2015 - 2019

Finance Commission of Texas
Strategic Plan

Member	Term Expiration	Hometown
William J. (Bill) White, Chair	February 1, 2016	Georgetown
Susan H. Burton	February 1, 2016	Addison
Victor E. Leal	February 1, 2018	Amarillo
Stacy G. London, CMC	February 1, 2020	Houston
William M. (Will) Lucas	February 1, 2018	Center
Cindy F. Lyons, CPA	February 1, 2016	El Paso
Lori B. McCool	February 1, 2020	Boerne
Jonathan B. Newton	February 1, 2016	Houston
Larry Patton	February 1, 2020	El Paso
Paul Plunket	February 1, 2020	Dallas
Hilliard J. (Jay) Shands, III	February 1, 2018	Lufkin

August 2014

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PREFACE

In accordance with Section 11.002(a) and (b) of the Texas Finance Code, the Finance Commission of Texas (Commission) has developed this Strategic Plan for 2015 - 2019. In supporting the merits of sound strategic planning, the Commission also adopted an internal policy statement as part of its internal operating policies and procedures that requires adoption of a five-year strategic plan beginning in August 2002 and each two-year period thereafter. The statute and policy statement are shown below:

TEXAS FINANCE CODE, Sec. 11.002. Purpose of Commission; Strategic Plan

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

Policy Statement

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

The chair of the Finance Commission will appoint three members to serve on a strategic planning committee. The strategic planning committee shall be responsible for the oversight of the preparation and update of the strategic plan so that it encompasses the goals and objectives of the Finance Commission.

At a minimum, the strategic plan shall address the following:

- The current and forecasted condition of the state's economic and financial systems considering global and national policies and influences;
- The effectiveness of regulatory statutes in providing guidelines that ensure a safe and sound financial services industry and financial environment for the citizens and businesses of the state;
- The condition and effectiveness of the three finance agencies in meeting their goals and objectives as stipulated in their respective strategic plans; and
- Any enhancements to the regulatory framework of the three finance agencies.

STATE VISION, MISSION, AND PHILOSOPHY

STATE VISION --

"Since the last round of strategic planning began in March 2012, our nation's economic challenges have persisted, but Texas' commitment to an efficient and limited government has kept us on the pathway to prosperity. Our flourishing economic climate and thriving jobs market continue to receive national attention and are not by accident. Texas has demonstrated the importance of fiscal discipline, setting priorities and demanding accountability and efficiency in state government. We have built and prudently managed important reserves in our state's "Rainy Day Fund," cut taxes on small business, balanced the state budget without raising taxes, protected essential services and prioritized a stable and predictable regulatory climate to help make the Lone Star State the best place to build a business and raise a family.

Over the last several years, families across this state and nation have tightened their belts to live within their means, and Texas followed suit. Unlike people in Washington, D.C., here in Texas we believe government should function no differently than the families and employers it serves. As we begin this next round in our strategic planning process, we must continue to critically examine the role of state government by identifying the core programs and activities necessary for the long-term economic health of our state, while eliminating outdated and inefficient functions. We must continue to adhere to the priorities that have made Texas a national economic leader:

- ensuring the economic competitiveness of our state by adhering to principles of fiscal discipline, setting clear budget priorities, living within our means and limiting the growth of government;
- investing in critical water, energy and transportation infrastructure needs to meet the demands of our rapidly growing state;
- ensuring excellence and accountability in public schools and institutions of higher education as we invest in the future of this state and ensure Texans are prepared to compete in the global marketplace;
- defending Texans by safeguarding our neighborhoods and protecting our international border; and
- increasing transparency and efficiency at all levels of government to guard against waste, fraud and abuse, ensuring that Texas taxpayers keep more of their hard-earned money to keep our economy and our families strong.

I am confident we can address the priorities of our citizens with the limited government principles and responsible governance they demand. I know you share my commitment to ensuring that this state continues to shine as a bright star for opportunity and prosperity for all Texans. I appreciate your dedication to excellence in public service and look forward to working with all of you as we continue charting a strong course for our great state."

Rick Perry, Governor

STATE MISSION --

Texas state government must be limited, efficient, and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of strong family environments for our children. The stewards of the public trust must be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner.

Aim high...we are not here to achieve inconsequential things!

STATE PHILOSOPHY --

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise, and as an enterprise, we will promote the following core principles:

- First and foremost, Texas matters most. This is the overarching, guiding principle by which we will make decisions. Our state, and its future, is more important than party, politics or individual recognition.

- Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.

- Decisions affecting individual Texans, in most instances, are best made by those individuals, their families, and the local government closest to their communities.

- Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. Just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future and the future of those they love.

- Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.

- State government has responsibility to safeguard taxpayer dollars by eliminating waste and abuse and providing efficient and honest government.

- Finally, state government should be humble, recognizing that all its power and authority is granted to it by the people of Texas, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.

STATE PRIORITY GOALS AND BENCHMARKS

STATE PRIORITY GOALS

The following statewide priority goals and related benchmarks are particularly relevant and provide guidance to the Commission in establishing its goals and objectives. These goals and benchmarks appear in the strategic plans of the Department of Banking, the Department of Savings and Mortgage Lending, and the Office of the Consumer Credit Commissioner.

GOAL: REGULATORY

To ensure Texans are effectively and efficiently served by high-quality professionals and businesses by:

- Implementing clear standards;
- Ensuring compliance;
- Ensuring market-based solutions; and
- Reducing the regulatory burden on people and business.

BENCHMARKS

- Percentage of state financial institutions and credit providers rated "safe and sound" and/or in compliance with state requirements
- Percentage of documented complaints to professional licensing agencies resolved within six months
- Percentage of state professional licensee population with no documented violations
- Percentage of new professional licensees as compared to the existing population
- Percentage of individuals given a test for professional licensure who received a passing score
- Percentage of new and renewed professional licenses issued online
- Percentage increase in utilization of the state business portal

GOAL: ECONOMIC DEVELOPMENT

To provide an attractive economic climate for current and emerging industries and market Texas a premier business expansion and tourist destination that fosters economic opportunity, job creation, and capital investment by:

- Promoting a favorable business climate and a fair system to fund necessary state services;
- Addressing transportation needs;
- Maintaining economic competitiveness as a key priority in setting State policy; and
- Developing a well-trained, educated, and productive workforce.

BENCHMARKS

- Texas unemployment rate
- Median household income
- Per capita gross state product
- Number of new small businesses created

GOAL: GENERAL GOVERNMENT

To provide citizens with greater access to government services while reducing service delivery costs and protecting the fiscal resources for current and future taxpayers by:

- Supporting effective, efficient, and accountable state government operations;
- Ensuring the state's bonds attain the highest possible bond rating; and
- Conservatively managing the state's debt.

BENCHMARKS

- Total state spending per capita
- Percentage change in state spending, adjusted for population and inflation
- Number of state employees per 10,000 population
- Number of state services accessible by Internet
- Total savings realized in state spending by making reports/documents/processes available on the Internet and accepting information in electronic format.

FINANCE COMMISSION MISSION AND PHILOSOPHY

MISSION

The mission of the Finance Commission of Texas is to ensure that the banks, savings institutions, consumer credit grantors, and other regulated entities chartered or licensed under state law operate as sound and responsible institutions that enhance the financial well-being of the citizens of Texas.

PHILOSOPHY

In fulfilling our mission, we will oversee the agencies under our supervision in a manner that:

- Provides a regulatory framework that protects the rights of depositors, consumers, and shareholders in Texas;
- Promotes a fair and stable financial services environment in which the credit and financial needs of the citizens and businesses of Texas are fulfilled;
- Advocates and exercises a system of open communication and unbiased consideration for rulemaking;
- Mandates a fair and efficient supervisory environment;
- Ensures safety and soundness in the financial service industries; and
- Requires its agencies operate honestly and professionally in conducting their affairs with the public, the industries, and the legislature.

FINANCE COMMISSION OVERVIEW AND COMMITTEES

Entities Regulated or Licensed by Agencies of the Finance Commission		
Department of Banking	Department of Savings and Mortgage Lending	Office of Consumer Credit Commissioner
➢ State-Chartered Commercial Banks[1] ➢ State-Chartered Foreign Bank Agencies ➢ Public Trust Companies ➢ Exempt Trust Companies ➢ Prepaid Funeral Licensees ➢ Perpetual Care Cemeteries ➢ Money Services Businesses ➢ Private Child Support Enforcement Agencies ➢ Check Verification Entities ➢ Cemetery Brokers	➢ State-Chartered Savings Banks[2] ➢ State-Chartered Savings and Loan Associations ➢ Mortgage Loan Originators ➢ Mortgage Servicers ➢ Mortgage Entities	➢ Consumer Finance Lenders ➢ Second Lien Mortgage Lenders ➢ Pawnshops ➢ Pawnshop Employees ➢ Motor Vehicle Retail Sellers and Sales Finance Companies ➢ Home Equity Lenders ➢ Property Tax Lenders ➢ Mortgage Loan Originators ➢ Debt Management and Debt Settlement Service Providers ➢ Refund Anticipation Loan Facilitators ➢ Creditors Financing Goods and Services on Retail Installment Contracts ➢ Credit Access Businesses (Payday and Title Loan Companies) ➢ Crafted Precious Metal Dealers
[1]Includes all State Banking Activity	[2]Includes all State Savings Bank Activity	

The Commission was established in 1943 and derives its authority from Chapter 11 of the Texas Finance Code. The Commission consists of eleven members who are private citizens appointed by the Governor of Texas, subject to Senate confirmation.

The composition of the Commission includes:

- two state bankers,
- one state savings executive,
- one consumer credit executive,
- one residential mortgage loan originator, and
- six public members, one of whom must be a certified public accountant.

Members serve staggered, six-year terms; members with expired appointments continue serving until their replacements are named. The governor appoints the presiding officer, currently William J. (Bill) White, a consumer credit executive from Georgetown, Texas. The presiding officer appointed Paul Plunket as vice chair in October 2012.

The Commission is the oversight and policy-making body for the three agencies under the umbrella of the Commission and is not a separate state agency. The three agencies overseen by the Commission provide administrative services and operational funding to the Commission, which is required to meet at least six times annually. All meetings of the Commission and its committees are subject to the Open Meetings Act, with public notice of the meetings posted on the Secretary of State's website approximately seven days prior to a scheduled meeting.

The Commission appoints the commissioners of the three agencies under its oversight. The headquarters of these agencies are located at the State Finance Commission Building, 2601 North Lamar Blvd., Austin, TX 78705.

The Commission is responsible for overseeing and coordinating the activities of the Texas Department of Banking (DOB), the Department of Savings and Mortgage Lending (SML), and the Office of Consumer Credit Commissioner (OCCC). The Commission aims to ensure Texas' financial service providers operate in a safe and sound manner, industries function as a coordinated system considering the broad scope of the financial services arena under its jurisdiction, and consumers that seek services from licensed financial service providers are protected from unfair or harmful practices. Through this safeguarding process the Commission provides a forum for opinions and views of stakeholders, consumers, and the public to be heard.

COMMITTEES

The Commission has three standing committees: Audit Committee; Study Committee; and Strategic Planning Committee. Commission members are appointed to one or more committees by the presiding officer and work towards accomplishing the objectives, mandates, and responsibilities of the Commission as a whole. Each committee chair reports its activities, recommendations and findings to the Commission during scheduled public meetings.

Audit Committee

The Audit Committee is responsible for:

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

Study Committee

The Study Committee is responsible for:

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

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

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

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

Strategic Planning Committee

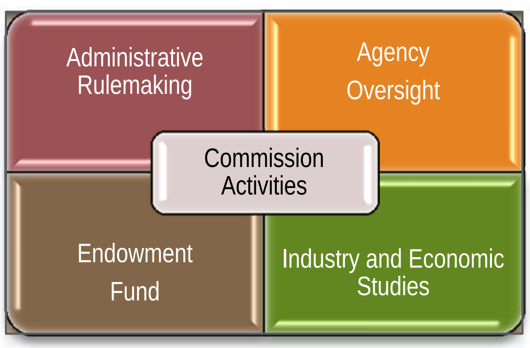
The Strategic Planning Committee is responsible for:

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

KEY RESPONSIBILITIES

The Commission accomplishes its goals through the operations of the three agencies, and all goals, performance measures, and outcomes are incorporated into the functions and performance of these agencies. Since the Commission is not a separate state agency, separate goals, performance measures, and outcomes are not maintained for the Commission itself. Functions performed exclusively by the Commission, include:

- Review and take action on rules to further implement statutes passed by the Texas Legislature and the issuance of interpretations of the Texas Constitution relating to home equity lending and reverse mortgages;
- Oversight of an external audit firm that reviews the activities of the three agencies;
- Oversight of the activities of the endowment fund; and
- Supervision of mandated studies.



Self-Directed, Semi-Independent (SDSI) Oversight

The 81st Legislature enacted House Bill 2774 that amended the Texas Finance Code through the addition of Chapter 16 and which granted four state financial regulatory agencies self-directed, semi-independent (SDSI) status. Three of the four agencies provided this status fall under the oversight of the Finance Commission of Texas:

- Department of Banking;
- Department of Savings and Mortgage Lending; and
- Office of Consumer Credit Commissioner.

The SDSI status allows the agencies to respond promptly to the fluid and dynamic economic environment while remaining flexible to that environment and to changes occurring within regulated industries. This responsiveness and flexibility allows the Commission agencies to identify and incorporate efficiencies as they partner with each other and external entities resulting in improved performance measurement and reporting to support effective and improved decision-making.

The agencies are self-funding and self-leveling, and are responsible for all costs as no resources are appropriated from the General Revenue Fund. All revenues for operations are derived from fees paid by regulated entities. The fees are placed in a separate account at the Texas Treasury Safekeeping Trust Company and not in General Revenue. Biennial reporting to the Legislature and Governor regarding agency activities, financials, and audits are mandated. The agencies are also required to provide annual reports on salaries, travel expenses for employees and Commission members, the agency operating plan and annual budget, and a detailed report on revenue to the Governor's Office, the House Appropriations Committee, the Senate Finance Committee, and the Legislative Budget Board.

Although the SDSI designation releases the Commission agencies from compliance with certain state requirements, they continue to follow these requirements and to operate in a manner consistent with other executive agencies with a focus on transparency and accountability, as well as providing opportunities for stakeholder input and collaboration. At the direction of the Commission, each agency holds a public hearing to receive public comment on its proposed annual budget and operations. The Commission maintains oversight of the agencies' activities relating to SDSI status by:

- functioning as the approving authority of the agencies' budgets;
- ensuring appropriate and mandated fund management of the agencies; and
- maintaining awareness of annual and biennial reports provided to state leadership, assuring agency transparency and accountability.

Oversight and Effectiveness of Agencies

The Commission's primary responsibility is to provide oversight of the activities of the three Commission agencies. This oversight includes evaluating the priorities for each of the agencies, assessing the progress and attainment of these priorities, monitoring the fiscal stewardship of each of the agencies, and providing direction and leadership. The Commission has established goals for each of the commissioners, and their performance is evaluated based upon the achievement of these established goals. Charles G. Cooper has served as Commissioner of the Texas Department of Banking since his appointment in December of 2008. Caroline C. Jones became the Commissioner of the Department of Savings and Mortgage Lending in June 2014. Leslie L. Pettijohn has served as Commissioner of the Office of Consumer Credit Commissioner since her appointment in February 1995. In May 2014, the Commission named Charles G. Cooper to serve as the Executive Director of the Commission.

Before each of the six required Commission meetings, members receive briefing materials regarding the status of the activities performed by the three Commission agencies and other issues affecting the regulated industries. This information typically includes budget and expenditure data, reports on examination and other agency activities, new legislative mandates, proposed and pending rules, statutory interpretations, performance measure reports, and staffing level information.

Commission members are provided public, non-confidential information which they use along with input from external auditors, agency commissioners, regulated entities, consumers and other sources to evaluate the effectiveness of each agency in meeting its goals and objectives.

Expenses of the Commission, which primarily consist of members' travel expenses to participate in meetings, are paid on a proportional basis by the three agencies.

Though the Commission believes that the agencies have been effective in meeting their primary missions, changes within the regulated industries, advances in technology, the proliferation of financial abuses against consumers, the ability to attract and retain qualified staff, and the issues currently affecting the economy will continue to challenge the agencies and require new and innovative strategies over the timeframe of this strategic plan.

Development of Rules and Regulations

The Texas Legislature has given the Commission the authority to promulgate rules that serve to further clarify specific provisions of the Texas Finance Code, Texas Occupations Code, and the Texas Health and Safety Code. Commission members review rules drafted by the agencies, provide opportunities for the public to present testimony or input, consider both oral and written comments received, and vote to either adopt, not adopt, or rewrite the proposed rule. Proposed rules are published in the *Texas Register* for official comment prior to the Commission meeting in which they are considered for adoption.

The Legislature has the constitutional authority to delegate to one or more state agencies the power to interpret provisions of the Texas Constitution. The Legislature delegated interpretative authority relating to home equity loans and reverse mortgages to the Credit Union Commission (as to credit unions) and to the Finance Commission (as to all other lenders). An act or omission of a lender relating to a home equity loan or reverse mortgage does not violate the Texas Constitution if it complies with an interpretation in effect at the time.

A working group composed of representatives from the Credit Union Department and the three Finance Commission agencies was formed to develop proposed interpretations for presentation to and adoption by the two commissions. This working group continues to collaborate on an as needed basis to address new and continuing matters related to interpretations of the home equity lending provisions of the Texas Constitution.

Finance Commission of Texas v. Norwood (ACORN)

In *Finance Commission of Texas v. Norwood*, 418 S.W.3d 566 (Tex. 2013), the Texas Supreme Court struck down several interpretations issued jointly by the Texas Finance Commission and the Texas Credit Union Commission, regarding the home equity provision in Article XVI, Section 50 of the Texas Constitution. The Supreme Court's decision dealt primarily with five issues:

- First, the court held that Texas courts have the authority to review the Commissions' home equity interpretations, and that the review is de novo (*i.e.*, the interpretations are not entitled to any deference).

- Second, the court held that the homeowners in the case had standing to challenge the interpretations, because they had demonstrated a possible injury.

- Third, regarding the constitution's 3% cap on fees other than interest, the court struck down interpretation 153.1(11), which defined "interest" as "interest as defined in the Texas Finance Code §301.002(4) and as interpreted by the courts." The court stated that interest means "the amount determined by multiplying the loan principal by the interest rate." In a supplemental opinion, the court explained that this definition includes per diem interest and legitimate discount points, and that these amounts are not included in the 3% cap.

- Fourth, regarding the constitution's requirement that a home equity loan be closed only at a lender's office, an attorney's office, or a title company, the court struck down interpretation 153.15(2), which allowed a lender to accept a properly executed power of attorney authorizing someone to close a loan on a homeowner's behalf. It also struck down interpretation 153.15(3), which allowed a lender to accept the homeowner's consent by mail. In its supplemental opinion, the court explained that "a power of attorney must be part of the closing to show the attorney-in-fact's authority to act." The supplemental opinion acknowledged that this requirement could impose a hardship on certain borrowers, such as overseas military personnel who do not have access to JAG lawyers. The court stated: "Whether the constitutional provision's intended protection is worth the hardship or could be more fairly or effectively provided by some other method is a matter that must be left to the framers and rectifiers of the Constitution."

- Fifth, regarding the constitution's requirement that a 12-day notice be sent to the homeowner, the court upheld interpretation 153.93, which provides that there is a rebuttable presumption that the homeowner receives the notice three days after it is mailed.

In order to comply with the court's decision, the Commissions published proposed amendments to the interpretations for public comment in June. Final adoption is expected in October 2014.

Effectiveness of Regulatory Statutes

During Commission meetings and briefing sessions, Commission members discuss the effectiveness of current statutes in meeting the agencies' missions. In areas where weaknesses in the statutory framework are identified by an agency, the appropriate agency commissioner will initiate legislative recommendations for improvement and seek concurrence of the Commission before the ideas are formally presented to state policymakers. Areas of improvement often relate to consumer protections, streamlining regulatory burden, or enforcement authority.

Texas Financial Education Endowment

The Texas Financial Education Endowment (TFEE) administered by the Finance Commission supports statewide financial capability and consumer credit building activities and programs. The endowment was enacted by the 82nd Legislature and became effective January 1, 2012.

The endowment is administered through the receipt of assessments from regulated entities and the distribution of grant monies to selected organizations that promote and increase the financial capabilities of consumers. Financial coaching and counseling was emphasized during the 2013 grant cycle.

In January 2013, thirty-three grant applications were received with a total request for $1.1 million in grant funds by 27 eligible organizations. The Finance Commission awarded a total of $250,000 in funds to eight organizations.

Collaboration and Outreach

With increased regulatory mandates and oversight that affect each of the agencies, the Commission agencies continue to educate and develop programs to provide licensees with the necessary knowledge and resources in delivering financial services.

During each legislative session there is a call for increasing personal financial education in schools and with every session our state makes strides in ensuring we develop better educated consumers. Texas is one of several states that have incorporated specific financial skills development within the school curriculum.[1]

Commission agencies collaborate with various statewide organizations with programs that enhance financial literacy and publish statewide financial literacy and education resources in partnership with other state agencies.

EXTERNAL AND INTERNAL OVERVIEW

A thorough assessment of the factors affecting an organization is critical to the strategic planning process. Due to the number of financial service providers supervised by the three agencies and the fact that each agency has already addressed these factors in great detail within their individual strategic plans, a separate in-depth assessment of internal and external factors is not included in this document. However, the internal and external assessment of each of the agencies was considered during the development of this strategic plan and some of the significant external and internal factors that are common to all three agencies are highlighted below.

EXTERNAL ASSESSMENT

Economic Conditions

Financial service providers chartered or licensed by the three agencies are influenced by economic conditions in Texas, the nation as a whole, and world events. For this reason, the Commission must remain cognizant of changing economic conditions that could affect the regulated industries under its purview.

With a very diverse geography and population, the state of Texas offers many economic opportunities. Certain Texas economic indicators are positive, signifying that the state has recovered from the 2007 recession. However, the state is integrally tied to the national and world economy. Any significant economic event at that level will have repercussions for Texas and the regulated financial services market. Maintaining an active regulatory presence is critical at all times.

Workforce

As of April 2014, Texas unemployment had dropped to 5.2% from 6.4% in April 2013. During the recession, the rate peaked at 8.3%. From April 1, 2010 to July 1, 2013 the United States Census Bureau reports that the Texas population grew 5.2%.

A declining unemployment rate in the presence of population growth indicates that the number of jobs being created in Texas is robust and improving. According to the Texas Workforce Commission in April 2014, Texas employers added 64,100 jobs and for year to date has added 348,000 jobs. These added jobs and lower unemployment rates indicate that the Finance Commission agencies will have a harder time attracting and retaining qualified staff as employees have more opportunities in the private sector.

Economic Impact of the Drought

The drought in Texas covers approximately 91% of the state with 56% of the state at a “severe” or worse level, as of May 13, 2014. A new study from Stanford University indicates that there is a 76% chance of the El Niño weather pattern in 2014 which would bring more rainfall to the state and ease drought conditions. The drought has caused substantial losses for many industries and approximately 24% of communities are under water restrictions as state reservoirs are only 64.1% full. The drought, which started in 2010, has cost farmers and ranchers almost $8 billion. With crop outputs falling and profits down, some farmers and ranchers are leasing parts of their land to recreational hunters to make up the difference or planting other crops such as cotton. Ranchers are selling off their herds as the price of hay has increased by 200%. Rice farmers are facing their third season without irrigation water. The oil and gas industry, which is the largest economic sector in Texas, faces water challenges as millions of gallons of water are required in the hydraulic fracturing of a single well. The state’s electric grid is strained as nuclear, coal, and natural gas energy production all require large amounts of fresh water to cool equipment. High energy usage and high summer heat could result in the closure of some power plants. These threats to the power grid and water supply raise awareness of the need for financial service providers and the agencies to develop and test contingency plans.

State Revenues

The Texas Comptroller of Public Accounts’ analysis of the state’s economy indicates that job growth, sales tax collections and building permits all signal that the Texas economy continues to expand and outpace the national economy. Further, the state continues to benefit from oil and natural gas production tax collections. In the first eight months of fiscal 2014, the gas tax collections were 29% higher than the same period in 2013. Sales tax revenues for April 2014 were 5.6% higher than April 2013 and have increased consecutively for the last 49 months. Between April 2013 and April 2014, Texas total nonfarm employment increased 348,000 jobs or 3.1%. In the

2014-2015 Biennial Revenue Estimate, the Texas Comptroller estimated that the Rainy Day fund would be approximately $11.8 billion at the end of fiscal 2015 absent any new appropriations. The Texas economy has exited the recession and moved through recovery.

Technology Risks and Financial Crimes

Financial crimes continue to evolve, with technology playing a key role. Through the internet and advances in technology, financial service providers continually change the way they interact with their customers. Services such as online banking, money transmission via mobile devices, and remote deposit capture provide customers with fast and convenient ways to transact business. However, this increased reliance on information technology (IT) poses new challenges in managing the associated risks. Financial records and monetary transmission systems are increasingly vulnerable to unauthorized access from hackers, terrorists or other cybercriminals. Losses can be incurred not only from this criminal activity, but also from system failures. Our licensees are challenged to properly manage technology risks to ensure that personal private information is protected and maintained as confidential, thereby guaranteeing the security of the funds held or transmitted.

As financial service providers change how they conduct business, cybercriminals are continually changing their techniques as well. Spyware, malicious codes, viruses, worms, and malware are common tools used to commit fraud, scams, identity theft and other crimes through the internet. More recently, criminals have implemented attacks which focus on the destruction of computerized data and disruption of online banking services.

OVERVIEW OF REGULATED INDUSTRIES

The financial industries overseen by the three Commission agencies are an important facet of the Texas economy and are equally important to those who seek credit from these institutions. The agencies regulate more than 25 industries, representing more than 54,000 licensed entities and individuals. The recent economic and legislative climate has been very dynamic resulting in increased attention to the financial industries and effective regulation. The Commission agencies are continually assessing the influences and mandates arising from federal financial reform and consumer protection activities and aligning those dynamic changes with that of state and stakeholder interests.

State-Chartered Banking Profile (Department of Banking)

The condition and performance of Texas state-chartered banks continues to strengthen. Bank balance sheets are reflecting improved asset quality, lower credit losses and stronger liquidity and capital positions. The number of problem banks continues to decline to a pre-financial crisis level.

The Texas banking industry is comprised of federally insured financial institutions holding $850.2 billion in total assets as of December 31, 2013. The 283 Texas state-chartered banks and their 2,269 branches represent 25% of the total banking assets in Texas, or $216.6 billion. Since the previous fiscal year, total assets of Texas state-chartered banks have increased $11.0 billion. The Department anticipates that the growth in total assets of Texas state-chartered banks will continue to increase over the next five years due to mergers, acquisitions and charter conversions.

State-Chartered Thrift and Mortgage Profile (Department of Savings and Mortgage Lending)

The state-chartered thrift industry has reduced in charter numbers from 31 to 30 since 2011 while assets have grown. State-chartered thrift assets under the Department of Savings and Mortgage Lending's jurisdiction have increased by 8.4% from $9.5 billion in 2011 to $10.3 billion as of December 31, 2013. Consolidation in the industry has been offset in the past two years by the conversion of two federal thrifts to state savings bank charters and the conversion and simultaneous merger of three national banks into one state savings bank charter.

The level of mortgage broker licensees peaked at just under 30,000 during 2005; however, the credit crunch and near evaporation of warehouse lending lines caused significant realignments in the primary conduits of mortgage products away from wholesale to retail outlets. Approximately 3,000 of the total 15,411 Residential Mortgage Loan Originators (RMLOs) licensed in FY2013 were sponsored by mortgage broker companies. This reflects an 89% decline in the mortgage broker population since FY2005.

The volume of new applications for mortgage loan originators averages over 500 per month, continuing on an upward trend. As of February 28, 2014 the population of RMLO's totaled 14,657, down from 15,411 in FY 2013. In FY2014, after a legislative change, the individual RMLOs license types went from six separate license types into one.

The volume of consumer complaints related to originations has declined steadily since 2009. At the same time, the volume of consumer complaints related to mortgage servicing has been increasing. Mortgage servicing complaints now comprise more than half of all complaints filed with the Department.

State-Licensed Financial Service Provider Profile (Office of Consumer Credit Commissioner)

The multi-billion dollar non-bank financial services industry offers diverse and unique consumer credit products, each with specific benefits and compliance concerns. Participants within this dynamic and diverse industry range from small, independent lenders to international publicly-traded corporations engaging in an extensive array of non-bank financial transactions. As of May 31, 2014 the OCCC licensed or registered more than 35,000 entities providing products ranging from pawn loans to motor vehicle sales financing to property tax lien loans. Specifically, motor vehicle sales finance licenses have experienced significant growth over the three last years. From FY 2011 thru April 30, 2014, there has been a 21.6% increase in this area while registered creditors have had a 15.4% increase for that same period. Since FY 2014 is not over, the OCCC believes this number will increase further.

In addition, the OCCC works to protect consumers through its regulatory activities, coordinates educational efforts aimed at consumers and industry alike, and advises financial service providers as needed on compliance issues.

Finance Commission Agencies:
Regulated Industries and Licensee Populations
as of May 31, 2014

DOB	Banks	276
	Public Trust Companies	22
	Foreign Bank Agencies / Foreign Bank Branches	10
	Foreign Bank Representative Offices	15
	Prepaid Funeral Contracts	381
	Perpetual Care Cemeteries	242
	Money Services Businesses	140
	Cemetery Brokers	4
	Check Verification Companies	3
	Private Child Support Enforcement Agencies	11
	Total	1,104
SML	State Savings Banks	30
	Mortgage Companies	1,082
	Mortgage Banker Companies	365
	Residential Mortgage Loan Originators	16,511
	Mortgage Servicing Companies	138
	Total	18,126
OCCC	Regulated Lenders	3,446
	Pawnshops	1,564
	Pawnshop Employees	7,214
	Motor Vehicle Sales Finance Dealers & Holders	8,345
	Property Tax Lenders	93
	Debt Management & Debt Settlement Service Providers	64
	Registered Creditors	8,166
	Mortgage Loan Originators	437
	Credit Access Businesses	3,305
	Refund Anticipation Loan Facilitators	739
	Crafted Precious Metal Dealers	1,865
	Total	35,238

LEGISLATIVE AND FEDERAL INFLUENCE

Dodd-Frank Act: Economic Reform

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) significantly changed the financial landscape and the regulation of domestic and foreign financial institutions. Dodd-Frank relies heavily on rulemaking and interpretation by federal regulatory agencies to implement many of its provisions regarding regulatory improvements. The agencies have been closely monitoring the impact of Dodd-Frank and, as of January 2, 2014, the reform rules that most affect community banks have largely been completed.

The most recent rule to impact state-chartered banks is known as the Volcker Rule. The Volcker Rule is intended to prevent financial institutions from undertaking risky investments with their own funds, exposing taxpayers to the possibility of future bailouts in the event of catastrophic losses. On December 10, 2013, the five federal agencies with rulemaking responsibility for the Volcker Rule jointly issued a final rule.

One unexpected provision in the final rule threatened to force community banks to take millions of dollars in write-offs in 2013, despite repeated assurances from the federal agencies that the Volcker Rule would not significantly affect smaller institutions. Community banks and their trade group representatives rallied together, filing a lawsuit to stop the Volcker Rule from going into effect. Subsequently, on January 14, 2014, federal agencies issued an interim final rule to permit banking entities to retain interests in certain collateralized debt obligations backed primarily by trust-preferred securities from the investment prohibitions of the Volcker Rule.

The agencies will continue to monitor regulatory changes at both the federal and state level.

Consumer Financial Protection Bureau (CFPB)

Title X of the Dodd-Frank Act created the CFPB, which established a single federal-level entity to regulate consumer protection in financial products and services. The act requires a significant amount of coordination and interaction between the CFPB and other state and federal banking and financial regulators, especially in the context of concurrent jurisdiction. Each of the Finance Commission agencies signed a Memorandum of Understanding in January 2011 between the Conference of State Bank Supervisors (CSBS) and the CFPB to establish and enhance the cooperative relationship between CFPB and state regulators of consumer financial products and services.

The CFPB has direct supervision over all depository institutions with assets over $10 billion and as of this plan, three state-chartered banks fall within this category. The CFPB has authority to supervise many non-depository companies that provide financial products or services, including money service businesses, auto title and payday lenders, persons who originate, broker, or service residential mortgages, and persons who provide mortgage loan modifications.

Additionally, the CFPB has rulemaking authority over numerous consumer protection laws, which apply to all financial institutions regardless of size. The CFPB is setting its standard for compliance examinations, mandating consumer disclosures, and modifying consumer protection laws, regulations, and policies. These changes directly impact management and the providers of consumer financial products and services.

In the short time the CFPB has existed, it has issued over 50 final rules. In addition to those rules, the CFPB has also issued guidance on 36 topics during the same period. During 2013 alone, the CFPB issued several important rules relating to residential mortgages, which include new integrated mortgage disclosure rules; Real Estate Settlement Procedures Act (RESPA) and Truth In Lending Act (TILA) mortgage servicing rules; higher-priced mortgage rules; loan originator compensation rules; and the Ability to Repay and Qualified Mortgage Standards Rule. In addition to issuing these rules, the CFPB issued four amendments to rules it issued previously. With most of the rulemaking required by the Dodd-Frank Act completed, the CFPB has recently announced an aggressive rulemaking schedule for 2014 that exhibits a shift in focus from residential mortgage loans to consumer products and services.

Preemption of State Laws and Regulation

The Dodd-Frank Act allows states to exercise certain authority over national banks and their subsidiaries. In particular, Section 1044 specifies that national bank subsidiaries are subject to state consumer financial protection laws—this section overrules the U.S. Supreme Court's 2007 decision in *Watters v. Wachovia Bank, N.A.*, which held that these laws were preempted when applied to national bank subsidiaries. These amendments affirm the ability of state agencies to enforce consumer protection laws that previously would have been preempted under the *Watters* decision.

The Dodd-Frank Act also authorizes the CFPB to determine whether state laws are preempted by certain federal laws, including TILA and RESPA. Generally, state laws are not preempted if they provide greater protection to consumers than federal law. So far, the CFPB has issued only one determination that a state law was preempted—it determined that Tennessee's unclaimed-property law for gift cards was preempted by the Electronic Funds Transfer Act. At this time, it is uncertain whether the CFPB will issue any preemption determinations relating to Texas law.

Mortgage Servicing

There has been significant regulatory and industry effort to develop and adopt industry best practices in response to deficiencies in the mortgage servicing and foreclosure activity. The CFPB has issued rules to address these best practices including:

- Measures to ensure that staff members handling loss mitigation and loan modification requests routinely communicate and coordinate with staff members processing foreclosures on the borrowers' properties;
- Deadlines for responding to requests for loan modifications and other communications from borrowers as well as deadlines for making final decisions on loan modification requests; deadlines must be at least as responsive as the timelines under Home Affordable Modification Program (HAMP);
- An easily accessible and reliable single point of contact established for each borrower throughout the loan modification and foreclosure processes that is clearly identified to the borrower;
- A requirement that each single point of contact have access to data necessary to provide borrowers with timely, accurate, and complete information about the status of their loan modification requests and foreclosure cases;
- Procedures and controls to ensure that, before a foreclosure sale occurs, a final decision regarding a borrower's loan modification request (either on a trial or permanent basis) is communicated in writing to the borrower within a reasonable period and explains the reasons why the borrower did not qualify for the trial or permanent modification;
- Policies and procedures to ensure that payments are credited promptly; that payments, including partial payments to the extent permissible under the terms of applicable legal instruments, are applied to scheduled principal, interest, and escrow before fees, and that any misapplication of borrowers' funds is corrected promptly;
- Policies and procedures to ensure that timely information about foreclosure prevention options is sent to borrowers in the event of delinquencies or defaults, including plain language notices about loan modifications and foreclosures;
- Policies and procedures to ensure that servicers properly maintain and track documents related to foreclosures and loan modifications, so that borrowers are not required to resubmit the same documents already provided, and that borrowers are notified promptly of the need for additional information; and
- Policies and procedures to consider loan modifications or other foreclosure prevention activities with respect to junior lien loans, and to factor the risks associated with such junior lien loans into loan loss reserving practices.

Availability of Mortgage Loans

Nearly six years following the receivership of both the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) a resolution remains elusive. The role of the federal government in the housing finance market is as dominant as ever. There are two proposed congressional bills which call for varying degrees of eradicating the current platform and structure of government involvement in the mortgage secondary market. With over 90% of mortgage loan origination during 2013 flowing through the Government Sponsored Enterprises (GSEs) even an incremental change could have a significant impact on the entire housing market. Compounding forward momentum of either bill is the $202.9 billion sent back to the Treasury, which counts as dividends on the U.S. investment and not repayment of the $187.5 billion they got in taxpayer aid. The Office of Management and Budget projects Fannie Mae and Freddie Mac could return $179.2 billion in profits to taxpayers over the next 10 years. This dedicated source of revenue and deficit reduction role now played by both entities will complicate efforts to eliminate or even significantly restructure the GSEs.

Another potential issue hindering the availability of mortgage financing is the implementation of Qualified Mortgage (QM) rules and pending implementation of Qualified Residential Mortgages (QRM) rules. The primary focus of QM is the ability to repay and for the QRM it is a vested interest both through borrower down payment of 20% and loan seller retention of 5% for a non-QRM loan. In January of 2014, the QM rules were implemented by the CFPB. Final implementation still remains pending for the QRM rules. The lack of CFPB interpretive clarifications on QM and remaining uncertainty on the final requirements for QRM continues to cloud market efficiency for mortgage providers and consumers.

Origination of a QM loan provides a lender safe harbor to the Truth-in-Lending Act's enhanced Ability to Repay provisions. In the event of a default on a non-QM loan, the borrower can sue the lender claiming they should have known the borrower could not repay. This potential legal risk has encouraged some lenders to originate only QM loans. As a result of QM, a cottage industry for non-QM loans has been created that meet the ability to repay standards.

The burden of compliance costs, software development, staffing, and time have grown exponentially. The Nationwide Mortgage Licensing System (NMLS) tracking of licensing reflects a consolidation in mortgage companies and the growth in individual licensing. This growth is attributable to licensed individuals being licensed in more states. In addition to a burden from the sheer volume of new regulations there is also a concern over the lack of interpretive clarity from federal regulatory agencies as well as potential conflicting intent from overlapping regulation. A lender can be told by its federal regulator to only offer QM loans but another division of that same federal regulator may tell the lender they have violated Fair Lending laws through a disparate impact by no longer offering a higher risk product. Loan originations have declined substantially in 2014 to the lowest level in over a decade, in part due to the CFPB regulations, the uncertainty of mortgage providers related to the new QM standards, the undefined QRM, the ever increasing federal debt, and federal reserve easy money policies, all of which impact long term interest rates.

Although, the implementation of these new mortgage standards may result in a safer, more stable economy; it could come at the cost of many families not being able to attain homeownership.

Financial Education and Literacy

Consumer and financial education is a cornerstone to building wealth and being able to manage financial resources in a modern economy. The Commission continues to recognize the importance of providing financial education resources to Texas consumers to improve Texans' overall knowledge of financial matters. The Commission agencies collaborate with private, public and nonprofit entities to help consumers make informed and disciplined decisions about financial matters.

The Commission agencies will continue to develop programs to provide licensees and consumers with the necessary knowledge and resources in delivering and understanding financial services.

The Finance Commission provides assistance in this area through the administration of the Texas Financial Education Endowment fund. The Commission will continue its efforts to reach those who will benefit most from financial literacy and education resources.

Effective Communication and Partnerships

The Commission places a high priority on the effectiveness of communication with regulated industries, with the Legislature, with the Governor's Office, and among the agencies themselves. Through enhanced communication, such as collaborative processes for rulemaking and other policy development, more effective regulation results. The Commission agencies through their communication strategies are expected to maintain positive working relationships with the legislative and executive offices. Agency staff is frequently relied upon for resource information and policy expertise in the development of legislation and other state policy.

Members of agency staff engage regularly with other regulatory agencies and trade organizations representing the regulated industries. Some of the other regulators and trade associations that the agencies work with are: American Council of State Savings Supervisors (ACSSS), American Association of Residential Mortgage Regulators (ARRMR), Conference of State Bank Supervisors (CSBS), Consumer Financial Protection Bureau (CFPB), Federal Deposit Insurance Corporation (FDIC), Federal Financial Institutions Examination Council – State Liaison Committee (FFIEC-SLC), Federal Reserve Bank (FRB), Financial Crimes Enforcement Network (FinCEN), Independent Bankers Association of Texas (IBAT), Money Transmitter Regulators Association (MTRA), National Association of Consumer Credit Administrators (NACCA), Residential Mortgage Fraud Task Force (RMFTF), State Regulatory Registry (SRR), Texas Bankers Electronic Crimes Task Force (ECTF), Texas Bankers Association (TBA), Texas Mortgage Bankers Association (TMBA) and others. Members of all three agencies participate in task forces, serve as board members of regulatory associations, and take an active role in implementing mandated and legislative processes across the industries.

Given the important interplay between state and federal issues, the Commission encourages the agency heads to participate in leadership roles in their respective regulatory national peer organizations.

The Commission and the agencies both encourage and seek feedback from consumers and regulated financial service providers that interact with and receive services from the agencies. Each agency prepares a "Report on Customer Service" that details the agencies' efforts to request feedback about operations and services. These reports are published on each agency's website. This information is used to assess the effectiveness of each regulatory program. The Commission actively evaluates all input and feedback from all sources for opportunities to improve the administration of the Commission and its agencies.

INTERNAL ASSESSMENT

Self-Directed, Semi-Independent (SDSI)

SDSI status provides the Commission agencies the ability to quickly and effectively respond to the dynamic economic and regulatory environment changes at both the state and federal level. The SDSI structure has provided flexibility and improved responsiveness in meeting the needs of regulated entities and in integrating legislative mandates.

SDSI status provides a flexible operational and budgetary environment in which the Commission agencies exercise a degree of autonomy and independent planning. Although the agencies are not subject to appropriation and similar controls, as public entities they remain committed to providing services that provide both transparency and accountability and promote stakeholder collaboration. Each agency demonstrates this commitment by:

- Following the State Payroll, Travel, Purchasing and Procurement and standards for all expenditures;
- Submitting quarterly financial statements, including budget variance analysis, to the Commission for review and approval;
- Calculating and maintaining data for performance measures, which is submitted quarterly to the Commission;
- Coordinating with other state agencies as business needs arise; and
- Maintaining funds within Texas Treasury Safekeeping Trust Company.

Each agency is responsible for preparing annual budgets, presenting the budget to the Audit Committee for review and comment, and obtaining approval from the Commission prior to its implementation. Additionally, the SDSI status requires each agency to be responsible for its direct and indirect costs and ensure that the General Revenue Fund does not incur any costs related to the agency's operations.

Although no longer appropriated entities, the agencies still provide a level of accountability and reporting to oversight bodies and the state legislature on an annual and biennial basis. Annual and biennial reporting is provided to the Governor's Office, House Appropriations, Senate Finance Committee, and the Legislative Budget Board, and more frequently as requested or appropriate.

Workforce Plans

The Commission agencies strive to identify, recruit and retain qualified and experienced employees to perform the regulatory functions of each agency. The Bureau of Labor Statistics projects that growth within the finance and insurance industry will increase by 3.3% between 2012 and 2022, and that employment will increase by 0.8%.[2] The growth within these industries and increasing regulations within the financial industry will translate to an increase in employment, accountability and oversight in the financial regulatory arena. This increase in regulatory oversight requires specific knowledge and experience of agency staff members. Such requirements include but are not limited to the:

- Knowledge of financial practices, the regulatory processes, and legal applications or influences of a regulatory environment;
- Knowledge of information technologies and cybercrime issues;
- Knowledge of business, accounting, finance, and economics;
- Knowledge of statistical analysis and techniques, audit and investigative techniques, and training techniques;
- Knowledge of analysis and reporting tools related financial data and consumer credit products;
- Experience conducting financial examinations and investigations, maintaining a customer focus, and understanding related information technology functions and uses;
- Ability to effectively communicate;
- Ability to conduct research and develop regulatory compliance conclusions; and
- Ability to analyze, interpret and apply rules, regulations and statues.

The agencies continually work on identifying alternative or non-traditional recruitment sources from which qualified examiners can be recruited. Additionally, the agencies regularly seek out opportunities for offering competitive compensation packages and incentives. The agencies have been able to reduce travel for examination staff by establishing alternative work schedules and providing alternate work sites. Each agency strives towards providing competitive compensation packages to attract and retain qualified examiners. All agencies utilize available methods to hire new employees with attractive and market competitive compensation packages and to provide mentoring and training in specialized areas related to the examination process.

Recruitment and Retention

The agencies continue to identify effective retention strategies specifically focused upon the financial examiner series. Using the flexibility provided by the SDSI framework, the Commission agencies have been able to provide competitive salary adjustments, merit and reward adjustments, and flexible work schedules. The agencies have focused on cultivating, training and developing financial examiners to minimize turnover, provide for succession and career ladder opportunities as senior examiners retire, and increase both knowledge and experience bases within the agencies' regulatory programs. These retention strategies have been essential to retaining staff and reducing the turnover rates of highly skilled examiners to positions with our federal counterparts.

In addition to competitive salaries, factors that significantly affect the retention of financial examiners include: benefits; competition in the business community for well-trained financial analysts; job related travel; job commitment; expectations of present generation college graduates; and short-term versus long-term career rewards.

The agencies' workforce is as diverse as their regulated entities and represents a cross-section of generations each specific with expectations for and values placed upon rewards and the timing of those rewards. The Commission agencies continually evaluate adjustments within the competitive market, workplace, and examiner expectations to develop appropriate and effective retention strategies for these employees.

Another key area of concern of the Commission is ensuring that the agencies have excellent leadership within the commissioner positions. These positions require extensive expertise and experience to address the many complex issues of diverse industries and to develop suitable supervisory standards, regulatory policies, and procedures to ensure compliance with state and federal regulations, and honest and fair service to the citizens of Texas.

Career Development and Retention

The agencies conduct daily operations and perform and provide effective services within the regulated industries through the knowledge, experience and expertise of its longer-tenured staff and through the development of those less-tenured. The continuing changes within the regulatory environment, the future demographics of the workforce, and the required knowledge and competencies for the industries have prompted the agencies to augment existing employee development and retention programs. The presence of a well-trained workforce is critical to the success and industry credibility of the agencies. All three agencies continue to prioritize critical competencies within new and existing staff. Strategies for career development include but are not limited to:

- Providing management competency and skills training;
- Increasing staff sizes to provide stronger bench strength;
- Utilizing in-house expertise and resources to facilitate mentoring and knowledge transfer;
- Cross-training to expand knowledge and experience bases;
- Recruiting retired employees to provide mentoring, training and development opportunities to new and existing staff; and
- Enhancing information technology and computer skills as they relate to industry and agency processes and procedures.

Retention strategies have included conducting work style profiles of new applicants, cross-over examination training, increased career development opportunities, work at home policies, and equitable salary adjustments. The Commission agencies seek to identify equitable and relevant rewards – whether through compensation, incentives, or development – for staff so as to maintain staffing levels, ensure consistency in operations and knowledge, and remain competitive within the industry.

Retirements and Succession Planning

With over one-third of the staff of the DOB and SML and 17% of the OCCC eligible for retirement within the next five years, succession planning continues to be a key focus for the agencies.

The agencies have implemented initiatives to ensure future workforce gaps are minimal in number and impact upon the agencies. Each agency has identified future work skills and knowledge requirements, forecasted staffing vacancies and adjustments, and facilitated the transfer of knowledge and expertise across the staffing levels. The agencies understand that it is imperative to retain mid-level employees, who have been trained and developed, to fill vacancies created by retiring employees. The agencies have and will continue to bring retirees back into the workforce, as appropriate, to meet staffing needs and train newly hired and less experienced employees.

Succession plans include mentoring and professional opportunities within this group as well as efforts to promote an agency culture that state service can be a viable long-term career choice.

The SDSI status of the agencies has allowed for flexibility in developing appropriate staffing models, in providing competitive compensation packages, and in utilizing alternative approaches to training and development. The agencies will remain vigilant in their efforts to refine and improve their succession plans.

Finance Commission Building

The agencies' headquarters office space, currently located within the Finance Commission building, is inadequate and cannot effectively accommodate the agencies' headquarters staff and meet parking needs of the staff and general public. As a result, the agencies have leased additional office space since October 2009 to alleviate overcrowding and improve the parking issues.

The demands on existing parking have been further exacerbated by the construction of high-density student housing within the immediate vicinity and the metering of street parking.

After many years of implementing interim solutions for both inadequate square footage and deficient parking, an ad hoc building committee was formed to consider various alternatives; including redevelopment plans for the current location, alternative buildings, and new construction were explored. A collective decision was made by all three agencies and the Commission to sell the building and purchase another property that fits the needs of the agencies. The agencies are currently in discussions with the Texas Facilities Commission and the master planner for the Capitol Complex to evaluate the feasibility of a Finance Commission building near or on the Capitol Complex. Cash reserves have been set aside by all three agencies to cover the future expenses related to a new building and relocation.

Executive Director Role

The Executive Director of the Finance Commission provides operational support to Commission members as it relates to Commission responsibilities and oversight of the three Commission agencies. The executive director:

- maintains industry, agency, and governmental relationships;
- facilitates communication between the Commission, supervised agencies, industry and trade organization, and legislative bodies;
- provides administrative support to the Commission; and
- coordinates activities associated with Commission meetings.

The executive director role is filled by a commissioner from one of the three agencies overseen by the Commission. The Commission selects and appoints that commissioner to serve and may rotate its selection at an appropriate time. The Commission relies upon the executive director to ensure smooth operation and functioning of the Commission in order to effectively carry out its oversight and statutory responsibilities.

Sunset Review

The 83rd Legislature extended the existence of the Commission and the agencies it oversees until September 1, 2019.

APPENDICES

APPENDIX A: STRATEGIC PLANNING PROCESS

The three state agencies under the direction of the Finance Commission of Texas each submit separate strategic plans which include specific objectives, goals and strategies. It is not the intent of the Commission to duplicate this process. Still, the Commission is committed to the principles of establishing clearly defined objectives, goals, and strategies.

Consequently, a significant purpose of the Commission's plan, and a goal of the strategic planning process, is to coordinate and bring together the concepts and plans of the three agencies under its supervision. Below is a timeline of the development of the strategic plan.

- The Strategic Planning Committee of the Finance Commission met to discuss the three agencies' submitted plans as well as define the scope, direction, content and process for preparation of the Commission's strategic plan.
- Staff from the three agencies met to identify key elements for inclusion in the Commission's plan.
- Draft Commission strategic plans were provided to the agencies for review and comment.
- Draft copies were distributed to the Commission members for comment and further direction.
- The final draft was presented to the full Commission for review prior to the August 2014 meeting of the Commission.
- Copies of the Strategic Plan submitted to the Legislature.

2014 Strategic Planning Contributors

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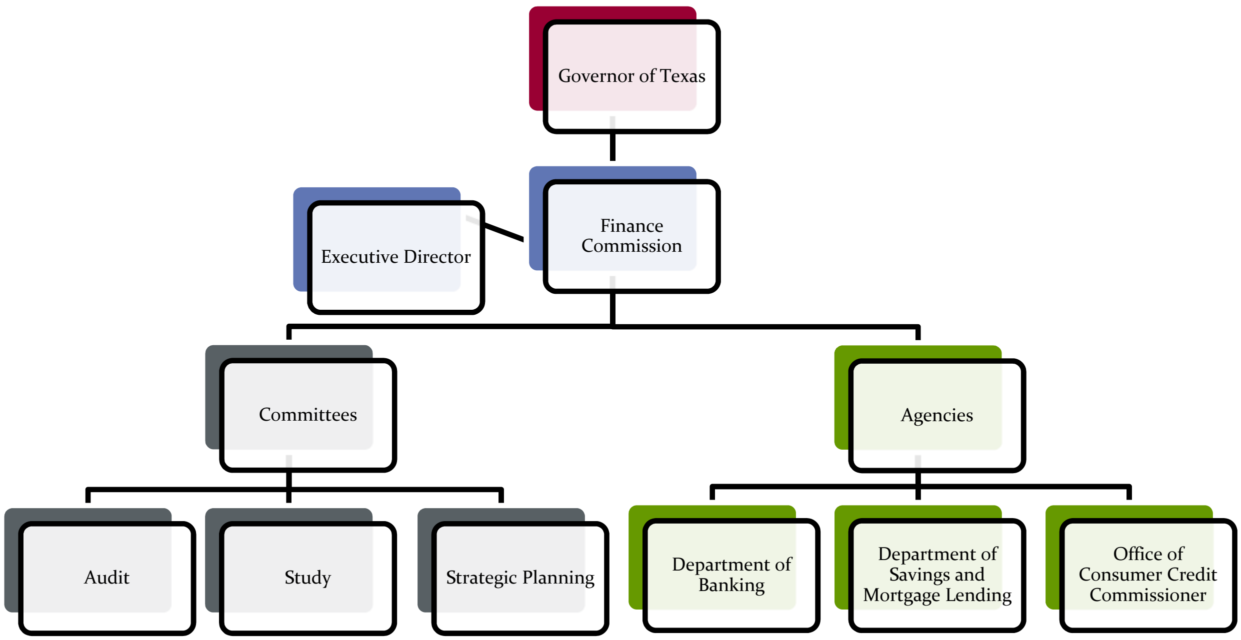
Steven O'Shields	Department of Savings and Mortgage Lending
Wendy Rodriguez	Texas Department of Banking
Barbara Winters	Texas Department of Banking

APPENDIX B: ORGANIZATIONAL CHART



APPENDIX C: ENDNOTES

[1] *Survey of the States: Economic and Personal Finance Education in Our Nations' Schools 2014.* Council for Economic Education. Retrieved from http://www.councilforeconed.org/wp/wp-content/uploads/2014/02/2014-Survey-of-the-States.pdf , May 8, 2014.

[2] U.S. Bureau of Labor Statistics, Employment Projections Program. Retrieved from http://www.bls.gov/emp/ep_table_207.htm , December 19, 2013.