

A.

Finance Commission

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FINANCE COMMISSION OF TEXAS

MEETING DATEFebruary 15, 2019

MEETING LOCATIONFinance Commission Building
William F. Aldridge Hearing Room
2601 North Lamar Boulevard
Austin, Texas 78705

CONTACT INFORMATION.....Phone: (512) 936-6222
Website: www.fc.texas.gov

FUTURE MEETING DATESApril 12, 2019
.....June 21, 2019
.....August 16, 2019
.....October 18, 2019
.....December 20, 2019

*** The State of Texas fiscal year begins September 1 and ends August 31. The dates noted meet the minimum statutory requirement of six meetings per calendar year. Fin. Code §11.106*

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FINANCE COMMISSION AGENDA

Friday, February 15, 2019

8:30 a.m.

Finance Commission Building
William F. Aldridge Hearing Room
2601 N. Lamar Blvd.
Austin, Texas 78705

Section A.3 will take up agenda item A1 with NO DISCUSSION as notated in bold and italicized

Public comment on any agenda item or issue under the jurisdiction of the Finance Commission agencies is allowed unless the comment is in reference to a rule proposal for which the public comment period has ended. However, upon majority vote of the Commission, public comment may be allowed related to final rule adoption.

A. FINANCE COMMISSION MATTERS

1. ***Review and Approval of the Minutes of the December 14, 2018 Finance Commission Meeting***
2. General Public Comment
3. Consent Agenda
4. Finance Commission Operations
5. Audit Committee Report
 - A. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' November 30, 2018 Investment Officer Reports
 1. Department of Savings and Mortgage Lending
 2. Office of Consumer Credit Commissioner
 3. Texas Department of Banking
 - B. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2019 First Quarter Financial Statements
 1. Department of Savings and Mortgage Lending
 2. Office of Consumer Credit Commissioner
 3. Texas Department of Banking
6. Discussion and Consultation with Attorney pursuant to §551.071, Texas Government Code, for the purpose of seeking the advice or attorney-client privileged communications from our attorneys, including presentation by Assistant Attorney General related to anti-lobbying regulations and interactions with the Legislature by the Finance Commission members

7. Discussion of and Possible Vote to Take Action Regarding Personnel Matters Pursuant to §551.074, Texas Government Code: Deliberations with Respect to the Duties and Compensation of a Person Holding the Position of Executive Director of the Finance Commission, Deliberations with Respect to the Duties and Compensation of Persons Holding the Position of Agency Commissioner Positions, and Other Staff
8. Discussion of and Possible Vote to Take Action Regarding Facility Planning and Real Property Matters Pursuant to §551.072, Texas Government Code: Deliberations Regarding the Purchase, Exchange, Lease or Value of Real Property
9. Discussion and Consultation with Attorney and Possible Vote to Take Action Pursuant to §551.071, Texas Government Code, for the purpose of seeking the advice or attorney-client privileged communications from our attorneys, including matters related to the potential financial exposure of the Finance Commission Agencies and their officers and the Finance Commission and its officers and including matters of pending and contemplated litigation
10. Discussion of and Consultation on Security Audit, possible issue related to confidential or sensitive information, security breach audit and assessment, or security assessments or deployment related to information resources technology as authorized by Tex. Govt. Code Secs. 551.076 and 551.089

B. DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

1. Industry Status and Departmental Operations – State Savings Bank Activity: a) Industry Status; and b) State Savings Bank Charter and Application Activity
2. Discussion of and Possible Vote to Take Action on the Assessments to be Paid by the Texas State Savings Banks
3. Industry Status and Departmental Operations – Mortgage Lending Activity: a) Residential Mortgage Loan Originators; b) Mortgage Examination; and c) Consumer Complaints
4. Fiscal and Departmental Operations: a) Funding Status/Audits/Financial Reporting; and b) Staffing
5. Legal Activity: a) Enforcement; b) Gift Reporting; and c) Legislative Activities
6. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation

C. OFFICE OF CONSUMER CREDIT COMMISSIONER

1. Industry Status and Departmental Operations: a) Consumer Protection and Assistance Division Activities; b) Licensing Division Activities; c) Administration Division Activities; d) Financial Division Activities; e) Legal Division Activities; and f) Legislative Activities
2. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation

Texas Office of Consumer Credit Commissioner v. Tim McMahan d/b/a Advantage Auto; Cause No. D-1-GN-17-005451, in the 98th District Court of Travis County, Texas

Ernest Polk v. Texas Office of Consumer Credit Commissioner; Cause No. 2018-04375, in the 281st Judicial District Court of Harris County, Texas

D. TEXAS DEPARTMENT OF BANKING

1. Industry Status and Departmental Operations: a) Current Issues Affecting Department's Regulated Entities; b) Bank and Trust Division Activities; c) Corporate Division Activities; d) Special Audits Division Activities; e) Administrative, Staffing and Fiscal Division Activities; f) Strategic Support Division Activities including Consumer Complaint Data; g) Legal Division Activities including Enforcement Activity and Gift Reporting; and h) Legislative Activities
2. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation

NOTE: The Finance Commission may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551.

Meeting Accessibility: Under the Americans with Disabilities Act, the Finance Commission will accommodate special needs. Those requesting auxiliary aids or services should notify the Texas Department of Banking, 2601 North Lamar Boulevard, Austin, Texas 78705, (512) 936-6222, as far in advance of the meeting as possible.

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**MINUTES OF THE
FINANCE COMMISSION MEETING
FRIDAY, December 14, 2018**

The Finance Commission of Texas convened at 8:30 a.m. on December 14, 2018 with the following members present:

Finance Commission Members in Attendance:

- Paul W. Plunket, Chairman
- Phillip Holt, Vice Chair
- Bob Borochoff
- Hector Cerna
- Molly Curl
- Stacy G. London
- Cliff McCauley
- Lori McCool
- Vince Puente

Finance Commission Chairman Paul Plunket made a motion to excuse Will Lucas from the Finance Commission meeting held on December 14, 2018. There were no objections and the motion passed unanimously. (00:17)

Paul Plunket announced that Matt Moore resigned from the Finance Commission and announced a quorum with nine members present. (00:42)

Agenda Item	Action	Location on Video File
A. Finance Commission Matters		
1. Review and Approval of the Minutes of the October 19, 2018 Finance Commission Meeting	On Consent Agenda – Items A1 and C2-5	01:56 start of discussion
2. General Public Comment	No Action Required.	02:05 start of discussion
3. Consent Agenda – Items A1 and C2-5	Vince Puente made a motion to Approve Consent Agenda items A1 and C2-5. Stacy G. London seconded, and the motion passed.	02:50 start of discussion 03:24 vote
4. Finance Commission Operations	No Action Required.	03:52 start of discussion

<p>5. Discussion of and Possible Vote to Take Action on the Finance Agencies' Fiscal Year 2019 Internal Auditor's Risk Assessment and Audit Plan as Prepared and Presented by McConnell & Jones LLP</p>	<p>Molly Curl made a motion to Approve the Finance Agencies' Fiscal Year 2019 Internal Auditor's Risk Assessment and Audit Plan as Prepared and Presented by McConnell & Jones LLP. Lori McCool seconded, and the motion passed.</p>	<p>06:03 start of discussion 51:20 vote</p>
<p>6. Discussion of and Possible Vote to Take Action on Revisions to the Finance Commission's Policies and Procedures Regarding Training, Budgeting and Travel Reporting</p>	<p>Phillip Holt made a motion to Approve the Revisions to the Finance Commission's Policies and Procedures Regarding Training, Budgeting and Travel Reporting. Stacy G. London seconded, and the motion passed.</p>	<p>51:57 start of discussion 1:06:45 vote</p>
<p>7. Discussion of and Possible Vote to Take Action Regarding Personnel Matters Pursuant to §551.074, Texas Government Code: Deliberations with Respect to the Duties and Compensation of a Person Holding the Position of Executive Director of the Finance Commission, Deliberations with Respect to the Duties and Compensation of Persons Holding the Position of Agency Commissioner Positions, and Other Staff</p>	<p>Deferred to Executive Session – no vote taken.</p>	<p>n/a</p>
<p>8. Discussion of and Possible Vote to Take Action Regarding Facility Planning and Real Property Matters Pursuant to §551.072, Texas Government Code: Deliberations Regarding the Purchase, Exchange, Lease or Value of Real Property</p>	<p>Deferred to Executive Session – no vote taken.</p>	<p>n/a</p>
<p>9. Discussion and Consultation with Attorney and Possible Vote to Take Action Pursuant to §551.071, Texas Government Code, for the purpose of seeking the advice or attorney-client privileged communications from our attorneys, including matters related to the potential financial exposure of the Finance Commission Agencies and their officers and the Finance Commission and its officers and including matters of pending and contemplated litigation</p>	<p>Deferred to Executive Session – no vote taken.</p>	<p>n/a</p>

<p>10. Discussion of and Consultation on Security Audit, possible issue related to confidential or sensitive information, security breach audit and assessment, and security assessments or deployment related to information resources technology as authorized by Tex. Govt. Code Secs. 551.076 and 551.089</p>	<p>Deferred to Executive Session – no vote taken.</p>	<p>n/a</p>
<p>B. Office of Consumer Credit Commissioner</p>		
<p>1. Industry Status and Departmental Operations: a) Consumer Protection and Assistance Division Activities; b) Licensing Division Activities; c) Administration Division Activities; d) Financial Division Activities; e) Legal Division Activities; and f) Legislative Activities</p>	<p>No Action Required.</p>	<p>01:07:40 start of discussion</p>
<p>2. Discussion of and Possible Vote to Take Action on the Adoption of Amendments in 7 TAC, Chapter 85, Subchapter A, Concerning Rules of Operation for Pawnshops, Resulting from Rule Review</p>	<p>Cliff McCauley made a motion to Approve the Adoption of Amendments in 7 TAC, Chapter 85, Subchapter A, Concerning Rules of Operation for Pawnshops, Resulting from Rule Review. Lori McCool seconded, and the motion passed.</p>	<p>01:21:50 start of discussion 01:25:35 vote</p>
<p>3. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation</p> <p><i>Lynn Rowell d/b/a Beaumont Greenery, Montgomery Chandler, Inc., Paula Cook, Townsley Designs, LLC, and Shonda Townsley v. Ken Paxton, in his official capacity as Attorney General of the State of Texas; Cause No. 1:14-cv-00190-LY, in the United States District Court, Western District of Texas, Austin Division</i></p> <p><i>Ernest Polk v. Texas Office of Consumer Credit Commissioner; Cause No. 2018-04375, in the 281st Judicial District Court of Harris County, Texas</i></p> <p><i>State of Texas v. Cash Auto Sales, Inc. f/k/a Larry Lake d/b/a Cash Auto Sales and VIP Finance of Texas, Inc. f/k/a Travis Lake d/b/a VIP Finance; Cause No. 05-18-00198-CV, in the Court of Appeals for the Fifth Judicial District, Dallas, Texas</i></p>	<p>No Action Required.</p>	<p>n/a</p>

C. Texas Department of Banking		
1. Industry Status and Departmental Operations: a) Current Issues Affecting Department's Regulated Entities; b) Bank and Trust Division Activities; c) Corporate Division Activities; d) Special Audits Division Activities; e) Administrative, Staffing and Fiscal Division Activities; f) Strategic Support Division Activities including Consumer Complaint Data; g) Legal Division Activities including Enforcement Activity and Gift Reporting; and h) Legislative Activities	No Action Required.	01:26:17 start of discussion
2. Discussion of and Possible Vote to Take Action on the Reappointment of Wallace Jones as the Trust Industry Representative to the Guaranty Fund Advisory Council for the period January 1, 2019 to December 31, 2020	On Consent Agenda – Item C2. This item Approved on the Consent Agenda.	n/a
3. Discussion of and Possible Vote to Take Action on the Adoption of Amendment to 7 TAC, Part 1, Chapter 5, §5.101, Concerning Employee Training and Education Assistance Programs	On Consent Agenda – Item C3. This item Approved on the Consent Agenda.	n/a
4. Discussion of and Possible Vote to Take Action on the Adoption of Amendment to 7 TAC, Part 2, Chapter 26, §26.11, Concerning Perpetual Care Cemeteries Complaints	On Consent Agenda – Item C4. This item Approved on the Consent Agenda.	n/a
5. Discussion of and Possible Vote to Take Action on the Adoption of Amendments to 7 TAC, Part 2, Chapter 33, §§33.23 and 33.35, Concerning Money Services Businesses Permissible Investments and Record Retention Related to Money Transmission Transactions, respectively	On Consent Agenda – Item C5. This item Approved on the Consent Agenda.	n/a
6. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation	No Action Required.	n/a
D. Department of Savings and Mortgage Lending		
1. Industry Status and Departmental Operations - State Savings Bank Activity: a) Industry Status; and b) State Savings Bank Charter and Application Activity	No Action Required.	01:39:44 start of discussion

2. Industry Status and Departmental Operations – Mortgage Lending Activity: a) Residential Mortgage Loan Originators; b) Mortgage Examination; and c) Consumer Complaints	No Action Required.	01:45:11 start of discussion
3. Fiscal and Departmental Operations: a) Funding Status/Audits/Financial Reporting; and b) Staffing	No Action Required.	01:47:20 start of discussion
4. Legal Activity: a) Enforcement; b) Gift Reporting; and c) Legislative Activities	No Action Required.	01:47:50 start of discussion
5. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation	No Action Required.	n/a

Chairman Paul Plunket called for an Executive Session at 10:43 a.m. (01:59:20) on the audio file). The open meeting resumed at 11:00 a.m. (02:00:30) on the audio file.)

There being no further business, Chairman Paul Plunket adjourned the meeting of the Finance Commission at 11:06 a.m. (02:05:32) on the audio file).

Paul W. Plunket, Chairman
Finance Commission of Texas

Charles G. Cooper, Executive Director
Finance Commission of Texas

Anne Benites, Executive Assistant
Finance Commission of Texas

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Finance Commission of Texas

Consent Agenda

February 15, 2019

A. Finance Commission Matters

1. Review and Approval of the Minutes of the December 14, 2018 Finance Commission Meeting

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B.

**Department of Savings and
Mortgage Lending**

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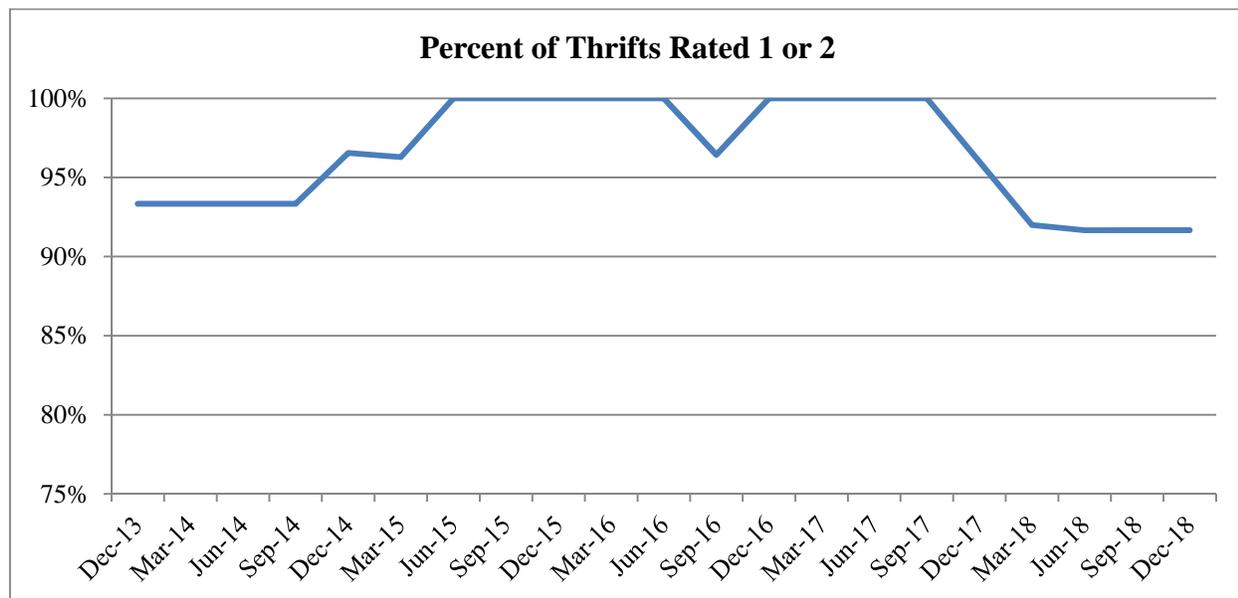
B. Texas Department of Savings and Mortgage Lending

1. Industry Status and Departmental Operations – State Savings Bank Activity:

a. Industry Status

The financial data on Texas state thrifts had not been finalized by the FDIC prior to the preparation of this report. A report on the 4th quarter of calendar year 2018 will be presented at the next meeting of the Finance Commission.

As of December 31, 2018, there are 24 state savings banks, all but two are rated a Composite 1 or 2. There are two outstanding formal enforcement actions.



The Department continues to monitor various local, state, and national data sources for risks facing the industry and individual savings banks. Economic conditions, cybersecurity, interest rate risk, lending concentrations, and liquidity risk all continue to be areas of focus.

b. Savings Bank Charter and Merger Activity

On December 19, 2018, application was received from Spirit of Texas Bank, SSB, College Station, Texas, to acquire The First National Bank of Beeville, Beeville, Texas. The application is in process.

The Department continues to receive and process various other applications.

Departmental Operations – Thrift

Commissioner Jones and Deputy Commissioner Trotti attended the CSBS State Supervisors Symposium on December 3-4, 2018.

Commissioner Jones and Deputy Commissioner Trotti attended IBAT's Regional Meeting Tour in San Antonio on January 31, 2019.

2. Discussion of and Possible Vote to Take Action on the Assessments to be Paid by the Texas State Savings Banks.

ANNUAL FEE ASSESSMENT RATES - CURRENT

Assessment Schedule* - Effective March 1, 2018 through March 1, 2019

Assets Over	Not Over	Amount	Plus	Over
\$0	\$2 million	\$6,165	0.000000000	\$0
2 million	20 million	6,165	0.000243398	\$2 million
20 million	100 million	10,546	0.000194717	20 million
100 million	200 million	26,123	0.000126561	100 million
200 million	1 billion	38,779	0.000107091	200 million
1 billion	2 billion	124,451	0.000087619	1 billion
2 billion	6 billion	212,070	0.000077883	2 billion
6 billion	20 billion	523,602	0.000066270	6 billion
20 billion	40 billion	1,451,382	0.000049920	20 billion
40 billion	250 billion	2,449,782	0.000039004	40 billion
250 billion		10,640,622	0.000038613	250 billion

* Maintains 50% of the Office of the Comptroller of the Currency's Annual Assessment, OCC 2017-60 – no adjustment for inflation for 2018.

Surcharge (condition premium), assessed in addition to the regular assessment**

CAMEL < 3	0 % of regular assessment
CAMEL = 3	50 % of regular assessment
CAMEL > 3	100 % of regular assessment

ANNUAL FEE ASSESSMENT RATES – NEW

Effective March 1, 2019 through August 31, 2019

Assets Over	Not Over	Amount	Plus	Over
\$0	\$2 million	\$5,548	0.000000000	\$0
2 million	20 million	5,548	0.000219058	\$2 million
20 million	100 million	9,491	0.000175245	20 million
100 million	200 million	23,510	0.000113940	100 million
200 million	1 billion	34,900	0.000096381	200 million
1 billion	2 billion	112,004	0.000078857	1 billion
2 billion	6 billion	190,861	0.000070094	2 billion
6 billion	20 billion	471,237	0.000059643	6 billion
20 billion	40 billion	1,306,239	0.000044928	20 billion
40 billion	250 billion	2,204,799	0.000035103	40 billion
250 billion		9,576,429	0.000034751	250 billion

Schedule remains at 50% of current OCC rates and includes the OCC's reduction of the marginal assessment rates by 10%, effective January 1, 2019. There was no inflation adjustment for CY2019 (OCC Bulletin 2018-43).

According to the Department's budget for FY19, as approved by the Finance Commission on August 17, 2018, the quarterly assessments for FY19 will be calculated and billed, as follows:

Quarter FY2019	Annual Assessment Based On:		Billed Date	Billed Amount
	Rate Schedule	Call Report		
3 rd Quarter	50% of OCC	December 31, 2018	March 1, 2019	1/4 of Annual Assessment
4 th Quarter	50% of OCC	March 31, 2019	June 3, 2019	1/8 of Annual Assessment*

*Includes 50% discount of fourth quarter assessment.

3. Industry Status and Departmental Operations – Mortgage Lending Activity:

a. Residential Mortgage Loan Originators

Current Licensing Population:

License Type As of 01/31/2019	Approved		
	Entity (MU1)	Branch (MU3)	MLO (MU4)
<i>Auxiliary</i>	4	n/a	
<i>CUSO</i>	4	2	
<i>FSC</i>	1	n/a	
<i>Independent Contractor</i>	119	n/a	
<i>Mortgage Company</i>	1,293	605	
<i>Mortgage Banker</i>	410	2,853	
<i>Mortgage Servicer</i>	189	n/a	
Totals	2,020	3,460	

The Department is currently in the “Reinstatement” period of renewals, which runs from January 1 through February 28, and allows those licensees that did not timely renew, the ability to request renewal. If they did not timely renew, their license status went to “Terminated-Failed to Renew.” As of January 31, 2019, the Department had received 720 reinstatement requests. Prior to the reinstatement period, the Department received renewal requests from 23,378 individuals and 5,097 companies and branches. Additionally, between November and December, the renewal period, the Department received 19,454 amendment filings and 1,169 new license requests.

b. Mortgage Examinations

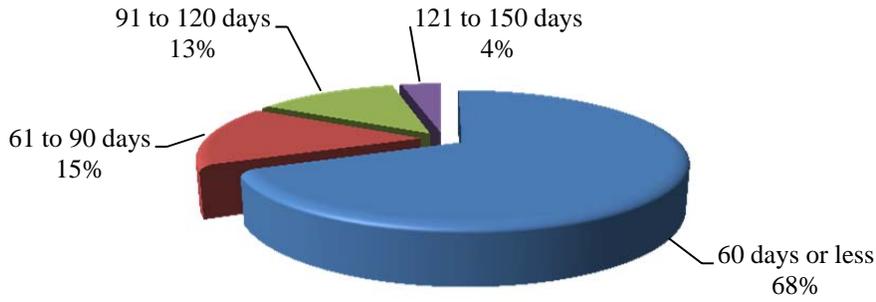
During the first quarter of FY19, a total of 117 examinations were completed covering 1,103 individual licensees. The number of examinations is slightly higher when compared to the same reporting period in FY18 although the number of individual licensees covered decreased by 47%. The decrease was result of examinations of smaller entities being conducted in the first quarter. The examinations are continuing to identify various degrees of unlicensed/unauthorized activity and the issuance of incomplete conditional qualification/approval letters.

c. Consumer Complaints/Legal Issues

The following charts reflect the consumer complaint information through the end of the first quarter of FY19. The aging of the open complaints remains within the target range with no open complaints over 180 days. Open complaint aging has remained within acceptable ranges with 83% being aged less than 90 days.

Loan Servicing complaints continue to be the largest complaint category accounting for 68% of the total number of complaints received in the first quarter of FY19. This represents a 3% increase when compared to the same reporting period in FY18. The total number of complaints received in the first quarter of FY19 decreased 24% when compared to the same reporting period in FY18.

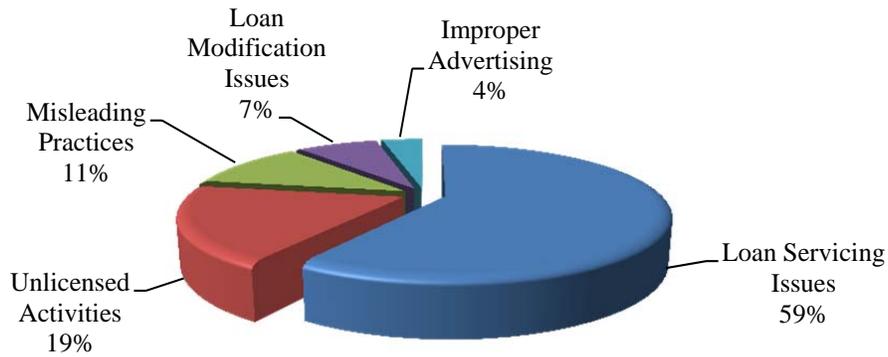
Aging of Open Complaints as of 11-30-2018



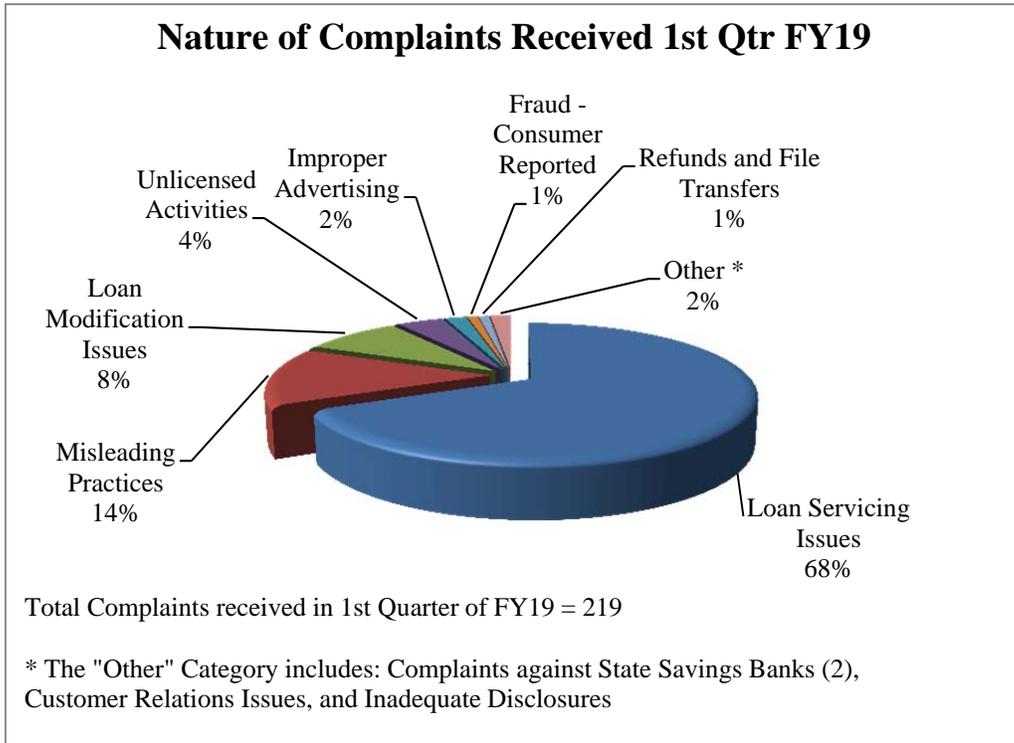
Total Open Complaints as of 11-30-2018 = 54

The next two charts show the nature of open complaints as well as the nature of all complaints received during the first quarter of FY19.

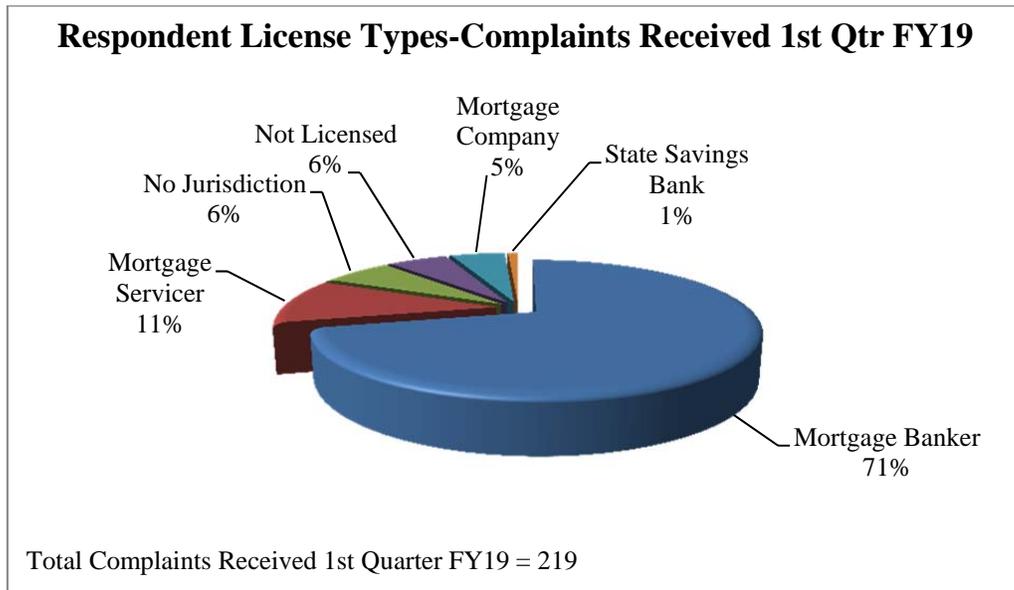
Nature of Open Complaints as of 11-30-2018



Total Open Complaints as of 11-30-2018 = 54



The next chart shows complaints received sorted by license type.



Departmental Operations - Mortgage

Director O'Shields attended Texas Mortgage Bankers Association's Southern Secondary Market Conference. At the meeting he staffed an information table where industry could ask questions, obtain information, or provide feedback on the Department's requirements and processes.

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

Type/Strategy/Measure	2019 Target	2019 Actual	2019 YTD	Percent of Annual Target		Comparable Historical Data for the same time period				
						FY2018	FY2017	FY2016	FY2015	
Output Measures-Key										
1-1-1 Thrift Safety and Soundness										
1. Number of Examinations Performed										
Quarter 1	22	5	5	22.73%		6	6	3	6	
2-1-1 Mortgage Regulation										
1. Number of Applications Processed										
Quarter 1	8,000	2,107	2,107	26.34%		2,274	2,027	1,793	1,452	
2. Number of Licensees Examined										
Quarter 1	6,000	1,103	1,103	18.38%	*	2,095	2,225	1,077	1,387	
During the quarter, 79% of the examinations conducted were of smaller companies, most having fewer than 10 originators being sponsored by the company.										
3-1-1 Consumer Responsiveness										
1. Number of Consumer Complaints Completed										
Quarter 1	1,000	228	228	22.80%		259	267	247	199	

*Varies by 5% or more from target.

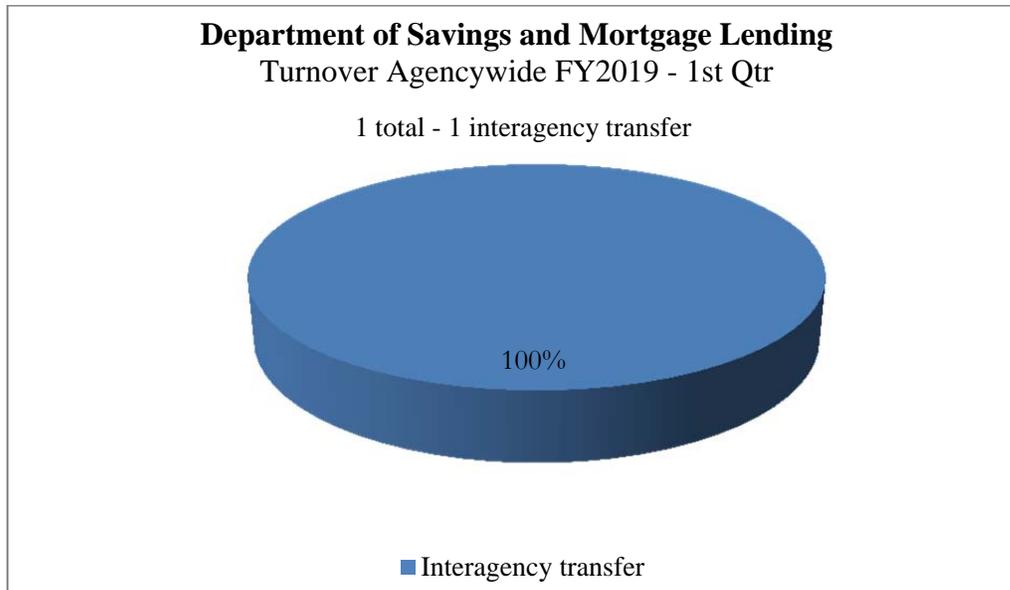
4. Fiscal/Operations Activity:

a. Funding Status/Audits/Financial Reporting

Funding Status/Budget – Staff has closed out the first quarter of FY19. The reports are located elsewhere in this packet.

b. Staffing

During the first quarter of FY19, the Department had one separation – an interagency transfer.



As of February 1, 2019, the Department was staffed at 50 regular employees – 49 full-time and one part-time with 60 FTEs available.

During the months of December and January, the Department hired two new staff members – a Human Resources Specialist and a Financial Examiner-Mortgage, and had two voluntary separations.

Below is the status of the Department’s vacancies:

Vacancy Status	
HR Specialist III/IV	Closed – Hired
Financial Examiner I/II – Mortgage	Closed – Hired
Customer Service Representative I/II	Open – Conducting interviews
Investigator II - Licensing	Open – Reviewing applications
License and Permit Specialist II/III	Open – Reviewing applications
Financial Examiner I/II – Thrift	Open – Reviewing applications
Financial Examiner III – Thrift	Open – Reviewing applications
Financial Examiner IV – Thrift	Open – Reviewing applications

Departmental Operations

The Department received the award for “Most Improved Campaign” from the State Employee Charitable Campaign. The Department, through fundraising and contributions, raised a total of \$900.55. The money raised benefited the Ovarian Cancer Research Fund Alliance and Hospice Austin.

Director Antov attended the Office of the Governor’s Child Sex Trafficking Team Briefing on January 31, 2019.

Several of the Department’s management staff, personally volunteered to help Habitat for Humanity Texas “build” a house within the Capitol on January 29, 2019. The house will benefit a Hurricane Harvey victim in Refugio Texas.

5. Legal Activities:

a. Enforcement

SOAH Cases:

Case No. 450 19-0563 Department of Savings and Mortgage Lending v. Ian Keber

The Department denied the RMLO license application of Ian Keber on the grounds that he had failed to establish that he was of good moral character. Mr. Keber appealed the license denial. A contested SOAH hearing was held before an administrative law judge (ALJ) on December 20, 2018. The ALJ has 60 days from that date to enter the proposal for decision in this matter.

Litigation:

None

b. Gift Reporting

None

c. Legislative Activities

The Sunset Advisory Commission met January 9, 2019, for a final vote on their recommendations for the 86th Legislative Session.

The Department will be providing testimony at the February 14, 2019, House Committee on Pensions, Investments, and Financial Services hearing.

SML Future Rule Activity		
Rule	Short Title/Purpose	Projected Date for Presentation
7TAC, Ch. 155	<p>Payoff Statements</p> <p>To conduct standard rule review under Tex. Gov't. Code, §2001.039</p> <p>Joint rule review action with the Credit Union Department</p>	June, 2019

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C.

**Office of Consumer Credit
Commissioner**

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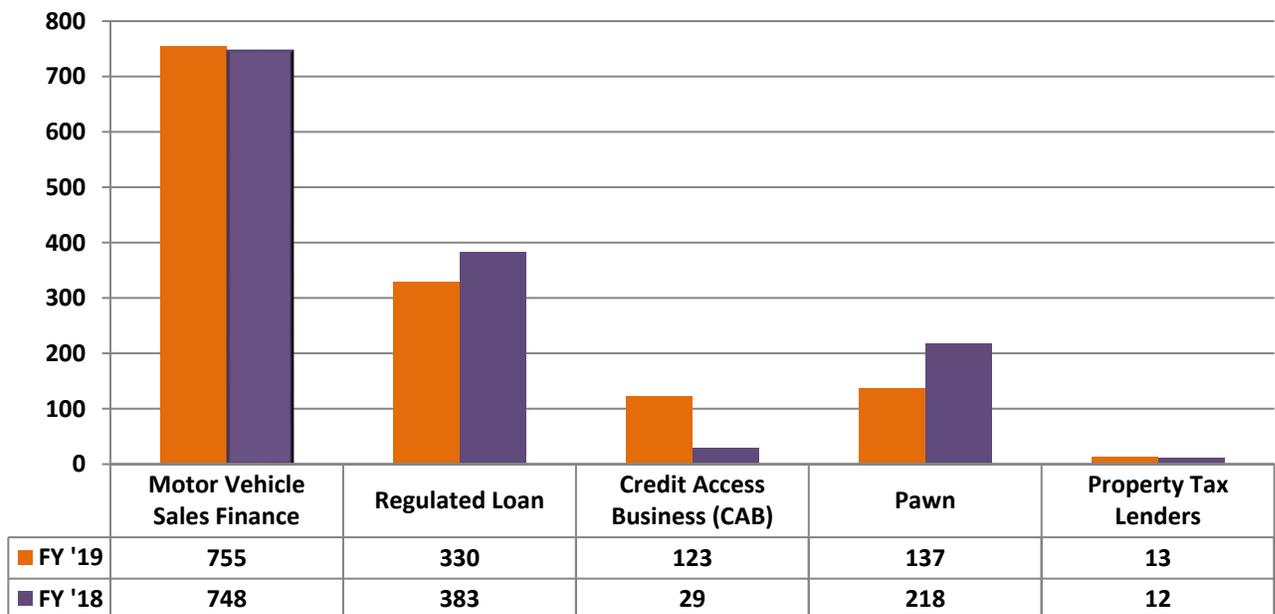
Consumer Protection and Consumer Assistance Report

Rudy Aguilar, Director of Consumer Protection

The overall examination process is on track with the prorated FY 2019 goals. Several enterprise level examinations are in varying stages from planning to finalizing the draft of examination reports. These examinations will be staggered throughout the fiscal year.

Two groups of newly hired financial examiners have completed classroom training. The first group is in the process of certification in the completion of Motor Vehicle Sales Finance examinations. The second group is receiving field training in Motor Vehicle Sales Finance examinations. Over the next three years these examiners will be training and certifying for each of the five license types in which exams are conducted. The area of field examiners is fully staffed.

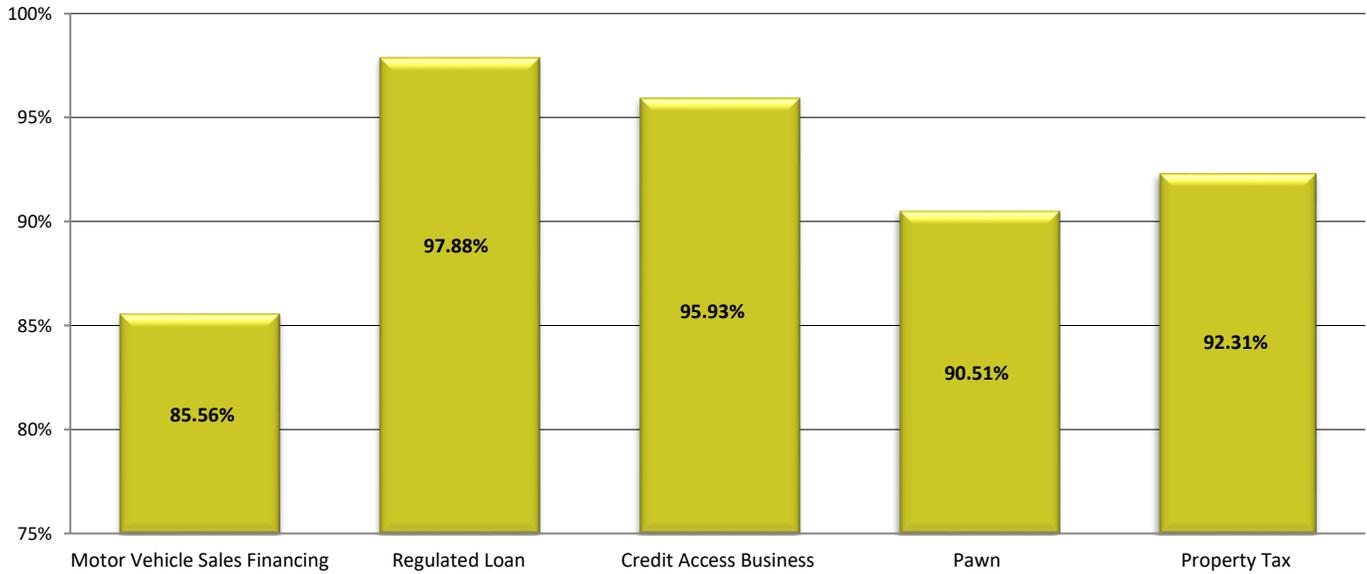
Examinations Conducted: Sept - Dec Fiscal Year Comparison



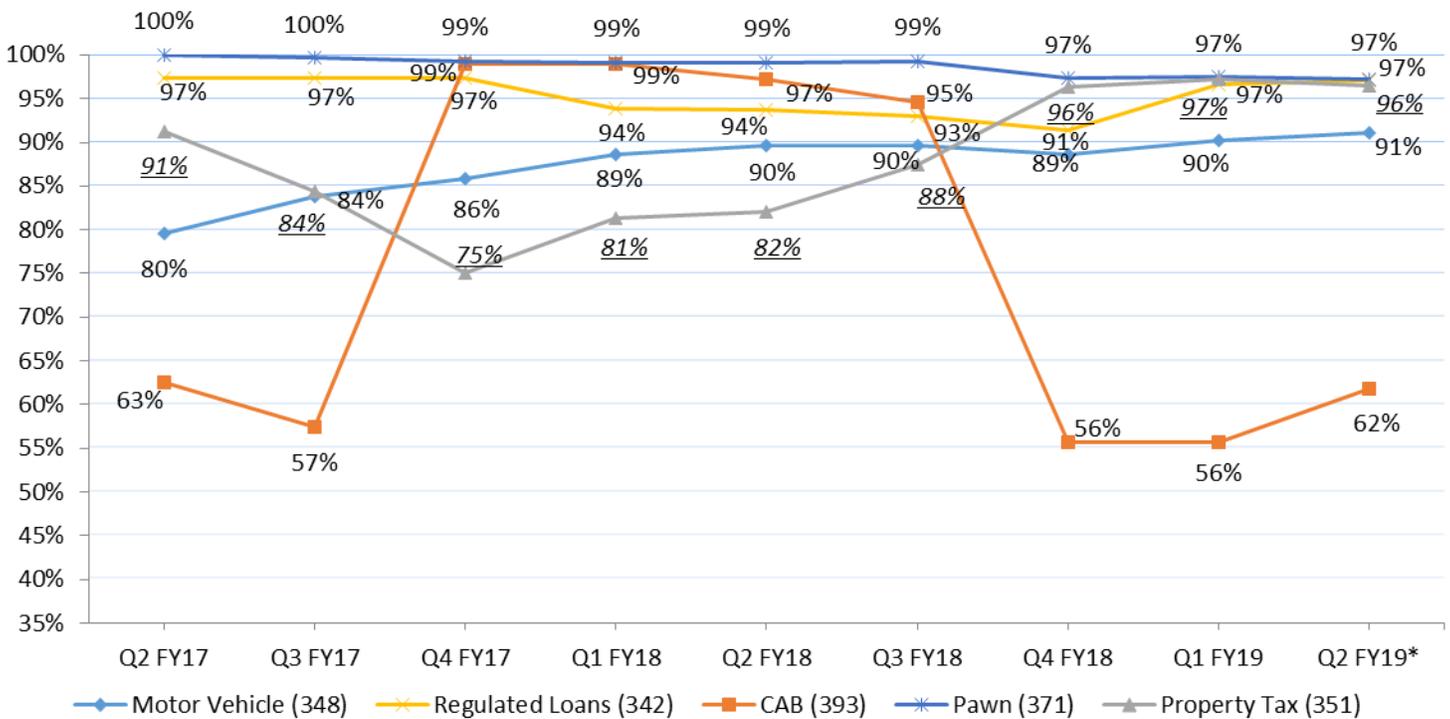
■ FY '19 ■ FY '18

The first chart below exhibits the acceptable level of compliance of examinations during the first four months of FY 2019, which is acceptable for all five license types. The second, 12-month trailing chart shows CAB compliance at 62%, reflecting the impact of large enterprise exams conducted in the 4th quarter of FY '18.

Acceptable Level of Compliance FY '19 (Sept 2018 - Dec 2018)



Acceptable Compliance Levels - Trailing 12 Months (at quarter end)

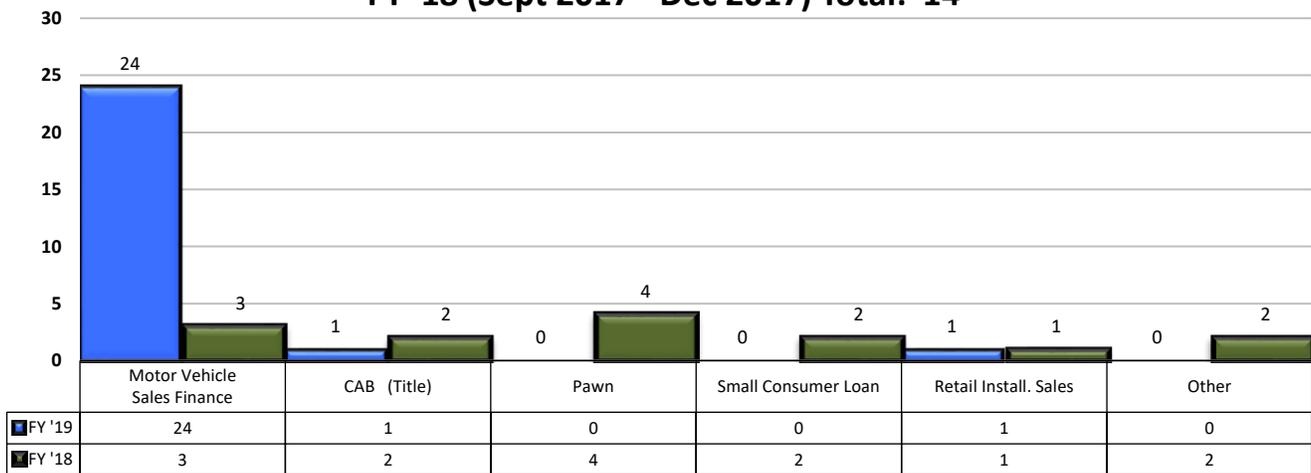


Motor Vehicle Sales Finance investigations and complaints are at a high level. At this time no single factor has been identified as being responsible for this situation.

Investigations

The agency has completed 26 investigations, 32.5% of the FY 2019 goal of 80 investigations. Motor Vehicle Sales Finance was the largest category comprising 92.3 % of the overall number of investigations completed for the first four months of FY 2019 with unlicensed activity and repossessions as the top two issues.

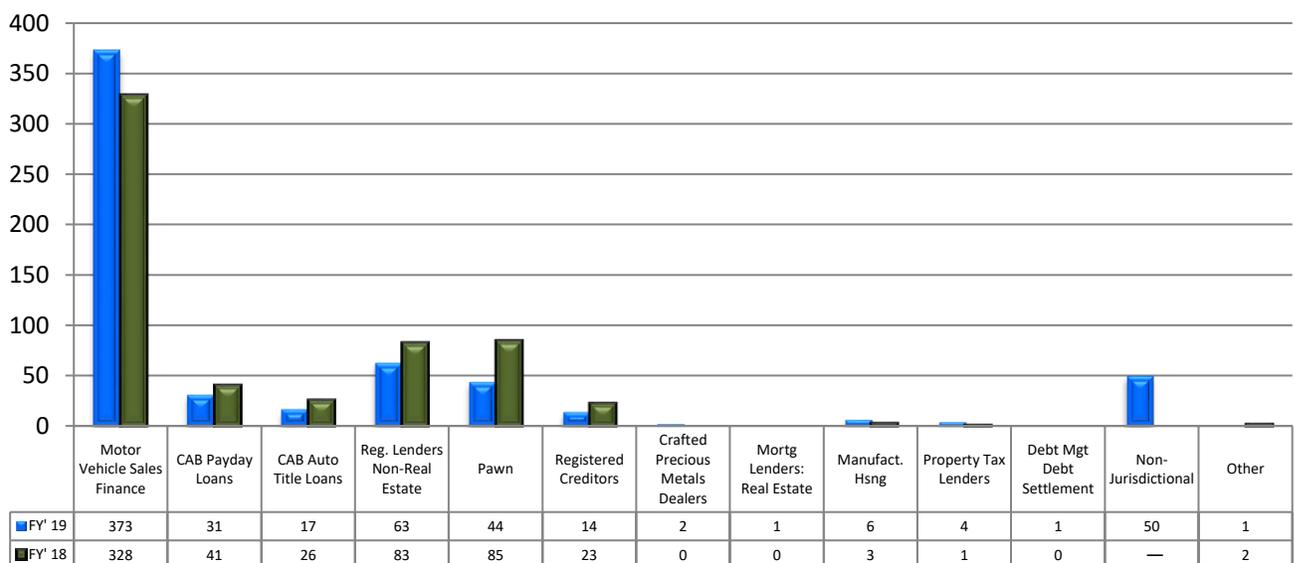
Investigations Completed
FY '19 (Sept 2018 - Dec 2018) Total: 26
FY '18 (Sept 2017 - Dec 2017) Total: 14



Consumer Assistance

For this period, 607 complaints were processed, of which 50 were classified as non-jurisdictional. The average number of days to close complaints from September 1, 2018 to December 31, 2018 was 51.4 days for all complaints and 55.6 days for written complaints.

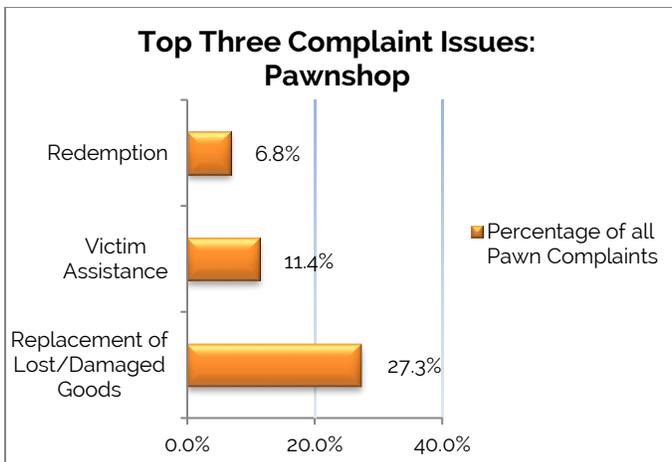
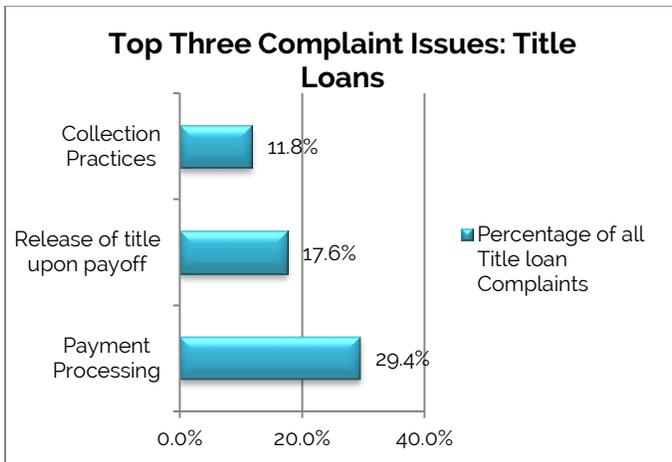
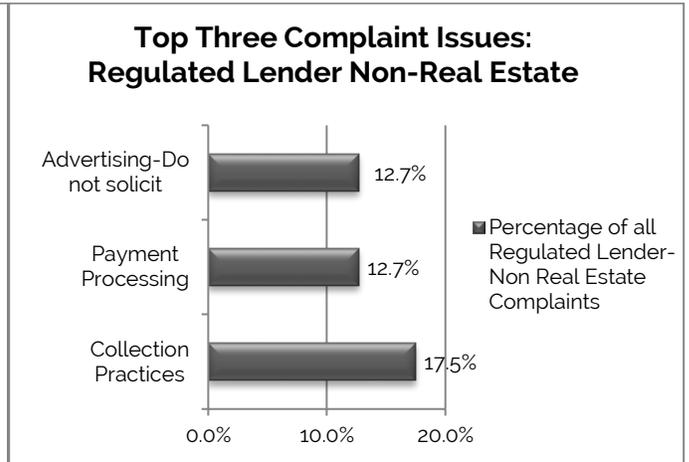
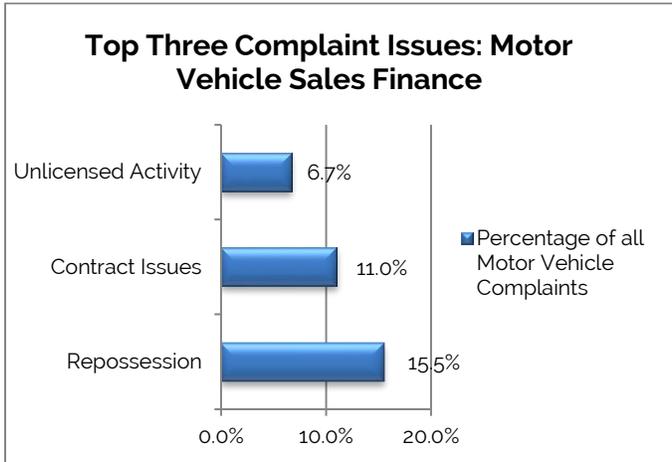
Complaints Processed
FY '19 (Sept 2018 - Dec 2018) Total: 607
FY '18 (Sept 2017 - Dec 2017) Total: 593



The top four areas of complaints are (1) Motor Vehicle Sales Finance (MVSF), (2) Regulated Lenders Non-Real Estate, (3) Credit Access Business (CAB) and (4) Pawn.

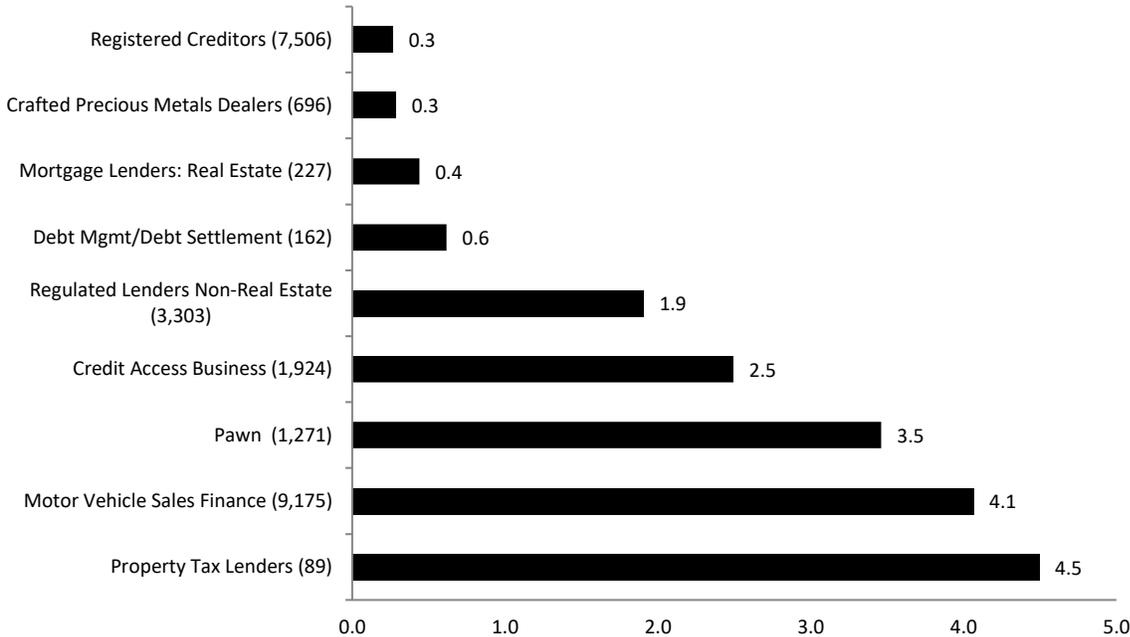
MVSF complaints were the largest complaint category at 61.4%. The second largest number of complaints came from Regulated Lenders Non-Real Estate at 10.4%. The third largest category of complaints came from CAB complaints at 7.9% collectively; separately, these are 5.1% for payday loans and 2.8% for title loans. The fourth largest category was Pawn at 7.2% complaints.

Each of the following charts represents the three top complaint areas per license type:



Comparison of complaints processed to the number of active license or registrant population is noted on the chart below. The highest ratio involved Property Tax Lenders, followed by Motor Vehicle Sales Finance as the second highest, Pawn as the third, and Credit Access Business as the fourth highest.

**Ratio of Complaints Processed to Total Active License or Registrants*
FY '19 (Sept 2018 - Dec 2018)**



■ Complaints per Hundred Licenses

*License-Registrant levels as of 1-2-2019



Licensing Report- February 2019

Mirand Diamond, Director

Renewals

Renewal for credit access businesses, regulated lenders and property tax lenders concluded in January, with 97% of CABs completing renewal, 98% of regulated lenders and 85% of property tax lenders. It is estimated that approximately 90% of renewals were completed online.

The department completed renewal for residential mortgage loan originators as well, with a renewal rate of 65% through the NMLS system.

Renewal for registrants of debt management settlement providers is currently ongoing and more than 85% of registrants in this industry will likely renew.

Applications Processing

The department was able to significantly diminish pending application volume during the two prior reporting periods. This enables staff to focus some resources on cross training, process improvement, record retention, verifying imaged documents and other projects.

Pawn employee application has reached the goal for total pending applications. The department will continue to work with industry stakeholders to maintain manageable volumes, while monitoring pending legislative issues that may have an impact on pawn employee applications.

Other Updates

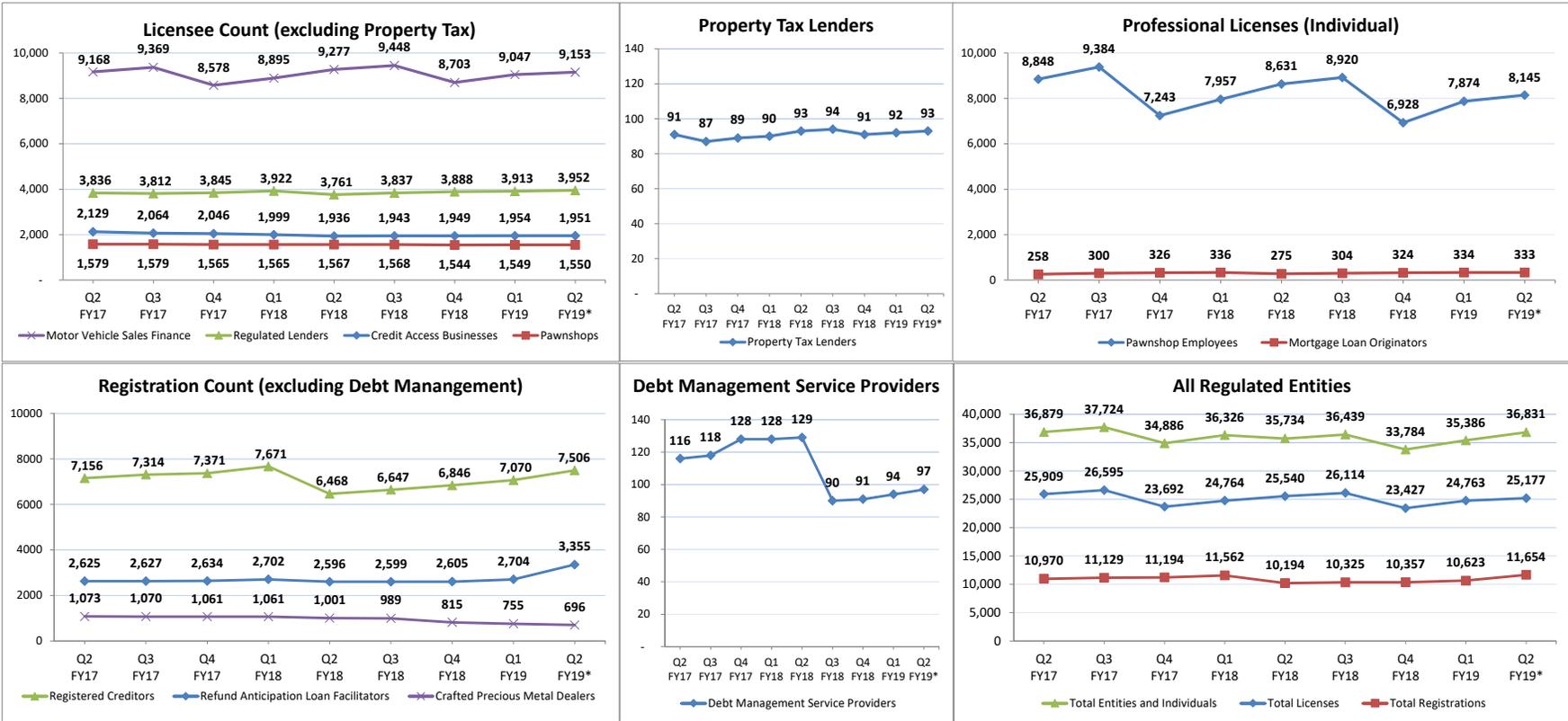
The department continues to plan for the expanded roll-out of two-factor authentication for external users of ALECS.

A representative from the department will be attending the NMLS annual conference and training in February to learn about system enhancements, receive information on NMLS 2.0 and engage with industry stakeholders.

Regulated Entity Population Trends

The following charts reflect the number of OCCC regulated entities at the end of each quarter in fiscal years 2017 and 2018 to current data.

Number of OCC Regulated Entities Quarterly Comparison of FY17-19



*Data through 1/2/2019



Communications, Human Resources & Administration Report

Juan V. Garcia, Director of Strategic Communications, Administration and Planning

The start of the 86th Texas Legislature began on Tuesday, January 8, 2019 and the Agency has begun reviewing bills filed that affect its operations. Lieutenant Governor Dan Patrick and Speaker Dennis Bonnen announced committee assignments in their respective chambers. The Agency’s oversight committee in the Senate is the Business & Commerce Committee, chaired by Senator Kelly Hancock and in the House it is the Pensions, Investments & Financial Services Committee chaired by Representative Jim Murphy. Although these committees have not announced hearings yet, Commissioner Pettijohn and staff have begun briefing selected staff on the agency’s issue areas.

The agency continues to focus on stakeholder outreach and communication through various channels. For FY 2019 Q1, 297 industry participants attended staff presentations regarding compliance matters and the regulatory role and responsibilities of the agency at training seminars hosted by other organizations.

William Purce, Senior Review Examiner, presented to dealers at the Manufactured Housing Division of the Texas Department of Housing and Consumer Affairs on September 11 and November 7 in Austin. Karl Hubenthal, Financial Analyst, presented to the Texas Organization of Financial Service Centers (TOFSC) on October 24 in Austin. Financial Examiner Eric Fancher contributed to the TxDMV Dealer Training Seminar in Nacogdoches on October 25 and Joseph Adamek, Financial Examiner, participated in the same dealer training in Corpus Christi on November 15.

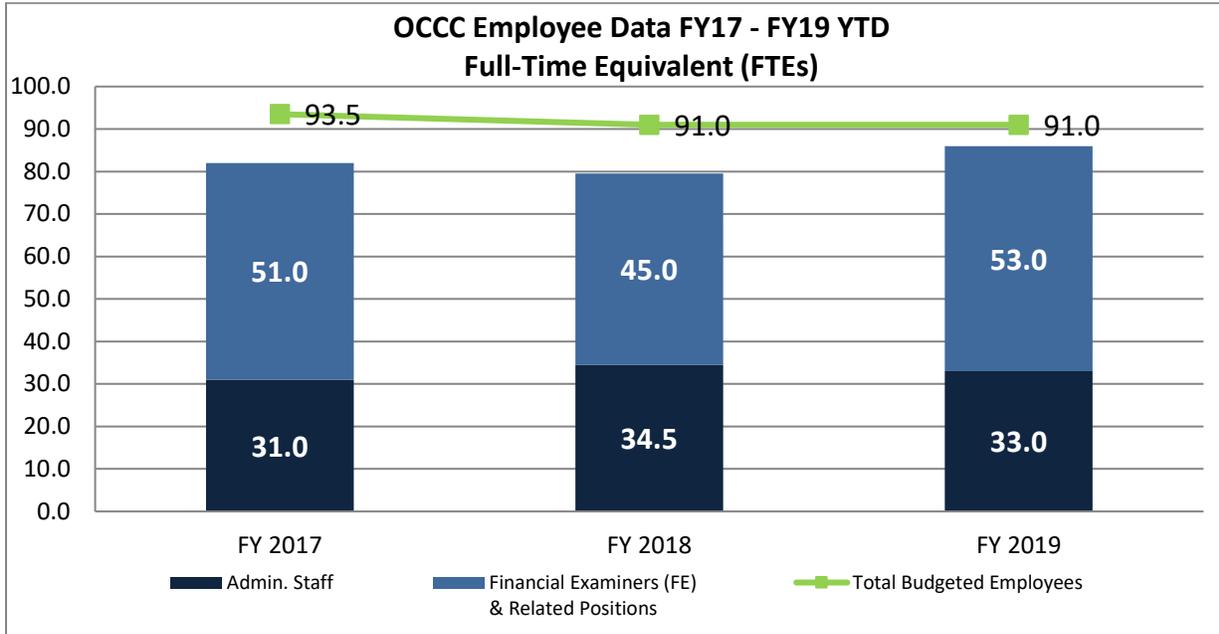
Human Resources

During FY 2019 Q1, there were three openings: (2) Investigator I positions and (1) System Support Specialist III. Currently there is still an Investigator I position vacant. In addition, an Accountant I and Legal Assistant position have become vacant since previously reported.

FY 2019 YTD

Vacancy	Status
Investigator I	Conducting interviews
Accountant I	Seeking applications
Legal Assistant	Reviewing candidates

The chart below compares administrative staff vs. financial examiners for the last three fiscal years.



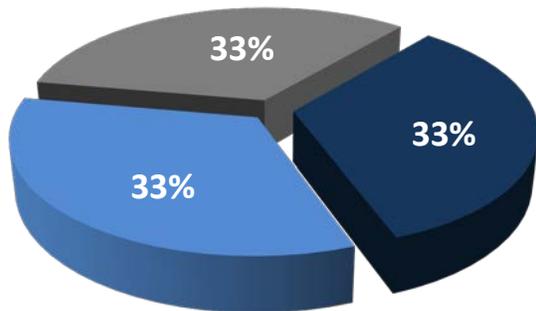
The Agency had a total of 3 separations in FY 2019 Q1: (1) *Interagency transfer [Financial Examiner II, San Antonio Region]*, (1) *voluntary resignation [Accountant II – Austin Headquarters]* and (1) *retirement [Financial Examiner IV – Dallas Region]*.

OCCC Turnover Categories

FY 19 - All Employees

(09/01/18 - 11/30/18)

3 total - 1 Interagency Transfer, 1 Voluntary Resignation, 1 Retirement



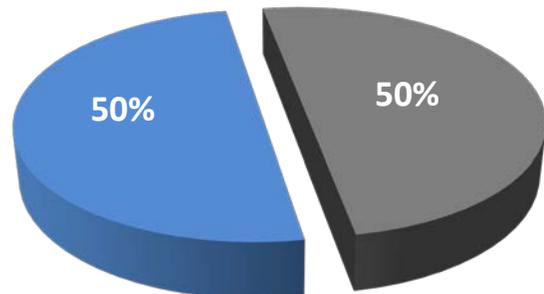
■ Interagency Transfer ■ Retirement
 ■ Voluntary Resignation

OCCC Turnover Categories

FY 19 - Financial Examiners

(09/01/18 - 11/30/18)

2 total - 1 Interagency Transfer, 1 Retirement



■ Interagency Transfer ■ Retirement

Last year, Governor Abbott implemented a requirement for his staff to view a training documentary entitled “Be the One in the Fight Against Human Trafficking” within 120 days and for all new staff to view the video within 60 days of hire. The Governor also issued a challenge to all state agencies to help combat human trafficking by implementing this training.

On August 10, 2018, the Governor’s Child Sex Trafficking Team (CSTT) sent all state agencies a letter announcing that 100% of OOG employees had completed the human trafficking training. CSTT also requested updates from state agencies on their progress toward meeting the Governor’s challenge.

On November 2, 2018, Governor Abbott “*strongly encouraged to have 100% of [your] staff view the video and implement a requirement for new personnel to be trained as part of your onboarding processes by the end of the calendar year: December 31, 2018*”.

The OCCC accepted the challenge and had 100% participation by calendar year end, and now requires new employee to watch this video during new employee orientation.

On January 31, 2018, the Office of the Governor invited legislative staff, state agencies, and partners to a briefing with the Child Sex Trafficking Team. The OCCC was recognized as one of 54 agencies who met the Governor’s Be the One Challenge.

Financial Literacy

Since the last Finance Commission update, the Financial Literacy Specialist completed two multi-week courses at public schools through a partner organization, Junior Achievement (JA). By the end of January 2019, the Financial Literacy Specialist has provided a total of 11 financial literacy presentations to 122 Texans seeking financial education, or 33.3% of the yearly participation goal.

Junior Achievement sought out additional presentations, securing the financial literacy specialist for a six-week course at a middle school this spring teaching “JA Economics for Success”. JA Economics for Success provides practical information about personal finance and the importance of identifying education and career goals based on a student’s skills, interests, and values. The Financial Literacy Specialist is continuously seeking new partnerships, including churches, after school programs, low-income neighborhood centers, youth and community centers, and others. In addition, the specialist has made two new contacts in order to reach out to additional participants.

Additionally, the Financial Literacy Specialist and Texas Jumpstart Coalition board are preparing for a “Financial Literacy Day” in late February or early March at the Texas Capitol in order to raise public awareness of personal financial education and promote financial education resources available in Texas.

The Financial Literacy Specialist has coordinated additional presentations for FY 2019 and anticipates being on target to meet quarterly goals.



Accounting & IT Reports

Accounting

The Accounting Department completed the FY 2018 Annual Non-Financial Report, and submitted necessary copies to all oversight agencies before the scheduled due date. The Accounting Department also attended the Texas State Agency Business Administrators' Association (TSABAA), bimonthly meeting to receive updates on upcoming events for the 86th Texas Legislative Session. The department began processing W-2's and 1099's which are due January 31st. The department has submitted requested information for the Efficiency Audit.

Information Technology

State Reporting and Compliance

IT completed interviews with AT&T for the Texas Cybersecurity Framework Assessment. A draft of the report is expected before the end of February.

Physical Facilities and Hardware

Austin office space transition to new surge protectors, recommended by SORM, is nearly complete. The last two, older surge protectors still in service, directly within IT, will be replaced during upcoming personnel transition.

A variety of obsolete equipment was erased, destroyed, and recycled in conjunction with DIR and TDCJ.

Security & Software

ALECS is nearing completion of a massive, security-driven rebuild, with over 1000 individual pages to be updated. User acceptance testing is expected in the first week of February.

OCCC had DIR migrate the public-facing websites to a new DNS, due to hardware and software changes made by other vendors.

OCCC personnel continue to demonstrate situational awareness of potential or real attempted phishing attacks. At least ten suspicious emails were forwarded to IT for review, which subsequently forwarded the most aggressive samples to DIR for detailed evaluation and possible incorporation into the statewide blacklisting.

An opportunistic phishing training campaign used the Marriott data breach as the cover story. The bait email was sent to 52 employees who travel frequently; 98.1% did not submit data to the (completely safe) destination link.

OFFICE OF CONSUMER CREDIT COMMISSIONER
EXECUTIVE SUMMARY

As of November 30, 2018

	FY 2017	FY 2018	FISCAL YEAR 2019				
			1st QTR	2nd QTR	3rd QTR	4th QTR	FYTD
CONSUMER PROTECTION							
Monies Returned to Consumers (000)	20,593	5,122	2,102				2,102
Regulated Lenders Examinations	1,207	1,085	266				266
Property Tax Lender Examinations	32	27	10				10
Pawnshop Examinations	575	484	121				121
Motor Vehicle Examinations	2,354	2,269	593				593
Credit Access Businesses Examinations	652	638	22				22
CONSUMER ASSISTANCE							
Telephone Complaints Received	986	742	154				154
Written Complaints Received	1,111	1,073	570				570
Total Complaints Processed	2,130	1,768	482				482
% of Written Complaints Closed within 90 Calendar Days	91.83%	83.72%	85.28%				85.28%
ADMINISTRATIVE ENFORCEMENT ACTIONS							
Originated	371	194	199				199
Finalized	389	200	22				22
LICENSING AND REGISTRATION							
Licenses							
Regulated Loan Licenses	3,845	3,888	3,913				3,913
Pawnshop Licenses	1,565	1,544	1,549				1,549
Pawnshop Employee Licenses	7,243	6,928	7,874				7,874
Commercial MV Sales Fin. Licenses	39	49	52				52
Motor Vehicle Sales Finance Licenses	8,539	8,654	8,995				8,995
Property Tax Loan Licenses	89	91	92				92
Mortgage Loan Originators	326	324	334				334
Credit Access Business Licenses	2,046	1,949	1,954				1,954
Registrations							
Registered Creditors	7,371	6,846	7,070				7,070
Crafted Precious Metal Dealers	1,061	815	755				755
Debt Management Service Providers	128	91	94				94
Refund Anticipation Loan Facilitators	2,634	2,605	2,704				2,704
Applications							
Business -- New	1,522	1,594	417				417
Business -- Change of Ownership	138	136	50				50
Pawnshop Employees -- New	3,133	3,135	1,164				1,164
HUMAN RESOURCES DATA							
Field Examiners Staffing	41	39	45				45
Total Staffing	82	80	86				86

**Office of Consumer Credit Commissioner
Actual Performance for Output Measures
Fiscal Year 2019**

Type/Strategy/Measure	2019 Target	2019 Actual	2019 YTD	Percent of Annual Target	Comparable Historical Data for the same time period			
					FY2018	FY2017	FY2016	FY2015
Output Measures-Key								
1-1-1 Complaint Resolution								
1. # Complaints Closed								
Quarter 1	2020	482	482	23.86%	440	467	648	470
2. # Investigations Closed								
Quarter 1	80	19	19	23.75%	14	22	29	16
2-1-1 Examination and Enforcment								
1. # Complaine Examinations Performed								
Quarter 1	4200	1012	1012	24.10%	1,094	911	908	779
2-2-1 Licensing								
1. # Business Applications Processed								
Quarter 1	1445	417	417	28.86%	358	377	494	381
2. # Pawn Employee License Applications Processed								
Quarter 1	2,700	1,164	1,164	43.11% *	832	945	655	715
Pending volume of pawn employee applications had increased in Q4 of FY 2018 so there was an immediate need to diminish that volume. In Q1 of 2019 the department was able to allocate resources to process a high number of pawn employee applications and get the number back down to a manageable level. Processing should adjust to normal levels throughout the remainder of FY 2019.								
3-3-1 Financial Education								
1. # Consumer Receiving Financial Education								
Quarter 1	325	80	80	24.62%	59	61	46	32

*Varies by 5% or more from target.



Legal Department Report

Michael Rigby, General Counsel

February 2019

Enforcement Report

Contested Cases

During December 2018, the OCCC participated in one contested case hearing, which resulted in a default order from the State Office of Administrative Hearings (SOAH). The matter is *Office of Consumer Credit Commissioner v. Calexico Motors, Inc.* (SOAH Docket No. 466-19-1553), which is an appeal of a license application denial. The OCCC denied Calexico Motors' application for a motor vehicle sales finance license based on the criminal history of the business's owner and president, including convictions for burglary of a vehicle, failure to identify, and assault. The denial was also based on the Calexico Motors' failure to fully disclose this criminal history in the license application. A hearing on the application denial was held at SOAH on December 20, but Calexico Motors did not appear at the hearing. On December 21, SOAH issued a default order remanding the case back to the OCCC.

Credit Access Business Unregistered Activity Cases

In January 2019, the OCCC issued 22 enforcement orders against credit access businesses that operated with an expired credit services organization registration. Under Chapter 393 of the Texas Finance Code, a credit access business must hold both a credit access business license with the OCCC and a credit services organization registration with the Texas Secretary of State. Of the 22 enforcement orders, 13 orders were injunctions to maintain a current registration, and 9 orders were injunctions to obtain and maintain a registration.

Performance Report

The following table summarizes enforcement actions closed by the OCCC during the last three fiscal years, and the current fiscal year-to-date as of January 31, 2019. These figures reflect enforcement actions that have been fully resolved by formal order, informal resolution, or dismissal. Actions that are still pending are not included in the table.

Enforcement Actions Closed as of January 31, 2019				
	FYTD 2019	FY 2018	FY 2017	FY 2016
Injunction Actions				
Crafted Precious Metal Dealer	0	0	0	0
Credit Access Business	13	27	47	25
Debt Management Provider	0	5	2	1
Manufactured Housing	0	0	1	0
Motor Vehicle Sales Finance	8	19	31	18
Pawnshop	73	39	37	1
Pawnshop Employee	60	48	69	0
Property Tax Lender	1	2	2	16
Registered Creditor	0	1	1	1
Regulated Lender	5	12	37	88
Residential Mortgage Loan Originator	0	1	1	0
Total Injunction Actions	160	154	230	157
Administrative Penalty Actions				
Crafted Precious Metal Dealer	0	0	0	2
Credit Access Business	6	6	23	97
Debt Management Provider	0	1	0	1
Motor Vehicle Sales Finance	3	26	106	129
Pawnshop	5	6	3	40
Pawnshop Employee	0	0	0	1
Property Tax Lender	0	6	2	3
Regulated Lender	4	0	13	0
Residential Mortgage Loan Originator	0	0	0	1
Total Administrative Penalty Actions	18	45	147	273
Revocation / Suspension Actions				
Crafted Precious Metal Dealer	0	0	0	0
Credit Access Business	0	0	3	2
Motor Vehicle Sales Finance	0	1	2	9
Pawnshop	0	0	1	3
Pawnshop Employee	1	0	1	2
Property Tax Lender	0	0	0	0
Regulated Lender	0	0	1	1
Residential Mortgage Loan Originator	0	0	0	0
Total Revocation / Suspension Actions	1	1	8	17
Application Denial and Protest Actions				
Credit Access Business	0	0	0	0
Motor Vehicle Sales Finance	0	0	1	3
Pawnshop	0	0	1	1
Pawnshop Employee	0	0	0	7
Property Tax Lender	0	0	0	0
Regulated Lender	0	0	0	0
Residential Mortgage Loan Originator	0	0	1	0
Total App. Denial and Protest Actions	0	0	3	11
Total Actions Closed	179	200	388	458

From December 1, 2018 to January 31, 2019, the OCCC:

- closed 137 cases with final orders,
- opened 4 cases in order to assess administrative penalties,
- opened 25 cases in order to issue injunctions,
- participated in no contested case hearings, and
- opened no cases challenging an application denial.

The OCCC has three hearings scheduled between February 1, 2019, and March 31, 2019.

Administrative Rule Report

The OCCC is not presenting any rule actions at the February meeting.

Litigation

State of Texas v. Student Loan Relief, LLC

In October 2017, the Office of the Attorney General (OAG) filed a lawsuit in Travis County district court against Student Loan Relief, LLC; Student Loan Relief of Texas, Inc.; Your Student Loan Relief Organization; and Jason Spencer. In January 2019, the OAG filed an amended petition adding another party: Student Loan Relief, Inc.

The lawsuit alleges that the defendants violated the Deceptive Trade Practice Act and the Texas Finance Code by: (1) providing debt management services without registering with the OCCC, (2) providing credit services organization services without registering with the Texas Secretary of State, (3) engaging in false and deceptive advertising, (4) charging premature or unauthorized fees, (5) misappropriating or misapplying loan payments, (6) requesting loan deferments or forbearances without permission, and (7) failing to provide refunds or cease withdrawals.

After the OAG filed the lawsuit, Mr. Spencer filed for bankruptcy, and the defendants' attorney withdrew from the case. Due to the pending bankruptcy and withdrawal of the defendants' attorney, the OAG has requested that the trial in this matter be continued until December 2, 2019.

The OCCC is represented in the district court by the Consumer Protection Division of the OAG. The full style of the Texas case is *State of Texas v. Student Loan Relief, LLC, Student Loan Relief of Texas, Inc., Your Student Loan Relief Organization, Student Loan Relief, Inc., and Jason Spencer*. The case number is D-1-GN-17-005516, in the 353rd District Court of Travis County, Texas.

Federal Rulemaking

FDIC Request for Information on Small-Dollar Lending

In November 2018, the Federal Deposit Insurance Corporation (FDIC) requested "comments from interested parties on issues related to small-dollar lending, including steps that can be taken to encourage FDIC-supervised institutions to offer small-dollar credit products that are responsive to customers' needs and that are underwritten and structured prudently and responsibly."

In response to this request, the National Association of Consumer Credit Administrators (NACCA) filed a comment expressing concern that “dissonance between state and federal standards for small-dollar loans could harm consumers and pose a challenge to healthy competition in the small-dollar loan industry.” Similarly, the Conference of State Bank Supervisors filed a comment recommending that “federal regulators should, in consultation with states, coordinate in future rulemaking efforts to ensure we do not create an uneven playing field for, or arbitrage opportunities between national banks, state banks, and non-banks.”

Advisory Bulletins

From December 1, 2018 to January 31, 2019, the OCCC did not issue any advisory bulletins.

Official Interpretation Requests

From December 1, 2018 to January 31, 2019, the OCCC did not receive any requests for official interpretations. As of January 31, 2019, there were no pending requests for official interpretations.

Public Information Requests

From December 1, 2018 to January 31, 2019, the OCCC received 34 requests for information under the Texas Public Information Act, with no referrals to the Office of the Attorney General.

Gifts Received by the OCCC

From December 1, 2018 to January 31, 2019, the OCCC did not receive any gifts.

Rule Item/Purpose	Proposal Date	Adoption Date
<p>Residential Mortgage Loan Originators Applying for Licensure with the OCCC under the SAFE Act – Rule Review 7 TAC, Part 1, Chapter 2</p> <p>To conduct standard rule review under Tex. Gov't Code, §2001.039; to ensure consistency with agency procedures; and to make technical corrections</p>	<p>TBD 2019</p>	
<p>Retail Creditors - Rule Review 7 TAC, Chapter 86</p> <p>To conduct standard rule review under Tex. Gov't Code, §2001.039; to ensure consistency with agency procedures; and to make technical corrections</p>	<p>TBD 2019</p>	
<p>Chapter 342, Plain Language Contract Provisions - Rule Review 7 TAC, Chapter 90</p> <p>To conduct standard rule review under Tex. Gov't Code, §2001.039; to ensure consistency with agency procedures; and to make technical corrections</p>	<p>TBD 2019</p>	

D.

Texas Department of Banking

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Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

2601 North Lamar Blvd., Austin, Texas 78705

512-475-1300 / 877-276-5554

www.dob.texas.gov

To: Finance Commission Members

From: Daniel Frasier, Director of Bank & Trust Supervision *DBF*

Date: January 31, 2019

Subject: Summary of the Bank & Trust Supervision Division Activities

Bank and Trust Supervision					FY 2019							
					8/31/2017		8/31/2018		11/30/2018	2/28/2019	5/31/2019	8/31/2019
Industry Profile (# / Assets in billions)												
# Banks	240	\$252.9	236	\$257.3	233	\$257.7						
# Trust Co. (1)	17	\$108.5	17	\$107.4	18	\$108.0						
# FBA/FBB	10	\$56.1	7	\$66.3	7	\$64.8						
Examinations Performed												
Banks	103		107		26							
Trust Co.	26		27		5							
FBA/FBB	3		3		0							
Bank Uniform Financial Institution Composite Ratings												
1	123	51.3%	114	48.3%	111	47.6%						
2	104	43.3%	111	47.0%	111	47.6%						
3, 4, & 5	12	5.0%	11	4.7%	11	4.8%						
Non-Rated	1	0.4%	0	-	0	-						

(1) Fiduciary assets for public trust companies (non-exempt) only.

The number of problem institutions remains stable and is in line with the normal range of between 3% and 5% of the total number of institutions. The Department considers any bank with a Uniform Financial Institutions Composite Rating of 3, 4, or 5, to be a problem bank.

Summary of the Bank & Trust Supervision Division Activities

Enforcement Actions Outstanding <i>(Number outstanding as of the date indicated)</i>			FY 2019			
	8/31/2017	8/31/2018	11/30/2018	2/28/2019	5/31/2019	8/31/2019
Banks - Safety and Soundness						
Formal	2	2	2			
Informal	22	17	17			
Banks - Bank Secrecy Act (BSA)						
Formal	0	0	1			
Informal	2	1	1			
Banks - Information Technology (IT)						
Formal	0	0	0			
Informal	2	3	2			
Trust Departments of Banks and Trust Companies						
Formal	0	0	0			
Informal	2	2	2			
Total Enforcement Actions Outstanding						
Formal	2	2	3			
Informal	28	23	22			
Total	30	25	25			

Formal actions include Orders to Cease and Desist, Consent Orders, Written Agreements and Supervisor Actions.
 Informal actions include Determination Letters, Memoranda of Understanding, Commitment Letters and Board Resolutions.
 Compliance actions are not included.

Compliance with Examination Priorities Percent of Examinations Conducted within Department Guidelines		
Entity Type	FY 2018	FY 2019 <i>(YTD – Dec. 2018)</i>
Commercial Banks <i>(All / DOB Only)</i>	94% / 98%	100% / 100%
IT	96% / 100%	98% / 96%
Trust	100% / 100%	100% / 100%
Foreign Banks (FRB)	100%	100%
Trust Companies (DOB)	100%	100%
IT	100%	100%

As a reminder from our last memorandum, U.S. Senate Bill 2155, which became law on May 24, 2018, raised the eligibility to qualify for an 18-month examination cycle for banks with \$1 billion in total assets to \$3 billion in total assets. This change effectively moved some of the agency’s larger bank examinations into the second and third fiscal quarters of 2019. This change may result in some bank examinations falling past due in these quarters until a full examination cycle is achieved. The effects of this examination cycle change are not expected to extend beyond the current fiscal year.

Division Highlights

- The agency is monitoring the impact of the federal government shutdown on our regulated institutions. Concerns center around delays in processing applications and other documents needed in areas such as SBA lending, federal flood insurance, FHA-backed loans, Farm Service Agency operations, and IRS income verification and tax return transcripts. To date, no significant adverse effects have been reported.
- The agency is monitoring the impact of changes in accounting practices relating to leases. The accounting change, which was announced in 2016, requires banks to book operating leases onto the balance sheet in fiscal years beginning after December 2018. Before this change, only certain leases were required to be capitalized onto the balance sheet. Preliminary data indicates that this change should not cause a material increase in total assets or investment in bank premises and equipment.
- **Special Operations and Conferences:**
 - Deputy Commissioner Purdom and Review Examiner Whitson participated in the CSBS Supervisors Symposium held in Savannah, Georgia beginning December 3, 2018.
 - Review Examiner Jared Whitson and Senior Examiner Greg Wisian participated in an annual multi-state, multi-regulator conference to discuss regulatory coordination and examination processes associated with large regional financial services organizations.



TEXAS DEPARTMENT OF BANKING

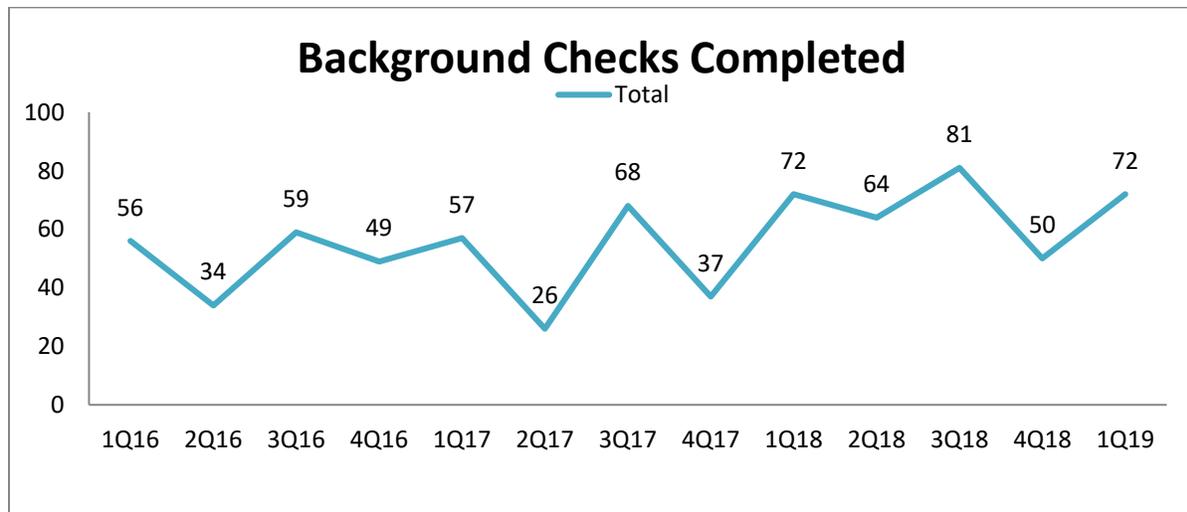
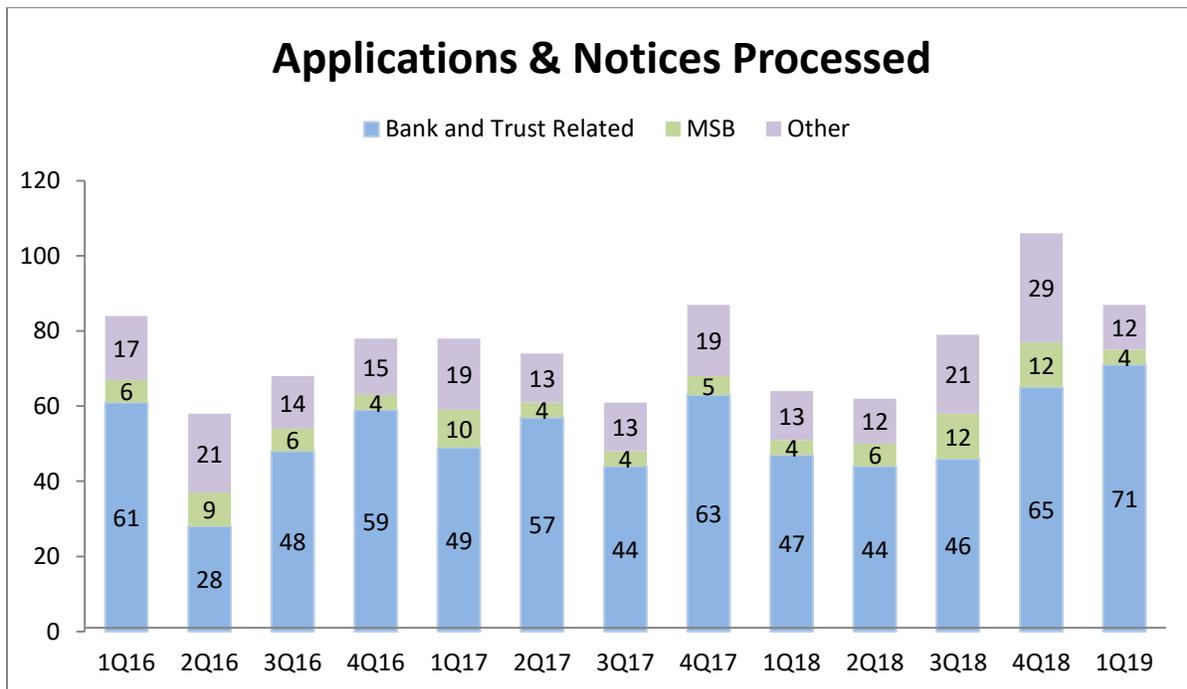
2601 North Lamar Blvd., Austin, Texas 78705

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www.dob.texas.gov

Charles G. Cooper
Commissioner

To: Finance Commission Members
 From: Mark Largent, Acting Director of Corporate Activities
 Date: January 30, 2019
 Subject: Summary of the Corporate Division Activities



Entities/Activities	Applications and Notices Under Review (as of January 29, 2019)
Bank Related	15
Trust Companies	9
Money Services Business (MSB)	10
Others	0
Totals	34

Division Highlights

- Application volume continues to be significant although below the level reported at the last Finance Commission meeting. Compared to our last report submitted to the Finance Commission, the Corporate Division’s applications and notices presently under review by category type changed by:
 - Bank related decreased 3 (17%)
 - Trust company related increased 1 (13%)
 - MSB related decreased 4 (29%)
 - Other decreased 4 (100%)

- Charter, Conversion, and Merger Activity – The following transactions have consummated since Corporate’s last report to the Finance Commission:
 - *Banks*
 - Veritex Community Bank, Dallas, Texas, completed its acquisition merger of Green Bank, N.A., Houston, Texas [estimated gain in state banking assets of approximately \$4.4 billion]
 - Independent Bank, McKinney, Texas, completed its interstate acquisition merger of Guaranty Bank and Trust Company, Denver, Colorado [estimated gain in state banking assets of approximately \$3.7 billion]

- Conferences, Conventions, and Committee Meetings – Since the last report to the Finance Commission, Corporate has not participated in such events.



Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

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To: Finance Commission Members
From: Russell Reese, Director of Special Audits *Russell Reese*
Date: February 1, 2019
Subject: Summary of the Special Audits Division Activities

Special Audits (SA)			FY 2019							
Entity	FY 2018		1 st		2 nd		3 rd		4 th	
Industry Profile (# / Assets (billions))										
Money Services Businesses (MSB)	161	\$131.5	160	\$135.4						
Prepaid Funeral Contract (PFC)	365	\$4.0	365	\$4.1						
Perpetual Care Cemeteries (PCC)	241	\$346.8	241	\$352.4						
Cemetery Brokers (CB)	14	n/a	14	n/a						
Private Child Support Enforcement Agencies (PCSEA)	10	n/a	10	n/a						
Check Verification Entities (CVE)	2	n/a	2	n/a						
Bullion Depository Agent (BDA)	0	n/a	0	n/a						
Examinations Performed										
MSB	97		22							
MSB Limited Scope	1		0							
MSB Accepted other State	14		5							
PFC	240		104							
PFC Limited Scope	8		3							
PCC	201		43							
PCC Limited Scope	4		1							
Ratings (# / %) Assigned to All Regulated Entities										
1	277	36.7%	268	35.5%						
2	399	52.8%	412	54.5%						
3	66	8.7%	64	8.5%						
4 & 5	13	1.8%	11	1.5%						
Noncompliance with Examination Priorities (Past Due)										
MSB	13		10							
PFC	13		5							
PCC	16		7							

NOTES:

PCC \$ amounts reflected in the millions.
Limited scope examinations do not receive a rating.

Noncompliance with Examination Priorities (Past Due)

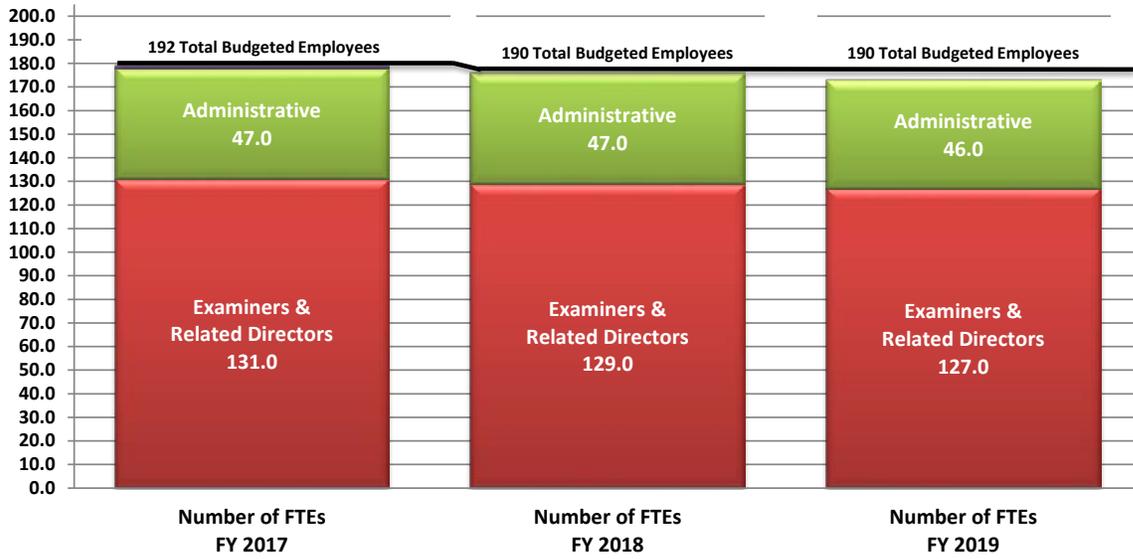
- The ten MSB past due examinations are on average 1.2 months past due.
- The seven PCC past due examinations are on average 1.4 months past due and the five PFC past due examinations are on average 1.0 month past due.
- Our examination schedule reflects that five past due PFC/PCC examinations were completed in December 2018, and all but one PFC examination was completed in January 2019. Based on the location and previous satisfactory rating for the remaining PFC, the examination was delayed allowing for coordinating travel in performing another local examination to reduce travel expenses.
- Our examination schedule reflects that six past due MSB examinations were completed in December 2018, and one was completed in January 2019. The remaining three past due examinations will be completed in February 2019. Based on the location and previous satisfactory rating for one MSB, the examination was delayed allowing for coordinating travel in performing another local examination to reduce travel expenses. The remaining two MSB examinations were delayed due to initially being scheduled to be accepted from a MTRA state agency, but were ultimately required to be performed on-site by the Department.
- Special Audits met or exceeded all performance measures for the first quarter of FY 19.

Special Audits has a current job posting to fill a new entry level MSB Financial Examiner position that will close February 22nd.

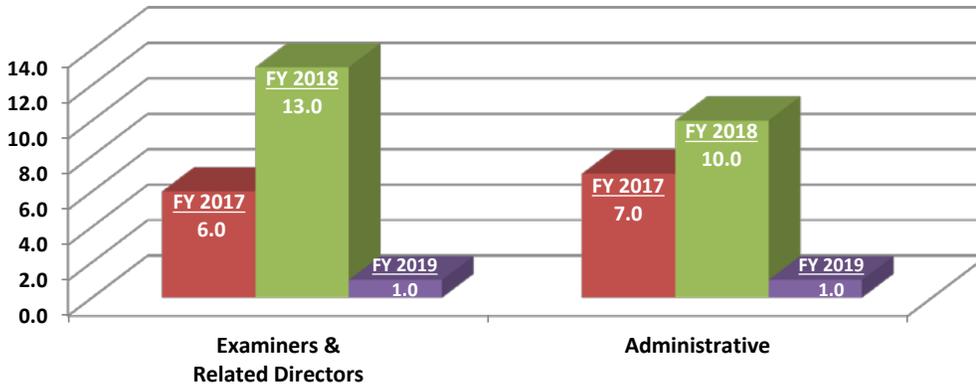
On January 9th, Director Reese attended the annual Money Transmitter Regulators Association (MTRA) Board Meeting in Ft. Worth, Texas. MTRA is a national non-profit organization dedicated to the efficient and effective regulation of money transmission industry in the U.S.

On January 10th, Director Reese, Review Examiner Saucillo, and Commissioner Cooper attended the annual Multi-State MSB Examination Taskforce (MMET) meeting in Ft. Worth, Texas. The MMET is the state representative body charged with coordinating and facilitating multistate supervision of MSBs. The MMET consists of ten regulatory representatives appointed by CSBS and MTRA.

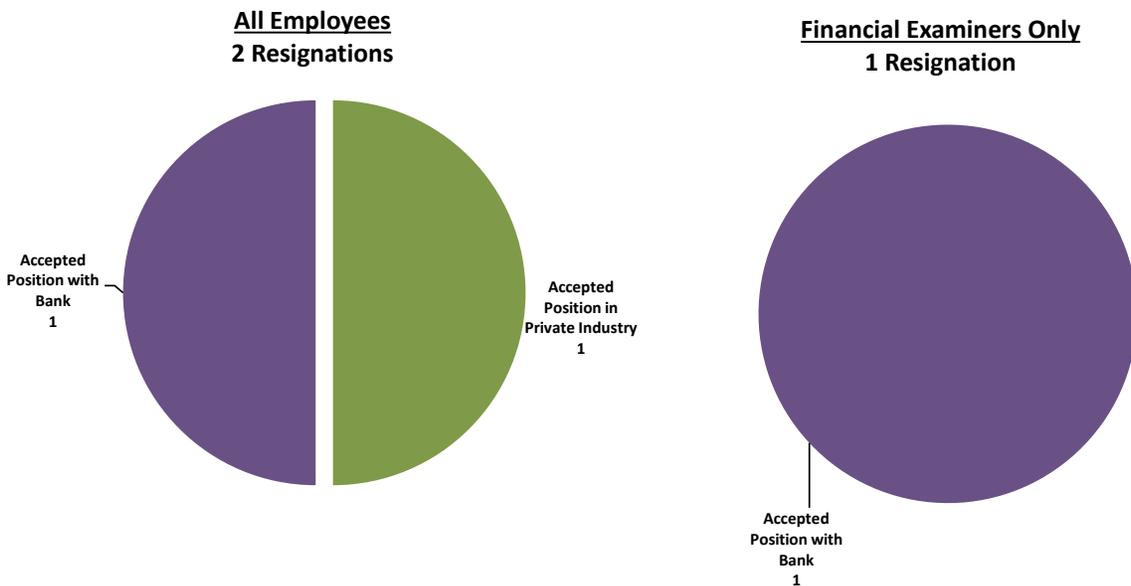
Texas Department of Banking
Employee Data for Fiscal Years 2017, 2018 and 2019 as of 11/30/18



New Hire Data for Fiscal Years 2017, 2018 and 2019



FY 2019 Employee Turnover Reasons



As of 11/30/18

Department of Banking
Actual Performance for Output Measures
Fiscal Year 2019

Type/Strategy/Measure	2019 Target	2019 Actual	2019 YTD	Percent of Annual Target		Comparable Historical Data for the same time period				
						FY2018	FY2017	FY2016	FY2015	
Output Measures-Key										
1-1-1 Bank Examination										
1. # Bank Examinations Performed										
Quarter 1	108	26	26	24.07%		25	25	33	24	
2. # Trust/IT Examinations Performed										
Quarter 1	218	53	53	24.31%		49	44	61	54	
1-2-1 Non-Bank Examination										
1. # Special Audit Licensees Examined										
Quarter 1	560	178	178	31.79%	*	136	145	156	132	
FY2019 - The positive variance relates to a team examination of a large entity with numerous licensees that was started near the end of the first quarter but was finalized in the second quarter. At the end of the second quarter, the performance will be near or at the budget.										
1-3-1 Application Processing										
1. # License Applications Completed										
Quarter 1	272	87	87	31.99%	*	64	78	84	65	
FY2019 - The number of filings completed was above expectations due to the higher than expected volume of bank and trust related filings received.										

*Varies by 5% or more from target.



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Commissioner

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Memorandum

TO: Finance Commission Members

FROM: Lori Wright, Director of Human Resources 

DATE: February 5, 2019

RE: 2018 Internal Employee Survey

In late November 2018, the Department distributed an internal survey to Department staff using Survey Monkey. We voluntarily conduct this internal survey in even number years as a tool to help continue to improve the agency. Highlights of the survey include:

- 166 employees completed the survey or 95% of the staff.
- 89 of the 166 noted they were satisfied with the Department and their job and chose not to answer the individual questions.
- The questions' ratings were 1 strongly agree to 4 strongly disagree.
- Only three questions had a weighted average rating above 2.0 - processing travel vouchers at 2.67, Department developed computer programs ease of use at 2.19 and report reviews at 2.10. These ratings would be lower if you factored in the 89 satisfied employees above.
- Senior Staff has met and developed an action plan for areas that need improvement.
- The Employee Advisory Council will also be reviewing the survey and providing suggestions for improvement to Senior Staff.

Overall, we were very pleased with the response rate and overall scores and look forward to using the survey as a tool to improve the Department.



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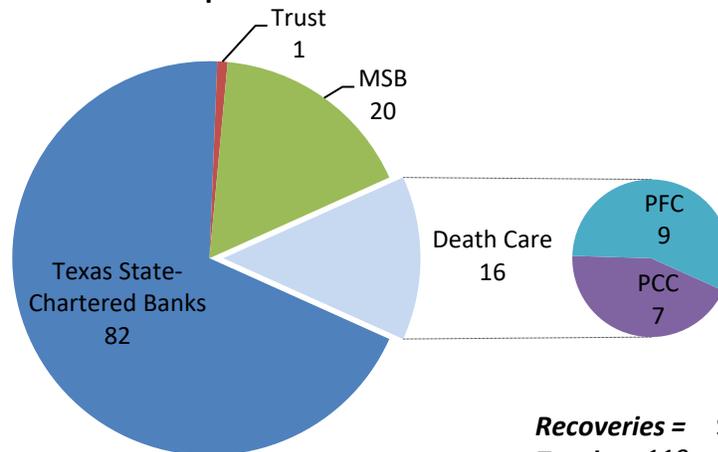
To: Finance Commission Members

From: Wendy Rodriguez, Director of Strategic Support *WR*

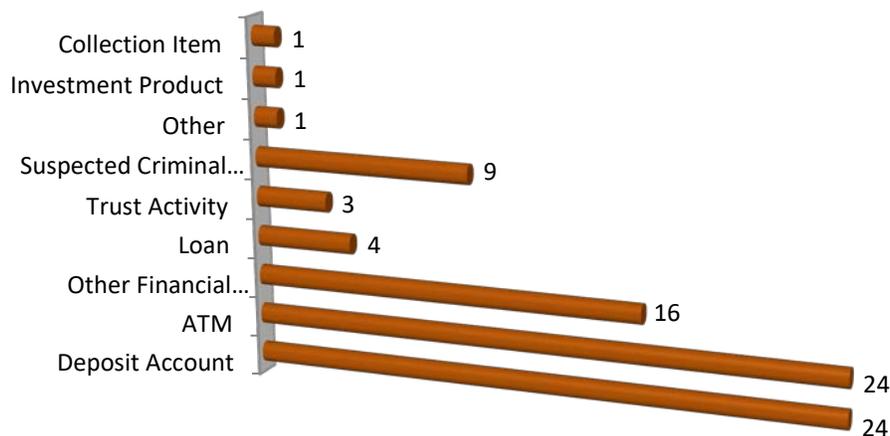
Date: February 1, 2019

Subject: Summary of the Strategic Support Division Activities

Jurisdictional Written Complaints September 2018 - December 2018

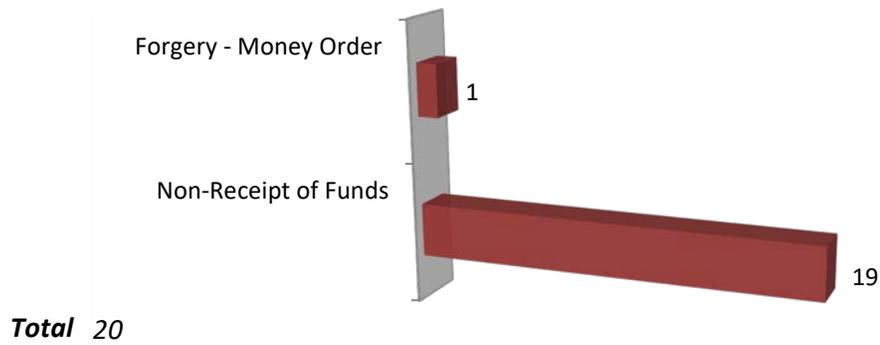


State-Chartered Banks and Trust Companies Written Complaints by Type September 2018 - December 2018

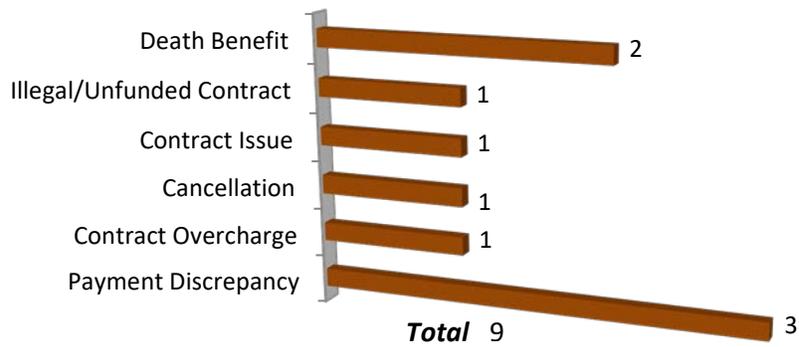


Total 83

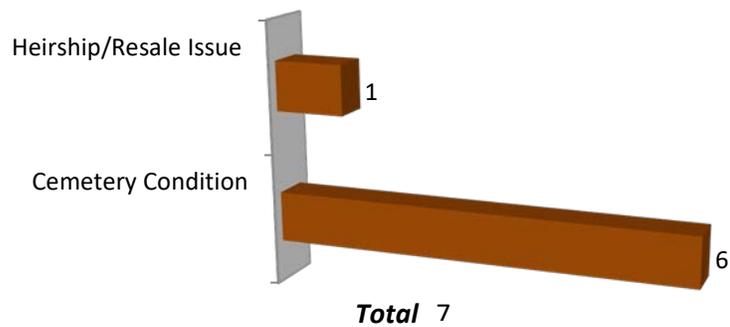
Money Services Businesses Written Complaints by Type September 2018 - December 2018



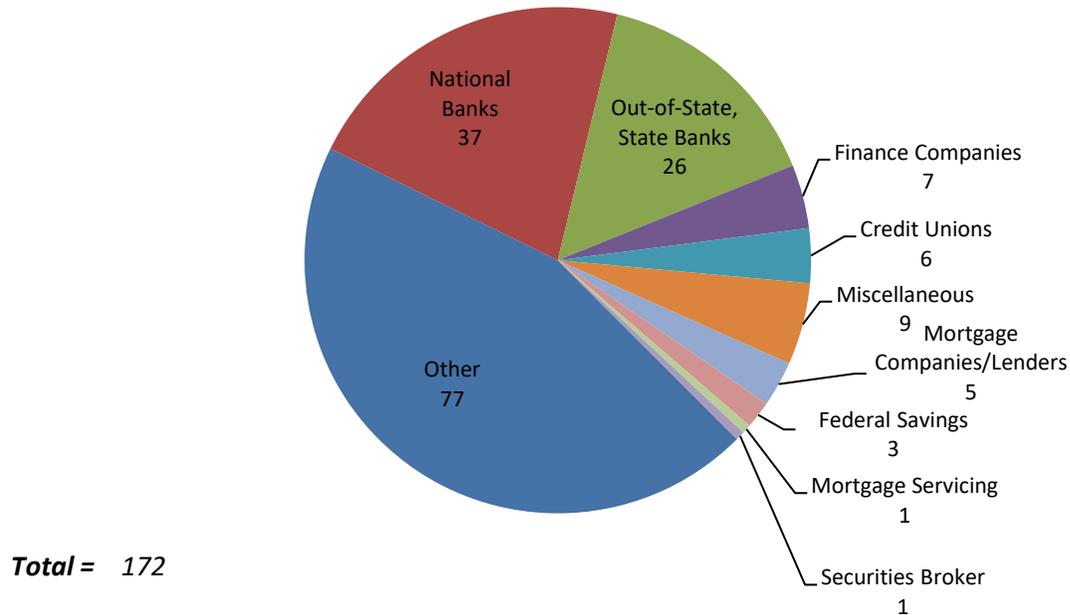
Prepaid Funeral Contract Written Complaints by Type September 2018 - December 2018



Perpetual Care Written Complaints by Type September 2018 - December 2018



**Written Complaints Against Non-Jurisdictional Entities
September 2018 - December 2018**



Often, consumers do not provide the name of the entity they need assistance with. In these situations, the communication is categorized in the "Other" category.

Consumer Assistance Activities Performance Measures

September 2018 – November 2018

Type	Average Number of Days to Close a Written Complaint	Percentage of Written Complaints Resolved Within 90 days	Number of Written Complaints Resolved
State-Chartered Banks	19	100%	59
Trust	15	100%	1
PCSEA	NA	NA	NA
PFC/PCC	32	100%	13
MSB	36	100%	17

CANS ACTIVITY

January 1, 2014 – January 28, 2019

Entity	Enrolled	Compromised Accounts Reported
Texas State-Chartered Banks	210	1,146
Texas State-Chartered Savings Banks	23	74
Federal Savings Banks	10	81
State Credit Unions	132	1,218
Federal Credit Unions	229	786
National Banks	170	318
Out-of-State State-Chartered Banks	12	128
Out-of-State National Banks	6	15
Total	792	3,766

Bank Examination Testing System (BETS) Activity

Number of Candidates Passing Each Phase

	FY 2016	FY 2017	FY 2018	FY 2019 As of 1/31/19
I. General Knowledge	9	8	6	2
II. Loan Analysis	4	3	3	1
III. Panel	3	2	2	2
IV. Test Bank	2	3	3	1
Total FE3	18	24	22	22

Promotions

From FE3 to FE4 (Commissioned Examiner)	2	3	2	2
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Other Divisional Items:

- *Staffing Changes*
 - Financial Analyst Phil A. Lena will retire on February 28, 2019 after 31 years of service.
 - Lead Consumer Assistance Specialist Sheon Corley was promoted to Corporate Analyst effective February 1, 2019.
- *Publication*
 - The Winter edition of the Texas Bank Report was released on January 23, 2019 with financial information as of September 30, 2018.
- *86th Legislative Session*
 - The Texas Legislature convened on Tuesday, January 8, 2019. The first weekly tracking report on bills of interest to the Finance Commission (FC) was provided to each FC member on January 14, 2019. Senate and House Committee assignments have been

provided to the FC members as well. As of January 28, 2019, the Department is tracking 41 bills. Bill tracking reports are updated weekly and posted on the Intranet (DOBE) to help keep agency staff informed of legislative activities.

- *Examiners' Council*
 - Commercial examiners serving on the Examiners' Council met in Austin the week of January 7, 2019 to review commercial examination procedures. Three assistant examiners from regional offices also attended to provide their input on improvements to the procedures. Revisions were recommended for 15 procedures.
- *Training*
 - The Department entered into an agreement with the Conference of State Bank Supervisors (CSBS) to provide financial examiners cybersecurity training by the end of 2019.
- *Personnel and Policies Manual Updates*
 - Personnel Manual
 - Section 6 was revised January 2, 2019 to incorporate the agency's use of NEOGOV for employee performance appraisals, feedback, and other personnel related items. In addition, terminology was adjusted to reference the updated competencies being utilized for evaluating personnel.
 - Administrative Memorandums (AM)
 - AM 2024 relating to follow-up on bank compliance examinations conducted by federal regulators was revised to reflect current practices and terminology.
 - Supervisory Memorandums (SM)
 - SM 1037 relating to virtual currencies was revised because of the widespread introduction of "stablecoins" to the virtual currency market. Certain stablecoins are backed by the issuing entity with sovereign currency and due to the unique model, fall under the definition of money or monetary value as defined in the Texas Finance Code. Therefore, the transfer of a sovereign currency-backed stablecoin may be considered money transmission under Chapter 151. The revisions provide the industry with guidance on how the Department intends to deal with sovereign currency-backed stablecoins. Additionally, more specifics were outlined regarding the security audit required of licensees.
 - Examiner Bulletins (XB)
 - Examiner Bulletins relating to guidelines for procedures and work paper documentation for commercial, trust, and information technology examinations (XB 2018-06 CML, XB-2018-07-TR, and XB 20185-08 IT, respectively) were updated to provide clarification on documentation requirements.



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Commissioner

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Memorandum

TO: Finance Commission Members
FROM: Catherine Reyer, General Counsel
DATE: February 1, 2019
RE: Legal Division Update

Pending Contested Cases

In the Matter of Billy F. Peel, Individually and as President of Austin Peel and Son Funeral Home, Inc. and Austin Peel and Son Funeral Home, Inc., Austin, Texas; Docket No. BF-1806-18-194. Respondents held a permit to issue prepaid funeral contracts until 2006. On August 1, 2018, Commissioner Cooper issued an emergency cease and desist order which authorized seizure by the Department of Peel's records concerning the sale of unauthorized (illegal) prepaid funeral contracts. On November 6, 2018, Commissioner Cooper issued a Consent Order requiring the owner to pay \$524,780 in restitution and a minimum penalty of \$250,000 on or before February 15, 2019. We have filed notice of the Order in Travis County district court.

Isabel Cristina Rubio v. Bonial & Associates, P.C., et al.; Civil Action No. 4:18-cv-03307 in the United States District Court for the Southern District of Texas, Houston Division. Rubio, a sovereign citizen, has named Texas Banking Commissioner Charles G. Cooper as one of many defendants in her civil lawsuit against JPMorgan Chase regarding foreclosure of her property. Assistant Attorney General Jennifer Jackson and Assistant Attorney General William Sumner MacDaniel, who are assigned to represent the Department, have filed a motion to dismiss. Defendant Chase also filed a motion to dismiss. The magistrate overseeing the case has filed a memorandum and recommendation that the motions to dismiss should be granted. A district court judge will now review the case and decide whether to follow the magistrate's recommendation to dismiss.

In the Matter of Southwest Group, LLC and Ryan Sasser, Fort Myers, Florida; Docket No. 18-1807-16-310. Respondents own and operate the website currencyliquidator.com, which offers customers the option to buy and sell foreign currencies. The Department had previously determined that the activity constitutes money transmission, and therefore requires a license. Following contact by Department staff in late 2015, Respondents certified in February 2016 that it had ceased conducting money transmission in Texas. Upon receiving information that Respondents' website had been reconfigured to once again accept Texas customers, the Department issued a Cease and Desist Order to Respondents in 2016. In August 2018, Department staff learned that Respondents had violated the Cease and Desist Order by again providing unlicensed money transmission services to Texas customers. Staff issued a notice of hearing on October 16, 2018, and Respondent filed a Motion to Dismiss on December 12, 2018. Following briefing by both parties, the administrative law judge denied Respondent's motion on January 17, 2019. Hearing on the merits is currently scheduled for March 28, 2019.

Gifts

The Department received expense reimbursement from the Conference of State Bank Supervisors for tuition (total \$6,121.32) and lodging and travel related expenses (total \$8,844.55) for eleven members of bank and trust staff to attend Intermediate IT and Cybersecurity Training in October and November 2018.

OAG Opinion

AG Opinion KP-0232 was issued on January 7, 2019 in response to a request submitted by the Department. The question presented was whether a funeral provider may infer a decedent's preferred method of disposition from the contents of a prepaid funeral contract (PFC). The question arose because prior to 2002, most PFCs did not include a dedicated section for a purchaser to specify a type of disposition. The Opinion states that a decedent's intent may **not** be inferred from the goods and services selected in a PFC. As a result of the Opinion, Department staff has been instructed to revise its practices accordingly in reviewing PFC files for compliance.

Orders Issued 12/1/18 – 1/31/19

Since the last Legal Division update was submitted, the Commissioner issued six enforcement orders, three of which are final and non-appealable.

Bank and Trust

- Prohibition Order dated January 2, 2019; Joe Frank Rodriguez, Plainville, TX

Special Audits

- Consent Order dated December 11, 2018; TLA, LLC, Dallas, TX
- Consent Order dated January 2, 2019; Foresthaven Cemetery Corporation, Sugar Land, TX

FY 2019 To Date Quarterly Order Activity

BANK				
Type of Action	1st	2nd	3rd	4th
Consent Order	1	0		
Cease & Desist	1	0		
Supervision	0	0		
Prohibition	0	2*		
Total	2	2		
TRUST COMPANY				
Consent Order	0	0		
Cease & Desist	0	0		
Supervision	0	0		
Prohibition	0	0		
Total	0	0		
MONEY SERVICE BUSINESS				
Consent Order	8	1		
Cease & Desist	0	2**		
Total	8	3		
PERPETUAL CARE CEMETERY				
Consent Order	0	1		
Cease & Desist	0	0		
Refusal to Renew Cert/Auth	0	0		
Final Order after hearing	0	0		
Total	0	1		
PREPAID FUNERAL CONTRACT				
Consent Order	1	0		
Cease & Desist	0	0		
Conversion	0	0		
Total	1	0		

*One of these Orders is the subject of a contested case hearing, and therefore is not yet effective.

**Respondents may still request a hearing, so these Orders are not yet effective.

FUTURE RULEMAKING ACTIVITY		
Rule	Subject	Projected Date for Presentation
7 TAC Ch. 11	Complaint Handling Procedures	April 12, 2019