Purpose/Importance: The Department is under a statutory mandate regarding examination frequency. This measure indicates how well the agency is meeting its mandate.

Source/Collection of Data: Division staff enters into the Department's Examination Division Information System on the Network (EDISON) all commercial examinations started and completed by the Department of Banking, FDIC or Federal Reserve Bank. Data is maintained on the total number of banks due for examinations per examination priority schedule. The number of examinations in the numerator and denominator includes banks examined by the Department of Banking and federal agencies, whether joint or independent. Past due banks include those banks with examinations held in abeyance pending their exit from the state system.

Method of Calculation: Total number of examinations started of banks when due (as determined by Administrative Memorandum 2041 including the 30 day grace period extension) divided by the number of examinations due during the reporting period.

Data Limitations: The number of banks receiving an examination when due could significantly decrease in the event of: (1) Material deterioration in the overall condition of the state's financial institutions which would require a more frequent examination schedule; (2) An inability of the federal banking authorities to meet their examination responsibilities due to a reallocation of personnel to other priorities; and (3) A significant increase in the number of new bank charters.

New Measure: No

Calculation Type: Noncumulative

Target Attainment: Higher than target

SCHEDULE B

PERFORMANCE MEASURE DEFINITIONS

Outcome Measure **01-01.02 Percentage of Foreign Bank Organizations Receiving Examinations When Due**

Short Definition: Number of foreign bank agencies and branches due examinations per examination priority schedule and examinations started timely by the Department of Banking, FDIC, or Federal Reserve Bank during the reporting period. An examination is the process by on-site or off-site review, to review and evaluate the records of a regulated entity to the extent necessary to determine compliance with applicable laws.

Purpose/Importance: The Department is under a statutory mandate regarding examination frequency. This measure indicates how well the agency is meeting its mandate.

Source/Collection of Data: Division staff enters into the Department's database (EDISON) all foreign bank agencies and branches examinations performed by the Department of Banking or federal agencies, whether joint or independent. Data is maintained on the total number of foreign bank agencies due for examinations per examination priority schedule and includes all agencies examined by the Department or the federal agencies.

Method of Calculation: To calculate the percentage of foreign bank agencies and branches receiving examinations when due (as determined by Administrative Memorandum 2041 including the 30 day grace period extension) divided by the number of examinations due during the reporting period.

Data Limitations: The number of foreign bank agencies and branches receiving an examination when due could significantly decrease in the event of: (1) Material deterioration in the overall condition of the state's financial institutions which would require a more frequent examination schedule; (2) An inability of the federal banking authorities to meet their examination responsibilities due to a reallocation of personnel to other priorities; and (3) A significant increase in the number of new bank charters.

New Measure: No

Calculation Type: Noncumulative

Target Attainment: Higher than target

SCHEDULE B
PERFORMANCE MEASURE DEFINITIONS

Outcome Measure **01-01.03 Percentage of Trust Companies Receiving Examinations When Due**

Short Definition: Number of trust companies due examinations per examination priority schedule (described in Supervisory Memorandum 1004) and examinations started timely by the Department of Banking, FDIC, or Federal Reserve Bank during the reporting period, less trust companies in liquidation or forfeiture of charter. An examination is the process by on-site or off-site review, to review and evaluate the records of a regulated entity to the extent necessary to determine compliance with applicable laws.

Purpose/Importance: The Department is under a statutory mandate regarding examination frequency. This measure indicates how well the agency is meeting its mandate.

Source/Collection of Data: Division staff enters into the Department's database (EDISON) all trust companies examinations performed by the Department of Banking or federal agencies, whether joint or independent. Data is maintained on the total number of trust companies due for examinations per examination priority schedule and includes all trust companies examined by the Department or the federal agencies.

Method of Calculation: Total number of examinations started of trust companies when due (as determined by Administrative Memorandum 2041 including the 30 day grace period extension) divided by the number of examinations due during the reporting period.

Data Limitations: The number of trust companies receiving an examination when due could significantly decrease in the event of: (1) Material deterioration in the overall condition of the state's trust companies which would require a more frequent examination schedule; and (2) A significant increase in the number of new trust companies.

New Measure: No

Calculation Type: Noncumulative

Target Attainment: Higher than target

SCHEDULE B

PERFORMANCE MEASURE DEFINITIONS

Outcome Measure **01-01.04 Percentage of Problem Institutions with Appropriate Supervisory Actions in Place**

Short Definition: Number of banks with a composite CAMELS (Capital, Asset Quality, Management, Earnings, Liquidity, and Sensitivity) rating of 3, 4, or 5 with Cease & Desist Orders, Determination Letters, Memorandums of Understanding, Commitment Letters, Board Resolutions, or Letters of Agreement in effect at the time of the cut-off date for the reporting period, divided by number of banks with a composite CAMELS rating of 3, 4, or 5 as of the cut-off date.

Purpose/Importance: It is the Department's policy to impose a supervisory action on an institution which is not operating safely and soundly, to encourage and assist the institution in taking corrective action to improve its condition.

Source/Collection of Data: Agency headquarters staff enters into the Department's database (EDISON) rating information about the condition of each bank after an examination is completed by the Department of Banking, FDIC, or the Federal Reserve Bank. Data is maintained on the CAMELS rating of each institution.

Method of Calculation: To calculate the percentage of problem institutions with appropriate supervisory actions, divide the number of 3, 4, or 5 rated banks with one of the administrative actions shown above either open or pending as of the fiscal quarter end by the total number of banks rated a composite 3, 4, or 5 as of the same fiscal quarter end date.

Data Limitations: This number could naturally increase if there were a substantial deterioration in the condition of the banking industry.

New Measure: No

Calculation Type: Noncumulative

Target Attainment: Meet target

SCHEDULE B
PERFORMANCE MEASURE DEFINITIONS

Outcome Measure **01-01.05 Certificate of Accreditation by CSBS Maintained in Good Standing**

Short Definition: Department is accredited by the Conference of State Bank Supervisors (CSBS) as of the end of the reporting period. 100% - Department is accredited. 0% - Department is not accredited.

Purpose/Importance: CSBS accreditation is a national standard of excellence among financial regulators. The Department must maintain its accreditation in order to participate in supervision of interstate banking, and maintain credibility among federal regulators and the national Congress.

Source/Collection of Data: A certificate of accreditation is awarded to the Department. This is displayed in the reception area of the agency's headquarters building.

Method of Calculation: Determine if the annual CSBS accreditation is in good standing. If so, answer "YES."

Data Limitations: None

New Measure: No

Calculation Type: Noncumulative

Target Attainment: To remain accredited

SCHEDULE B

PERFORMANCE MEASURE DEFINITIONS

Output Measure **01-01.06 Number of Bank and Foreign Bank Organization Examinations Performed**

Short Definition: Number of regular, limited, abbreviated, joint, and concurrent examinations of banks and offices of foreign bank organizations by the Department of Banking started during the reporting period. An examination is the process by on-site or off-site review, to review and evaluate the records of a regulated entity to the extent necessary to determine compliance with applicable laws.

Purpose/Importance: This measure is an indication of the volume of examination activity. It consists of the number of commercial examinations performed by the Department including joint examinations with a federal agency during the fiscal quarter. Foreign bank agency and branch examinations and representative office examinations are included in this measure.

Source/Collection of Data: Division staff enters into the Department's database (EDISON) all bank and foreign bank examinations conducted by the Department of Banking, FDIC, or the Federal Reserve Bank. Data is maintained on the total number of banks examined within any given time period.

Method of Calculation: The measure is obtained by counting all independent Department of Banking and joint examinations performed during the fiscal quarter from the exam started reports for commercial, foreign bank branch, foreign bank agency, and foreign bank representative office examinations.

Data Limitations: Consolidation from mergers and acquisitions within these entities could significantly reduce the number of institutions and therefore reduce the number of examinations performed.

New Measure: No

Calculation Type: Cumulative

Target Attainment: Higher than target

SCHEDULE B
PERFORMANCE MEASURE DEFINITIONS

Output Measure **01-01.07 Number of Trust Company, Trust Department, and Information Technology Examinations and Other Specialized Reviews Performed**

Short Definition: Number of trust company, trust department, and Information Technology (IT) examinations and other specialized reviews by the Department of Banking started during the reporting period. This measure includes joint examinations with a federal agency, bank holding company examination and the annual review of financial statements submitted by exempt trust companies.

Purpose/Importance: This measure is an indication of the volume of examination activity.

Source/Collection of Data: Division staff enters into the Department's database (EDISON) all trust company, trust department, and IT examinations conducted by the Department of Banking, FDIC, or the Federal Reserve Bank. Data is maintained on the total number of banks examined within any given time period.

Method of Calculation: The total number is obtained by counting all independent Department of Banking examinations and joint examinations from the exam started reports for trust companies, trust departments, bank holding companies, and IT examinations. The number of annual financial statements received for review is also included in this measure.

Data Limitations: The number of examinations could significantly decrease in the event of:

- Material deterioration in the overall condition of these entities, which would require more field office time to investigate the safety and soundness concerns;
- A significant change in services or powers that could necessitate expanded examination time periods in order to fully investigate these new activities;
- An inability of the federal banking authorities to meet their examination responsibilities due to a reallocation of personnel to other priorities (applicable to trust departments only); and
- Consolidation of regulated entities through mergers and acquisitions.

On the other hand, the number of examinations could increase in the event of a significant influx of new charters.

New Measure: No

Calculation Type: Cumulative

Target Attainment: Higher than target

SCHEDULE B
PERFORMANCE MEASURE DEFINITIONS

Efficiency Measure **01-01.08 Average Cost per Bank Examination**

Short Definition: Total direct bank examination costs, expressed as a ratio of the number of examinations performed over the reporting period.

Purpose/Importance: To assist in review of the efficiency of the Department's examinations, and to benchmark against other regulators.

Source/Collection of Data: Field personnel prepare detailed time and expense reports about their duties. Monthly, this information is transferred into a Departmental database that is maintained by the Information Technology Division of the agency.

Method of Calculation: The total bank and trust regional office expenses for the fiscal quarter. Divide the total expenses for the regional offices by the number of exams performed.

Data Limitations: Legislative increases in allowable travel expenses or statewide merit increase could increase this measure.

New Measure: No

Calculation Type: Noncumulative

Target Attainment: Lower than target

SCHEDULE B
PERFORMANCE MEASURE DEFINITIONS

Efficiency Measure **01-01.09 Assets Examined per Examiner Day (in millions)**

Short Definition: Total assets examined by the Department over the reporting period, divided by the days (hours divided by 8) related to those specific bank examinations.

Purpose/Importance: To assist in review of the efficiency of the Department's examinations, and to benchmark against other regulators.

Source/Collection of Data: Bank financial information is obtained during each examination and is uploaded into the Department's database.

Method of Calculation: To calculate the assets examined per examiner day, run the Exams Completed Report for the appropriate fiscal quarter. Divide the sum of the total assets examined by the total exam hours and again divided by eight.

Data Limitations: This number could change dramatically if mergers and consolidation increase the asset size of a majority of our regulated entities. Further, the need to train examiners in new issues or an increase in the risk profile of institutions requiring more oversight could also affect this calculation.

New Measure: No

Calculation Type: Noncumulative

Target Attainment: Higher than target

SCHEDULE B

PERFORMANCE MEASURE DEFINITIONS

Explanatory Measure 01-01.10 Percentage of Banks Classified Safe and Sound

Short Definition: The total number of state-chartered banks with a composite CAMELS rating of 1 or 2 and non-rated (new charters), divided by the total number of state-chartered banks as of the most recent calendar-quarter-end data available preceding the reporting period cut-off date.

Purpose/Importance: This measure is indicative of the condition of the state banking system.

Source/Collection of Data: Agency headquarters' staff enters into the Department's database, EDISON, rating information about the condition of each bank after an examination is completed by the Department of Banking, FDIC, or the Federal Reserve Bank. Data is maintained on the CAMELS rating of each institution.

Method of Calculation: Divide the total number of state-chartered banks rated 1 or 2 and non-rated (new charters) by the total number of state-chartered banks at the end of the reporting period. It should be further noted that new banks who have not yet been examined are considered safe and sound and/or in compliance with state requirements for calculation of this measure.

Data Limitations: The overall condition of a material number of institutions could deteriorate due to adverse economic conditions and substantially increase the percentage of banks not classified as safe and sound.

New Measure: No

Calculation Type: Noncumulative

Target Attainment: Higher than target

SCHEDULE B
PERFORMANCE MEASURE DEFINITIONS

Explanatory Measure 01-01.11 Number of State-Chartered Banks in Texas

Short Definition: The total number of state-chartered banks as of reporting period cut-off date.

Purpose/Importance: This measure is indicative of the volume of banks under the agency's supervision.

Source/Collection of Data: The Entity Count Report on agency's EDISON database.

Method of Calculation: Run the Entity Count Report as of the last day of the appropriate fiscal quarter. Take the figure shown for state banks and subtract any limited banking associations limited to trust powers.

Data Limitations: The number of state chartered banks in Texas could materially increase with an influx of new charter or conversion activity and substantially decrease due to significant merger and acquisition activity.

New Measure: No

Calculation Type: Noncumulative

Target Attainment: Higher than target

SCHEDULE B

PERFORMANCE MEASURE DEFINITIONS

Explanatory Measure 01-01.12 Total Assets (Dollars in Billions) in State-Chartered Banks in Texas

Short Definition: Total assets of all state-chartered banks as of the calendar-quarter-end immediately preceding the reporting period cut-off date.

Purpose/Importance: This measure is indicative of the volume of bank assets under the agency's supervision.

Source/Collection of Data: The *All State Banking Activity in Texas Report* produced by the Strategic Support Division as found on the agency's website.

Method of Calculation: The performance measure is the subtotal in the total asset column of the *All State Banking Activity in Texas Report* for total Texas state bank activity. This incorporates banks chartered by other states with branches in Texas.

Data Limitations: Total assets of state chartered banks in Texas could materially increase with an influx of new charter or conversion activity or substantially decrease due to significant merger and acquisition activity with national banks.

New Measure: No

Calculation Type: Noncumulative

Target Attainment: Higher than target

SCHEDULE B
PERFORMANCE MEASURE DEFINITIONS

Outcome Measure **01-02.01 Percentage of Money Service Business Licensees Examined When Due**

Short Definition: The Department has 12-month and 18-month examination cycles. The number of Money Service Businesses (MSB) license holders with examinations started by the Department of Banking, another state agency, the federal government, or an independent accounting firm over the 18-month period preceding the cut-off prior to the reporting date, divided by the number of MSB license holders required to be statutorily examined as of the cut-off date. An examination is the process by on-site or off-site review to review and evaluate the records of a licensee that relate to the regulated activity to the extent necessary to determine compliance with applicable laws.

Purpose/Importance: This measure provides information regarding the extent to which the Department is adhering to the statutory requirements regarding examination frequency and demonstrates the effectiveness of the Department.

Source/Collection of Data: Examination data is provided to staff at Headquarters who enter this information into a customized database. The database produces customized reports that: (1) lists all examinations started during the 18-month period preceding the cut-off prior to the reporting date and (2) lists the MSB license holders MSBs required to be examined as of the cut-off date.

Method of Calculation: The percentage is calculated by dividing the examinations started during the 18-month period preceding the cut-off prior to the reporting date (Report 1 above) by the number of MSBs required to be statutorily examined as of the cut-off date (Report 2 above).

Data Limitations: Standards have been established in statute and by rule to ensure that examinations are performed within acceptable timeframes; however, the level of experience and efficiency of each examiner, along with retaining and hiring qualified examiners, can be limiting factors. This measure would also be affected by a significant increase or decrease in licensees.

New Measure: No

Calculation Method: Noncumulative

Target Attainment: Higher than target

SCHEDULE B

PERFORMANCE MEASURE DEFINITIONS

Outcome Measure **01-02.02 Percentage of Prepaid Funeral Contract Licensees Examined When Due**

Short Definition: The Department has 12-month and 18-month examination cycles. The number of prepaid funeral contract (PFC) license holders with examinations started by the Department of Banking over the 18-month period preceding the cut-off prior to the reporting date, divided by the number of PFC license holders required to be statutorily examined as of the cut-off date. An examination is the process by on-site or off-site review, by which the Department reviews and evaluates the records of a licensee that related to the regulated activity to the extent necessary to determine compliance with applicable laws.

Purpose/Importance: This measure provides information regarding the extent to which the Department is adhering to the statutory requirements regarding examination frequency and demonstrates the effectiveness of the Department.

Source/Collection of Data: Examination data is provided to staff at Headquarters who enter this information into a customized database. The database produces customized reports that: (1) lists all examinations started during the 18-month period preceding the cut-off prior to the reporting date and (2) lists the PFCs license holders required to be examined as of the cut-off date.

Method of Calculation: The percentage is calculated by dividing the examinations started during the 18-month period preceding the cut-off prior to the reporting date (Report 1 above) by the number of PFC required to be statutorily examined as of the cut-off period (Report 2 above).

Data Limitations: Standards have been established in statute and by rule to ensure that examinations are performed within acceptable timeframes; however, the level of experience and efficiency of each examiner along with retaining and hiring qualified examiners can be limiting factors. This measure would also be affected by a significant increase or decrease in licensees.

New Measure: No

Calculation Type: Noncumulative

Target Attainment: Higher than target

SCHEDULE B
PERFORMANCE MEASURE DEFINITIONS

Outcome Measure **01-02.03 Percentage of Perpetual Care Cemetery Licensees Examined When Due**

Short Definition: The Department has 12-month and 18-month examination cycles. The number of perpetual care cemeteries (PCC) license holders with examinations started by the Department of Banking over the 18-month period preceding the cut-off prior to the reporting date, divided by the number of PCCs license holders required to be statutorily examined as of the cut-off date. An examination is the process by on-site or off-site review, by which the Department reviews and evaluates the records of a licensee that related to the regulated activity to the extent necessary to determine compliance with applicable laws.

Purpose/Importance: This measure provides information regarding the extent to which the Department is adhering to the statutory requirements regarding examination frequency and demonstrates the effectiveness of the Department.

Source/Collection of Data: Examination data is provided to staff at Headquarters who enter this information into a customized database. The database produces customized reports that (1) lists all examinations started during the 18-month period preceding the cut-off prior to the reporting date and (2) lists the PCCs license holders required to be examined as of the cut-off date.

Method of Calculation: The percentage is calculated by dividing the examinations started during the 18-month period preceding the cut-off prior to the reporting date (Report 1 above) by the number of PCCs required to be statutorily examined as of the cut-off period (Report 2 above).

Data Limitations: Standards have been established in statute and by rule to ensure that examinations are performed within acceptable timeframes; however, the level of experience and efficiency of each examiner along with retaining and hiring qualified examiners can be limiting factors. This measure would also be affected by a significant increase or decrease in licensees.

New Measure: No

Calculation Type: Noncumulative

Target Attainment: Higher than target

SCHEDULE B
PERFORMANCE MEASURE DEFINITIONS

Outcome Measure **01-02.04 Percentage of Perpetual Care Cemetery and Prepaid Funeral Contract Applications Completed Within Statutory Period**

Short Definition: The number of perpetual care cemetery (PCC) and prepaid funeral contract (PFC) applications completed within the statutory periods, expressed as a ratio of the number of PCC and PFC applications completed during the reporting period.

Purpose/Importance: To measure to what extent the Department is adhering to the statutory requirement regarding the processing and completion of PCC and PFC applications. This measure provides an indication of the Department's compliance with the statutory requirements pertaining to PCC and PFC applications.

Source/Collection of Data: All application processing data is maintained in a database, which produces customized reports for the applications processing function. The following information is maintained for each application: date of receipt, date of response, date of completion, days to complete, and date of final action. A report is also generated which lists all received, pending and approved applications during the reporting period. Staff in each of the two areas input data as applications are received and as the processing function takes place. The customized reports can be produced for any given date and are readily available to check the status of an application at any given time.

Method of Calculation: A percentage is obtained by dividing the number of PCC and PFC applications completed within the statutory periods for the reporting period divided by the number of PCC and PFC applications completed during the same reporting period.

Data Limitations: Limitations include the level of experience of the staff who process the applications and understaffing. Operating procedures have been developed to ensure that applications are processed within the required time frame; however, the level of experience and efficiency of the staff and reviewing officials, along with retaining and hiring qualified employees are limiting factors.

New Measure: No

Calculation Type: Noncumulative

Target Attainment: Higher than target

SCHEDULE B

PERFORMANCE MEASURE DEFINITIONS

Output Measure

01-02.05 Number of Special Audits Licensees Examined

Short Definition: The aggregate number of money service businesses, prepaid funeral contract and perpetual care cemetery examinations started by the Department of Banking or of another state agency or of the federal government or of an independent accounting firm in the reporting period. An examination is the process by on-site or off-site review, to review and evaluate the records of a licensee that relate to the regulated money service businesses, prepaid funeral contract and perpetual care cemetery businesses to the extent necessary to determine compliance with applicable laws.

Purpose/Importance: This measure shows the total number of examinations started during a reporting period and can also be used to determine the percentage of licensees examined during that same period. This data is used by management to determine examiner efficiency, evaluate staffing requirements, schedule future examinations, and to assess the overall effectiveness of Special Audit's examination program.

Source/Collection of Data: Examination data is provided to staff at the headquarters office who enter this information into customized databases. The databases produce customized reports that list all examinations started for any given reporting period for each regulated area of Special Audits. Totals from these reports are combined to arrive at the total number of Special Audit Licensees examined during the reporting period.

Methodology of Calculation: Customized reports that list and detail the start date of each examination for a reporting period are generated and the totals from these reports are added together to determine the number of Special Audits examinations performed during a reporting period.

Data Limitations: Standards have been established in statute and by rule to ensure that examinations are performed within acceptable timeframes; however, the level of experience and efficiency of each examiner, along with retaining and hiring qualified examiners, can be limiting factors. This measure would also be affected by a significant increase or decrease in licensees.

New Measure: No

Calculation Method: Cumulative

Target Attainment: Higher than target

SCHEDULE B
PERFORMANCE MEASURE DEFINITIONS

Output Measure **01-02.06 Number of Special Audits Licensees**

Short Definition: Total number of Special Audit licensees as of the reporting period cut-off date.

Purpose/Importance: Provides an indication of the total number of entities licensed by the Department of Banking and under the supervision of the Special Audits Division. This measure is useful for determining industry trends and growth patterns of the three areas (Perpetual Care Cemetery, Prepaid Funeral Contracts, and Money Service Business) within the Special Audits Division. Information is also useful to assess personnel needs and to evaluate regulatory policies and procedures for each area.

Source/Collection of Data: Each of the three areas within the Special Audits Division maintains a database master list, which shows each licensed entity. An entity is transferred to the master list upon becoming an active license.

Method of Calculation: Totals from each area's master listing of licensees as of the reporting period cut-off date are combined to arrive at the total number of Special Audits Division licensees as of the reporting period cut-off date.

Data Limitations: The number of licensees could fluctuate depending on the number of new licensees and/or the surrendering or revocation of licenses.

New Measure: No

Calculation Type: Cumulative

Target Attainment: Higher than target

SCHEDULE B
PERFORMANCE MEASURE DEFINITIONS

Efficiency Measure 01-02.07 Average Direct Cost per Prepaid Funeral Contract and Perpetual Care Cemetery Licensee Examination

Short Definition: Total direct prepaid funeral contract (PFC) and perpetual care cemetery (PCC) licensee examination costs, divided by the number of examinations started by the Department of Banking over the reporting period. An examination is the process by on-site or off-site review to review and evaluate the records of a licensee that related to the regulated activity to the extent necessary to determine compliance with applicable laws.

Purpose/Importance: To measure the average direct cost of each PFC and PCC licensee's examination performed over the reporting period. This measure provides an indication of the Department's use of its resources, personnel, and time as it relates to the examination of PFC and PCC licensees.

Source/Collection of Data: Data used to calculate the average cost per PFC and PCC licensee examination is derived from the Department's MIP (Micro Information Products) accounting system which allocates all direct costs incurred by the Department which are associated with the examination of any PFC and PCC licensee during the reporting period. Data is collected and summarized by the MIP accounting system as costs are incurred and charged as expenses. The number of licensee examinations performed over the reporting period is derived from a customized database report which lists each examination performed during the period and which provides a total of the number of examinations performed over the reporting period.

Method of Calculation: The total direct costs associated with the examination of any PFC and PCC licensee are divided by the number of examinations performed over the reporting period. The resulting figure is an average direct cost per PFC and PCC licensee examination.

Data Limitations: Legislative increases in allowable travel expenses or a statewide merit increase could increase this measure.

New Measure: No

Calculation Type: Noncumulative

Target Attainment: Lower than target

SCHEDULE B

PERFORMANCE MEASURE DEFINITIONS

Explanatory Measure 01-02.08 Dollar Amount (Billions) of Prepaid Funeral Contracts in Force

Short Definition: The total dollars (aggregate) in prepaid funeral contracts held by prepaid funeral contract licensees regulated by the Department of Banking at the close of the most recent calendar year.

Purpose/Importance: Provides an indication of the dollar volume of prepaid funeral contracts regulated by the Department of Banking. This measure assists in determining industry trends and growth patterns, assessing personnel needs, and evaluating examination policies and procedures.

Source/Collection of Data: Data is derived from the most recent Departmental examination report of each licensee. The reports contain the total dollar amount and number of prepaid funeral contracts held by the licensee as of the most recent examination. Data contained in the reports entered in a customized database that produces a report summarizing the total number of prepaid contracts and dollars sold.

Method of Calculation: A customized database containing each licensee's total number of outstanding contracts and total dollar amount of outstanding contracts produces a report which provides a total of the aggregate total dollar amount in prepaid funeral contracts held by prepaid funeral contract licensees.

Data Limitations: The number of contracts and/or the dollar amount of outstanding contracts reported by each licensee at the most recent examination is dependent on information provided by the licensee.

New Measure: No

Calculation Type: Noncumulative

Target Attainment: Higher than target

SCHEDULE B
PERFORMANCE MEASURE DEFINITIONS

Outcome Measure **01-03.01 Percentage of Bank & Trust, Money Service Business, Check Verification Company and Private Child Support Enforcement Agency Registration and Renewal Applications and Cemetery Broker Registrations Completed within Statutory Time Periods**

Short Definition: The number of bank and trust, money service business (MSB), check verification company (CVE), and private child support enforcement agency (PCSEA) registration and renewal applications, and cemetery broker (CB) registrations completed within the statutorily required periods, expressed as a ratio of the number of such applications completed during the reporting period. The time periods for completing these activities are prescribed by rule or statute, and a Summary Chart (Appendix II) of this information is maintained in the Corporate Activities Division.

Purpose/Importance: This measure shows the extent of compliance with statutory and rule limitation on the time allowed for corporate processing. A high percentage of compliance is suggestive of an efficient and effective division that is responsive to the requests of the applicants. Processing deadlines bring some certainty to the process and recognition of lost opportunity costs to the applicants. Further, a high percentage of compliance helps the Department remain competitive vis-à-vis other banking regulatory agencies.

Source/Collection of Data: The source of data is derived from the database referred to as "CATS". Agency staff make the initial entry including received date for all corporate filings from information supplied by applicants. Additional entries are made to indicate acceptance for filings, requests for additional information and date of decision.

Methods of Calculation: The ratio is computed by dividing the number of compliant initial-reply and processing time limits for applicable corporate filings divided by the total number of initial-reply and processing time limits that are mandated for applicable corporate filings. CATS produces customized reports the (1) lists all corporate filings with initial reply and processing times compared to mandated limits and (2) totals all compliant and non-compliant initial reply and processing times for each transaction type.

Data Limitations: Standards are established in statute and by rule to ensure that all corporate filings, especially those subject to rule or statutory time limits, are timely performed; however, the Department has no control over the number or types of applications submitted during a particular time period. In some instances, the Corporate Division is dependent upon the actions of others in order to reach a decision. For example, a conversion examination by the Bank and Trust Division must be completed before a decision can be rendered on an application. Additionally, because the Commissioner is the only person authorized to make decisions on some types of applications, processing may extend beyond the required timeframe because of scheduling conflicts.

New Measure: No

Calculation Method: Noncumulative

Target Attainment: Higher than target

SCHEDULE B

PERFORMANCE MEASURE DEFINITIONS

Output Measure **01-03.02 Number of Bank and Trust Applications, Notices, and Filings, Money Service Business License, Check Verification Company and Private Child Support Enforcement Agency Registration and Renewal Applications and Cemetery Broker Registrations Completed**

Short Definition: Number (aggregate) of Bank & Trust applications, notices, and filings completed; the total number of money service business (MSB) new license applications completed; and the number of check verification company (CVE) private child support enforcement agency (PCSEA) and Cemetery Broker (CB) initial and renewal applications completed in the reporting period.

Purpose/Importance: This data is used to judge not only the types of activities undertaken by the regulated entities, but to predict future performance of the regulated industries. In most instances the Texas public will feel the effect of these actions and the economic health of the state will be affected. Agency staffing and training requirements can also be impacted based upon the types of filings.

Source/Collection of Data: The source of data is derived from the database referred to as "CATS". Agency staff makes the initial entry including received date for all corporate filings from information supplied by applicants. Additional entries are made to indicate acceptance for filing, requests for additional information and date of decision.

Methodology of Calculation: A pre-defined report format for this measure is contained within the CATS database. The report allows the user to select a beginning and ending date, which is typically a fiscal quarter. The resulting report then lists, by type of application or filing, the respective number of corporate filings by one of the following five categories: "approved," "denied," "information," "notice," or "withdrawn." The report also provides a total for each type as well as a grand total. The number used for the performance measure takes the total for the number of filings less the total number of "information" and "withdrawn" filings for the applicable reporting period. Numbers for MSB and PCSEA must be manually calculated.

Data Limitations: Standards are established in statute and by rule to ensure corporate filings are timely performed; however, we have no control over the number or types of applications submitted during a particular time period. In some instances the Corporate Division is dependent upon the actions of others in order to reach a decision. For example, a conversion examination by the Bank and Trust Division must be completed before a decision can be rendered on an application. Additionally, because the Commissioner is the only person authorized to make decisions on some types of applications, processing may extend beyond the required timeframe because of scheduling problems. Further, the number and timing of filings received by the Corporate Division is a function of the private sector and, as such, is beyond the control of the Corporate Division. Withdrawn applications are not counted even though much time may have been expended in their review.

New Measure: No

Calculation Method: Cumulative

Target Attainment: Higher than target

SCHEDULE B

PERFORMANCE MEASURE DEFINITIONS

Explanatory Measure 01-03.03 Number of Requests for Information Received

Short Definition: The number of requests received over the reporting period, open records requests and the number of consumer complaints and inquiries.

Purpose/Importance: This measure shows the frequency and type of information, which the Department supplies. The public depends upon this data to facilitate commercial transactions such as loan closings, title releases, etc. This information also reflects the volume and types of complaints and inquiries received from the public regarding the entities that we license and/or regulate.

Source/Collection of Data: Data is derived from divisional databases administered by the Strategic Support, Special Audits, and Legal Divisions. The information requests and related processing information, such as entity involved and response date is input into the applicable database by an administrative assistant.

Method of Calculation: The measure is calculated as the sum of: (1) the total number of complaints and inquiries processed by the Strategic Support, and Special Audits Divisions and (2) the total number of open records requests received by the Legal Division during the fiscal quarter reporting period.

Data Limitations: Protocols are established to help ensure information requests are captured; however, no mechanism exists to ensure such information is always appropriately noted.

New Measure: No

Calculation Type: Cumulative

Target Attainment: Lower than target

SCHEDULE B
PERFORMANCE MEASURE DEFINITIONS

OUTCOME MEASURES BY FISCAL YEAR

OUTCOME MEASURE	FY'16	FY'17	FY'18	FY'19	FY'20	FY'21
Percentage of banks receiving examinations when due	87.5%	90%	90%	90%	90%	90%
Percentage of foreign bank agencies receiving examinations when due	95%	95%	95%	95%	95%	95%
Percentage of trust companies receiving examinations when due	90%	90%	90%	90%	90%	90%
Percentage of problem institutions with appropriate supervisory actions in place	100%	100%	100%	100%	100%	100%
Certificate of accreditation by CSBS maintained in good standing	Yes	Yes	Yes	Yes	Yes	Yes
Percentage of money service business licensees examined when due	90%	90%	90%	90%	90%	90%
Percentage of prepaid funeral contract licensees examined when due	90%	90%	90%	90%	90%	90%
Percentage of perpetual care cemetery licensees examined when due	90%	90%	90%	90%	90%	90%
Percentage of bank and trust, money services business, check verification company, private child support enforcement agency registration and renewal applications, and cemetery broker registrations completed within statutory time periods	95%	95%	95%	95%	95%	95%

SCHEDULE C

HISTORICALLY UNDERUTILIZED BUSINESS PLAN

HISTORICALLY UNDERUTILIZED BUSINESS (HUB) PLAN

HUB POLICY

The Department has adopted a policy to achieve the proportional Historically Underutilized Businesses (HUB) expenditure targets established by the Texas Comptroller of Public Accounts. As part of this policy, the Department will make a good faith effort to assist HUBs in receiving a portion of the total contract value of all contracts that the agency expects to award in a fiscal year. Although the Department has limited opportunities to award contracts, whenever possible and practical, the agency purchases from HUBs regardless of dollar value.

When purchasing goods and services, the Department utilizes the Comptroller of Public Accounts – Texas Procurement and Support Services Division (CPA-TPASS) Centralized Master Bidders List (CMBL), which includes all certified HUB vendors. Any noncertified HUB vendors identified by the Department during this process are encouraged to obtain certification by CPA-TPASS.

HUB ACTIVITY

The Department routinely monitors its progress toward achieving the CPA-TPASS HUB goals. Over the last several years, the Department has exceeded its HUB targets in the categories of Professional Services and Commodities Contracts.

STATE HUB GOALS COMPARED TO DEPARTMENT OF BANKING FISCAL YEARS

Contracts	State Goal	Agency FY 2015	Agency FY 2014	Agency FY 2013	Agency FY 2012
Professional Services Contracts	23.7%	100%	100%	100%	100%
Commodities Contracts	21.1%	48.6%	29.81%	61.7%	62%

THIS PAGE INTENTIONALLY LEFT BLANK

SUPPLEMENTAL SCHEDULE D

This schedule regarding Statewide Capital Plan
is not applicable.

SUPPLEMENTAL SCHEDULE E

This schedule regarding Health and Human Services
is not applicable.

Texas Department of Banking 2017-2021 Workforce Plan



June 2016

Texas Department of Banking
2601 N. Lamar Blvd.
Austin, Texas 78705
Toll Free 877-276-5554
www.dob.texas.gov

SCHEDULE F

WORKFORCE PLAN 2017-2021

TABLE OF CONTENTS

I. Department Overview	1
II. Workforce Plan Focus	2
Table 1 Level of Employee Engagement	2
Table 2 Financial Examiner Turnover by Fiscal Year	3
A. Trends and Factors Affecting the Retention of Financial Examiners.....	3
B. Department of Banking Tenure	4
Chart 1 Department of Banking Tenure	4
C. Trends and Factors Related to the Aging Workforce.....	5
D. Increasing Diversity	5
E. Meet Veterans Workforce Goals	6
III. Department of Banking Mission.....	6
IV. Agency Goals and Action Plans	6
V. Anticipated Changes in Strategies	10
VI. Supply Analysis - Current Workforce Profile	10
A. Critical Workforce Skills	10
B. Workforce Demographics.....	10
Chart 2 Workforce Breakdown	11
Table 3 Department Workforce by Job Category.....	11
C. Employee Turnover	12
Table 4 Twelve Year Turnover.....	12
Table 5 Financial Examiner Turnover by Length of Service	13
Table 6 Financial Examiner Turnover by Length of Service for Certain Fiscal Years	13
Table 7 Non-Financial Examiner Turnover by Length of Service	14
Table 8 Non-Financial Examiner Turnover by Length of Service for Certain Fiscal Years	14
Table 9 All Employee Turnover by Length of Service.....	15
Table 10 Workforce by Age.....	16
D. Retirement Eligibility.....	16
VII. Demand Analysis - Future Workforce Profile	16
A. Critical Functions.....	17
B. Expected Workplace Dynamics	17
C. Anticipated Increase in Number of Employees Needed	17
D. Future Workforce Skills Needed	17
VIII. GAP Analysis.....	18
A. Anticipated Shortage of Workers or Skills.....	18
Table 11 Gap Analysis	19
IX. Strategy Development	20

THIS PAGE INTENTIONALLY LEFT BLANK.

I. DEPARTMENT OVERVIEW

The Department of Banking's (Department) mission is carried out through chartering, licensing, examination, supervision and customer assistance. Regulated entities receive examinations and off-site monitoring to ensure they are operating in a safe and sound manner and are in compliance with state and federal laws. The ability to adequately supervise the entities under the Department's jurisdiction requires that sufficient support be provided to our financial examiners, as well as the regulated entities through professionalism, technology, legal services, communication and administrative services.

The Department is a Self-Directed, Semi-Independent (SDSI) agency operating under the oversight of the Texas Finance Commission (Commission). As a SDSI agency, the Department is not required to have its budget approved by the Legislature. The Commission is responsible for setting the spending authority or limits for the agency each year.

The Department competes with financial service providers, other state agencies and the federal regulatory agencies for its professional examination staff. The agency is approved to have 199 full-time equivalent (FTE) employees and as of March 31, 2016, employs 187 individuals, the majority of which are financial examiners. The Bank and Trust Supervision Division is staffed with 101 field examiners and the Special Audits Division is staffed with 17 field examiners. There are 10 vacant financial examiner positions.

In order to reduce historical turnover among the financial examiner series, the Department, with the support of the Finance Commission, sought to receive approval to initiate examiner salary adjustments. Continuation of equity adjustments for financial examiner salaries to better align with federal counterparts has led to an overall decline in examiner turnover. Total financial examiner turnover in FY 2014 was 9.09%. In FY 2015 a spike in financial examiner turnover to 12.50% occurred. As of March 31, 2016, the financial examiner turnover for FY 2016 was 7.14%.

The Department has worked diligently to reduce turnover, and must continue the same efforts to sustain a qualified workforce. Lessons learned from the past banking crisis highlight the need to retain a sufficient number of trained and tenured staff to stay abreast of economic and industry changes and be prepared to address adverse events that will occur in the next down cycle. The Department must be prepared for these contingencies rather than become complacent during times of prosperity. In an effort to remain competitive with federal banking regulators, the agency continues efforts to maintain examiner salaries at no less than 92.5% of the FDIC (Federal Deposit Insurance Corporation) salaries, with a goal of achieving parity. With the SDSI status, the agency has the ability to adjust salaries as needed to remain competitive.

Offering competitive incentives and career opportunities remains a priority. Although the burden cannot be fully eliminated, the Department continues to search for avenues to reduce the onus and necessity of travel. Examining personnel spend a significant amount of their time away from home to conduct on-site examinations. To reduce travel time, and provide a more family-friendly arrangement, all offices have implemented flexible schedules that allow either every Friday or every other Friday off. The Pre-Examination Program (PREP) was also implemented to allow examiners to perform certain procedures prior to traveling on-site to the bank. This program has also reduced the regulatory burden on the institutions being examined. Enhanced imaging methods used by banks to provide documents in advance have also contributed in reducing travel. Improvements in infrastructure, such as increasing headquarters and regional offices online bandwidths, have been implemented to enhance the methods of information exchange. To compensate for the burden of prolonged travel, the Department offers a stipend program to individuals who meet a minimum number of nights in "stay-out" travel status on an annual basis.

In 2012, the Department developed the Student Educational Employment Program (SEEP) which is a paid internship program in partnership with Texas A&M University and Sam Houston State University. Each has a dedicated banking program. The purpose of the SEEP is to introduce students to the career

Workforce Plan 2017-2021

of a financial examiner. Interns who are successful in the SEEP program (as evaluated by the Regional Director) are offered employment as a Financial Examiner I upon graduation, contingent on their ability to meet the minimum qualifications for the position.

II. WORKFORCE PLAN FOCUS

Key economic and environmental factors affecting the Department's workforce over the next five years include: an improving economy; turnover and retention of financial examiners; an aging workforce; introduction of a new generation of workers; increased ethnic diversity; and technology that improves efficiency and productivity.

The Texas unemployment rate as of February 2016 was 4.4%, down significantly from the peak in August 2009 at 8.4%. Nationwide, the unemployment rate was 4.9% as of January 2016. Some studies indicate that the low unemployment rate is misleading as a high number of people are under employed and in part-time employment and are discouraged. The "real" national unemployment rate considering these factors is closer to 9.9 %¹. Competition for qualified workers in Texas is a significant factor in staffing and recruiting.

Challenges facing employers include keeping workers engaged. Increased hiring rates in recent years have allowed more workers to find new jobs and explore other options for their career. Better compensation and career advancement are cited as reasons for pursuing new positions.²

The Institute for Organizational Excellence at the University of Texas at Austin conducted a Survey of Employee Engagement for Department staff in November 2015 which indicated that Department employees have a higher level of engagement than the national average. Maintaining this level of engagement continues to be a priority.

LEVEL OF EMPLOYEE ENGAGEMENT

Level of Engagement	Highly Engaged	Moderately Engaged	Disengaged
Department Results	64%	33%	3%
Nationwide Polling Results	30%	50%	20%

In addition to employee retention efforts, a shift in recruiting strategies is being considered. The next generation entering the job market (Generation Z, also known as iGeneration and Post-Millennials) has an increased preference for using mobile devices when online. Searching for employment is no exception.³ The Department may consider subscribing to more online and app-based job search platforms rather than relying solely on traditional computer based job advertisements. Increased usage of technology will continue to be an area of focus in all aspects of business for which the next generation of workers will be able to capably manage.

¹ Chad Moutray, Chief Economist, Washington D.C. based National Association of Manufacturers.

² Society for Human Resources Management, (2016) Employee job satisfaction and engagement survey (unpublished data).

³ Society for Human Resources Management (January 2016) *Using Social Media for Talent Acquisition – Recruitment and Screening*.

Workforce Plan 2017-2021

The resurgence in banks seeking to hire examiners at a higher rate of compensation has and will likely continue to affect the Department's ability to retain experienced examiners. Since FY 2014, the Department has lost 11 examiners (30% of examiner turnover), all of whom left for employment with a bank. The agency's challenge over the next five years will be to maintain a reasonable turnover rate while preparing for the impact of the departure of a significant number of retiring workers. If the economic recovery involves a significant inflationary impact, many retirement eligible employees may need to postpone retirement. Alternatively, if the Texas legislature makes significant changes to the retirement system or retirement eligibility requirements, this could hasten the retirement of approximately 20% of the current workforce eligible to retire today. The Department needs to plan for an array of possibilities for future retention and adjustment initiatives.

FINANCIAL EXAMINER TURNOVER BY FISCAL YEAR

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016*
11.3%	8.8%	6.2%	11.4%	17.0%	8.2%	9.0%	12.5%	7.1%

*As of March 31, 2016

In fiscal year 2014, financial examiner turnover totaled 12 employees. This included three retirements, one death, and eight resignations. Of the eight resignations, four employees left for employment with banks, three left to work for a federal regulatory agency, and one cited personal reasons for leaving.

Fiscal year 2015 financial examiner turnover increased to a total of 16 employees. This included one retirement, two involuntary separations, and 13 resignations. Of the 13 resignations, three individuals left for employment with banks, two for a federal regulatory agency, and one for private industry. The remaining seven cited personal reasons for leaving.

During the current fiscal year, 2016, there have been nine financial examiners who have either voluntarily or involuntarily left the Department. Financial examiner turnover between September 1, 2015 and March 31, 2016 includes four employees who left to work for a bank, four who left for personal reasons and one involuntary separation.

A. TRENDS AND FACTORS AFFECTING THE RETENTION OF FINANCIAL EXAMINERS

The Department's examiner positions require highly skilled and educated employees. The competition to hire and retain these workers is an on-going challenge. The Department continually reviews its training programs and compliments external curriculums with in-house schools that target specific training needs of the examiners. The Department has also implemented a Financial Examiner III-B level within the classification of the financial examiner series which allows for a salary increase after passing Phase I of the Bank Examination Testing System (BETS). Providing rewards and incentives has also helped the agency's retention of qualified staff. Examples of the agency's efforts that have been implemented include:

- Noncompetitive promotion through Financial Examiner VI classification.
- Development of career paths into specialty areas – IT, Trust, Bank Secrecy Act/Anti Money Laundering, Capital Markets, and Large Bank Supervision.
- Frequent overnight stay-out travel stipend program, if funds are available.
- Flexible work schedules to accommodate employees and their families.
- One-time or permanent merit based pay increases.
- An Employee Education Reimbursement Program.

Workforce Plan 2017-2021

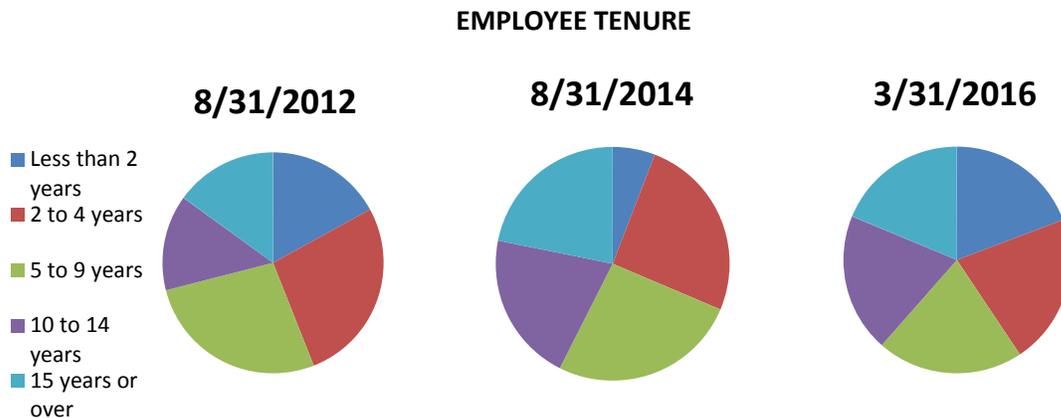
The Department continues to use a work style profile in the hiring process. The profile helps to identify candidates that have inherent work style characteristics conducive to our supervisory responsibilities, a propensity for the rigors of frequent travel and desire to establish a long term career with one employer. The screening appears to be an asset to help identify candidates best suited for our employment. The Department also includes prior work experience, preferably with a financial institution, and bilingual skills as preferred qualifications of potential candidates. Use of competency based interviewing also helps the Department better identify the most qualified and potentially successful candidates for hire.

The Department must continue to curb turnover at the lower and mid financial examiner levels. These examiners must be cultivated, trained, and retained to replace departing and retiring employees. Internal policy prescribes that an assistant examiner has seven years to complete the core training curriculum and pass an internal test, BETS, to become a qualified “commissioned” examiner. Without continued competitive salaries, the Department will have difficulty retaining trained personnel and competing for qualified candidates. Education trends indicate that the number of workers in the prime age category who have attended college is not expected to increase over the coming decades, even though demand for highly educated workers will continue to grow. Further, it is expected that there will be much greater demand and competition for highly-skilled workers.

Pay is identified as the lowest scoring construct of the Survey of Employee Engagement for Department employees. This construct captures employees’ perceptions about how well the compensation package offered by the organization holds up when compared to similar jobs in other organizations. Lower scores suggest that pay is a central concern or reason for discontent and is not comparable to similar organizations. Although pay was the lowest scoring construct (363), according to the interpretation guidelines of this report, scores typically range from 300 to 450, and 350 is a tipping point between positive and negative perceptions. The lowest score for a construct is 100, while the highest is 500.

The Department's overall score for all constructs in the Survey of Employee Engagement is 407, indicating that overall employee engagement is high.

B. DEPARTMENT OF BANKING TENURE



The short-term goal of the Department is to achieve a two to one ratio of commissioned examiners to non-commissioned assistant examiners with a longer range goal of a four to one ratio. The charts above show a positive movement towards a balanced experienced tenure ratio. The goal of the Department is to retain the large group of commissioned examiners with five to twelve years of experience which helps the agency move to the staffing plan goal of 88% commissioned examiners in Bank and Trust Supervision. Special Audits aims to have 71% senior examiners.

C. TRENDS AND FACTORS RELATED TO THE AGING WORKFORCE

Within the next five years, 31% of the Department's workforce will be eligible to retire. Sixty-five percent of this group is eligible to retire today. The loss of these employees combined represents approximately 900 years of experience.

Most demographic experts estimate that the number of people over the age of 65 will double over the next few decades. The impact of this shift will affect the workplace in a number of ways. The aging workforce and issues related to succession planning will become crucial as large numbers of baby boomers are expected to retire at the same time. In response to these trends, the Department is furthering the development of the succession plan and bringing Department and industry (bankers, former federal regulators) retirees back into the workforce; thus we fill the gap between examiners early in their careers and the long tenured experienced examiners. This facilitates and expedites the education process of new examiners and relieves experienced examiners of some training duties, allowing them to focus on other assignments.

Efforts to even out the percentage of assistant examiners to senior examiners has resulted in a more balanced financial examiner workforce. In the past, the examiner workforce was "bottom heavy", meaning there were more inexperienced staff than experienced. Today the ratio is much closer to our model.

The ability to maintain competitive salaries with federal counterparts also increases the Department's ability to recruit commissioned examiners from federal employers and gain employees with training and experience.

The aging workforce necessitates developing non-traditional workplace and employment relationships, such as short-term assignments and consulting agreements with retired employees. There are state law constraints regarding return-to-work retirees and contracting limitations but we will work within the system to best utilize this talent pool.

Succession planning is a priority as retirement and other turnover factors continue to rise. In the next five years, 63% of senior management is eligible to retire. Preparing qualified staff to carry on these roles will require training programs such as sponsoring eligible employees for the Governor's Center for Management Development schools and other educational opportunities to develop management skills. The agency has begun to require all Financial Examiner level VI and above to enroll and participate in this type of management training. Pertinent to the success of this transition is retaining mid-level examiners to then replace high level examiners who move into these leadership roles. Current efforts to aid in succession planning include a cross-training program where senior financial examiners volunteer to rotate through different work roles at the Department headquarters. These roles include review examiner duties, corporate functions and other administrative functions of headquarters staff.

D. INCREASING DIVERSITY

The Department continues to emphasize the need for workplace diversity and to strive for a workforce reflective of the racial composition of the population. According to the May 2011 Issue of the 2010 Census Briefs, Hispanics are now the nation's largest minority group and account for the majority of births in some states. The 2010 Census reports that the Hispanic population accounted for over half the growth of the total population in the United States between 2000 and 2010. In addition to a workforce that mirrors the population, this shift in demographics increases the demand for multilingual training and information. The Department includes fluency in Spanish as a preferred qualification for certain job postings. Recruiting activities include representation at job fairs at many diverse universities in the state and distribution of job announcements to minority organizations.

E. MEET VETERANS WORKFORCE GOALS

The 84th Legislature amended and added to Texas Government Code, Section 657.004, requirements for State agencies to meet a veteran employment goal of hiring veterans in full-time positions to equal at least 20% of the total number of employees. Included are requirements to interview a certain percentage of qualified veterans for each open position. The agency takes advantage of the resources of the Texas Veterans Commission and the Texas Workforce Commission and regularly attends job fairs that target the veteran workforce in different locations across Texas.

III. DEPARTMENT OF BANKING MISSION

The mission of the Department of Banking is to ensure Texas has a safe, sound and competitive financial services system.

IV. AGENCY GOALS AND ACTION PLANS

The Department's mission is accomplished primarily by the examination and monitoring of the chartered and licensed entities under our supervision. In order to meet our goals and fulfill our mission, the Department will abide by these core values and operating principles:

- Adhere to the highest ethical and professional standards;
- Be statutorily accountable and responsible;
- Anticipate and respond to a dynamic environment;
- Identify and promote innovative practices;
- Operate efficiently and maintain consistent and prudent regulatory standards;
- Communicate effectively;
- Foster teamwork while encouraging individual excellence and career development;
- Provide a desirable work environment that values cultural and individual differences;
- Seek input from and be responsive to the public, our supervised entities, and State leadership; and
- Adhere to the principle of "Tough but Fair" regulatory oversight.

Workforce Plan 2017-2021

AGENCY GOAL AND ACTION PLAN

Goal: Effective Bank and Trust Regulation

To ensure timely, fair, and effective supervision and regulation of the financial institutions under our jurisdiction in order to promote a stable banking and financial services environment and provide the public with convenient, safe, and competitive financial services. In doing so, provide quality regulation and maintain the credibility of the Department with the public, industries we regulate, federal banking regulators and other government agencies.

Actions Required to Achieve Goal

- Conduct commercial bank, trust company, foreign bank agency, and foreign representative office examinations, in cooperation with the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Bank (FRB), in conformance with the Department's examination priority schedule and in a thorough, accurate, and timely manner.
- Maintain contact with, and monitor the condition of, regulated entities between examinations through processes which include an off-site monitoring program.
- Monitor industry status and engage in regular communication with federal regulators (FDIC and FRB) and the Conference of State Bank Supervisors (CSBS).
- Promote cybersecurity awareness among regulated entities.
- Ensure correction-oriented enforcement actions will be taken, as appropriate, against regulated entities that demonstrate higher than normal weakness or risk, including consideration for noncompliance with laws, regulations, and policies.
- Maintain sufficient regulatory resources in the event of further industry deterioration or systemic industry problems, the reallocation of federal regulatory resources away from Texas, a significant increase in the regulated asset base or a substantial loss of examiners.
- Optimize efficiencies in the examination process, including automating examination procedures, adopting electronic examination tools, and utilizing the secure data exchange portal to share information with regulated entities and federal counterparts.
- Research and report on changing industry, statutory, and economic conditions and develop appropriate supervisory strategies to adapt to these changes.
- Provide the industry with electronic access to regulatory and supervisory information through the agency's website.
- Attract and retain qualified employees through a competitive salary program, specialized training, and career advancement opportunities. Create a culture that state service can be a career.
- Maintain accreditation status by CSBS.

Workforce Plan 2017-2021

AGENCY GOAL AND ACTION PLAN

Goal: Effective Regulation of Special Audit Licensees

To ensure timely, fair, and effective supervision and regulation of the non-bank licensees under our jurisdiction in order to promote a stable financial services environment and provide the public with convenient, safe, and competitive financial services. In doing so, provide quality regulation and maintain the credibility of the Department with the public, industries we regulate, and other government agencies.

Actions Required to Achieve Goal

- Conduct Money Services Business (MSB), Prepaid Funeral Contract (PFC), and Perpetual Care Cemetery (PCC) examinations, in cooperation with federal and other state regulatory entities, in conformance with the Department's examination priority schedule and in a thorough, accurate, and timely manner.
- Maintain contact with, and monitor the condition of, regulated entities between examinations.
- Promote cybersecurity awareness among regulated entities.
- Optimize efficiencies in the examination process, including automating the data exchange of examination documents through a secure portal, and utilizing electronic examination procedures and reference materials.
- Research and report on changing industry, statutory, and economic conditions and develop appropriate supervisory strategies to adapt to these changes.
- Monitor industry status and engage in regular communication with federal and state regulators.
- Provide the industry with electronic access to regulatory and supervisory information through the agency's website.
- Identify and investigate non-licensed entities and fraudulent activities.
- Ensure proper enforcement actions are taken against unlicensed entities in an effort to bring such entities into compliance with rules and regulations.
- Ensure proper enforcement actions will be taken against regulated entities that demonstrate noncompliance with rules and regulations.
- Attract and retain qualified employees through a competitive salary program, specialized training, and career advancement opportunities. Create a culture that state service can be a career.

Workforce Plan 2017-2021

AGENCY GOAL AND ACTION PLAN

Goal: Effective Regulation Through Corporate Activities

To ensure that the citizens of Texas have access to convenient, safe, sound, and competitive financial services through an effective corporate activities process to evaluate and act upon corporate filings requesting to initiate, expand, or modify financial services to Texans.

Actions Required to Achieve Goal

- Process all filings in a timely and thorough manner while adhering to the principle of providing Texans with access to convenient and competitive financial services in a safe and sound manner.
- Optimize efficiencies in the application process by enhancing automated systems, where possible, in order to improve the quality and speed of information exchanged internally and between the Department, its stakeholders, applicants, and the various federal and state agencies that we partner with to process applications.
- Perform thorough background checks as appropriate to determine if the individuals proposed have the experience, personal and financial integrity, and financial ability to direct and/or lead a financial institution's or MSB's affairs in a safe, sound, and legal manner.
- Attract and retain qualified employees through a competitive salary program, specialized training, and career advancement opportunities. Create a culture that state service can be a career.

AGENCY GOAL AND ACTION PLAN

Goal: Effective and Efficient Operations Compliant with State Laws

To ensure that Texans and stakeholders are effectively and efficiently served by high-quality professionals entrusted to implement regulatory requirements and industry standards, utilize advanced technologies, safeguard confidential information, and provide educational opportunities to support and strengthen the financial services industry.

Actions Required to Achieve Goal

- Investigate, process, and respond to consumer complaints about Department supervised entities in a professional, appropriate and timely manner.
- Develop comprehensive annual budget and staffing plan.
- Adhere to the agency's annual budget.
- Update and test Continuity of Operations Plan (COOP) annually.
- Utilize technology to streamline processes throughout the agency.
- Promote financial education.
- Migrate to the Centralized Accounting & Payroll/Personnel Systems (CAPPS) by 2020.
- Promote information security and cybersecurity awareness within the agency through training and processes designed to protect sensitive data.
- Engage in regular communication and reporting with the FC.
- Prepare and deliver Self-Directed, Semi-Independent (SDSI) agency reports to the Governor and Legislature in an accurate and timely manner.
- Attract and retain qualified staff and maintain professional service.

V. ANTICIPATED CHANGES IN STRATEGIES

- Specialized staff and training are necessary in order to assess licensees' procedures and preparedness to prevent cybersecurity attacks.
- Technology and electronic payment systems continue to change as new forms of payment systems arise. Therefore, the Department must devote additional resources to evaluate emerging technologies and provide education and training to staff to keep up with these new products and technologies.
- Large bank examinations are requiring a higher level of expertise in the areas of model risk management, capital planning and stress/shock testing.
- The Department may become more involved in compliance examinations of the larger financial institutions and will be participating in compliance examinations of large money service businesses with the Consumer Financial Protection Bureau.

VI. SUPPLY ANALYSIS - CURRENT WORKFORCE PROFILE

A. CRITICAL WORKFORCE SKILLS

Several critical skills are vital to maintaining the Department's ability to operate effectively and efficiently. Without these, the Department could not provide basic business functions. The skills are:

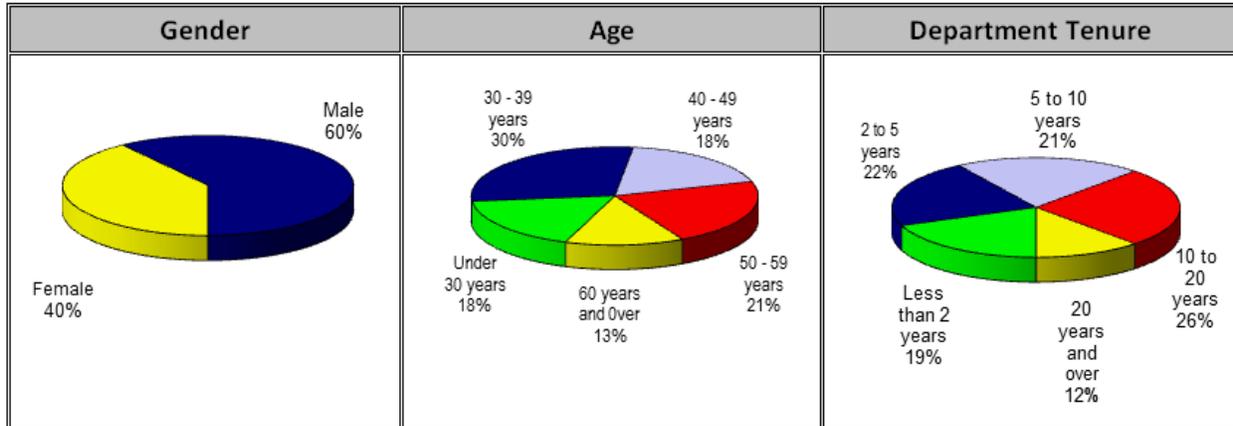
- Financial examination experience and expertise, particularly in capital markets, model risk management and corporate governance;
- Customer service expertise;
- Information technology and cybersecurity expertise;
- Financially related legal knowledge;
- Bank Secrecy Act experience and expertise;
- Database development and maintenance expertise;
- Regulatory and accounting experience and expertise; and
- Financial regulatory legal expertise.

B. WORKFORCE DEMOGRAPHICS

Workforce Breakdown: The following chart profiles the Department's current workforce of 187 individuals that includes both full and part-time employees. The Department's workforce is comprised of 60% males and 40% females. Approximately 52% of employees are over the age of 40 and approximately 41% have five years or less of Department service. Over 45% of financial examiners have less than five years of Department experience. This percentage is high enough to warrant strong programs to ensure examiner retention.

Workforce Plan 2017-2021

WORKFORCE BREAKDOWN AS OF MARCH 31, 2016



Department Workforce by Job Category: The following table compares African-American, Hispanic American, and Female Department employees as of March 31, 2016 to the statewide civilian workforce as reported by the Texas Workforce Commission, Civil Rights Division. The Department strives to meet these diversity targets. Hispanic-Americans and Females are underrepresented in Official/Administration category. African-Americans and Females are underrepresented in the Professional category. Females and Hispanic-Americans are underrepresented in the Technical category. African-Americans and Hispanic-Americans are underrepresented in the Administrative Support category. The Department is vigilant in its effort to continue to monitor, address, recruit, and improve the minority representation within the agency.

DEPARTMENT WORKFORCE BY JOB CATEGORY AS OF MARCH 31, 2016

Job Category Employee Count	African-American		Hispanic American		Females	
	Department %	Civilian Workforce	Department %	Civilian Workforce	Department %	Civilian Workforce
Official/Administration 13	7.7%	7.1%	7.7%	20.9%	23.1%	37.5%
Professional* 150	9.3%	11%	20.7%	18.6%	38.0%	54.9%
Technical 5	40.0%	13.8%	20.0%	28.8%	0.0%	51.3%
Admin. Support 19	10.5%	13.6%	31.6%	33.0%	84.2%	72.8%

**Para-Professional Category deleted from Texas Workforce Commission, Statewide Civilian Workforce Composition data. Employees previously categorized as Para-Professional moved to Professional Category.*

C. EMPLOYEE TURNOVER

Overall turnover has remained relatively static and lower than the State Turnover Rate over the past five fiscal years, but is still higher than the Department’s target turnover rate of 8% or less. The turnover rate for FY 2013 was 11.9%, a decrease from the prior year, as reflected in the next chart. Excluding retirements and involuntary separations, the turnover rate for FY 2014 is 6% and FY 2015 is 10%. Economic indicators suggest competition for financial examiner job skills will continue. The Department must be vigilant in researching and refining retention methods.

Twelve Year Turnover: The following table compares the Department’s turnover to that of the state over the last twelve years.

TWELVE YEAR TURNOVER

Fiscal Year	Department Turnover Rate	State Turnover Rate*
FY 2015	13.8%	19.0%
FY 2014	10.2%	19.1%
FY 2013	11.9%	18.9%
FY 2012	12.6%	19.6%
FY 2011	10.3%	17.7%
FY 2010	6.2%	15.9%
FY 2009	7.1%	15.6%
FY 2008	13.6%	19.3%
FY 2007	10.8%	19.2%
FY 2006	15.8%	17.9%
FY 2005	20.9%	19.1%
FY 2004	14.4%	41.8%**

* Information obtained from the State Auditor’s Office E-Class System including interagency transfers.

** The exceptionally high statewide turnover in FY 2004 is due to the reorganization of the health and human services agencies.

Workforce Plan 2017-2021

FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE AS OF AUGUST 31, 2015

Years of Service	# of Financial Examiners	% of Financial Examiners	% of Financial Examiner Turnover FY 2015
Less than 2 years	15	12%	32%
2 – 5 years	34	27%	25%
5 – 10 years	35	28%	12%
10 – 15 years	23	18%	12%
15 – 20 years	9	7%	0%
20 years and over	10	8%	19%
TOTAL	126	100%	100%

FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE FOR CERTAIN FISCAL YEARS

Years of Service	% of Financial Examiner Turnover FY 2014	% of Financial Examiner Turnover FY 2015	% of Financial Examiner Turnover FY 2016*
Less Than 2 years	17%	32%	0%
2 – 5 years	25%	25%	33%
5 – 10 years	25%	12%	55%
10 – 15 years	17%	12%	0%
15 – 20 years	8%	0%	12%
20 years and over	8%	19%	0%

* FY 2016 data as of March 31, 2016

Financial Examiner Turnover: The financial examiner series is the largest component of the Department's workforce. Turnover in this group is the most costly to the Department because examiners receive extensive professional training and direct supervision in the first four to five years of employment. This requires a substantial monetary commitment by the Department.

As of August 31, 2015, 67% of financial examiners had tenure of less than 10 years. This group constitutes 69% of the financial examiner turnover for FY 2015, an increase over the 67% turnover in the same category in fiscal year 2014. As of March 31, 2016, the turnover in the below 10 year tenure category is 88% of total financial examiner turnover.

Workforce Plan 2017-2021

NON-FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE AS OF AUGUST 31, 2015

Years of Service	# of Non-Examiner Employees	% of Non-Examiner Employees	% of Non-Examiner Turnover FY 2015
Less than 2 years	6	11%	30%
2 – 5 years	9	16%	10%
5 – 10 years	9	16%	20%
10 – 15 years	14	25%	0%
15 – 20 years	5	9%	20%
20 years and over	13	23%	20%
TOTAL	56	100%	100%

NON-FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE FOR CERTAIN FISCAL YEARS

Years of Service	% of Non-Examiner Turnover FY 2014	% of Non-Examiner Turnover FY 2015	% of Non-Examiner Turnover FY 2016*
Less than 2 years	43%	30%	50%
2 – 5 years	0%	10%	0%
5 – 10 years	14%	20%	0%
10 – 15 years	29%	0%	50%
15 – 20 years	0%	20%	0%
20 years and over	14%	20%	0%

* FY 2016 data as of March 31, 2016

Non-Financial Examiner Turnover: The majority of non-examiner turnover is occurring among employees with less than ten years of experience. It is expected that non-examiner turnover will increase with time due to retirement eligibility and an improved job market.

Workforce Plan 2017-2021

ALL EMPLOYEE TURNOVER BY LENGTH OF SERVICE AS OF AUGUST 31, 2015

Years of Service	# of All Department Employees	% of All Department Employees	% of State Employees*	% of Department Turnover FY 2015	% of State Turnover FY 2015*
Less than 2 years	21	12%	21%	31%	40%
2 – 5 years	43	23%	16%	19%	20%
5 – 10 years	44	24%	23%	15%	11%
10 – 15 years	37	20%	12%	8%	11%
15 – 20 years	14	8%	11%	8%	10%
20 years and over	23	13%	174%	19%	8%
TOTAL	182	100%	100%	100%	100%

**Information obtained from the State Auditor's Office E-Class System including interagency transfers.*

All Employee Turnover: The highest rates of Department turnover in FY 2015 occurred in the less than 2 year, 2-5 year and 20 years and over service categories. The Department must continue to provide incentives for employees to make employment with the Department an attractive long-term career choice.

Workforce Plan 2017-2021

WORKFORCE BY AGE AS OF AUGUST 31, 2015

Age Groups	# of All Department Employees	% of All Department Employees	% of All State Employees	% of Department Turnover FY 2015	% of State Turnover FY 2015*
Less than 30	28	15%	14%	27%	37%
30 – 39	55	30%	23%	19%	18%
40 – 49	35	19%	26%	15%	12%
50 – 59	39	22%	24%	27%	14%
60 and over	25	14%	13%	12%	19%
TOTAL	182	100%	100%	100%	100%

*Information obtained from the State Auditor's Office E-Class System including interagency transfers.

Workforce by Age: Employees over the age of 40 comprised 55% of the Department's workforce as of August 31, 2015. Employees under the age of 30 comprised 15% of the workforce.

D. RETIREMENT ELIGIBILITY

Thirty-seven (or 20% of) employees are qualified to retire in FY 2016. In the next five years, 47.5% of Headquarters staff and 22% of all field examiner staff are eligible to retire.

Historically, retirement from the Department does not account for the majority of separations. For this fiscal year through March 31, 2016, only one staff member has retired. Over the next five years, however, our pool of retirement eligible employees increases. With these retirements, we will lose substantial institutional knowledge and expertise. As of March 31, 2016, the Department has 58 employees, including 14 financial examiners that could potentially retire within the next five years. Furthermore, 65% of this group is eligible to retire today. In the next five years 63% of senior management is eligible to retire.

VII. DEMAND ANALYSIS - FUTURE WORKFORCE PROFILE

Assessing the future workforce requirements of the Department encompasses a broad range of issues. These issues have been identified through the Department's strategic planning process, interaction and discussion with federal banking regulators, input from agency management, and input from industry representatives. The evolution of the financial services industry means the Department will need an experienced and qualified professional staff to meet anticipated growth and change in the industry.

A. CRITICAL FUNCTIONS

- Increased Information Technology (IT) examination activity at the regulated entity and service provider level.
- Increased demand on supervisory resources due to changes in national, regional and local economic and regulatory conditions.
- Increased trust examination activity as the population ages and wealth management becomes more pronounced.
- Increased examination activity because of changes in products and technologies in the money services businesses area.
- Increased demand for Bank Secrecy Act/Anti-Money Laundering specialists.
- Increased need for Fraud Specialists.
- Implementation of Dodd-Frank requirements.
- Increased need for cybersecurity experts.

B. EXPECTED WORKPLACE DYNAMICS

- Increased use of technology to maximize efficiency.
- Increased use of subject matter specialists.
- Greater focus on risk assessments and problem resolution of our regulated entities.
- Greater need to investigate unlicensed and/or illicit activity.
- Greater emphasis on cybersecurity.

C. ANTICIPATED INCREASE IN NUMBER OF EMPLOYEES NEEDED

- Number of new, more complex money services businesses licensed by the Department continues to increase.
- Assets of and services offered by state-chartered banks under supervision will increase.
- Changes to federal counterpart priorities and reallocation of examination resources.
- Training needs increase.

D. FUTURE WORKFORCE SKILLS NEEDED

A competent and knowledgeable staff is necessary to efficiently and effectively supervise the variety of entities under the Department's oversight and to respond to changes in these industries. Employees must increase skills in the following areas:

- Comprehensive understanding of IT risk in a constantly changing environment.
- Changing technology and diversity of products offered.
- Knowledge of financial crimes and risks.
- Project management.
- Process analysis.
- Change management.
- Management and supervision of staff.
- Cybersecurity.
- Changing financial industry needing to focus on risk management, capital planning and compliance with federal regulations.

VIII. GAP ANALYSIS

A. ANTICIPATED SHORTAGE OF WORKERS OR SKILLS

- Recruiting experienced examiners remains a significant challenge.
- The optimal balance in staff experience would be 80% commissioned examiners in various areas of expertise and 20% non-commissioned assistant (apprentice level) examiners. The current position is 63% commissioned and 37% non-commissioned. This ratio has significantly improved over the last eight years.
- An increase in assets or large institutions under the Department supervision would call for additional staffing.
- A significant downturn in the state's economy will require more field examinations and time reviewing an institution's books and records.
- An increase in fraud investigations or enforcement actions would call for additional staffing or contracted investigators.
- An increase in technology and cybersecurity needs will require additional Information Technology staff.
- An increase in the number of money service business opinion requests, new applications, and examinations require expanded legal and financial examiner resources.

Workforce Plan 2017-2021

Gap Analysis: The Department's analysis of the current Finance Commission approved FTEs and anticipated workforce needs are presented in the table below.

Gap Analysis As of March 31, 2016

Division	Executive			Professional			Technical			Administrative			Total		
	Authorized	Need	Gap	Authorized	Need	Gap	Authorized	Need	Gap	Authorized	Need	Gap	Authorized	Need	Gap
Executive / Admin	3	3	0	0	0	0	0	0	0	2	2	0	5	5	0
Legal	0	0	0	7	7	0	0	0	0	3	3	0	10	10	0
Admin Services	0	0	0	5	5	0	0	0	0	5	5	0	10	9	0
IT Division	0	0	0	1	1	0	5	6	1	0	0	0	6	7	1
Division of Strategic Support	0	0	0	4	4	0	0	0	0	5	5	0	9	9	0
Corporate Activities	0	0	0	5	5	0	0	0	0	3	3	0	8	8	0
Bank Supervision	2	2	0	100	100	0	0	0	0	6	6	0	108	108	0
Foreign Bank Supervision	0	0	0	1	1	0	0	0	0	0	0	0	1	1	0
Trust Company/ Department Supervision	0	0	0	10	10	0	0	0	0	0	0	0	10	10	0
IT Examinations	0	0	0	11	11	0	0	0	0	0	0	0	11	11	0
PFC/PCC	0	0	0	10	10	0	0	0	0	2	2	0	12	12	0
MSB	0	0	0	8	8	0	0	0	0	1	1	0	9	10	0
Total Department of Banking	5	5	0	162	162	0	5	6	1	27	27	0	199	200	1

Workforce Plan 2017-2021

IX. STRATEGY DEVELOPMENT

Gap	Current employees lack critical skills.
Goal	Develop a competent, well-trained workforce.
Rationale	The presence of a well-trained workforce is absolutely critical not only to the success of the Department, but also to the credibility of the agency and condition of the industry. The success of the Department is not only measured by whether and how well it meets its goals and objectives, but the level of credibility it maintains with its federal counterparts. The level of credibility maintained by the Department has a direct correlation on the cost of supervision and regulation to regulated entities. A loss of credibility could result in a higher volume and more frequent supervision by federal regulators and therefore increase regulatory burden upon the supervised businesses operating in Texas.
Action Steps	<ul style="list-style-type: none"> • Identify skills required to meet changes that have occurred and are anticipated in the financial services industries. • Expand core training programs to include more in-depth and comprehensive courses in areas of identified weakness. • Develop additional in-house training programs to supplement programs offered by CSBS and federal regulatory agencies. • Conduct a risk assessment to determine the level of risk facing the Department regarding the potential loss of knowledge and the areas of knowledge gaps. • Continue to refine and improve our succession plan. • Develop a knowledge transfer strategy that may include: documenting processes, steps, dates, relationships, players, contacts, forms and files. • Institute checklists, flowcharts, reference guides and job pairing to provide easy to access resources.

Workforce Plan 2017-2021

Gap	Attracting and retaining the right employees.
Goal	Become an employer of choice.
Rationale	There is a competitive job market for qualified individuals with the skills required to perform the duties of an examiner.
Action Steps	<ul style="list-style-type: none"> • Continue efforts to maintain examiner salaries at no less than 92.5% of the FDIC salaries, with a goal of achieving parity. • Work in partnership with universities to recruit through job fairs and internship programs. • Continue and develop the current internship program. Expand program to more universities. • Continue to offer and expand flexible work schedules and telework. • Continue to mitigate travel exposure with alternative work methods and technology. • Provide training in specialized areas related to the examination process. • Explore new strategies to meet staffing needs. One strategy that has been discussed is to over-staff in critical areas in order to increase the “bench-strength” of the Department. A cost/benefit analysis of this strategy has yet to make it appear feasible. • Formalize a program for cross-training by exposing field staff to administrative, research and other support duties.

Gap	Leadership Development
Goal	Through our annual performance appraisal process, identify potential employees for succession to Director positions.
Rationale	63% of current Directors are eligible to retire within the next five years.
Action Steps	<ul style="list-style-type: none"> • Identify the knowledge, skills and abilities of current successful leadership positions. • Identify high potential staff that possess or could more readily acquire the necessary abilities and knowledge. • Provide training, experience, or job shadowing on assignments. • Provide opportunities for mid-level to senior examiners to rotate in to headquarters for exposure to the supervisory duties not obtained in the field. Provide opportunities for mid-level managers to attend management training programs.

THIS PAGE INTENTIONALLY LEFT BLANK

Texas Department of Banking



Customer Service Report

June 2016

Texas Department of Banking
2601 N. Lamar Blvd.
Austin, Texas 78705
Toll Free 877-276-5554
www.dob.texas.gov



Table of Contents

Table of Contents.....	1
Inventory of Customers by Goal	1
External Customer Descriptions	2
Bank and Trust Supervision Examinations.....	2
Bank and Trust Customers.....	2
Non-Bank Supervision Examinations	2
Non-Bank Customers	3
Application Processing.....	3
Description of Information Gathering Techniques/Methods.....	3
Rate the Department.....	3
Commissioner’s Banking Examination Survey – Banks, Trust, and IT.....	4
Survey of Consumer Complainants.....	4
Opportunities for Input from Stakeholders.....	4
Banker Economic and Business Survey.....	4
Appeals Process	4
Whistleblower.....	5
Day with the Commissioner.....	5
Analysis of Banks and Trust Companies Surveys	6
Bank and Trust Companies "Rate The Department" Survey – 2016.....	7
Commissoiner’s Banking Examination Survey	16
Survey of Consumer Complainants of Banks, Trust Companies, Foreign Bank Agencies, And Private Child Support Enforcement Agencies	18
Analysis of Money Service Business Survey.....	22
Special Audits "Rate The Department" Survey - 2016 MSB.....	23
Analysis of PFC/PCC /Cemetery Brokers Surveys	33
Special Audits "Rate The Department" Survey - 2016 PFC/PCC	34
Survey of Consumer Complainants of PFC, PCC, Cemetery Brokers and MSB Licensees.....	43
Consumer Relations Representatives	46

THIS PAGE LEFT BLANK INTENTIONALLY.

2016 REPORT ON CUSTOMER SERVICE

The Department of Banking is dedicated to fulfilling its commitment to customer service as outlined in the agency's [Compact with Texans](#). In doing so, managers and organizers of the financial service providers licensed or regulated by the Department, as well as consumers that have registered complaints about those providers, are given the opportunity to provide opinions regarding the level of customer service provided by the agency.

In accordance with Section 2114 of the Texas Government Code, the Department provides a variety of methods for customers to supply feedback about the agency's operations and services. Methods used for the solicitation of feedback include internet-based surveys, written surveys, and outreach meetings. To improve the organization and employee experience, agency employees are also given an opportunity to provide comments and suggestions.

The following details a description of the Department's survey process.

Inventory of Customers by Goal	
Goal	Customer
Bank and Trust Supervision	Entities chartered by the state: state-chartered banks, state-chartered trust companies, and foreign bank agencies.
Bank and Trust Customers	Customers of entities chartered by the state (represented by written complaints received): state-chartered banks, state-chartered trust companies, and foreign bank agencies.
Non-Bank Supervision	Entities licensed by the state: money services businesses, prepaid funeral contract sellers, and perpetual care cemeteries.
Non-Bank Customers	Customers of entities licensed or registered by the state (represented by written complaints received): money services businesses, prepaid funeral contract sellers, perpetual care cemeteries, cemetery brokers, and private child support enforcement agencies.
Application Processing	State-chartered banks, state-chartered trust companies, foreign bank agencies, money services businesses, cemetery brokers, and private child support enforcement agencies licensed or applying for a license with the state.

External Customer Descriptions

BANK AND TRUST SUPERVISION EXAMINATIONS

To achieve economic growth and stability, it is essential to have a safe and sound banking system that offers credit opportunities, efficient payment systems, competitive financial services, and investment options. As a result, the primary beneficiary or customer of the Department's safety and soundness supervision of banks and trust companies are the citizens of the State of Texas - borrowers, depositors and shareholders. Other direct beneficiaries of examination and supervision are the FDIC, the FRB, and the institutions under regulation. The agency must meet the highest expectations and supervisory standards in order to maintain the state's role in enhancing the dual banking system.

The Department obtained its fifth consecutive accreditation by the Conference of State Bank Supervisors in 2013. By maintaining its accreditation, the Department meets one of the qualifications to continue participating in a cooperative examination program with the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Bank (FRB), which provides for alternating examinations or joint examinations of banks. It is important that the quality of our examination and supervision staff, their experience, training, and technological resources are comparable to our federal counterparts to ensure that federal regulators accept examination reports and enforcement actions of the Department.

Quality supervision provides management and directors an independent look at their performance in complying with state and federal statutes and regulations and operating a safe and sound financial institution. Examinations must be thorough and substantive, balancing safety and soundness with each institution's need for minimum regulatory burden. To monitor our performance as regulators, the Department surveys chief executive officers of state-chartered banks and trust companies. Ultimately, an institution's customers and shareholders benefit from examinations and supervision.

BANK AND TRUST CUSTOMERS

The primary customers served in this regard are the public, borrowers, depositors, shareholders, and those doing business with agency regulated financial institutions. Surveys assess customer satisfaction with the complaint process.

NON-BANK SUPERVISION EXAMINATIONS

The primary beneficiary or customer of the Department's non-bank supervision is the State of Texas and its citizens, and those doing business with licensed money service businesses (MSBs), prepaid funeral contract sellers (PFCs) and perpetual care cemeteries (PCCs). Effective regulation of these entities provides the public with convenient, safe, and competitive services.

Examinations or inspections of each licensee are conducted on a periodic basis. In order to provide quality examinations, supervision staff must receive sufficient training and have access to technological resources. The Department strives to balance compliance standards and financial stability with an organization's need for minimum regulatory burden. Thorough and substantive examinations provide management and directors an independent assessment regarding their compliance with state and federal statutes and regulations. To monitor our performance as regulators, the Department surveys the owners or agents of the licensees.

In the instance of money service business examinations, direct recipients or customers of examination and supervision include the MSBs and other state regulators. The Department participates in the Multi-State MSB Examination Taskforce (MMET) which promotes a nationwide framework for cooperation and

coordination among MSB State Regulators that have concurrent jurisdiction over a multi-state MSB regulated entity. The purpose is to conserve regulatory resources and minimize regulatory burden on supervised entities while allowing each state to attain their supervisory objectives. MSBs under the Department’s supervision that operate in other states and other state regulators directly benefit from this arrangement.

NON-BANK CUSTOMERS

The primary customer served in this regard is the public, and those doing business with entities licensed or registered by the Department. These entities include licensed MSBs, PFC sellers, and PCCs as well as registered cemetery brokers, private child support enforcement agencies and bullion depository agent services. Entities registered with the Department of Banking are not subject to examinations. For all these licensed and registered entities, the Department is charged with investigating consumer complaints. Surveys are sent to customers who file complaints against these businesses to assess customer satisfaction with the complaint process.

APPLICATION PROCESSING

The application process is designed to assist applicants in obtaining the proper licenses and deliver information and guidance on the various departmental applications (new charters, branch offices, mergers and acquisitions, etc.). The application process serves various financial entity applicants, including attorneys, accountants and others who assist the applicants. The process includes an assessment of risk to ensure that potential regulated entities operate in a safe and sound manner. The timely processing of applications and information requests ensures knowledgeable and competent recommendations are made while ensuring statutory requirements are met.

Description of Information Gathering Techniques/Methods

RATE THE DEPARTMENT

Regulated entities are sent an invitation by email to participate in an online survey called “Rate the Department Survey.” Responses are anonymous unless the respondent provides contact information. Completed surveys are tabulated automatically by the Department’s contract survey service provider and results are posted on the agency’s website. This methodology of data collection does not follow random sampling guidelines; rather it allows 100% of our regulated entities the opportunity to provide feedback. In the most recent survey, regulated entities were asked to complete the survey between January 4, 2016 and February 12, 2016.

Banks and Trust Companies – Method used since 1995

Survey requests are sent annually to all banks and trust companies holding a charter issued by the Department. In 2016, 270 regulated entities were asked to complete the survey. The Department received 119 responses or 44% of the survey population.

Money Services Business Licensees – Method used since 1997

In 2016, survey requests were sent to each of the 133 regulated MSBs. The Department received 45 responses, accounting for 37% of the total number of licensees.

Prepaid Funeral Contract Licensees and Perpetual Care Cemeteries – Method used since 1997

All PFC and PCC are surveyed regarding their experiences communicating and working with Department personnel. In 2016, survey notices were sent to 623 PFCs and PCCs. Sixty-nine responded, about 11% of the total number of licensees.

COMMISSIONER’S BANKING EXAMINATION SURVEY – BANKS, TRUST, AND IT

The Texas Banking Commissioner solicits input regarding the supervision provided by the Department of Banking through a separate post examination survey. The goal of this survey is to help target areas for improvement, as well as to identify what parts of the existing examination process are working well. Surveys are mailed to each bank or trust company within 30 to 45 days after the completion of an examination. The 18 question survey covers three areas: the examination process, examination reports, and the examination scope and correspondence.

SURVEY OF CONSUMER COMPLAINANTS

Since 1998, complainants of state-chartered banks, trust companies, foreign bank agencies, MSBs, PFCs and PCCs have been surveyed. In 2010, complainants of private child support enforcement agencies began receiving surveys as well. The methodology of data collection does not follow random sampling guidelines; it allows 100% of the complainants the opportunity to respond. No deadline for a response is given and the name of the respondent is optional. The most recent survey period was September 2014 to August 2015.

Banks, Trust Companies, Foreign Bank Agencies, and Private Child Support Enforcement Agencies

Thirty days after a written consumer complaint is closed, a survey form is mailed to the complainant. For fiscal year 2015, 37 surveys were mailed and 13 were returned, for a 35% response rate.

MSBs, PFCs, PCCs, and Cemetery Brokers

A survey form is mailed to the complainant when the written complaint is closed. For fiscal year 2015, 77 surveys were mailed to consumers and 9 responses were received, for a 12% response rate.

Opportunities for Input from Stakeholders

The Department utilizes many different methods to seek feedback from its regulated entities. As discussed above, the agency uses a much less labor intensive process via an internet-based survey. Other methods used to solicit feedback:

BANKER ECONOMIC AND BUSINESS SURVEY

The Department requests specific information from our banks about the local economy and business climate. For purposes of this survey, banks are divided into seven regions based upon similar business and regional activities. Bankers submit this written information each quarter on a sample basis. The agency uses the information gathered as an early-warning system to assess changes in the economy and our supervisory requirements. Survey results are posted on the Department’s website.

APPEALS PROCESS

In the event of a material disagreement regarding an examination finding or rating, Department policy offers regulated entities the opportunity to file a Request for Reconsideration (REF). This

function provides an effective forum for addressing industry concerns and in identifying potential problems in the implementation of Department policies. Since 2012, the Department has received two REF requests from regulated entities. In each situation, the entities withdrew their request.

WHISTLEBLOWER

In June 2015, the Department established an avenue for directors, officers, or employees of a regulated entity to report suspicious activity, fraud or abuse related to a state-chartered bank, trust company or department, foreign bank agency, MSB, PCC, PFC, private child support enforcement agency, or cemetery broker. A report can be filed with the Department by email. By providing this option, any insider of a regulated entity can easily report a situation for our review.

DAY WITH THE COMMISSIONER

On June 10, 2015, the Department held a one day banker forum to discuss current issues with the Commissioner and other Department staff members in Austin, Texas. Eighty-four attendees provided valuable discussion points that were ultimately used in the Community Banking in the 21st Century 2015 report released in November 2015 by the Federal Reserve and the Conference of State Bank Supervisors.

Analysis of Banks and Trust Companies Surveys

Rate the Department Analysis

The Department received 119 responses from 270 banks and trust companies. An overwhelming majority of the respondents “strongly agree” or “agree” that the Department is conducting its affairs in a satisfactory manner. The survey affirms the agency’s dedication to offer exceptional service to regulated entities as accessibility, responsiveness, and professionalism were all highly rated. An overwhelming satisfactory response – 98% of respondents – agreed that significant changes to Department rules, policies, and procedures were communicated and explained in a timely manner.

Commissioner’s Banking Examination Survey

A month after the report of examination is mailed to each bank and trust company, a separate questionnaire concerning the examination process is mailed. For fiscal year 2015, 229 surveys were mailed and 158 responses were received for a 69.3% response ratio. The responses complimented the examining staff’s professionalism and knowledge with positive responses exceeding 98%.

BANK AND TRUST COMPANIES "RATE THE DEPARTMENT" SURVEY – 2016

Instructions: Please take a moment to complete the survey to reflect your experience in communicating or working with Department personnel over the last 12 months. Surveys should be completed by February 12, 2016. Survey results will be tabulated and released through a future issue of the Texas Bank Report. Please call Phil at 512-475-1336 if you have any questions.

1. Person Completing the Survey?

119 Respondents

2. The regional office that directly supervises your institution?

Dallas	34	29%
Houston	28	23%
Lubbock	23	19%
San Antonio	34	29%
Total	119	100%

BANK AND TRUST COMMUNICATION & CORRESPONDENCE

3. Did you receive a call or visit from the regional director of your region within the last 12 months in reference to the Department's offsite call monitoring program? If no, skip to question #6

Yes	82	69%
No	37	31%
Total	119	100%

4. I appreciate the opportunity to discuss matters of interest in a non-exam setting.

Strongly Agree	58	67%
Agree	28	32%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	1	1%
Total	87	100%

5. How could the program be improved?

21 Responses

6. Material changes to the Department's rules, policies and procedures are communicated to us in a timely fashion.

Strongly Agree	45	38%
Agree	71	60%
Disagree	1	1%
Strongly Disagree	0	0%
No Opinion	2	1%
Total	119	100%

7. Regional office staff is generally accessible.

Strongly Agree	72	61%
Agree	46	38%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	1	1%
Total	119	100%

8. Headquarters staff is generally accessible.

Strongly Agree	55	46%
Agree	60	51%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	4	3%
Total	119	100%

9. Regional office staff provide timely and accurate feedback/answers.

Strongly Agree	64	53%
Agree	52	44%
Disagree	1	1%
Strongly Disagree	0	0%
No Opinion	2	2%
Total	119	100%

10. Headquarters office staff provide timely and accurate feedback/answers.

Strongly Agree	51	43%
Agree	63	53%
Disagree	1	1%
Strongly Disagree	0	0%
No Opinion	4	3%
Total	119	100%

11. Correspondence within the Department regarding routine business matters is handled in a prompt and effective manner.

Strongly Agree	51	43%
Agree	62	52%
Disagree	1	1%
Strongly Disagree	0	0%
No Opinion	5	4%
Total	119	100%

12. Although somewhat cumbersome, I understand the need for the Department's secure email system (ZIX) to communicate sensitive and confidential information.

Yes	116	97%
No	3	3%
Total	119	100%

13. Do you use the Department's secure Data Exchange portal (DEX) to upload and download information with the agency?

Yes	95	80%
No	24	20%
Total	119	100%

14. The Department's Authorized Contact and Email System portal (ACES) is effective in allowing our bank to provide current contact information on file with the Department?

Yes	116	97%
No	3	3%
Total	119	100%

15. What issues should be addressed by the Department to improve or strengthen the banking/trust systems in Texas?

44 Responses

16. What issues should be addressed by the Department to reduce or minimize regulatory burden?

55 Responses

17. Other suggestions or comments regarding communication and correspondence.

37 Responses

CORPORATE ACTIVITIES DIVISION

18. Have you used the services of our Corporate Division within the last 12 months? If no, skip to the next section

Yes	36	31%
No	80	69%
Total	116	100%

19. The Corporate Division is generally accessible.

Strongly Agree	20	48%
Agree	19	45%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	3	7%
Total	42	100%

20. Responses are generally timely.

Strongly Agree	22	52%
Agree	17	41%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	3	7%
Total	42	100%

21. The content and substance of responses are appropriate.

Strongly Agree	20	48%
Agree	19	45%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	3	7%
Total	42	100%

22. The Corporate staff handles my affairs professionally.

Strongly Agree	21	51%
Agree	18	44%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	2	5%
Total	41	100%

23. The process of handling requests is efficient

Strongly Agree	20	46%
Agree	20	46%
Disagree	0	2%
Strongly Disagree	0	0%
No Opinion	3	8%
Total	43	100%

24. Requests for information are reasonable.

Strongly Agree	17	41%
Agree	20	49%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	4	10%
Total	41	100%

25. The Department's web site for corporate application forms and related information is informative and easy to use.

Strongly Agree	11	25%
Agree	25	57%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	8	18%
Total	44	100%

26. The Corporate Division's electronic filing system (CAFÉ) is useful and easy to use.

Strongly Agree	7	16%
Agree	16	37%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	20	47%
Total	43	100%

27. Other suggestions or comments regarding the corporate division.

14 Responses

LEGAL DIVISION

28. Have you used the services of our Legal Division within the last 12 months? If no, skip to the next section

Yes	10	9%
No	106	91%
Total	116	100%

29. The Legal Division is accessible.

Strongly Agree	4	19%
Agree	9	43%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	8	38%
Total	21	100%

30. Responses are generally timely.

Strongly Agree	3	15%
Agree	7	35%
Disagree	1	5%
Strongly Disagree	0	0%
No Opinion	9	45%
Total	20	100%

31. The content and substance of responses are appropriate.

Strongly Agree	3	14%
Agree	9	43%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	9	43%
Total	21	100%

32. The Legal staff handles my affairs professionally.

Strongly Agree	4	19%
Agree	8	38%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	9	43%
Total	21	100%

33. The process of handling requests is efficient.

Strongly Agree	3	14%
Agree	8	38%
Disagree	1	5%
Strongly Disagree	0	0%
No Opinion	9	43%
Total	21	100%

34. Requests for information are reasonable.

Strongly Agree	2	10%
Agree	10	47%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	9	43%
Total	21	100%

35. The Department's web site for legal statutes, rules, and legal opinions is informative and easy to use.

Strongly Agree	1	4%
Agree	12	55%
Disagree	0	4%
Strongly Disagree	0	0%
No Opinion	9	41%
Total	22	100%

36. Other suggestions or comments regarding the legal division.

8 Responses

OVERALL DEPARTMENT EFFECTIVENESS

37. Overall, Department personnel are responding satisfactorily to my needs.

Strongly Agree	52	46%
Agree	61	53%
Disagree	0	1%
Strongly Disagree	0	0%
No Opinion	1	1%
Total	114	100%

38. Overall, my institution's communication with the Department is generally satisfactory.

Strongly Agree	52	46%
Agree	62	54%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	114	100%

39. The publications below provided by the Department are informative and meet our needs.

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Strongly Agree	Agree	Disagree	Strongly Disagree	No Opinion
Texas Bank Report	33 29%	71 62%	0 0%	0 0%	10 9%
Corporate Activities Bulletin	26 23%	70 61%	0 0%	0 0%	18 16%
Annual Report	33 29%	69 60%	1 1%	0 0%	11 10%

40. List any suggestions for improving agency publications.

19 Responses

41. I find the Department's web site easy to navigate.

Strongly Agree	17	15%
Agree	83	73%
Disagree	2	2%
Strongly Disagree	0	0%
No Opinion	12	10%
Total	114	100%

42. I or my staff have visited the Department's website approximately XX times during the last 12 months.

None	2	2%
1 to 10	85	75%
11 to 20	19	16%
21 to 50	1	6%
51+	1	1%
Total	114	100%

43. What information is the most useful on the Department's web site?

33 Responses

44. What information is the least useful on the Department's web site?

19 Responses

45. What other type(s) of information would you like to see on the Department's web site?

15 Responses

46. Are there any areas (e.g., examination procedures, evaluation techniques, or statutory issues) that the Department needs to become better versed or knowledgeable about to better serve the banking/trust system in Texas?

23 Responses

47. Have you corresponded with the Department about a consumer complaint issue within the last 12 months? (If no, skip to the next section)

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Strongly Agree	Agree	Disagree	Strongly Disagree	No Opinion
Requests for information were reasonable.	0 0%	9 60%	0 0%	0 0%	6 40%
The issue was handled in a professional manner.	2 12%	8 50%	0 0%	0 0%	6 38%
The Department's findings were based on a logical interpretation of applicable law.	2 12%	8 50%	0 0%	0 0%	6 38%
The Department's suggestion for resolving the matter was reasonable.	3 19%	6 37%	0 0%	0 0%	7 44%

48. Access to the Department's Data Exchange (DEX) allowed us to upload, report, and exchange data quickly.

Strongly Agree	13	16%
Agree	55	66%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	15	18%
Total	83	100%

49. Other suggestions or comments regarding overall Department effectiveness.

12 Responses

50. Does your bank currently have a financial literacy program and/or COMET?

Yes	28	25%
No	86	75%
Total	114	100%

51. If you answered yes to the question above, when was the program established and who is the contact person at your bank? Please provide us their name, phone number and email.

26 Responses

52. If there is any feedback that you would like to provide or other areas on which you would like to comment, please take this opportunity to let us know. Also, if you would like the Commissioner or one of the Deputy Commissioners to call you on a specific question or comment, please indicate below. Note that you must provide your name if you want a call back.

15 Responses

**COMMISSIONER'S BANKING EXAMINATION SURVEY RESULTS
COMPARISON 2014 to 2015**

158 Responses or 69.3% Response Rate – 2015
193 Responses or 74.2% Response Rate – 2014

CONSOLIDATED ALL REGIONS, TRUST & IT

I. EXAMINATION PROCESS

1. The examiners clearly communicated the examination scope and goals to management prior to the start of the examination.
2. The examiners requests for information prior to and during the examination were timely and reasonable.
3. The examination team acted in a professional and courteous manner during the examination.
4. The examiners communicated with management throughout the examination.
5. The examiners are informed of current industry issues and were knowledgeable of your bank.
6. In what areas, if any, do you feel the examiners need additional training or education? Attach additional paper if necessary:
7. The examiners remain focused on the key issues confronting your institution.
8. The examiners clearly and effectively communicated their findings and concerns at the exit and board meetings.
9. Conclusions regarding the bank's condition were well supported.
10. Recommendations for corrective actions were reasonable.
11. Did any events or comments take place during the examination that you felt were surprising, unfair, unreasonable or not in conformance with exam policy?

# of Responses	Year	Strongly Agree	Agree	Disagree	Strongly Disagree	Yes	No Opinion
158	2015	75%	24%	1%			
193	2014	75%	24%				1%
158	2015	70%	28%	2%			
193	2014	71%	27%	1%			1%
158	2015	84%	14%	1%			1%
193	2014	86%	13%				1%
158	2015	80%	20%				
193	2014	78%	21%				1%
158	2015	71%	25%	1%			3%
193	2014	67%	30%	1%			2%
158	2015						
193	2014						
158	2015	70%	29%				1%
193	2014	70%	26%	1%			3%
158	2015	78%	21%				1%
193	2014	79%	19%	1%			1%
158	2015	68%	29%	1%	1%		1%
193	2014	70%	26%	1%			3%
158	2015	61%	33%	1%			5%
193	2014	63%	28%	1%	1%		7%
158	2015	94%				6%	
193	2014	93%				4%	3%
		NO				YES	

II. EXAMINATION REPORTS

1. The examination report was received in a timely fashion.
2. The report of examination clearly communicates the examination findings and provides useful information.
3. The tone and content of the report of examination is consistent with the board and/or exit meetings.

# of Responses	Year	Strongly Agree	Agree	Disagree	Strongly Disagree	Yes	No Opinion
158	2015	79%	19%	1%			1%
193	2014	72%	26%				2%
158	2015	74%	24%	1%			1%
193	2014	72%	27%				1%
158	2015	75%	21%	3%			1%
193	2014	75%	23%	1%			1%

CONSOLIDATED ALL REGIONS, TRUST & IT

III. EXAMINATION SCOPE AND CORRESPONDENCE

1. The examination was conducted without placing an undue burden on the institution.

# of Responses	Year	Strongly Agree	Agree	Disagree	Strongly Disagree	Yes	No Opinion
158	2015	56%	41%	3%			
193	2014	56%	41%	2%			1%

2. The on-site portion of the examination was completed in a reasonable timeframe.

158	2015	69%	28%	1%			2%
193	2014	73%	24%	1%			2%

3. The use of pre-examination time through gathering documents and working off-site worked well and saved the bank time.

158	2015	75%	22%	3%			
193	2014	74%	23%	2%			1%

4. The Regional Office and Headquarters staff were readily accessible and helpful to discuss exam findings.

158	2015	69%	25%				6%
193	2014	70%	24%				5%

SURVEY OF CONSUMER COMPLAINANTS OF BANKS, TRUST COMPANIES, FOREIGN BANK AGENCIES, AND PRIVATE CHILD SUPPORT ENFORCEMENT AGENCIES

Thirty-seven surveys were mailed to complainants who filed a complaint against a state-chartered bank, trust company, foreign bank agency, or private child support enforcement agency. Thirteen surveys were returned for a 35% response rate.

Approximately 69% of complainants found it relatively easy to file a complaint with our office. Overall, 42% of respondents were satisfied with the assistance received from the Department, while 50% were dissatisfied. Eight percent of respondents were impartial. Dissatisfied respondents generally did not receive resolutions in their favor. The agency makes every effort is made to reach an amicable resolution within the laws of the state.

Over 53% of the responses to this survey indicate that the consumer assistance staff handled their problem in a professional manner. Consumer assistance staff was rated courteous and friendly by 66% of respondents, 17% were impartial, and 8% had no opinion on the service offered. Eight percent of respondents expressed dissatisfaction with the consumer assistance staff.

To the extent possible, the Department attempts to contact the complainant to explain the findings to them prior to receiving our response letter. Consumers are provided with a synopsis of the results, and if applicable, any referral information. Consumers have generally been receptive to this approach.

2015 Consumer Service Feedback Survey

Reflects summary responses from 13 surveys received or 35% of the 37 surveys mailed.

General Feedback

	# of Reponses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	NA
1. It was relatively easy to file a complaint with the Department.	13	15%	54%	8%	15%	8%	0%
2. I had adequate access to the Consumer Assistance staff.	13	15%	46%	23%	15%	0%	0%
3. The Consumer Assistance staff handled my problem in a professional manner.	13	15%	38%	23%	15%	8%	0%
4. Overall, I was satisfied with the Department's assistance.	12	17%	25%	8%	17%	33%	0%

	# of Reponses	Web Site	Notice from Bank	Friend/Neighbor	Referred by Another Agency	Other
5. How did you find out about us?	13	31%	8%	0%	23%	38%

	# of Reponses	Mail	E-mail	In Person	Other
6. How did you file your complaint?	13	54%	31%	0%	15%

Please complete this section if you contacted the Department by telephone: (if not applicable skip to #13)

	# of Reponses	Yes	No
7. Did you use the agency's toll-free number?	12	50%	50%
8. If not, were you informed about the agency's toll free number?	10	60%	40%
9. Were you asked to submit a complaint form to begin an investigation?	11	64%	36%

	# of Reponses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	NA
10. The Department's automated menu was relatively easy to use.	12	8%	50%	8%	17%	8%	8%
11. The Consumer Assistance staff adequately identified themselves.	12	17%	42%	25%	8%	8%	0%
12. The Consumer Assistance staff was courteous and friendly.	12	33%	33%	17%	8%	0%	8%

2015 Consumer Service Feedback Survey

Reflects summary responses from 13 surveys received or 35% of the 37 surveys mailed.

Please complete the following if your complaint was NOT resolved in your favor: (if not applicable skip to #21)

	# of Responses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	NA
13. I feel the Consumer Assistance staff understood the basis of my complaint.	10	20%	20%	0%	30%	20%	10%
14. The response provided by the Department addressed the important aspects of my complaint and provided useful information.	10	10%	0%	20%	30%	40%	0%
15. A copy of applicable laws was included in the Department's response.	10	10%	40%	10%	10%	30%	0%
16. The Consumer Assistance staff was knowledgeable about the laws affecting my complaint.	9	11%	33%	22%	22%	11%	0%
17. An explanation was given as to why the Department could not resolve my complaint.	9	0%	56%	0%	11%	22%	11%
18. The explanation given was fair and objective.	10	10%	10%	0%	20%	50%	10%
19. Options were offered to help me resolve my problem.	9	0%	11%	11%	11%	67%	0%
20. I received a response within the timeframes disclosed to me.	9	0%	33%	11%	11%	44%	0%

Please complete the following if your complaint was resolved in your favor: (if not applicable skip to # 27)

	# of Responses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	NA
21. I feel the Consumer Assistance staff understood the basis of my complaint.	10	20%	40%	0%	20%	20%	0%
22. The response provided addressed the important aspects of my complaint and provided useful information.	10	20%	40%	0%	10%	30%	0%
23. A copy of applicable laws was included in the Department's response.	10	10%	40%	20%	10%	10%	10%
24. The Consumer Assistance staff was knowledgeable about the laws affecting my complaint.	9	0%	44%	22%	0%	22%	11%
25. The resolution was fair considering applicable laws.	10	20%	40%	10%	0%	20%	10%
26. I received a response within the timeframes disclosed to me.	10	20%	40%	30%	0%	10%	0%

If you accessed the Department via the Internet:

	# of Responses	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	NA
27. I found the website easy to use.	10	20%	30%	10%	20%	0%	20%
28. Adequate information was found on the website to assist in filing a complaint and contacting the correct person at the agency.	8	13%	25%	25%	13%	0%	25%

THIS PAGE LEFT BLANK INTENTIONALLY

Analysis of Money Service Business Survey

Rate the Department Analysis

Email notifications were sent to 133 MSBs requesting that they complete the online survey. The Department received 45 responses, accounting for only 37% of the total number of licensees. The MSB area continues to receive excellent ratings regarding the Department's examination and support functions, with 100% of respondents expressing overall satisfaction with the Department's effectiveness. Only one respondent had any negative criticism regarding the report of examination being received in a timely fashion.

SPECIAL AUDITS "RATE THE DEPARTMENT" SURVEY - 2016 MSB

Please take a moment to complete the survey to reflect your experience in communicating or working with Department personnel over the last 12 months. Surveys should be completed by February 12, 2016. Please call Phil at 512-475-1336 if you have any questions.

1. Person Completing the Survey?

24 Respondents

COMMUNICATION & CORRESPONDENCE

2. Material changes to the Department's rules, policies and procedures are communicated to us in a timely fashion.

Strongly Agree	28	62%
Agree	17	38%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	45	100%

3. Headquarters staff is generally accessible.

Strongly Agree	28	62%
Agree	15	34%
Disagree	1	2%
Strongly Disagree	0	0%
No Opinion	1	2%
Total	45	100%

4. Headquarters office staff provide timely and accurate feedback/answers.

Strongly Agree	27	60%
Agree	17	38%
Disagree	1	2%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	45	100%

5. Correspondence within the Department regarding routine business matters is handled in a prompt and effective manner.

Strongly Agree	23	51%
Agree	22	49%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	45	100%

6. What issues should be addressed by the Department to improve the money services business industry in Texas?

17 Responses

7. What issues should be addressed by the Department to reduce or minimize regulatory burden?

13 Responses

8. Other suggestions or comments regarding communication and correspondence.

13 Responses

EXAMINATION COMMUNICATION

9. The scope and goals of examinations are clearly communicated to management prior to the start of the examination.

Strongly Agree	25	61%
Agree	14	34%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	2	5%
Total	41	100%

10. Access to the Department’s Data Exchange (DEX) allowed us to upload, report, and exchange data quickly.

Strongly Agree	15	37%
Agree	12	29%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	14	34%
Total	41	100%

11. Examiners’ requests for information prior to and during the examinations are timely and reasonable.

Strongly Agree	26	63%
Agree	13	32%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	2	5%
Total	41	100%

12. The Examiner-in-Charge and the examination team acted in a professional and courteous manner during the examination.

Strongly Agree	31	76%
Agree	8	19%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	2	5%
Total	41	100%

13. Examiners adequately communicated with management throughout the examination.

Strongly Agree	30	73%
Agree	9	22%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	2	5%
Total	41	100%

14. Examiners appear to be informed of current industry issues and are adequately trained and qualified to examine the licensee.

Strongly Agree	26	63%
Agree	13	32%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	2	5%
Total	41	100%

15. In what areas, if any, do you feel examiners need additional training or education?

12 Responses

16. Examiners remained focused on the key issues confronting your company.

Strongly Agree	23	56%
Agree	15	37%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	3	7%
Total	41	100%

17. The examiners clearly and effectively communicated their findings and concerns at the exit meeting.

Strongly Agree	27	66%
Agree	12	29%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	2	5%
Total	41	100%

18. Conclusions regarding the company's condition were well supported.

Strongly Agree	25	61%
Agree	13	32%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	3	7%
Total	41	100%

19. Recommendations for corrective actions were reasonable.

Strongly Agree	22	54%
Agree	15	36%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	4	10%
Total	41	100%

20. Did any events or comments take place during the examination that you felt were surprising, unfair, unreasonable or not in conformance with examination policy?

16 Responses

21. The report of examination was received in a timely fashion.

Strongly Agree	24	58%
Agree	13	32%
Disagree	1	2%
Strongly Disagree	0	0%
No Opinion	3	8%
Total	41	100%

22. The report of examination clearly communicated examination findings, and corrective actions management needs to take.

Strongly Agree	24	59%
Agree	14	34%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	3	7%
Total	41	100%

23. The tone and content of the report of examination were consistent with the exit meeting.

Strongly Agree	24	59%
Agree	14	34%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	3	7%
Total	41	100%

24. The examination was conducted without placing undue burden on the company.

Strongly Agree	20	49%
Agree	18	44%
Disagree	1	2%
Strongly Disagree	0	0%
No Opinion	2	5%
Total	41	100%

25. The on-site time-frame for the examination was reasonable.

Strongly Agree	19	46%
Agree	18	44%
Disagree	1	2%
Strongly Disagree	0	0%
No Opinion	3	8%
Total	41	100%

26. Other suggestions or comments regarding examination communication..

10 Responses

CORPORATE ACTIVITIES DIVISION

27. Have you used the services of our Corporate Division within the last 12 months? If no, skip to the next section

Yes	2	5%
No	38	95%
Total	40	100%

28. The Corporate Division is accessible in meeting my needs.

Strongly Agree	2	22%
Agree	3	33%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	4	45%
Total	9	100%

29. Responses are generally timely.

Strongly Agree	2	22%
Agree	3	33%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	4	45%
Total	9	100%

30. The content and substance of responses are appropriate.

Strongly Agree	2	22%
Agree	3	33%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	4	45%
Total	9	100%

31. The Corporate staff handles my affairs professionally.

Strongly Agree	2	22%
Agree	3	33%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	4	45%
Total	9	100%

32. The process of handling requests is efficient

Strongly Agree	2	22%
Agree	3	33%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	4	45%
Total	9	100%

33. Requests for information are reasonable.

Strongly Agree	2	22%
Agree	3	33%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	4	45%
Total	9	100%

34. The Department's web site for corporate application forms and related information is informative and easy to use.

Strongly Agree	2	22%
Agree	3	33%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	4	45%
Total	9	100%

35. Other suggestions or comments regarding communication and correspondence.

1 Responses

LEGAL DIVISION**36. Have you used the services of our Legal Division within the last 12 months? If no, skip to the next section**

Yes	4	10%
No	36	90%
Total	40	100%

37. The Legal Division is accessible in meeting my needs.

Strongly Agree	2	22%
Agree	4	45%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	3	33%
Total	9	100%

38. Responses are generally timely.

Strongly Agree	2	22%
Agree	3	34%
Disagree	1	11%
Strongly Disagree	0	0%
No Opinion	3	33%
Total	9	100%

39. The content and substance of responses are appropriate.

Strongly Agree	3	33%
Agree	2	22%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	4	45%
Total	9	100%

40. The Legal staff handles my affairs professionally.

Strongly Agree	2	25%
Agree	4	50%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	2	25%
Total	8	100%

41. The process of handling requests is efficient.

Strongly Agree	2	22%
Agree	3	33%
Disagree	1	11%
Strongly Disagree	0	0%
No Opinion	3	34%
Total	9	100%

42. Requests for information are reasonable.

Strongly Agree	2	25%
Agree	2	25%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	4	50%
Total	8	100%

43. The Department's web site for legal statutes, rules, and legal opinions is informative and easy to use.

Strongly Agree	4	45%
Agree	1	10%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	4	45%
Total	9	100%

44. Other suggestions or comments regarding the legal division.

1 Responses

OVERALL DEPARTMENT EFFECTIVENESS**45. Overall, Department personnel are responding satisfactorily to my needs.**

Strongly Agree	22	55%
Agree	16	40%
Disagree	1	2%
Strongly Disagree	0	0%
No Opinion	1	3%
Total	40	100%

46. Overall, my institution's communication with the Department is generally satisfactory.

Strongly Agree	22	55%
Agree	18	45%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	40	100%

47. I find the Department's web site easy to navigate.

Strongly Agree	16	40%
Agree	20	50%
Disagree	1	2%
Strongly Disagree	0	0%
No Opinion	3	8%
Total	40	100%

48. I or my staff have visited the Department's website approximately XX times during the last 12 months.

None	2	5%
1 to 10	25	63%
11 to 20	10	25%
21 to 50	2	5%
51+	1	2%
Total	40	100%

49. What information is the most useful on the Department's web site?

11 Responses

50. What other type(s) of information would you like to see on the Department's web site?

5 Responses

51. Have you corresponded with the Department about a consumer complaint issue within the last 12 months? (If no, skip to the next section)

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Strongly Agree	Agree	Disagree	Strongly Disagree	No Opinion
Requests for information were reasonable.	1 12%	3 38%	0 0%	0 0%	4 50%
The issue was handled in a professional manner.	1 12%	3 38%	0 0%	0 0%	4 50%
The Department's findings were based on a logical interpretation of applicable law.	1 12%	3 38%	0 0%	0 0%	4 50%
The Department's suggestion for resolving the matter was reasonable.	1 12%	3 38%	0 0%	0 0%	4 50%

52. Other suggestions or comments regarding overall Department effectiveness.

3 Responses

53. If there is any feedback that you would like to provide or other areas on which you would like to comment, please take this opportunity to let us know. Also, if you would like the Commissioner or one of the Deputy Commissioners to call you on a specific question or comment, please indicate below. Note that you must provide your name if you want a call back.

8 Responses

Analysis of PFC/PCC /Cemetery Brokers Surveys

Rate the Department Analysis

To obtain feedback on the Department's performance, notices were sent to 623 PFCs and PCCs requesting each entity to complete the online survey. Only 69 responses were received, accounting for about 11% of the total number of licensees. The overall results were positive.

The agency received a 99% satisfactory performance rating for the overall effectiveness of the Department in responding to licensee needs. Ninety-two percent of respondents agreed that significant changes to Department rules, policies, and procedures were communicated and explained in a timely manner. Responses reflect that these areas perform quality examinations and deliver support functions well within the industry's approval. Only three respondents conveyed negative criticisms.

SPECIAL AUDITS "RATE THE DEPARTMENT" SURVEY - 2016 PFC/PCC

Please take a moment to complete the survey to reflect your experience in communicating or working with Department personnel over the last 12 months. Surveys should be completed by February 12, 2016. Please call Phil at 512-475-1336 if you have any questions.

1. Person Completing the Survey?

51 Respondents

COMMUNICATION & CORRESPONDENCE

2. Material changes to the Department's rules, policies and procedures are communicated to us in a timely fashion.

Strongly Agree	18	26%
Agree	45	65%
Disagree	1	1%
Strongly Disagree	0	0%
No Opinion	5	8%
Total	69	100%

3. Headquarters staff is generally accessible.

Strongly Agree	31	45%
Agree	36	53%
Disagree	1	1%
Strongly Disagree	0	0%
No Opinion	1	1%
Total	69	100%

4. Headquarters office staff provide timely and accurate feedback/answers.

Strongly Agree	34	49%
Agree	33	48%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	2	3%
Total	69	100%

5. Correspondence regarding routine business matters are handled in a prompt and effective manner.

Strongly Agree	37	54%
Agree	31	45%
Disagree	0	1%
Strongly Disagree	0	0%
No Opinion	1	1%
Total	69	100%

6. What issues need to be addressed by the Department to improve the prepaid funeral contract or perpetual care cemetery industries in Texas?

29 Responses

7. What issues should be addressed by the Department to reduce or minimize regulatory burden?

31 Responses

8. Other suggestions or comments regarding communication and correspondence.

27 Responses

EXAMINATION COMMUNICATION

9. The scope and goals of examinations are clearly communicated to management prior to the start of the examination.

Strongly Agree	30	45%
Agree	33	50%
Disagree	3	5%
Strongly Disagree	1	0%
No Opinion	1	0%
Total	66	100%

10. Access to the Department's Data Exchange (DEX) allowed us to upload, report, and exchange data quickly.

Strongly Agree	17	26%
Agree	27	41%
Disagree	3	4%
Strongly Disagree	0	0%
No Opinion	19	29%
Total	66	100%

11. Examiners' requests for information prior to and during the examinations are timely and reasonable.

Strongly Agree	33	50%
Agree	32	48%
Disagree	0	0%
Strongly Disagree	1	2%
No Opinion	0	0%
Total	66	100%

12. The Examiner-in-Charge and the examination team acted in a professional and courteous manner during the examination.

Strongly Agree	46	70%
Agree	19	29%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	1	1%
Total	66	100%

13. Examiners adequately communicated with management throughout the examination.

Strongly Agree	41	62%
Agree	25	38%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	66	100%

14. Examiners appear to be informed of current industry issues and are adequately trained and qualified to examine the licensee.

Strongly Agree	38	58%
Agree	28	42%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	66	100%

15. In what areas, if any, do you feel examiners need additional training or education?

26 Responses

16. Examiners remained focused on the key issues confronting your company.

Strongly Agree	35	53%
Agree	25	37%
Disagree	3	5%
Strongly Disagree	0	0%
No Opinion	3	5%
Total	66	100%

17. The examiners clearly and effectively communicated their findings and concerns at the exit meeting.

Strongly Agree	39	59%
Agree	27	41%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	66	100%

18. Conclusions regarding the company's condition were well supported.

Strongly Agree	34	51%
Agree	31	47%
Disagree	1	2%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	66	100%

19. Recommendations for corrective actions were reasonable.

Strongly Agree	33	50%
Agree	32	48%
Disagree	1	2%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	66	100%

20. Did any events or comments take place during the examination that you felt were surprising, unfair, unreasonable or not in conformance with examination policy?

35 Responses

21. The report of examination was received in a timely fashion.

Strongly Agree	35	53%
Agree	31	47%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	66	100%

22. The report of examination clearly communicated examination findings, and corrective actions management needs to take.

Strongly Agree	35	53%
Agree	31	47%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	66	100%

23. The tone and content of the report of examination were consistent with the exit meeting.

Strongly Agree	35	53%
Agree	31	47%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	66	100%

24. The examination was conducted without placing undue burden on the company.

Strongly Agree	30	45%
Agree	34	52%
Disagree	2	3%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	66	100%

25. The on-site time-frame for the examination was reasonable.

Strongly Agree	32	49%
Agree	30	45%
Disagree	2	3%
Strongly Disagree	0	0%
No Opinion	2	3%
Total	66	100%

26. Other suggestions or comments regarding examination communication..

24 Responses

LEGAL DIVISION

27. Have you used the services of our Legal Division within the last 12 months? If no, skip to the next section

Yes	3	5%
No	61	95%
Total	64	100%

28. The Legal Division is accessible in meeting my needs.

Strongly Agree	1	5%
Agree	6	32%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	12	63%
Total	19	100%

29. Responses are generally timely.

Strongly Agree	1	5%
Agree	6	32%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	12	63%
Total	19	100%

30. The content and substance of responses are appropriate.

Strongly Agree	1	5%
Agree	6	32%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	12	63%
Total	19	100%

31. The Legal staff handles my affairs professionally.

Strongly Agree	0	0%
Agree	6	32%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	13	68%
Total	19	100%

32. The process of handling requests is efficient.

Strongly Agree	0	0%
Agree	6	32%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	13	68%
Total	19	100%

33. Requests for information are reasonable.

Strongly Agree	0	0%
Agree	6	32%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	13	68%
Total	19	100%

34. The Department's web site for legal statutes, rules, and legal opinions is informative and easy to use.

Strongly Agree	1	5%
Agree	10	50%
Disagree	0	0%
Strongly Disagree	1	5%
No Opinion	8	40%
Total	20	100%

35. Other suggestions or comments regarding the legal division.

8 Responses

OVERALL DEPARTMENT EFFECTIVENESS**36. Overall, Department personnel are responding satisfactorily to my needs.**

Strongly Agree	27	43%
Agree	35	56%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	1	1%
Total	63	100%

37. Overall, my institution's communication with the Department is generally satisfactory.

Strongly Agree	27	43%
Agree	36	57%
Disagree	0	0%
Strongly Disagree	0	0%
No Opinion	0	0%
Total	63	100%

38. I find the Department's web site easy to navigate.

Strongly Agree	19	30%
Agree	38	60%
Disagree	1	2%
Strongly Disagree	1	2%
No Opinion	4	6%
Total	63	100%

39. I or my staff have visited the Department's website approximately XX times during the last 12 months.

None	7	11%
1 to 10	43	69%
11 to 20	9	14%
21 to 50	4	6%
51+	0	6%
Total	63	100%

40. What information is the most useful on the Department's web site?

34 Responses

41. What other type(s) of information would you like to see on the Department's web site?

15 Responses

42. Have you corresponded with the Department about a consumer complaint issue within the last 12 months? (If no, skip to the next section)

Top number is the count of respondents selecting the option. Bottom % is percent of the total respondents selecting the option.	Strongly Agree	Agree	Disagree	Strongly Disagree	No Opinion
Requests for information were reasonable.	3 23%	3 23%	0 0%	0 0%	7 54%
The issue was handled in a professional manner.	3 23%	3 23%	0 0%	0 0%	7 54%
The Department's findings were based on a logical interpretation of applicable law.	3 25%	3 25%	0 0%	0 0%	7 50%
The Department's suggestion for resolving the matter was reasonable.	3 23%	3 23%	0 0%	0 0%	7 40%

43. Other suggestions or comments regarding overall Department effectiveness.

11 Responses

44. If there is any feedback that you would like to provide or other areas on which you would like to comment, please take this opportunity to let us know. Also, if you would like the Commissioner or one of the Deputy Commissioners to call you on a specific question or comment, please indicate below. Note that you must provide your name if you want a call back.

12 Responses

SURVEY OF CONSUMER COMPLAINANTS OF PFC, PCC, CEMETERY BROKERS AND MSB LICENSEES

Fifty-two PFC and PCC complainants were mailed surveys and eight responded. There were no cemetery broker complaints during the survey period. Overall, 88% of respondents were satisfied with the Department's assistance. There was dissatisfaction from one individual whose complaint was not resolved in their favor and felt the Department's response did not explain why their complaint could not be resolved. To ensure consumers are provided with the information necessary to clearly understand the Department's statutory authority and review, copies of relevant laws and regulations are provided. For consumers who had their complaint resolved in their favor, 100% were satisfied with the consumer assistance staff and the Department's response.

Twenty-five surveys were mailed to complainants of MSBs; and one response was received. The respondent was satisfied with the agency's assistance and consumer assistance staff.

No complaints regarding cemetery brokers were received during this survey period.

**Special Audits Consumer Feedback Survey - Comparison
Prepaid Funeral Benefits & Perpetual Care Cemeteries**

Reflects summary responses from 8 2015 surveys received or 15% of the 52 surveys mailed.

Complaints opened in FY-2015

General Feedback:

1. It was relatively easy to file a complaint with the Department.
2. I had adequate access to the Consumer Assistance staff.
3. The Consumer Assistance staff handled my problem in a professional manner.
4. Overall, I was satisfied with the Department's assistance.

# of Responses	Year	Strongly Agree/Yes	Agree	Neutral	Disagree/No	Strongly Disagree	No Opinion
8	2015	75%	25%	0%	0%	0%	0%
8	2015	50%	38%	13%	0%	0%	0%
8	2015	75%	13%	13%	0%	0%	0%
8	2015	88%	0%	0%	0%	13%	0%

5. How did you find out about us?

# of Responses	Year	Web-Site	Notice from Bank	Friend/Neighbor	Referred by Another Agency	Other
8	2015	0%	0%	25%	50%	25%

6. How did you file your complaint?

# of Responses	Year	Mail	E-mail	In Person	Other
8	2015	75%	0%	0%	25%

If you contacted the Department by telephone:

7. Did you use the agency's toll-free number
8. If not, were you informed about the agency's toll-free number?
9. Were you asked to submit a complaint form to begin an investigation?
10. The Department's automated menu was relatively easy to use.
11. The Consumer Assistance staff adequately identified themselves.
12. The Consumer Assistance staff was courteous and friendly.

# of Responses	Year	Strongly Agree/Yes	Agree	Neutral	Disagree/No	Strongly Disagree	No Opinion
8	2015	88%	0%	0%	13%	0%	0%
2	2015	50%	0%	0%	50%	0%	0%
8	2015	88%	0%	0%	13%	0%	0%
6	2015	50%	17%	0%	0%	0%	33%
7	2015	88%	0%	0%	0%	0%	14%
7	2015	100%	0%	0%	0%	0%	0%

If your complaint was NOT resolved in your favor:

13. I feel the Consumer Assistance staff understood the basis of my complaint.
14. The response provided by the Department addressed the important aspects of my complaint and provided useful information.
15. A copy of applicable laws was included in the Department's response.
16. The Consumer Assistance staff was knowledgeable about the laws affecting my complaint.
17. An explanation was given as to why the Department could not resolve my complaint.
18. The explanation given was fair and objective.
19. Options were offered to help me resolve my problem.
20. I received a response within the timeframes disclosed to me.

# of Responses	Year	Strongly Agree/Yes	Agree	Neutral	Disagree/No	Strongly Disagree	No Opinion
2	2015	50%	0%	0%	0%	50%	0%
2	2015	50%	0%	0%	0%	50%	0%
2	2015	50%	0%	0%	0%	0%	50%
1	2015	0%	0%	0%	100%	0%	0%
2	2015	50%	0%	0%	50%	0%	0%
2	2015	0%	50%	0%	50%	0%	0%
2	2015	50%	50%	0%	0%	0%	0%

**Special Audits Consumer Feedback Survey - Comparison
Prepaid Funeral Benefits & Perpetual Care Cemeteries**

Reflects summary responses from 8 2015 surveys received or 15% of the 52 surveys mailed.

If your complaint was resolved in your favor:

21. I feel the Consumer Assistance staff understood the basis of my complaint.

# of Responses	Year	Strongly Agree/Yes	Agree	Neutral	Disagree/No	Strongly Disagree	No Opinion
7	2015	57%	43%	0%	0%	0%	0%

22. The response provided addressed the important aspects of my complaint and provided useful information.

7	2015	100%	0%	0%	0%	0%	0%
---	------	------	----	----	----	----	----

23. A copy of applicable laws was included in the Department's response.

6	2015	83%	0%	17%	0%	0%	0%
---	------	-----	----	-----	----	----	----

24. The Consumer Assistance staff was knowledgeable about the laws affecting my complaint.

6	2015	100%	0%	0%	0%	0%	0%
---	------	------	----	----	----	----	----

25. The resolution was fair considering applicable laws.

7	2015	57%	29%	14%	0%	0%	0%
---	------	-----	-----	-----	----	----	----

26. I received a response within the timeframes disclosed to me.

7	2015	71%	29%	0%	0%	0%	0%
---	------	-----	-----	----	----	----	----

If you accessed the Department via the Internet:

27. I found the website easy to use.

# of Responses	Year	Strongly Agree/Yes	Agree	Neutral	Disagree/No	Strongly Disagree	No Opinion
4	2015	0%	0%	25%	0%	0%	75%

28. Adequate information was found on the website to assist in filing a complaint and contacting the correct person at the agency.

4	2015	0%	25%	0%	0%	0%	75%
---	------	----	-----	----	----	----	-----

Consumer Relations Representatives

Agency personnel designated as Customer Relations Representatives for the various regulated industries are as follows:

Texas Department of Banking
 2601 N. Lamar Blvd.
 Austin, Texas 78705

www.dob.texas.gov
www.prepaidfunerals.texas.gov
www.ectf.dob.texas.gov

Toll Free: 877-276-5554

For state-chartered banks, trust companies, and foreign bank agencies, and private child support enforcement agencies operating in Texas:	For licensed perpetual care cemeteries, prepaid funeral contract, and registered cemetery brokers operating in Texas:	For money services businesses operating in Texas:
Mr. David Guillen 512-475-1315 512-475-1313 (fax) consumer.complaints@dob.texas.gov	Mrs. Rebecca McCreedy 512-475-1287 512-475-1288 (fax) pfcpc@dob.texas.gov	Ms. Mary Ann Gonzales 512-475-1291 512-475-1288 (fax) msb@dob.texas.gov

ASSESSMENT OF ADVISORY COMMITTEES
March, 2016
Texas Department of Banking # 451

To assist in the process required by Chapter 2110, Texas Government Code, state agencies should submit an assessment of advisory committees using the format provided. Please submit your assessment for each advisory committee under your agency's purview. Include responses for committees created through statute, administrative code or ad-hoc by your agency. Include responses for all committees, whether ongoing or inactive and regardless of whether you receive appropriations to support the committee. Committees already scheduled for abolishment within the 2016-17 biennium are omitted from the scope of this survey. When submitting information for multiple advisory committees, right-click the sheet "Cmte1", select Move or Copy, select Create a copy and move to end.

NOTE: Only the items in blue are required for inactive committees.

SECTION A: INFORMATION SUBMITTED THROUGH ADVISORY COMMITTEE SUPPORTING SCHEDULE IN LEGISLATIVE APPROPRIATIONS REQUEST

Committee Name: Prepaid Funeral Guaranty Fund Advisory Council

Number of Members: 4

Committee Status (Ongoing or Inactive): Ongoing
Note: An inactive committee is a committee that was created prior to the 2014-15 biennium but did not meet or supply advice to an agency during that time period.

Date Created: 1987 **Date to Be Abolished:** N/A

Budget Strategy (Strategies) (e.g. 1-2-4): N/A **Strategy Title (e.g. Occupational Licensing):** N/A

Budget Strategy (Strategies): N/A **Strategy Title:** N/A

[State / Federal Authority](#)
[State Authority](#)
[State Authority](#)
[Federal Authority](#)
[Federal Authority](#)

Select Type	Identify Specific Citation
Statute	Texas Finance Code, Chapter 154, Subchapter H, Guaranty Fund, §§ 154.351-154.360
Admin Code	Texas Administrative Code, Title 7, Part 2, §25.19

Advisory Committee Costs: This section includes reimbursements for committee member costs and costs attributable to agency staff support.

Committee Members' <u>Direct</u> Expenses	Expended Exp 2015	Estimated Est 2016	Budgeted Bud 2017
Travel	\$0	\$0	\$0
Personnel	\$0	\$0	\$0
Number of FTEs	0.0	0.0	0.0
Other Operating Costs	\$0	\$0	\$0
<i>Total, Committee Expenditures</i>	\$0	\$0	\$0

Committee Members' <u>Indirect</u> Expenses	Expended Exp 2015	Estimated Est 2016	Budgeted Bud 2017
Travel	\$0	\$0	\$0
Personnel	\$0	\$0	\$0
Number of FTEs	0.0	0.0	0.0
Other Operating Costs	\$0	\$0	\$0
<i>Total, Committee Expenditures</i>	\$0	\$0	\$0

Method of Financing	Expended Exp 2015	Estimated Est 2016	Budgeted Bud 2017
Method of Finance			
1 - General Revenue Fund	\$0	\$0	\$0
	\$0	\$0	\$0
	\$0	\$0	\$0
	\$0	\$0	\$0
	\$0	\$0	\$0
Expenses / MOFs Difference:	\$0	\$0	\$0

Meetings Per Fiscal Year	Expended Exp 2015	Estimated Est 2016	Budgeted Bud 2017
	1	1	1

Committee Description: Chapter 154 of the Texas Finance Code mandates that our Department maintain a fund to guarantee performance by sellers of prepaid funeral contracts to ensure funeral providers adhere to their contractual obligations. The Department collects \$1 per new contract sold from trust and insurance funded permit holders until each separate fund reaches \$1 million. The Prepaid Funeral Guaranty Fund Advisory Council is made up of: (1) the commissioner or commissioner's representative; (2) two prepaid funeral contract industry representatives (one each for trust and insurance funded permit holders); and (3) a consumer representative.

SECTION B: ADDITIONAL COMMITTEE INFORMATION

Committee Bylaws: Please provide a copy of the committee's current bylaws and most recent meeting minutes as part of your submission. **NOTE: The Prepaid Funeral Guaranty Fund Advisory Council does not have bylaws.**

1. When and where does this committee typically meet and is there any requirement as to the frequency of committee meetings? Chapter 154 of the Texas Finance Code does not outline a specific frequency for the meetings. However, the committee meets at the Texas Department of Banking's Austin, TX office at least once a year.

2. What kinds of deliverables or tangible output does the committee produce? If there are documents the committee is required to produce for your agency or the general public, please supply the most recent iterations of those.

The committee approves: (1) trust fund reconciliations; (2) fund withdrawals; (3) prepaid funeral contract claims; and, (4) revisions to Investment Policy.

3. What recommendations or advice has the committee most recently supplied to your agency? Of these, which were adopted by your agency and what was the rationale behind not adopting certain recommendations, if this occurred?

Approved unusual contract for payment. Claim paid from fund.

4a. Does your agency believe that the actions and scope of committee work is consistent with their authority as defined in its enabling statute and relevant to the ongoing mission of your agency?

 Yes

4b. Is committee scope and work conducted redundant with other functions of other state agencies or advisory committees?

 No

5a. Approximately how much staff time (in hours) was used to support the committee in fiscal year 2015?

5b. Please supply a general overview of the tasks entailed in agency staff assistance provided to the committee.

Tasks include reconciling fund account, depositing fund assessments, gathering consumer documentation in order to process fund withdrawals, answering consumer complaints, and oversight of investment of funds.

6. Have there been instances where the committee was unable to meet because a quorum was not present?

 No

Please provide committee member attendance records for their last three meetings, if not already captured in meeting minutes.

7a. What opportunities does the committee provide for public attendance, participation, and how is this information conveyed to the public (e.g. online calendar of events, notices posted in Texas Register, etc.)?

Public attendance is welcome as the committee agenda is posted with the Texas Register.

7b. Do members of the public attend at least 50 percent of all committee meetings?

 No

7c. Are there instances where no members of the public attended meetings?

 Yes

8. Please list any external stakeholders you recommend we contact regarding this committee.

Texas Funeral Service Commission and Funeral Consumer Alliance, a nonprofit organization dedicated to protecting a consumer's right to choose a meaningful, dignified, affordable funeral.

9a. In the opinion of your agency, has the committee met its mission and made substantive progress in its mission and goals?

 Yes

9b. Please describe the rationale for this opinion.

Committee meets its mission as outlined by Subchapter H Guaranty Fund of Chapter 154 of the Texas Finance Code. Committee meetings are held with the required members of the committee to ratify fund activity and any claims made to ensure funeral providers meet their contractual obligations.

10. Given that state agencies are allowed the ability to create advisory committees at will, either on an ad-hoc basis or through amending agency rule in Texas Administrative Code:

10a. Is there any functional benefit for having this committee codified in statute?

 Yes

10b. Does the scope and language found in statute for this committee prevent your agency from responding to evolving needs related to this policy area?

 No

10c. If "Yes" for Question 2b, please describe the rationale for this opinion.

N/A

11a. Does your agency recommend this committee be retained, abolished or consolidated with another committee elsewhere (either at your agency or another in state government)?

 Retain

11b. Please describe the rationale for this opinion.

Committee serves crucial function in overseeing the Guaranty Fund to guarantee prepaid funeral contract performance by sellers and funeral providers.

12a. Were this committee abolished, would this impede your agency's ability to fulfill its mission?

 No

12b. If "Yes" for Question 4a, please describe the rationale for this opinion.

Committee is warranted to ensure proper checks and balances are in place when approving funds to be withdrawn from the prepaid funeral guaranty funds.

13. Please describe any other suggested modifications to the committee that would help the committee or agency better fulfill its mission.

None

MINUTES OF THE

Prepaid Funeral Guaranty Fund Advisory Council

May 14, 2014

1:30 p.m.

Texas Department of Banking

2601 North Lamar Boulevard

Third Floor

Austin, Texas 78705

The Prepaid Funeral Guaranty Fund Advisory Council (GFAC) met on Wednesday, May 14, 2014, in the Conference Room of the Finance Commission Building at 2601 N. Lamar Boulevard, Austin, Texas.

Members in Attendance:

Sandy Booth, Consumer Representative

Tom Elam, Insurance Representative

Dick Owens, Industry Representative

Stephanie Newberg, Investment Officer and Deputy Commissioner, Texas Department of Banking *for*
Charles G. Cooper, Chair and Banking Commissioner, Texas Department of Banking

Others in Attendance:

Russell Reese, Director, Special Audits Division, Texas Department of Banking

Debby Loomis, Deputy Assistant General Counsel, Texas Department of Banking

Dan Wood, Assistant General Counsel, Texas Department of Banking

Jesse Saucillo, Review Examiner, Texas Department of Banking

With a quorum present, Deputy Commissioner Stephanie Newberg convened the meeting of the Prepaid Guaranty Fund Advisory Council at 1:32 p.m.

Discussion of and Possible Vote to Approve Minutes of the May 14, 2014 Prepaid Funeral Guaranty Fund Advisory Council Meeting

Dick Owens made a motion to approve the minutes of the May 16, 2013 Prepaid Guaranty Fund Advisory Council meeting as presented. Sandy Booth seconded and the motion passed unanimously.

Discussion of and Possible Vote to Approve the Activity of the Funds and the Investment Officer Reports for the Period March 1, 2013 to February 28, 2014

Review Examiner Jesse Saucillo outlined the activity of the Insurance-Funded Guaranty Fund for the period March 1, 2013 through February 28, 2014. Deposits totaling \$97,731.00 were placed in the fund for assessments collected and \$62.51 for interest earned; no claims were paid for this period. The balance for the Insurance-Funded Guaranty Fund as of February 28, 2014 is \$242,102.86.

Review Examiner Saucillo also outlined the activity of the Trust-Funded Guaranty Fund for the period of March 1, 2013 through February 28, 2014. There were no claims paid for this period. Interest earned was \$7,370.72. Restitution totaling \$2,770.96 was received from Turner Bros Undertakers, and Roselawn Funeral Home. The balance for the Trust-Funded Guaranty Fund as of February 28, 2014 is \$1,289,452.99.

Dick Owens made a motion to approve the report of the Guaranty Funds' activities and the Investment Officer Reports for the period March 1, 2013 to February 28, 2014 as presented by Jesus "Jesse" Saucillo, Review Examiner. Tom Elam seconded and the motion passed unanimously.

Discussion of and Possible Vote to Approve A Claim Related to Washington Memorial Funeral Home, Dallas, Texas

Director Russell Reese reported on a claim related to three contracts totaling \$7,102.00 for Washington Memorial Funeral Home, Dallas, Texas. The Major Funeral Home (Major) is the successor funeral home that has agreed to honor the three outstanding prepaid funeral contracts for Washington Memorial Funeral Home. They agreed to honor and provide contracted goods and services if additional funds were awarded. Major provided a reconciliation detailing the price difference between current pricing and preneed pricing but has agreed to accept a reduced amount. Major requested that 67% of the difference between its current prices and the prices on the prepaid contracts be awarded. The Department verified that the prepaid funeral contract prices reflected on its reconciliation matches Major's current price list. Based on this information, the Department verified that the claim amount of \$7,102.00 is accurate for the three contracts. These three claims are being presented to the Guaranty Fund Advisory Council for review and possible approval.

Tom Elam made a motion to approve this claim totaling \$7,102.00 for Washington Memorial Funeral Home, Dallas, Texas, as presented by Russell Reese, Director of Special Audits. Sandy Booth seconded and the motion passed unanimously.

Discussion of and Possible Vote to Approve Claims Related to Tom G. Walker Funeral Home, Coleman, Texas

Director Russell Reese reported on three claims totaling \$11,196.75, related to Tom G. Walker Funeral Home, Coleman, Texas (Walker). The first claim is for \$2,202.00. The Department received correspondence from a consumer indicating that a prepaid funeral contract purportedly sold by Walker was not properly funded. The consumer notified the Department that limited documentation was available. As a result, the Department's Legal Division reviewed the prepaid funeral contract and related documentation and determined that the consumer had sufficient information to reasonably conclude that Walker received payment in full. The second claim is for \$2,812.75 and the third claim is for \$6,182.00. The purported contract dates are during the time that Walker had an active permit from the Department. Our research revealed that both of these contracts were not shown in the records transferred to North Texas. Both of these prepaid funeral contracts are signed by both parties and reflect that \$2,812.75 and \$6,182.00 were both paid-in-full by the purchasers to Walker. These three claims are being presented to the Guaranty Fund Advisory Council for review and possible approval.

Dick Owens made a motion to approve the three claims totaling \$11,196.75, for Tom G. Walker Funeral Home, Coleman, Texas, as presented by Russell Reese, Director of Special Audits. Sandy Booth seconded and the motion passed unanimously.

Discussion of and Possible Vote to Approve Revised Administrative Memorandum 2016

Review Examiner Saucillo reported that we are required to review Administrative Memorandum 2016 which is the Investment Policy for Funds Under the Oversight of the Guaranty Fund Advisory Council, annually. The last review was completed in May 2013. Although the Guaranty Funds are not subject to the Public Funds Investment Act, our policy is emulated to the guidelines stipulated under the Act to the extent it affects current policy. The primary amendments to Administrative Memorandum 2016 were minor in nature and changed to emulate the Public Funds Investment Act updates.

Tom Elam suggested that the Investment Officer verbiage be changed to state that the Investment Officer **may not** have a personal business relationship with a business organization offering to engage in an investment transaction with the Council. This statement and related statements were amended to make this change and delete unnecessary language that was no longer needed.

Tom Elam made a motion to approve the amended, revised Administrative Memorandum 2016 as presented by Jesus “Jesse” Saucillo, Review Examiner. Sandy Booth seconded and the motion passed unanimously.

Discussion of Collection Efforts

Director Russell Reese outlined the collection efforts and summary of restitution paid for the period of March 1, 2013 to February 28, 2014. The Department tracks monthly payments received to ensure everybody is current, and sends out letters demanding payment for those who are non-compliant.

Discussion of Future Meeting Dates

The next meeting of the Guaranty Fund Advisory Council will be determined at a later date.

The meeting of the GFAC was adjourned at 2:36 p.m.

(s) Charles G. Cooper

(s) Brenda Medina

Charles G. Cooper
Chair of the Guaranty Fund Advisory Council
and Banking Commissioner

Brenda Medina
Executive Assistant to the
Guaranty Fund Advisory Council

MINUTES OF THE

Prepaid Funeral Guaranty Fund Advisory Council

May 16, 2013

1:30 p.m.

Texas Department of Banking

2601 North Lamar Boulevard

Third Floor

Austin, Texas 78705

The Prepaid Funeral Guaranty Fund Advisory Council (GFAC) met on Thursday, May 16, 2013, in the Conference Room of the Finance Commission Building at 2601 N. Lamar Boulevard, Austin, Texas.

Members in Attendance:

Sandy Booth, Consumer Representative

Tom Elam, Insurance Representative

Dick Owens, Industry Representative

Stephanie Newberg, Investment Officer and Deputy Commissioner, Texas Department of Banking *for*
Charles G. Cooper, Chair and Banking Commissioner, Texas Department of Banking

Others in Attendance:

Russell Reese, Director, Special Audits Division, Texas Department of Banking

Dan Wood, Assistant General Counsel, Texas Department of Banking

Jesse Saucillo, Review Examiner, Texas Department of Banking

With a quorum present, Deputy Commissioner Stephanie Newberg convened the meeting of the Prepaid Guaranty Fund Advisory Council at 1:36 p.m.

Discussion of and Possible Vote to Approve Minutes of the May 17, 2012 Prepaid Funeral Guaranty Fund Advisory Council Meeting

Dick Owens made a motion to approve the minutes of the May 17, 2012 Prepaid Guaranty Fund Advisory Council meeting as presented. Tom Elam seconded and the motion passed unanimously.

Discussion of and Possible Vote to Approve the Activity of the Funds and the Investment Officer Reports for the Period March 1, 2012 to February 28, 2013

Review Examiner Jesse Saucillo outlined the activity of the Insurance-Funded Guaranty Fund for the period March 1, 2012 through February 28, 2013. Deposits totaling \$48,303.00 were placed in the fund for assessments collected and \$154.65 for interest earned; no claims were paid for this period. The balance for the Insurance-Funded Guaranty Fund as of February 28, 2013 is \$144,365.02.

Review Examiner Saucillo also outlined the activity of the Trust-Funded Guaranty Fund for the period of March 1, 2012 through February 28, 2013. Claims totaling \$6,486.50 were paid relating to three prepaid funeral contracts sold by Walker-Mora Funeral Home, Alice, Texas, Roselawn Funeral Home, Mineola, Texas, and Memorial Operations Company, Paris, Texas. Travel reimbursement expenses were also paid to Guaranty Fund Advisory Council Member Dick Owens. Restitution totaling \$1,985.54 was also received from Turner Bros Undertakers, Mount Pleasant, Texas and Roselawn Funeral Home, Mineola, Texas. The balance for the Trust-Funded Guaranty Fund as of February 28, 2013 is \$1,279,625.97.

Sandy Booth made a motion to approve the report of the Guaranty Funds' activities and the Investment Officer Reports for the period March 1, 2012 to February 28, 2013 as presented by Jesus "Jesse" Saucillo, Review Examiner. Tom Elam seconded and the motion passed unanimously.

Discussion of and Possible Vote to Approve Administrative Memorandum 2016

Review Examiner Saucillo reported that we are required to review Administrative Memorandum 2016 which is the Investment Policy for Funds Under the Oversight of the Guaranty Fund Advisory Council, every two years. He also stated that both he and Deputy Commissioner Newberg attended Public Fund Investment Act Training in February 2013. Although the Guaranty Funds are not subject to the Public Funds Investment Act, our policy is emulated to the guidelines stipulated under the Act to the extent it affects current policy. The primary amendments to Administrative Memorandum 2016 changed the frequency that the Investment Officer shall provide a report to the Council and the frequency of the review of the policy from a bi-annual to an annual review.

Dick Owens made a motion to approve amended Administrative Memorandum 2016 as presented by Jesus "Jesse" Saucillo, Review Examiner. Sandy Booth seconded and the motion passed unanimously.

Discussion of and Possible Vote to Review and Ratify Claims under \$6,500 Paid From the Guaranty Fund

Director Russell Reese reported on the claims paid by the Department for the period of March 1, 2012 to February 28, 2013 that were under \$6,500.

The first claim paid of \$3,856.50 is related to Remembrance Marketing and Management Corporation, dba Roselawn Funeral Home, Mineola, Texas. This claim was made by the successor funeral home, Beaty Funeral Home, Mineola, Texas. Mr. Beaty requested \$3,856.50 for servicing the prepaid funeral contract (PFC).

The second claim paid of \$1,095.00 is related to Meadowbrook Gardens, Paris, Texas. The purchaser was refunded this amount for the outer burial container and opening and closing costs that were never provided.

Tom Elam made a motion to ratify the claims paid from the Guaranty Fund as presented by Russell Reese, Director of Special Audits. Dick Owens seconded and the motion passed unanimously.

Discussion of Potential Claims to Guaranty Fund

Attorney Dan Wood provided an update on a potential Guaranty Fund claim for Howell-Doran Funeral Home. This seizure was done in June 2011. There were approximately 100 partially and unfunded contracts. The Department did a cease and desist and took over the funeral home’s prepaid records. Because trust and insurance funded contracts were sold, the Texas Department of Insurance was involved. Both agencies referred the cases to the San Saba District Attorney’s Office for prosecution. Attorney Wood and Director Reese recently met with the San Saba Assistant District Attorney and the defense attorney. June 20, 2013 is the final date to settle a plea bargain or the case will go to trial.

All parties agreed to a settlement that will be paid to the Department and the funds will be deposited into the Guaranty Fund to administer to the people due restitution. The dollar amount that will be agreed upon is unknown, but the Department calculated restitution at \$180,000; this amount includes the unfunded trust contracts sold legally and illegally. Mr. Keeney has already been sued many times by individuals and groups, and he has paid the settlements for those suits. Deputy Commissioner Newberg added that when this case closes and after the restitution is paid, we can still have an administrative hearing for fines and penalties. Attorney Wood stated that the insurance companies have sued and settled. There is a local funeral home now honoring the contracts.

Deputy Commissioner Newberg mentioned that she and Director Reese participated in a seizure at Vandiver Funeral Home, Waco, but it will not be a claim to the Guaranty Fund because the funeral home was not licensed to sell prepaid funeral benefit contracts.

Discussion of Collection Efforts

Director Reese outlined the collection efforts and summary of restitution paid for the period of March 1, 2012 to February 28, 2013. The Department tracks monthly payments received to ensure everybody is current, and sends out letters demanding payment for those who are non-compliant.

Discussion of Future Meeting Dates

The next meeting of the Guaranty Fund Advisory Council will be determined at a later date.

The meeting of the GFAC was adjourned at 2:25 p.m.

/s/ Stephanie Newberg for

Charles G. Cooper
Chair of the Guaranty Fund Advisory Council
and Banking Commissioner

Brenda Medina

Brenda Medina
Executive Assistant to the
Guaranty Fund Advisory Council

MINUTES OF THE

Prepaid Funeral Guaranty Fund Advisory Council

May 17, 2012

1:30 p.m.

Texas Department of Banking

2601 North Lamar Boulevard

Third Floor

Austin, Texas 78705

The Prepaid Funeral Guaranty Fund Advisory Council (GFAC) met on Thursday, May 17, 2012, in the Conference Room of the Finance Commission Building at 2601 N. Lamar Boulevard, Austin, Texas.

Members in Attendance:

Sandy Booth, Consumer Representative

Tom Elam, Insurance Representative

Dick Owens, Industry Representative

Others in Attendance:

Russell Reese, Director, Special Audits Division, Texas Department of Banking

Kaylene Ray, General Counsel, Texas Department of Banking

Debby Loomis, Assistant General Counsel, Texas Department of Banking

Dan Wood, Assistant General Counsel, Texas Department of Banking

Jesse Saucillo, Review Examiner, Texas Department of Banking

Stephanie Newberg, Investment Officer and Deputy Commissioner, Texas Department of Banking

Members Not in Attendance:

Charles G. Cooper, Chair and Banking Commissioner, Texas Department of Banking

With a quorum present, Deputy Commissioner Stephanie Newberg convened the meeting of the Prepaid Guaranty Fund Advisory Council at 1:31 p.m.

Discussion of and Possible Vote to Approve Minutes of the June 1, 2011 Prepaid Funeral Guaranty Fund Advisory Council Meeting

Tom Elam made a motion to approve the minutes of the June 1, 2011 Prepaid Guaranty Fund Advisory Council meeting as presented. Dick Owens seconded and the motion passed unanimously.

Discussion of and Possible Vote to Approve the Activity of the Funds and the Investment Officer Reports for the Period March 1, 2011 to February 29, 2012

Review Examiner Jesse Saucillo outlined the activity of the Insurance-Funded Guaranty Fund for the period March 1, 2011 through February 29, 2012. Deposits totaling \$70,492 were placed in the fund

for assessments collected and interest earned; no claims were paid for this period. The balance for the Insurance-Funded Guaranty Fund as of February 29, 2012 is \$96,036.80.

Review Examiner Saucillo also outlined the activity of the Trust-Funded Guaranty Fund for the period of March 1, 2011 through February 29, 2012. Claims totaling \$28,978.33 were paid-relating to four prepaid funeral contracts sold by Walker-Mora Funeral Home, and one prepaid funeral contract sold by Gordon-Foster-Brown Funeral Home. Restitution totaling \$1,100.00 was also received from DJ Turner, Turner Bros Undertakers, Mount Pleasant. The balance for the Trust-Funded Guaranty Fund as of February 29, 2012 is \$1,274,861.86.

Dick Owens made a motion to approve the report of the Guaranty Funds' activities and the Investment Officer Reports for the period March 1, 2011 to February 29, 2012 as presented by Jesus "Jesse" Saucillo, Review Examiner. Sandy Booth seconded and the motion passed unanimously.

Discussion of and Possible Vote to Review and Ratify Claims under \$6,500 Paid From the Guaranty Fund

Director Russell Reese reported on the claims paid by the Department for the period of March 1, 2011 to February 29, 2012 that were under \$6,500. He also noted that the Department has the authority to process these claims without Guaranty Fund approval since they are below the \$6,500 threshold.

The first claim paid of \$1,207.41 is related to Gordon-Foster-Brown Funeral Home, Athens, Texas. This claim was made on behalf of a purchaser of a prepaid funeral benefit contract (PFC) from Gordon-Foster-Brown Funeral Home, Athens, Texas. The contract was sold by the funeral home while it had an active permit with the Department.

The remaining three claims paid totaling \$6,705 are related to Walker-Mora Funeral Home, Alice, Texas. These claims were made on behalf of purchasers of prepaid funeral benefit contracts (PFCs) from Walker-Mora Funeral Home, Alice, Texas. The contracts were initially sold by Walker-Mora while it had an active permit. The purchaser is attempting to recover the \$950 that he paid.

Attorney Debby Loomis provided an overview on the previous seizure of Walker Mora Funeral Home, Alice, Texas. Two administrative hearings awarded \$37,000 in restitution to the contract holders and penalties to the Department from the owners, Mr. Ramirez and his mother. An abstracted judgment was filed in Travis County and also in Alice, Texas, where the funeral home is located; however, there are no assets to satisfy the judgment.

Deputy Commissioner Newberg stated that Mr. Ramirez has never paid any restitution. Mr. Ramirez has continued selling contracts while working as a car dealer. Attorney Loomis said that the Department will have an administrative hearing and will also send a letter to the Travis County District Attorney's Office and the Texas Attorney General's Office and ask them to pursue Mr. Ramirez criminally.

Dick Owens made a motion to ratify the claims paid from the Guaranty Fund as presented by Russell Reese, Director of Special Audits. Tom Elam seconded and the motion passed unanimously.

Discussion of and Possible Vote to Approve Administrative Memorandum 2016

Review Examiner Saucillo reported that we are required to review Administrative Memorandum 2016 which relates to the Investment Policy for Funds Under the Oversight of the Guaranty Fund Advisory Council every two years. In 2011, there were some statutory amendments to the Public Funds Investment Act. Although the Guaranty Funds are not subject to the Public Funds Investment Act, we changed our policy to emulate the guidelines stipulated under the Act to the extent it affected current policy.

As a side note, Deputy Commissioner Newberg stated that the Guaranty Funds were audited by our internal auditor, Garza-Gonzales and Associates. The audit was completed and presented at the April 2012 Finance Commission meeting. Essentially all of the information that is brought to the Council was reviewed and verified by the auditors. The internal auditors had no findings in the audit. We will provide a copy of the audit to the Council members.

Sandy Booth made a motion to approve amended Administrative Memorandum 2016 as presented by Jesus "Jesse" Saucillo, Review Examiner. Tom Elam seconded and the motion passed unanimously.

Discussion of and Possible Vote to Approve a Claim Related to Walker-Mora Funeral Home, Inc., Alice, Texas

Director Reese discussed a claim related to Walker-Mora Funeral Home, Alice, Texas. At the last Guaranty Fund Advisory Council meeting, there was a detailed discussion related to the Guaranty Fund possibly authorizing a disbursement to pay the difference of yesterday's cost to today's cost to ensure that consumer got the service and merchandise paid for.

After two failed attempts for funeral providers to bid on the Walker-Mora PFC's, the Department contacted Roberson Funeral Home, Inc., Alice, Texas. After discussing the matter with the Roberson Funeral Home's owner, Steven Roberson, he agreed to honor and service the PFCs if additional funds were awarded. Specifically, Mr. Roberson requested the difference between Roberson Funeral Home's current prices and the prices on the prepaid contracts. Consequently, a claim funding the difference between current prices and PFC pricing on the eight contracts previously awarded to Roberson Funeral Home was approved by the Guaranty Fund Advisory Council at the prior meeting held in June 2011.

In October 2011, Mr. Roberson presented information that Roberson Funeral Home had performed the service for Maria Rios. Documentation presented revealed that Ms. Rios purchased a PFC from Walker-Mora Funeral Home while it had an active permit; however this PFC was not found in the records seized. As part of the initial agreement to assume the Walker-Mora Funeral Home, Inc. PFC's, Mr. Roberson is requesting that the difference in the Walker-Mora PFC and his current cost of honoring the contract for Ms. Rios be paid to him. The difference is \$1,535. This claim totaling \$1,535 is being presented to the Guaranty Fund Advisory Council for review and consideration.

After much discussion, Council Member Tom Elam wanted to modify the motion to approve a claim in the amount of \$1,535 related to Walker-Mora Funeral Home, Alice, Texas to reflect that for all future claims on contracts that the maximum amount that the Guaranty Fund will be responsible for paying out is an amount limited to a maximum payment of \$5,000.

Dick Owens made a revised motion to approve a claim in the amount of \$1,535 made by Mr. Roberson related to Walker-Mora Funeral Home, Alice, Texas; but for all future claims on contracts, the maximum amount that the Guaranty Fund will pay out is \$5,000. Sandy Booth seconded and the motion passed unanimously.

Tom Elam made a new motion to pay an additional 10% of the original contract price on any future claims made to the Guaranty Fund and the difference in out of pocket costs on cash advance items for contracts sold by Walker-Mora Funeral Home, Alice, Texas and claims made by Mr. Roberson of Roberson Funeral Home, Alice, Texas. Dick Owens seconded and the motion passed unanimously.

Discussion of Potential Claims to Guaranty Fund

Director Reese provided an overview of a potential Guaranty Fund claim. In June 2011, the Department issued an Emergency Cease and Desist and Seizure Order against Howell-Doran Funeral Home, Inc., San Saba, Texas for failing to properly account for and deposit money collected from the sale of prepaid funeral contracts. The Department recently finalized its review of the seized records of Howell-Doran and was able to ascertain the amount of funds that were collected by the owner, Mr. Keeney that were either not trusted properly or forwarded to the insurance-funded permit holder as required. In March 2012, the Department met with representatives from the San Saba County District Attorney's office in Llano, Texas to discuss taking criminal action against the Mr. Keeney. A departmental administrative hearing for this seizure has been postponed pending the completion of the criminal proceedings.

There are approximately 58 trust funded PFC contracts totaling \$198,058 that were not reported during our examinations. Additionally, there were additional payments collected on properly reported PFCs totaling \$32,686, but they were not deposited and Mr. Keeney did not report them under the quarterly reconciliations. The Department was able to make this determination through consumer account verifications. The Department seized funds of \$19,449 from an operating account, \$19,397 from a certificate of deposit, and \$90,265 in interest that was applicable to the properly reported PFCs. Deputy Commissioner Newberg stated that the potential claim to the Guaranty Fund would be approximately \$104,633 to fund the entire principal, but we may be required to pay someone interest for taking it.

There was also about \$27,000 that was sold when Keeney was not a valid agent of the insurance company. These monies will not be paid by an insurance provider. A criminal investigator with the Texas Department of Insurance verified that if you're not a valid agent appointed by an insurance company, then the company has no liability to fund any mishandled funds; the Department agreed with this determination.

Approximately 32 Insurance Funded PFCs were sold and \$115,000 in insurance premiums was collected and was not properly reported to the insurance permit holders as required. These contracts have all been funded.

There were also 15 PFCs that were written after Howell-Doran's PFC permit was restricted from selling new contracts which as a result, do not qualify for Guaranty Fund coverage. Further, four

individuals were unable to provide complete documentation; therefore, claims to the Guaranty Fund cannot be made for these individuals either.

Attorney Dan Wood reported that the San Saba District Attorney was able to get a grand jury indictment and arrest Mr. Keeney on the insurance fraud; there is now a pending criminal trial. On March 20, 2012, he, Attorney Loomis and Director Reese met with the Assistant District Attorney and he indicated that he would like to take our material for the trust funded contracts and get a second separate indictment. When Attorney Wood talked to the Assistant District Attorney a day ago, he anticipated July 2012 as a date to get a second indictment for the trust contracts.

Discussion of Collection Efforts

Review Examiner Saucillo went over the collection efforts and summary of restitution paid for the period of March 1, 2011 to February 29, 2012. The Department tracks monthly payments received to ensure everybody is current, and sends out letters demanding payment for those who are non-compliant.

Discussion of Future Meeting Dates

The next meeting of the Guaranty Fund Advisory Council will be determined at a later date.

The meeting of the GFAC was adjourned at 3:12 p.m.

/s/ Stephanie Newberg for

Charles G. Cooper
Chair of the Guaranty Fund Advisory Council
and Banking Commissioner

/s/ Brenda Medina

Brenda Medina
Executive Assistant to the
Guaranty Fund Advisory Council

THIS PAGE INTENTIONALLY LEFT BLANK