

A.

Finance Commission

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FINANCE COMMISSION OF TEXAS

MEETING DATEApril 16, 2021

MEETING LOCATIONVia Webinar

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

FUTURE MEETING DATESJune 18, 2021
August 20, 2021
October 15, 2021
December 17, 2021

*** 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.*

Meeting Accessibility. Under the Americans with Disabilities Act, the agency will accommodate special needs. Those requesting auxiliary aids or services should notify the Finance Commission of Texas Administrator several days prior to the meeting using the contact information above by mail, telephone, or email.

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FINANCE COMMISSION AGENDA

Friday, April 16, 2021
9:00 a.m.
or Upon Adjournment of the Audit Committee Meeting
Via Webinar

Due to Governor Greg Abbott's March 13, 2020 proclamation of a state of disaster affecting all counties in Texas due to the Coronavirus (COVID-19) and the Governor's March 16, 2020 suspension of certain provisions of the Texas Open Meetings Act, the April 16, 2021 meeting of the Finance Commission of Texas will be held via webinar/telephonic conference call, as authorized under Texas Government Code section 551.125.

Members of the public who would like to participate in this meeting will need to register at www.fc.texas.gov or at <https://register.gotowebinar.com/register/6796370956735326732>. An electronic copy of the agenda is now available at www.fc.texas.gov, and a copy of the meeting materials will be available on April 8, 2021 at www.fc.texas.gov. To access the recording visit www.fc.texas.gov after April 16, 2021.

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 of Texas 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 February 19, 2021 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' 2021 Second Quarter Investment Officer Reports

1. Texas Department of Banking
2. Department of Savings and Mortgage Lending
3. Office of Consumer Credit Commissioner

B. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2021 Second Quarter Financial Statements

1. Texas Department of Banking
2. Department of Savings and Mortgage Lending
3. Office of Consumer Credit Commissioner

C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Texas Department of Banking's Consumer Assistance Audit Report as Prepared and Presented by Garza/Gonzalez and Associates

D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Office of Consumer Credit Commissioner's TFEE Fund Investment Portfolio Administration Audit Report as Prepared and Presented by Garza/Gonzalez and Associates

6. Status Report on Implementation of Finance Commission Directive on the Efficiency Audit Regarding Sunset Recommendation 2.6 – “Direct the Finance Commission to minimize duplication of agency functions and promote more cost efficient administration of the finance agencies.”
7. Discussion of and Possible Vote to Take Action on the Finance Commission Agencies’ Fiscal Year 2021 Mid-Term Accomplishment Reports
8. Discussion of the Condition of the Texas State Banking System Report *(Note: Report provided separately)*
9. 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
10. 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
11. Discussion of 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
12. 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. 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) Non-Depository Supervision 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 the Proposal and Publication for Comment of Amendment to 7 TAC §3.36, Concerning Annual Assessments and Specialty Examination Fees
3. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation

C. DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

1. Industry Status and Departmental Operations: a) Thrift Regulation Division Activities; b) Mortgage Regulation Division Activities; c) Operations Division Activities; d) Legal Division Activities, including Consumer Complaints and Gift Reporting; and e) Legislative Activities
2. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation

Daniel Shea v. Mid America Mortgage, et al.; Cause No. 2019-22261, in the 55th Judicial District Court of Harris County, Texas

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

NOTE: The Finance Commission of Texas 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 of Texas 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, February 19, 2021

The Finance Commission of Texas convened at 9:25 a.m. on February 19, 2021 with the following members present:

Finance Commission Members in Attendance (via webinar):

Phillip Holt, Chairman
George "Cliff" McCauley, Vice Chairman
Hector Cerna
Molly Curl

Larry Long
Sharon McCormick
Vince Puente
Laura Warren

Chairman Phillip Holt made a motion to excuse Robin Armstrong, Bob Borochoff and Will Lucas from the Finance Commission meeting held on February 19, 2021. There were no objections and the motion passed unanimously. (:44 on audio file).

Commissioner Charles Cooper announced there was a quorum with eight members present. (2:31 on audio file).

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Finance Commission Matters		
1. Review and Approval of the Minutes of the December 11, 2020 Finance Committee Meeting	On Consent Agenda – Item A1 This item Approved on the Consent Agenda.	n/a
2. General Public Comment	No Action Required.	3:08 start of discussion
3. Consent Agenda – Items A1, B2 – B4, and D2	Laura Warren made a motion to Approve Consent Agenda items A1, B2 – B4, and D2. Molly Curl seconded and the motion passed.	4:26 start of discussion 4:38 Vote
4. Finance Commission Operations	No Action Required.	5:13 start of discussion
5. Audit Committee Report		
A. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2021 First Quarter Investment Officer Reports 1. Department of Savings and Mortgage Lending 2. Office of Consumer Credit Commissioner 3. Texas Department of Banking	Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve the Agencies' 2021 First Quarter Investment Officer Reports passed.	7:19 start of discussion 7:27 Vote

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
<p>B. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2021 First Quarter Financial Statements</p> <ol style="list-style-type: none"> 1. Department of Savings and Mortgage Lending 2. Office of Consumer Credit Commissioner 3. Texas Department of Banking 	<p>Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve the Agencies' 2021 First Quarter Financial Statements passed.</p>	<p>7:54 start of discussion</p> <p>8:01 Vote</p>
<p>C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Appointment of a New Grant Advisory Committee Member</p>	<p>Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve Justin Accola as a New Grant Advisory Committee member passed.</p>	<p>8:20 start of discussion</p> <p>8:29 Vote</p>
<p>6. State Auditor's Office Report on the Self-Reported Implementation of Sunset Advisory Commission Management Actions</p>	<p>No Action Required.</p>	<p>8:53 start of discussion</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>No Discussion.</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>No Discussion.</p>	<p>n/a</p>
<p>9. Discussion of 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>No Discussion.</p>	<p>n/a</p>

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
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	No Discussion.	n/a
B. Department of Savings and Mortgage Lending		
1. Industry Status and Departmental Operations: a) State Savings Bank Examinations and Supervision Division Activities; b) Mortgage Licensing Division Activities; c) Mortgage Examinations Division Activities; d) Consumer Complaints Division Activities; e) Administration and Finance Division Activities; f) Legal Division Activities, including Gift Reporting; and g) Legislative Activities	No Action Required.	16:05 start of discussion
2. On Consent	On Consent Agenda – Item B2 This item Approved on the Consent Agenda.	n/a
3. On Consent	On Consent Agenda – Item B3 This item Approved on the Consent Agenda.	n/a
4. On Consent	On Consent Agenda – Item B4 This item Approved on the Consent Agenda.	n/a
5. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation	No Discussion.	n/a
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	No Action Required.	31:37 start of discussion
2. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation <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>	No Discussion.	n/a

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
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) Non-Depository Supervision 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.	54:40 start of discussion
2. On Consent	On Consent Agenda – Item D2 This item Approved on the Consent Agenda.	n/a
3. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation	No Discussion.	n/a

There being no further business, Chairman Phillip Holt adjourned the meeting of the Finance Commission at 10:45 a.m. (1:20:26 on the audio file).

Phillip Holt, Chairman
Finance Commission of Texas

Charles G. Cooper, Executive Director
Finance Commission of Texas

Brenda Medina, Executive Assistant
Finance Commission of Texas

Finance Commission of Texas

Consent Agenda

April 16, 2021

A. Finance Commission Matters

1. Review and Approval of the Minutes of the February 19, 2021 Finance Commission Meeting

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April 2021 Status Report on Implementation of Finance Commission Directive on Efficiency Audit

1. Budget and Accounting

- a. **Accounts Payable:** The DOB, as performing agency, can perform reconciliation and review of all records required for a payment as well as the data entry of the completed vouchers. The receiving agency would retain final review and approval. The DOB can provide this service to one agency without additional staff.
 - **Update:** CAPPS implementation is underway. The Agencies are working through the process and have aligned module configuration setup as much as individual agencies' business processes allow. All reporting will remain as discussed in previous workgroup sessions.
- b. **Alignment/Best Practices:** The Agencies will establish a workgroup to share best practices and align financial reporting to the Finance Commission as much as possible.
 - Final reporting format as approved by Commissioners was presented at the Audit Committee meeting in February 2020.
 - **Update:** The format and reporting of audit activities to the Finance Commission was finalized.

2. Complaint Intake

- a. The Agencies will establish a workgroup to explore opportunities to improve customer service, align performance measure reporting, review best practices, federal complaint issues, and emerging trends.
 - **Performance Measure:**
 - Operational efficiency measures were developed and aligned between the three Agencies. This included aligning complaint measures and/or adding measures for complaints which were presented at the August 16, 2019, Finance Commission meeting.
 - **Best Practices/Federal Compliant Issue/Emerging Trends:**
 - **Update:** Agencies discussed aligning customer feedback questions for consistency. OCCC and SML will provide details on the technical aspects of accepting complaints via the website in future meetings. OCCC is revisiting their complaint form to potentially add narrative similar to other agencies.

3. Financial Literacy Program

- a. DOB and the OCCC will work together to define a strategy and deliverables for an agreement to share financial education outreach services.
 - **Update:** A second joint financial education webinar is being coordinated between DOB and OCCC for April 28, 2020. The webinar will focus on what consumers need to know when purchasing a home.

4. Purchasing and Contracting

- a. The Agencies will expand the already shared central office supply purchasing and inventory. Currently the DOB performs office supply purchasing and inventory for OCCC. The SML will be included in this shared service.

- **Purchasing and Contracting:**
 - Effective March 1, 2020, SML implemented on a trial basis. Status will be reevaluated in September 2020 after two billing cycles are complete.
 - **Update:** DOB and SML will continue with the shared service.
- **Explore Other Purchasing Options:**
 - A follow up meeting will be held in the fourth quarter to discuss other possible purchasing and contract opportunities. Interagency agreement modifications may be needed.
 - **Update:** The DOB procured protective equipment for the receptionist area and main hearing room space. Enhancements were made to the HVAC system for enhanced air quality.

5. Human Resources

- a. The Agencies will establish a workgroup to share best practices and align performance measures in reporting to the Finance Commission to enhance consistency and alignment.
 - **Performance Measures:**
 - Operational efficiency measures were developed and aligned between the three Agencies. The new measure(s) related to turnover were presented at the August 16, 2019, Finance Commission meeting.
 - **Best practices:**
 - **Update:** Staff met to discuss and compare policies regarding COVID-19, including tracking and office capacity levels during and post-pandemic. Also discussed current trends, including unemployment fraud cases, recruiting, travel, winter storm repercussions for staff, and vaccination information.
- b. As the Agencies evaluate the impact and timing of CAPPS, the Agencies will explore the option of DOB offering the following HR services to the other Agencies: (1) benefits coordinator; (2) new employee orientation; (3) employee separation processing; and (4) possibly background checks, if appropriate clearance can be obtained.
 - **CAPPS:**
 - The Agencies began the CAPPS Financials implementation in September 2020. CAPPS HR/Payroll deployment project is scheduled to begin in September 2021.
 - **Shared Services:**
 - No update.

6. Information Technology

- a. The Agencies will create a workgroup to review possibilities for shared services, share best practices and strategic alignment, review emerging trends in cybersecurity, and review other ways to enhance IT services.

- **IT exploration:**

- **Update:** The Agencies have agreed to consolidate internet circuit billing beginning in September 2021.
- **Update:** Workgroup has met monthly since last report. The agencies have discussed and agreed on a consistent reporting format of penetration test and cybersecurity assessment results to the Finance Commission.

Discussions have been held regarding circuit and internet bandwidth sharing opportunities, web hosting, advanced malware and content protection, sharing of Office 365 technical resources and the benefits of using a specific service for monitoring web app security.

Group will continue to meet periodically to discuss best practices and trends, and possibilities for alignment of policies.

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Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

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www.dob.texas.gov

MEMORANDUM

TO: The Finance Commission of Texas

FROM: Charles G. Cooper, Commissioner

DATE: April 1, 2021

RE: Department of Banking Priorities for Fiscal Year 2021

This report is primarily based upon the activities of the agency through February 28, 2021. The Department's operations, including staff resources, continue to be redirected to address the evolving threats of the COVID-19 pandemic to Texas' financial service providers and the Severe Winter Weather Storm.

I. LEGISLATIVE – *State and National Legislative Issues*

I.1 **Objective:** Provide appropriate and comprehensive resource material as requested in a timely manner.

Measure: To the extent legally permissible, respond accurately and timely to all requests for resource information. Maintain contact with legislative committee chairs and staff. Testify at hearings as requested.

Update:

- *Maintained contact with state and federal legislative committees.*
- *Responded to requests for information from state legislators relating to regulated financial service providers.*
- *Commissioner Cooper testified on behalf of the Finance Commission and Texas Department of Banking at the House Pensions, Investments & Financial Services organizational hearing on March 3, 2021.*

I.2 **Objective:** Maintain accurate, timely, and complete communication with Finance Commission members about significant state and federal legislative issues as well as conditions, trends, and significant events in the industries the agency supervises.

Measure: Notify Finance Commission members of state legislature committee hearings, actions, and other items of interest on a timely basis. Keep members informed of significant federal laws and policy statements and how supervised entities are affected. Provide sufficient information and materials to give Finance Commission members an overall assessment of our regulated industries.

Update:

- *Beginning in January, weekly legislative reports are provided by email to Commission members.*
- *Commission members were provided an update on legislative matters at the December and February Finance Commission meetings.*
- *Finance Commission members received copies of Department press releases, industry notices, and a proclamation.*
- *Severe Winter Weather Storm: Commissioner Cooper issued a proclamation on February 17, 2021 in response to the disaster declaration by Governor Greg Abbott and the continued severe winter weather in Texas. The proclamation authorized banks, at their discretion, to close offices in areas affected by the severe winter weather until conditions improved and utilities and security could be restored to safely serve the financial service needs of the affected communities.*

- I.3 **Objective:** Monitor state legislation that may affect the Department or its regulated entities. Make recommendations for state legislative changes to address areas that the law does not adequately address, correct technical errors, and modernize outdated statutes.

Measure: Monitor interim charges and aid legislative committees if requested. Provide proposals for legislative improvements if requested by legislative committees. Monitor legislation and provide technical assistance and comprehensive resource materials when requested. Begin implementation of any legislation that directly affects the Department or the industries we regulate.

Update:

- *Suggestions for statutory improvements were provided to the Chairman of the House Pensions, Investments and Financial Services Committee and Representative Slawson's Office.*
- *The agency is currently tracking 388 bills.*
- *The agency has completed five fiscal notes related to filed bills.*

- I.4 **Objective:** Implement Sunset "Management Actions" approved by the Sunset Commission.

Measure: Continue with implementation of the Finance Commission's Plan to minimize duplication of agency functions and promote more cost-efficient administration of the finance agencies. Coordinate these efforts with the other finance agencies.

Update:

- *Meetings were held, as needed, with representatives of OCCC and SML regarding the sharing of information technology resources, human resources, budget and accounting, purchasing and procurement, and consumer complaints.*

- *On October 16, 2020, the Department, along with the other finance agencies, provided a status report on the progress of the work groups to implement the Finance Commission directive related to Sunset Recommendation 2.6.*

II. REGULATORY ACTIVITIES – *Examination Activity and Enforcement Actions*

II.1 **Objective:** Efficiently structure the agency to meet performance measures. Ensure performance goals are a true evaluation of major functions of the Department (See Attachment A for all performance measures).

Measure: Continue to meet or exceed the strategic planning goals for performance measures. Maintain banking accreditation and obtain the inaugural MSB accreditation from CSBS. Quarterly, report results to the Finance Commission.

Update:

- *The Department received CSBS Money Services Businesses (MSB) Accreditation in December 2020, becoming the second state agency to earn such accreditation.*
- *The Bank & Trust Supervision (B&T) Division continued to sustain the CSBS requirements to maintain accreditation.*
- *Through second quarter of FY 2021, all key performance measures were met or exceeded.*
- *COVID-19 Response: In coordination with license holders and multi-state MSB examinations, NDS examinations continue to be performed remotely without a material impact to the scope and the examination priorities.*
- *COVID-19 Response: B&T continues to use modified examination procedures to properly evaluate a bank or trust company's condition while being mindful of the burden an examination places on the institution's staff and resources. The modified examination approach focuses on the most relevant examination aspects as conditions dictate. We maintain the flexibility to be able to expand the procedures when we encounter heightened risk in an institution or circumstances otherwise warrant. Adjustments to the modified examination procedures are made as warranted.*
- *COVID-19 Response: The agency's staff are leveraging the off-site monitoring program, oil and gas risk assessment survey, and other capabilities to closely assess the condition of regulated entities throughout the pandemic.*

II.2 **Objective:** Remain active and involved at the national level in supervisory issues affecting banking, money services business activities, trust services and other areas of direct supervisory oversight in Texas.

Measure: Maintain active contact with other states individually and through regulatory associations (CSBS and MTRA), trade associations (IBAT and TBA) and frequent contact with federal regulators to be aware of events, decisions, other state and federal policies, and other areas of actual or potential impact to the Department's regulatory functions or the industry. Continue to participate in the networked supervision and examination of MSBs licensed in multi-states. Take proactive steps to respond as issues arise affecting the industries or our supervisory duties.

Update:

- *Department staff participated in the CSBS Board Meeting and Strategic Planning Meeting held virtually the week of September 14, 2020.*
- *Department staff attended the 2020 MTRA Annual Conference held virtually the week of September 14, 2020.*
- *Commissioner Cooper was re-appointed on September 24, 2020, for a second consecutive term to serve as the state bank representative on the Financial Stability Oversight Council (FSOC). The FSOC consists of federal financial regulators, state regulators, and an independent insurance expert that are charged with identifying risks to the financial stability of the United States; promoting market discipline; and responding to emerging risks to the stability of the United States' financial system.*
- *Departmental staff participated in the 2020 Community Banking in the 21st Century Research and Policy Conference held virtually beginning on September 30, 2020. This conference, which is hosted by CSBS, the Federal Reserve Bank of St. Louis, and the Federal Deposit Insurance Corporation (FDIC), focused on a wide variety of topics affecting community banks.*
- *On October 14, 2020, Commissioner Cooper participated in the first FDIC Advisory Committee of State Regulators. The committee discussed and received updates on a range of policy issues regarding the regulation of state-chartered financial institutions throughout the United States.*
- *Select NDS staff attended the North American Death Care Regulators Association Annual Meeting & Training Seminar held virtually the week of October 19, 2020. The meeting provided a forum for death care state regulators to listen to industry-related presentations and to discuss matters affecting the death care industry.*
- *The Director of IT Security Examinations Phillip Hinkle helped facilitate a Ransomware Tabletop Exercise in collaboration with the U. S. Department of the Treasury and CSBS on November 2, 2020. This was the first of several planned exercises with approximately 70 bankers from across the United States participating in this exercise.*
- *Commissioner Cooper and Deputy Commissioner Purdom participated virtually in a CSBS District IV meeting on November 10, 2020. Deputy Commissioner Purdom temporarily served as Chairman of District IV until a replacement was named during this meeting; Mr. Purdom will continue to serve as Vice Chairman of District IV.*
- *In November 2020, NDS Director Saucillo was appointed as a representative to the State Coordinating Committee responsible for coordinating the supervision of activities related to MSBs, mortgage, debt collection, and payday lending with the Consumer Financial Protection Bureau.*
- *Department staff members participated in the CSBS Supervisors Symposium held virtually starting December 9, 2020.*
- *Commissioner Cooper and NDS Director Saucillo attended the annual Multi-State MSB Examination Taskforce (MMET) meeting held virtually throughout the weeks of January 11 and 18, 2021. A joint meeting with MTRA members was also held during this timeframe to discuss issues impacting the MSB industry. Commissioner Cooper continues to serve as Chairman of MMET.*

- *NDS Director Saucillo continues to serve as a member of State Examination System (SES) Steering Committee. SES is an examination management system developed by CSBS intended to facilitate MSB examinations by improving communication and coordination among the states and licensees. NDS completed the first pilot examination of an MSB utilizing SES as part of a coordinated multi-state examination in January 2021.*
- *The Department submitted a comment on February 12, 2021, in response to a CSBS issued Request for Comment regarding MSB Business-Specific Requirements.*
- *Department staff attended the 2021 Nationwide Multistate Licensing System (NMLS) Annual Conference and Training event held virtually the week of February 23, 2021.*
- *Assistant Deputy Commissioner (ADC) Reese continues to be an active member of the Regulator Industry Clearing House Working Group. ADC Reese also continues to serve on the Federal MSB Legislation Working Group. Both working groups work in collaboration with CSBS to ensure uniformity in the licensing and supervision of MSBs by developing model practices and laws.*

II.3 Objective: Maintain an ongoing awareness of our bank and trust entities' risk profiles and the condition of the economy in which they operate. Continue ongoing monitoring of individual or systemic conditions, including the economic effects of the COVID-19 pandemic, cybersecurity threats and other high-risk activities which present risks to their financial stability. Monitor and take necessary actions against institutions exhibiting unacceptable risk profiles.

Measure: Perform research, maintain ongoing dialogue with other regulators, and attend training to maintain an understanding of conditions in which our entities operate. Maintain a leading role in the effort to combat cybersecurity threats. Maintain an off-site monitoring program of bank and trust industries while initiating appropriate regulatory responses and actions when applicable. Research and take required actions against institutions with unacceptable risk profiles to minimize the adverse impact on depositors, shareholders, and the banking system in general. Maintain a current bank watch list reflecting entities with a heightened risk of becoming in troubled condition.

Update:

- *In October 2020, the Department issued Industry Notice 2020-13, Self-Assessment Tool for Mitigating the Risks of Ransomware. The notice introduces the Ransomware Self-Assessment Tool (R-SAT), which is a brief questionnaire that provides banks with an overview of their preparedness to identify, protect, detect, respond, and recover from a ransomware attack. The tool helps bankers evaluate their current cybersecurity operations as it relates to ransomware and identify areas for improvement.*
- *In December 2020, the Department sent a Cyber Alert regarding the SolarWinds Compromise to all banks, foreign bank organizations, and trust companies regulated by the agency. Due to the critical nature of the threat, the Department immediately began surveying regulated financial institutions to ensure that their management team was aware of the threat and to assess any impact on their institution.*

- *In December 2020, the NDS participated in a multi-state coordinated outreach effort of the largest MSBs to assess the impact of the SolarWinds Orion Code compromise on its systems. As part of the coordinated effort with other MSB state regulators, the Department directly contacted thirteen MSBs and requested that a SolarWinds Nonbank Survey be completed to assess their impact of the compromise, if any.*
- *In December 2020, NDS issued Industry Notices 2020-15 and 2020-16 relating to the Self-Assessment Tool for Mitigating the Risks of Ransomware. Ransomware Self-Assessment Tool (R-SAT) for Nonbank Financial Services Businesses to MSB, PCC, and PFC license holders.*
- *B&T and NDS continue to monitor cybersecurity incidents and the impact on the regulated entities and consumers. Incidents are reviewed in coordination with an IT specialist, as needed.*
- *NDS collaborated with the IT Division to conduct reviews of IT systems during the examination of several MSBs during this fiscal year.*
- *B&T continues to monitor the condition of banks and trust companies between examination through our off-site monitoring programs. These programs consist of quarterly reviews of call report data, the use of data analytic tools, and conducting calls to bank management. The division's watch list of institutions exhibiting heightened risk is monitored and adjusted quarterly.*
- *COVID-19 Response: Agency personnel have been continuously monitoring industry developments and actions taken to effectively meet customers' financial needs.*

II.4 **Objective:** Monitor emerging issues in our areas of regulation. Determine and communicate the impact of these issues to the regulated entities. Monitor the effects of COVID-19 on our regulated entities and ensure that supervisory activities remain appropriate and effective.

Measure: Report on emerging issues to the Finance Commission and regulated entities. Provide publications that address topics of interest. Participate in industry meetings, seminars, committees and working groups. Continue to be involved in speaking opportunities with regulated industries to provide updates relating to ongoing supervisory issues.

Update:

- *Staff members monitored office closures caused by the severe winter weather storm conditions and power outages in February 2021.*
- *NDS staff continues to participate in various MMET and MTRA committees, including the MTRA Examination Standards Committee tasked with updating the MSB work program and the MTRA Licensing/Emerging Issues calls. The Department also participates in routine scheduling calls facilitated by the MMET to coordinate multi-state examinations as part of the Networked Supervision of MSBs.*
- *An agency staff member serves on the Executive Committee and is President of the North American Death Care Regulators Association, which strives to promote a forum for death care regulators to discuss problems affecting the public and death care industry.*

- *Department staff actively provides feedback regarding the NMLS Modernization in 2022, which is intended to improve access to data, increased uniformity, and more automation of state licensing and regulatory activities.*
- *Department staff participated in 11 regulatory panel discussions in the first six months of fiscal year 2021, which includes cybersecurity presentations. Staff also actively participate in graduate school of banking programs.*

II.5 Objective: Monitor areas/industries we regulate for illegal activity.

Measure: Monitor for and investigate illegal activity, and when necessary, initiate appropriate regulatory enforcement actions against licensed and/or unlicensed entities to ensure compliance with applicable statutes and rules to protect the rights and interests of consumers. Refer cases as needed to local, state, or federal law enforcement agencies or the Texas Attorney General.

Update:

- *Agency staff continues to monitor regulated industries and initiate enforcement actions against both licensed and unlicensed entities that are engaging in apparent illegal practices. Through the second fiscal quarter, seventeen actions were taken against individuals and entities:*
 - *Issued one order of supervision against a bank.*
 - *Issued one consent order against a bank.*
 - *Issued one prohibition order against former bank employee.*
 - *Issued one consent order against a bank employee.*
 - *Issued eleven consent orders against unauthorized money transmitters.*
 - *Issued one consent order against a licensed money transmitter.*
 - *Issued one cease and desist order against a prepaid funeral contract seller.*
- *Eight MSB entities were notified that they may be engaged in money transmission without a license; information is under review by the Legal Division.*

II.6 Objective: Process consumer complaints/inquiries professionally, appropriately, and timely.

Measure: Periodically report to the Finance Commission on the complaints/inquiries received and processed.

Update:

- *Consumer assistance activity is reported at each Finance Commission meeting, which includes the percentage of written complaints resolved in 90 days and the number of written complaints resolved.*
- *An additional consumer specialist was hired in January 2021 to help process complaints and inquiries in the Consumer Assistance Activities area.*

- II.7 **Objective:** Continue to develop and refine examination procedures, reference materials, and internal guidance to enhance the examination process.

Measure: Monitor regulatory changes and update examination materials and guidance in a timely manner. Perform internal reviews of examination procedures to ensure proper intent and applicability. Timely and regularly communicate updates/changes to examiners. Continue to make examination procedure and process modifications in response to COVID-19.

Update:

- *Reviewed and revised three commercial examination procedures: Planning & Control, Loans & Leases, Management.*
- *Reviewed and revised three trust examination procedures: Fiduciary & Corporate Management, Fiduciary & Corporate Earnings, and Exempt Trust Company – Off-Site.*
- *Reviewed and revised two information technology procedures: Type A Work program – Cybersecurity/GLBA, and Type B & C Work program with Examiners' Summary and Table of Contents.*
- *Updated examination reference materials for commercial, trust, and IT procedures.*
- *Updated Bank of Anytown for commercial examinations.*
- *Issued three Examiner Bulletins:*
 - *XB 2020-04 regarding BSA/AML Risk-Focused Examination Procedures (Revised – September 2020).*
 - *XB 2020-04 Supplement regarding BSA/AML Transaction Testing and Other Reviews During an Off-Site Examination (New – October 2020).*
 - *XB 2020-05 regarding Call-In Memo and Report of Examination Comments Related to COVID-19 (New – December 2020).*
- *Reviewed and Revised one Administrative Memorandum AM 2034 regarding the Examination Due Date Calculation for MSB, PCC, and PFC License Holders (September 2020).*
- *Reviewed and revised two money transmitter MSB examination procedures related to compliance.*
- *Updated examination training materials for money transmitter and current exchange MSB procedures.*
- *Updated examination training materials for PCC and PFC procedures.*

III. POLICY AND RULE DEVELOPMENT – Policies, Rules and Financial Education Activities

- III.1 **Objective:** Issue formal communications to regulated entities to clarify and/or promote best practices to assist in complying with laws and policy statements.

Measure: Issue Supervisory Memorandums, Regulatory Guidance, and Legal Opinions in a timely manner as needed.

Update:

- *Revised and issued the following Supervisory Memorandums:*
 - *SM 1008 regarding Policy for Other Real Estate Owned (OREO) (October 2020).*
 - *SM 1023 regarding Examination Frequency Policy for Money Services Businesses (September 2020).*
 - *SM 1024 regarding Accepting MSB Report of Examination of Other State Agencies (September 2020).*
- *Issued new Supervisory Memorandum SM 1043 regarding Permissible Uses of “Bank” and Related Terms in Marketing and Other Limits Related to Marketing Regulated Financial Services (December 2020).*
- *Repealed outdated/superseded Legal Opinions 03-01 and 14-01; issued Interpretive Statement 2020-01 in their place (November 2020).*

III.2 Objective: Monitor and suggest amendments to the Texas Administrative Code as necessary to reflect changes in state and federal laws, clarify existing laws, and address the dynamics of the changing industries. Perform periodic reviews of fee rules to ensure each regulated area covers its cost of regulation.

Measure: Draft amendments and new rules for potential adoption by the Finance Commission as necessary to timely effect necessary. Conduct reviews of all rules every four years to evaluate their continued necessity and applicability.

Update:

- *Effective December 31, 2020, changes were made to 7 Texas Administrative Code 19.51 regarding Other Real Estate Owned by trust companies to bring Texas requirements in line with federal rules.*
- *Effective December 31, 2020, changes were made to 7 Texas Administrative Code 3.37 to update the table showing the calculation of annual assessments for banks as adjusted for inflation, and to correct typographical errors.*
- *Effective March 11, 2021, changes were made to 7 Texas Administrative Code 33.13 to clarify the accepted payment form and refund of Money Services Businesses license application fees.*

III.3 Objective: Maintain participation in financial education and outreach efforts.

Measure: Maintain and periodically update the Department’s financial education web pages and brochure. Highlight financial institutions with active programs in agency publications. Participate in financial education events or committees when possible.

Update:

- *The September 2020 edition of the [Texas Bank Report](#) featured two financial education articles: “Financial Education Resources Available for Parents” and “The Financial Education Show Must Go On” highlighting Happy State Bank’s financial education program.*
- *The [financial education brochure](#) and Department’s financial education [web page](#) were reviewed and updated in October 2020.*

- *On November 10, 2020, sixty-two participants attended the Department and OCCC joint financial education webinar titled “Applying for Credit.”*
- *The January 2021 edition of the [Texas Bank Report](#) featured an article on the FDIC Banking Survey and the importance of financial education.*

IV. AGENCY MANAGEMENT – *Staffing, Recruiting, Fiscal Responsibility, and Technology*

IV.1 **Objective:** Actively recruit qualified personnel while strengthening the diversity of the workforce whenever possible. Maintain compliance with all state and federal employment laws.

Measure: Actively recruit entry level positions at state universities and colleges by attending job fair events (if available) and supporting banking programs at Texas universities. Utilize recruiting platforms that reach a wide talent pool. Promptly post vacancies. Periodically review and update personnel policies and procedures.

Update:

- *Twelve jobs were posted from September 1, 2020 through February 28, 2021.*
- *Filled one Financial Examiner I position in B&T Regional Office.*
- *Filled one Financial Examiner VI BSA Examiner position in B&T.*
- *One Central Point of Contact was selected through internal posting.*
- *Filled one Law Clerk position in Legal.*
- *Filled one Consumer Assistance Specialist position in DSS.*
- *Filled one Accountant position in Administrative Services.*
- *Updated Section 8-05A Emergency Paid Sick Leave/Emergency Family and Medical Leave Expansion Act to include extension through March 31, 2021. (December)*
- *Reviewed AM 2014 Military Employment Rights. (December)*
- *Updated AM 2031 Delegation of Authority. (January)*
- *Reviewed AM 2037 Student Educational Employment Program (SEEP). (February)*
- *Updated Recruiting Brochure and posted to LinkedIn page.*
- *Agency representatives attended one virtual recruiting fair.*

IV.2 **Objective:** Strive to attain full staffing, with an emphasis on employee retention and staff diversity. Promote junior staff involvement in new responsibilities to better enable seamless transition into senior staff positions as vacancies occur. Continue efforts to maintain a competitive salary structure. Obtain feedback from employees and the Employee Advisory Council and implement changes where feasible.

Measure: Continue to improve examination staff retention by addressing major issues that contribute to non-retirement resignations, with a goal to have the agency turnover rate (excluding retirements and intern separations) not exceed 9% for the fiscal year. Maintain a competitive examiner salary program compared to the FDIC by striving to be at a 95% equivalency. Implement, when feasible, recommendations of the Employee Advisory Council.

Update:

- *Agency fiscal year 2021 turnover rate through February 28, 2021 was 1.66%. Agency turnover excluding retirements was 1.11%. Financial Examiner turnover was 0%.*
- *Through February 28, 2021, the agency hired five employees and lost three.*
- *Administered annual performance appraisals for calendar year 2020 using NEOGOV.*
- *Administered Internal Employee Satisfaction Survey. Posted results to intranet (DOBE) and provided result to the Employee Advisory Council for their review.*
- *Provided employees with their job descriptions and individual compensation study results through the employee portal.*
- *Administered EEO/Driver Safety training to all staff in October 2020.*
- *COVID-19 Response: Tracked illness and worksite exposure. Administered FFCRA leave.*

IV.3 Objective: Have up-to-date computer hardware and software to enhance the effectiveness, speed and quality of the work products that are compatible with our federal counterparts. Provide timely technical support to staff.

Measure: Provide technology tools necessary for staff to perform their job functions efficiently, effectively, and securely. Where appropriate, provide technology solutions that support department wide remote work for an extended period of time in accordance with agency determined limitations. Ensure network, website, and databases function appropriately and without prolonged downtimes.

Update:

- *Replacement laptops were issued to field examiners with laptops that had reached end-of-life.*
- *Deployment of “soft phones” was initiated to improve communications for staff members working remotely and to minimize the disruption of services to the public.*
- *Improvements to networking and VPN solutions have been completed; these allow for improved availability, stability and secure access by staff working remotely.*
- *Implemented a single Help Desk telephone solution and updated coverage to include more IT staff monitoring help line.*
- *Implemented updated Help Desk ticketing solution.*
- *Updated the operating system for computers used by staff.*
- *Deployed and updated the agency collaboration software to allow for improved collaboration with external entities.*
- *Began migration to cloud services for utility services, file storage, websites, applications and databases to improve disaster recovery, availability, and security posture.*
- *Continue migrating applications from legacy technologies to current solutions.*
- *Began migration of dedicated circuits to commodity internet solutions to reduce overall costs.*

- IV.4 **Objective:** Safeguard the integrity of data and information technology networks and systems from unauthorized access or use and ensure that access to critical systems by employees are available during an emergency.

Measure: Perform an annual external information security risk assessment and initiate corrective actions to maintain data integrity and minimize the risk of unauthorized access or use. Continue periodic intrusion testing by the Department of Information Resources for both the network and external facing web resources. Conduct an annual test of the Department's disaster recovery plan and initiate corrective actions to ensure operations will function appropriately.

Update:

- *Annual required information security training was released in February 2021.*
- *Implemented next generation anti-malware, content filtering, and vulnerability management solutions.*
- *Completed initial portion of the bi-annual security risk evaluation.*
- *Implemented new standard operating procedures for Intake, Incident Response, Change Management, Disaster Recovery, and Governance.*

- IV.5 **Objective:** Ensure financial examiners receive adequate and proper training to perform their duties and progress within the financial examiner series.

Measure: Provide core required training courses to financial examiners in the FE I – FE III series so they can progress in the financial examiner series. Adequately prepare assistant examiners to pass the Bank and Trust Supervision commissioning test. Continue agency efforts to provide continuing education to Bank and Trust Supervision commissioned examiners as well as Non-Depository Supervision examiners.

Update:

- *Thirty examiners in the Financial Examiner I–III series attended nine different training courses in the first six months of fiscal year 2021.*
- *In the first half of fiscal year 2021, four examiners received their commission.*
- *Twenty-seven examiners in the Financial Examiner I-III attended a two-day virtual internal Bank Secrecy Act class held the week of February 22nd.*

- IV.6 **Objective:** Ensure agency expenditures are necessary and prudent and within budgetary constraints; revenues collected are adequate to cover expenditures; and provide a cash reserve or fund balance that complies with Finance Commission policies.

Measure: Review expenditure and revenue patterns monthly. Prepare quarterly financial statements to substantiate the agency's financial position and cash reserve.

Update:

- *Monthly financial statements are provided to all divisions for review and quarterly to the Finance Commission.*
- *Budget variances are analyzed quarterly.*

- *For the first six months of fiscal year 2021, revenues were 102.4 % of budget and expenditures were 94.3 % of budget.*
- *Cash reserves are within policy guidelines of 3-6 months.*

IV.7 **Objective:** Periodically review internal controls and processes to improve the efficiency and effectiveness of the agency.

Measure: Report on improvements identified and implemented.

Update:

- *Administrative Memorandums (AM) revisions related to internal processes or procedures:*
 - *Reviewed and revised AM 2042 Deletion of Records (December 2020)*
- *Personnel Manual revision related to internal processes:*
 - *Section 10 – Travel/Per Diem Guidelines and Reimbursement (January 2021)*

IV.8 **Objective:** Continue to explore options for physical relocation of the Finance Commission agencies that meets the needs of all three agencies.

Measure: Report on activities related to the relocation of the Finance Commission agencies.

Update:

- *Real estate brokerage, architectural, and outside legal counsel services contracts are in effect for the relocation of the Finance Commission agencies.*
- *A meeting was held on November 18, 2020, that reinforces the use of the 4-acre portion by the agencies with available surface parking. The 4-acre site is anticipated to be available to the Finance Commission agencies in late 2023.*
- *The TxDMV, TxDOT and the Finance Commission agencies are working together to implement a Memorandum of Understanding for the Camp Hubbard campus.*

IV.9 **Objective:** Comply with the directives of the State Office of Risk Management (SORM) regarding the Continuity of Operations Plan (Plan).

Measure: Ensure that updates are made, and the Plan is exercised as determined by SORM.

Update:

- *The plan update was submitted to SORM in January 2021, and we received a favorable review. The next Plan exercise is due to SORM in January 2022.*

As Commissioner, my overriding objective continues to be for the Banking Department to be considered the top financial regulator by the industries we regulate, as well as our regulatory peers and counterparts, and the top employer by our personnel. The culmination and achievement of these goals will help achieve this objective.



DEPARTMENT of SAVINGS & MORTGAGE LENDING

Caroline C. Jones, Commissioner

Agency Priorities for Fiscal Year 2021

I. Legislative Items

I.1 Objective: Monitor legislation, throughout the 87th Legislative Session, that may affect the Department, or its regulated industries; analyze the potential impact, and plan implementation of legislative changes as needed.

Measure: Provide regular updates to the Finance Commission on the status of such legislation.

Status: *The Department monitors all legislation that may affect the Department or the regulated industries, currently a total of 537 bills. The bills that have direct impact on the Department or the regulated industries are reported weekly to the Finance Commission.*

I.2 Objective: Serve as a resource for the Texas Legislature and other members of leadership. Respond promptly and accurately to any requests for information, providing appropriate and comprehensive resource materials, as legally permissible.

Measure: Notify Finance Commission members about any testimony given by the Department.

Status: *On March 3, 2021, Commissioner Jones provided written and oral testimony at the organizational meeting of the House Committee on Pensions, Investments, and Financial Services. General Counsel Ernest Garcia has been available as a resource witness as requested by members of the Legislature. The Department's staff has responded promptly to requests for information.*

I.3 Objective: Monitor federal legislation and regulations that may affect the Department or its regulated entities.

Measure: Communicate relevant information with the Finance Commission and industries, as necessary.

Status: *During the first half of FY21, the Department monitored legislation and regulations at the federal level and as appropriate reported information to the Finance Commission, as well as to its regulated industries.*

I.4 Objective: At Finance Commission direction, continue to explore and collaborate with the other Finance Commission agencies on enhanced sharing opportunities as recommended by Sunset Review.

Measure: Participate in the established workgroups and report the status and progress to the Finance Commission on a semi-annual basis.

Status: *Meetings continue to be held with representatives of OCCC and DOB regarding the sharing of information technology resources, human resources, accounting, procurement, and consumer complaints.*

On October 16, 2020, the Department, along with the other finance agencies, provided a status report on the progress of the work groups to implement the Finance Commission directive related to Sunset Recommendation 2.6.

II. Regulatory Items

II.1 Objective: Continue to closely monitor the Department's savings banks' risk profiles and the economic conditions in which they operate. Continue ongoing monitoring of both individual and systemic conditions that present risks to their financial security through the Department's off-site financial information software and onsite presence

Measure: Maintain off-site monitoring program of savings banks while initiating appropriate regulatory responses and enforcement actions when applicable. Maintain state savings bank examination schedule as set by Department policy.

Status: *The Department monitors the thrift industry's risk profiles and reports information to the Finance Commission on a regular basis on items such as Liquidity, Profit Margin, and Non-Performing Assets. The Department actively engaged in on-site and off-site monitoring to determine whether supervisory action was necessary. During the first half of FY21, no enforcement actions were issued. Compliance with existing enforcement actions is monitored through quarterly reports from the thrifts and/or on-site visitations and examinations. The Department has maintained the state savings bank examination schedule, as set by Department policy.*

II.2 Objective: Continue compliance examinations of mortgage companies and Residential Mortgage Loan Originators, licensed under Finance Code, Chapters 156 and 157, respectively; to ensure that licensees are in compliance with applicable laws and regulations when conducting business with Texas consumers. Analyze recurring examination findings and take steps to communicate best practices to the mortgage industry.

Measure: Maintain mortgage examination schedule, as set by Department policy, and as needed initiate appropriate regulatory responses and enforcement actions for violations found.

Status: *As of February 28, 2021, the Department had conducted 198 examinations of mortgage entities covering 3,722 mortgage loan originators. The Department maintained the*

mortgage examination schedule, as set by the Department policy, and issued formal and informal enforcement actions as deemed necessary. The Department provides information on the top violations to the industry at various opportunities, including presentations to local associations and at the Department's annual Mortgage Seminar.

II.3 Objective: Initiate appropriate regulatory enforcement to ensure compliance with federal and state laws and regulations.

Measure: Report on enforcement actions.

Status: *As of February 28, 2021, the Department had issued 36 orders related to examinations and complaints.*

II.4 Objective: Retain prompt resolution times on consumer complaints.

Measure:

- a) Provide updates to the Finance Commission on the aging of complaints.
- b) Conduct management review of any complaints open over 120 days to identify issues preventing the timely closing of such complaints.
- c) Conduct consumer complaint surveys on a regular basis.

Status:

- a) *The Department reports to the Finance Commission the aging of complaints on a quarterly basis. As of February 28, 2021, 76% of the open consumer complaints were aged less than 90 days.*
- b) *As of February 28, 2021, the Department had 30 complaints aged over 120 days. Management reviews all complaints over 120 days to identify issues preventing the timely closing of such complaints.*
- c) *The Department conducts consumer complaint surveys quarterly and reviews the results in order to identify any actionable items.*

II.5 Process complete licensing applications and registrations in a timely manner.

Measure:

- a) Monitor the timeliness of licensing process.
- b) Conduct survey of license applicants on a regular basis.

Status:

- a) *Management monitors the timeliness of licensing process on an ongoing basis. During the first half of FY21, the Department hired a Licensing Investigator and a Licensing Manager and assessed the need to hire additional staff in order to assist with the timeliness of the licensing process.*
- b) *The Department conducts licensing customer service surveys quarterly and reviews the results in order to identify any actionable items.*

II.6 Objective: Participate in the development and implementation of home equity interpretations.

Measure:

Continued involvement in meetings of the Home Equity Lending Working Group as it develops recommended home equity rules and interpretations.

- a) Implement any rule and interpretations adopted by the Finance Commission and the Credit Union Commission.

Status: *During the first half of FY21, no formal requests (7 TAC §151.1(d)) nor informal requests (7 TAC §151.1(c)) for a home equity lending interpretation were received by the Department. During the same period, the Joint Financial Regulatory Agencies worked collaboratively to develop and make recommendations to the Finance Commission and Credit Union Commission for changes to their joint home equity interpretations adopted by rule in 7 TAC Chapter 153 (7 TAC §§153.8, 153.11, 153.14, 153.15, 153.22, 153.26, and 153.41), arising from rule review conducted by the agencies in late FY20. The rule amendments were adopted by the Finance Commission and Credit Union Commission and published in the Texas Register on November 20, 2020, and became effective on November 26, 2020. The Joint Financial Regulatory Agencies further worked collaboratively and issued revised guidance concerning home equity lending and emergency measures during the Covid-19 pandemic on November 30, 2020.*

II.7 Objective: Remain active and involved at the national level on supervisory issues affecting savings banks and the mortgage industry.

Measure:

- a) Maintain contact with state regulators from other states, regulatory associations (e.g. ACSSS, CSBS, and AARMR), trade associations, (e.g. TBA, IBAT, TMBA, ATMP, TLTA, and TAR), and federal regulators (e.g. CFPB, FDIC, FRB), in order to be aware of events, decisions, other state and federal policies and other areas of actual and potential impact on the Department's regulatory functions or the industries. Take proactive steps to respond as issues arise affecting the industries or supervisory duties.
- b) Continue working with the FDIC and FRB, and other federal agencies as appropriate, on examinations, supervision, and consumer complaint resolution issues. Monitor federal rule writing activity and interpretations of existing statutes.
- c) Report to the Finance Commission on interaction with federal agencies in all of the above listed activities.

Status:

- a) *During the first half of FY21, members of the Department's management team served in leadership positions on several national associations and committees. These include the American Council of State Savings Supervisors, (Board), the American Association of Residential Mortgage Regulators, (Board), and the State Regulatory Registry (Board). Several staff members serve on Conference of State Bank*

- Supervisors working groups. The Department has maintained contact with various state trade associations,*
- b) The Department has continued its joint Safety & Soundness examination program with the FDIC and FRB, as well as its Compliance examination program.*
 - c) The Department has reported to the Finance Commission on interaction with federal agencies in all of the above listed activities as appropriate.*

III. Policy and Rule Development

III.1 Objective: Conduct rule review of all rules related to mortgage licensing. Propose necessary amendments to the rules as necessary.

Measure: Have final action taken, either readoption or repeal, on the rule review and proposal of any amendments needed to these rules.

Status: *During the rule review of the mortgage licensing rules (7 TAC Chapter 80, Subchapter B and Chapter 81, Subchapter B), the Department identified potential changes to these rules which it intends to present for proposal and publication at the June 2021 meeting of the Finance Commission.*

III.2 Objective: Monitor and modify Texas Administrative Code rules as necessary to reflect changes in state and federal laws and address the dynamics of the changing industries.

Measure: Amend rules and adopt new rules as necessary to timely implement necessary changes.

Status: *Amendments of rules and any new rules, relating to statutory changes during the 87th Legislative Session will be presented to Finance Commission post-session.*

IV. Industry Outreach and Communication

IV.1 Objective: Communicate with regulated industries on matters of supervisory and industry interest, including emerging issues, through a variety of means both virtual and in person as deemed appropriate and efficient.

Measure: Provide regular updates to the Finance Commission regarding activities conducted in these areas by reporting the number of communications sent and events participated in.

Status: *The Department stayed in contact with the relevant state trade associations. During the first half of FY21, the Department served on panels or presented to 11 statewide or local chapters of trade associations, including, but not limited to, the Texas Mortgage Round Up, the Department's Mortgage Seminar, Mortgage Banking Livestream (Podcast), Thrift Industry Day, TBA's Texas Economic Resilience Summit, and IBAT's Annual Convention.*

Various Department representatives discussed issues related to the industry via electronic means as deemed necessary and appropriate. The Commissioner and Deputy Commissioner hold a monthly Emerging Issues call for State Savings Banks Presidents/CEOs and other staff members from their institutions. During the first half of FY21, two virtual stakeholder meetings for industry representatives and other stakeholders were held. The Commissioner held outreach meetings with two state savings banks.

V. Agency Operations

V.1 Objective: Recruit well qualified personnel, while seeking to broaden the Department's workforce diversity. Train and cross-train employees as needed to minimize knowledge loss due to employee departure and to prepare for business needs due to changes in regulated industries and/or technology. Provide and promote opportunities for professional development through individual training plans.

Measure: Report on staffing activity, actions to retain staff, and turnover ratios to the Finance Commission.

Status: *During the first half of FY21, the Department filled nine positions and had three separations of employment. During the same period, 100% of personnel received job-related training.*

V.2 Objective: Meet or exceed 90% of the key performance measures within the Department's control. Strive to reduce deficiencies, if any, in the performance measures outside the Department's control.

Measure: Provide regular updates to the Finance Commission regarding performance measures.

Status: *The Department has reported on its four key output measures to the Finance Commission on a quarterly basis. As of the second quarter of FY21, the Department has met or exceeded three of these key measures.*

V.3 Objective: Implement improvements in business processes and internal controls in response to evolving business needs, audit recommendations, and/or internal reviews.

Measure: Report on outcome of audits and implementation progress to Finance Commission Audit Committee.

Status: *During the first half of FY21, the Department has not had any audits. Business processes, however, continue to be reviewed and improved as necessary.*

V.4 Objective: Monitor the Department's budgeted and actual revenues, expenditures, and reserve balances, as approved by the Finance Commission, in order to maximize the responsiveness and flexibility allowed by the Department's Self-Directed Semi-Independent status. Make decisions relating to finances in a fiscally prudent manner.

Measure: Report to the Finance Commission Audit Committee on revenue and expenditure variances to the budget at least quarterly.

Status: *Reports were submitted quarterly to the Finance Commission as required, with detailed explanations of budget variances and cash reserves. Internally, the budget is monitored and analyzed on an ongoing basis.*

V.5 Objective: Ensure information technology is kept current to maintain effectiveness and quality of work product of the Department. Safeguard the integrity of data and information technology networks and systems.

Measure: Report to the Finance Commission activities in this area.

Status: *In December 2020, the Department reported to the Audit Committee the results of the External Network Penetration Test, Web Application Vulnerability Scan, and the Texas Cybersecurity Framework Assessment results. As deemed appropriate, the Department has implemented critical patches to the network and staff computers.*

V.6 Objective: Prepare for the deployment of the Centralized Accounting and Payroll/Personnel System (CAPPS) Financials' Core Modules: Asset Management, Accounts Payable, General Ledger, and Purchasing, scheduled for September 2021.

Measure: Provide necessary information and documentation, perform tasks, and participate in onboarding activities, as required by Comptroller of Public Account's CAPPS Financials Team and according to the Interagency Cooperation Contract for CAPPS Services between the Texas Comptroller of Public Account and the Department of Savings and Mortgage Lending.

Status: *During the first half of FY21, Department's staff has actively participated in all work sessions related to the deployment of CAPPS Financials and has provided timely all items required by the Comptroller's CAPPS Financials Team related to security and module configurations.*

V.7 Objective: Monitor emergencies, natural disasters, or pandemics as they relate to the Department or its regulated industries.

Measure: Report to the Finance Commission activities in this area.

Status: *During the first half of FY21, the Department has monitored one pandemic and one natural disaster as they relate to the Department and the regulated industries. The Department began reporting to the Finance Commission the Department's activities related to COVID-19 in FY20 and has continued its reports at each Finance Commission meeting in FY21. The reports have included information relating to the conducting of thrift and mortgage exams off-site. Additionally the Department has reported on safety measure taken in the office and its remote working status.*

V.8 Objective: Continue to evaluate headquarters space and parking needs in collaboration with the other Finance Commission agencies.

Measure: Report to the Finance Commission activities related to the relocation of the agencies.

Status: *Real estate brokerage, architectural, and outside legal counsel services contracts are in effect for the relocation of the Finance Commission agencies.*

A meeting was held on November 18, 2020, that reinforces the use of the 4-acre portion by the agencies with available surface parking. The 4-acre site is anticipated to be available to the Finance Commission agencies in late 2023.

The Texas Department of Motor Vehicles, the Texas Department of Transportation, and the Finance Commission agencies are working together to implement a Memorandum of Understanding for the Camp Hubbard campus.

Office of Consumer Credit Commissioner

Agency Priorities

FY 2021

1. LEGISLATIVE

1.1. 87th Legislative Session

1.1.1. Objective: Monitor legislation that affects industries regulated by the OCCC. Respond to new legislative issues and requests for information or testimony. Develop relationships with legislators and legislative staff. Review or draft legislation as appropriate.

Measure: Respond promptly to legislative requests for information. Provide regular weekly legislative reports to the Finance Commission.

Status: *The OCCC has provided weekly status reports to Finance Commission members since the beginning of the legislative session. Members of the 87th legislative session have filed 6,762 bills, which is 7.8% fewer bills than the 86th legislative session (7,324 bills). The OCCC's high-priority legislation report includes 29 bills that directly affect the OCCC and its regulated industries. OCCC staff has provided resource support related to legislation. On March 3, 2021, Commissioner Pettijohn testified before the House Pensions, Investments & Financial Services Committee, and provided information about the OCCC and its regulated industries.*

1.2. Sunset Review.

1.2.1. Objective: Provide information requested by the Sunset Advisory Commission in its follow-up review of changes resulting from the Sunset Advisory Commission's staff report and the OCCC's Sunset legislation.

Measure: Provide requested information to Sunset staff. Provide updates on the Sunset review to the Finance Commission.

Status: *The OCCC provided the requested follow-up information to the Sunset Advisory Commission regarding the changes outlined in the Sunset Advisory Commission's staff report and the OCCC's Sunset legislation. Further, the OCCC provided requested follow-up information to the State Auditor's Office regarding management recommendations from the Sunset Report. The OCCC has fully implemented all statutory and management actions required by the Sunset Advisory Commission and the implementing legislation enacted by the 86th Legislature.*

2. REGULATORY ACTIVITIES

2.1. Regulated Entities.

- 2.1.1. Objective:** Supervise and monitor the jurisdictionally appropriate industry segments for compliance with state and federal law. Investigate illegal activity. Take appropriate enforcement actions to ensure compliance with state and federal law.

Measure: Reporting on compliance by regulated industry segment and enforcement actions.

Status as of 2/28/2021:

License Type	Examination Compliance	Enforcement Activity
<i>Pawnshop</i>	<i>100% acceptable level of compliance</i>	48 injunctive actions 15 administrative penalty actions
<i>Regulated Lender</i>	<i>93.8% acceptable level of compliance</i>	27 injunctive actions 18 administrative penalty actions
<i>Property Tax Lender</i>	<i>100% acceptable level of compliance</i>	0 enforcement actions
<i>Credit Access Business</i>	<i>95.6% acceptable level of compliance</i>	28 injunctive actions 9 administrative penalty actions 1 license revocation
<i>Motor Vehicle Sales Finance</i>	<i>90.4% acceptable level of compliance</i>	5 injunctive actions 5 administrative penalty actions 1 license application denial 1 license revocation

- 2.1.2. Objective:** Achieve overall weighted average acceptable level of compliance of 85% through examinations and industry education efforts. Monitor follow-up and restitution orders for licensees with outstanding examination issues.

Measure: Number of examinations completed. Report the rate of satisfactory compliance. Report the amount of restitution returned to consumers as a result of examinations.

Status: *The OCCC has completed 1,337 examinations at mid-year which is 107% of the pro rata goal and 53.5% of the annual goal for fiscal year 2021. The overall compliance rate is 93.6% for all five examination areas combined. Restitution from examinations conducted is \$1,362,632.52 as of February 28, 2021. During this period, the OCCC closed 158 enforcement actions concerning the five examination areas. The 158 closed cases include 108 injunctive actions, 47 administrative penalty actions, 2 license revocations, and 1 license application denial.*

- 2.1.3. Objective:** Develop and refine the remote examination program including implementation of secure file transfer (FILR).

Measure: Report on the number of remote examinations completed.

Status: *At mid-year for fiscal year 2021, the OCCC conducted remote examinations of 129*

companies with a total of 484 licensed locations. Twenty one of the 129 examined submitted documentation for off-site review using the secure file transfer (FILR) system.

2.2. Licensing.

2.2.1. Objective: Process 90% of license applications within 60 days from received date to completion date. Provide professional development and training opportunities to licensing staff once per quarter.

Measure: Report on license activities, benchmarks, application processing status, and departmental professional development.

Status: *In the first half of FY 21 the licensing department processed 61% of applications within 60 days of receipt. This benchmark will likely improve throughout the remainder of FY 21. The department continues to conduct bi-weekly meetings, monthly round table discussions and monthly team building, along with attending and conducting various trainings to support staff professional development.*

3. POLICY AND RULE DEVELOPMENT

3.1. Rulemaking.

3.1.1. Objective: Complete rule reviews for the following rule chapters: 7 TAC Chapter 7 (relating to the Texas Financial Education Endowment Fund), Chapter 84 (relating to Motor Vehicle Sales Finance), and Chapter 89 (relating to Property Tax Lenders). Work with stakeholders to clarify and improve rules.

Measure: Present rules to the Finance Commission for readoption according to schedule. Propose appropriate rule amendments to the Finance Commission. Request feedback from stakeholders on whether rules should be updated, and conduct webinars on proposed rule amendments.

Status: *The OCCC anticipates that it will complete these three rule reviews by the end of fiscal year 2021. In October 2020, the Finance Commission completed the rule review of 7 TAC Chapter 84 by readopting the chapter, with amendments proposed in a separate rule action. Before presenting this rule action to the Finance Commission, OCCC staff held an online webinar to obtain input from stakeholders. In August 2021, the OCCC intends to present readoptions of 7 TAC Chapters 7 and 89, as well as any proposed amendments to these chapters.*

3.1.2. Objective: Prepare any rule proposals necessary to implement 2021 legislation. Work with stakeholders to seek feedback on proposed rules.

Measure: Present rules to the Finance Commission for proposal and adoption. Request feedback from stakeholders and conduct webinars on proposed rules.

Status: *If any rules are necessary to implement 2021 legislation, the OCCC intends to work with stakeholders and prepare rule proposals during spring and summer 2021.*

4. CONSUMER ISSUES / COMMUNICATION & OUTREACH STRATEGIES

4.1 Texas Financial Education Endowment Fund (TFEE).

- 4.1.1. Objective:** Manage the TFEE 2020-2021 grant cycle, including monitoring grant award recipients, reporting on grant award program progress, and process reimbursement requests. Promote TFEE for the 2022-2023 grant cycle, review procedures, and receive grant applications for review.

Measure: Reporting on fund activities, investment earnings, grant request submissions, grants awarded, and grantee reporting highlights. Identify and implement ways in which to improve and expand the grant program based on report findings and program needs.

Status: *The 2020-2021 TFEE Grant Cycle first and second period semi-annual reports are available online at www.tfee.texas.gov. These reports detail fund activities and highlight grant award recipient's activity. The Grant Advisory Committee (GAC) met on February 1, 2021 to discuss ways to improve & promote the administration of TFEE for the current and upcoming grant cycle. The agency anticipates utilizing an increased social media presence to help expand and promote the upcoming TFEE cycle.*

4.2 Financial Education

- 4.2.1. Objective:** Identify underserved populations and locations in need of financial education. Provide financial education to new demographics of consumers by collaborating with community organizations, state agencies, non-profit organizations, and consumer advocacy groups. Collaborate with the Department of Banking in the promotion and delivery of financial education. Expand financial education content online by remote learning and webinar techniques.

Measure: Report on number of people and programs reached.

Status: *The Financial Education Department utilizes social media on a regular basis to promote and advertise both internal financial education classes, as well as other financial education information and opportunities. As of the mid-point of fiscal year 2021, the agency has published 143 social media posts on Facebook and Twitter, hosted 21 financial education webinars, and partnered with the Department of Banking for a joint webinar. These combined efforts have resulted in 555 individuals receiving financial education services.*

4.3. Industry and Stakeholder Outreach

4.3.1. Objective: Continue to build relationships with industry and interested stakeholders to ensure clear communications on education or regulatory compliance. Monitor emerging issues in agency's areas of regulation and communicate the impact to regulated and licensed entities. Develop publications that address topics of interest and share with regulated and licensed entities. Participate in or attend industry meetings or seminars.

Measure: Report to the Finance Commission on the content and frequency of communications.

Status: *The OCCC continues to foster relationships with interested stakeholders. The OCCC has participated in seminars with the TX DMV, TPTLA, TDHCA, the State Agency Council, industry town hall meetings, and has held rule review stakeholder meetings. Additionally, the OCCC published and continues to regularly update COVID-19 bulletins that provide guidance to regulated industries. The Commissioner is President of NACCA and the OCCC's Financial Education Coordinator is a board member of Texas Jump\$tart. Although in-person interactions were limited during the first half of the fiscal year, staff have participated in sixteen virtual meetings and seminars.*

5. AGENCY MANAGEMENT

5.1. Performance Measures.

5.1.1. Objective: Performance Targets. Meet or exceed 80% of key performance targets within $\pm 5\%$ of the projected target.

Measure: Continue to meet or exceed the strategic planning goals for key performance measures, including attainment of at least 9 out of 11 key performance targets. Report results to Finance Commission on a quarterly basis.

Status: *The OCCC staff has adapted processes and procedures while working remotely due to COVID-19. At the end of the second quarter, the OCCC anticipates meeting or exceeding all key measures.*

5.2. Human Resources.

5.2.1. Objective: Recruit and retain qualified personnel with the appropriate skill set necessary to meet short and long-term needs. Continue efforts to right size staffing, based on performance requirements, with an emphasis on employee retention and diversity. Ensure staff receives adequate cross-training to minimize institutional knowledge loss due to work separation or retirement. Maintain competitive compensation schedules. Continue efforts to be proactive in competitive salary administration.

Measure: Report on turnover ratio, cross-training initiatives and retention efforts.

Maintain competitive financial examiners career development and progression path.

Status: *As of March 2021, the turnover rate is 5.1%. HR staff continues to thoroughly review exit interviews comments and the overall general statistics provided from the State Auditor's Office. The OCCC provides internal employment opportunities for current employees for potential advancements or change in duties. The internal working title of OCCC Financial Examiner IVs were changed to Senior Examiner with specialized functions and project management as an Austin Liaison role. The roles have been identified by individual with the associated specialized function. The realignment acknowledges the specialized knowledge and capabilities along with functional areas within the Examination Department. Management believes the realignment enhances and supports financial examiners in their career and professional development.*

- 5.2.2. Objective:** Promote opportunities for staff professional development. Ensure that examiners and investigators receive a minimum of 40 hours of continuing education. Ensure that at least 40% of administrative staff receives additional professional or job- related training.

Measure: Reporting on training opportunities and attainment of minimum exam staff training and administrative staff training.

Status: *OCCC Examiners have completed virtual Examiner Training School providing 32 of the 40 minimum required hours in FY 2021. Several employees attended the NACCA fall examiner school. As of March 2021, all employees have completed the required EEO training and more than 75% of the OCCC's annual minimum cybersecurity training hourly requirement. Administrative staff continue to attend professional or job-related training through webinars.*

- 5.2.3. Objective:** Conduct review of Human Resources policies and update as appropriate. Enhance supervisory resources and training.

Measure: Report on completion of review and progress on supervisor resources.

Status: *The Employee Policies & Procedures Manual Version 2.06 was updated in November 2020. Policies are regularly monitored to ensure compliance with local, state and federal law.*

5.3. Financial and Self-Directed, Semi-Independent Status.

- 5.3.1. Objective:** Ensure that the agency's revenues and expenditures are appropriate and balanced and maintain a cash reserve or fund balance in compliance with Finance Commission policies. Provide greater data reliability, more efficient transactional processing, and enhanced reporting.

Measure: Review internal financial statements and variances on a monthly basis. Submit

quarterly financial data relating to the agency's financial position and fund balance for review by the Finance Commission.

Status: *The OCCC management monitors and reviews financial status through monthly Operating Statements and Budget Analysis reports. These reports are also reviewed on a quarterly basis by the Finance Commission. Financial performance during FY 21 is within the budgeted levels approved by the Finance Commission. The OCCC is in compliance with the liquidity policy adopted by the Finance Commission as the cash reserve level at the end of FY 20 was less than 6 months. The first 2 quarters of FY 21 reflect higher reserves due to the renewal cycles for licenses, however the number of months of operating reserves is expected to decrease through the remainder of the fiscal year as expenditures are expected to exceed revenues during this period.*

- 5.3.2. Objective:** Transition to the Centralized Accounting Payroll/Personnel System (CAPPS) for the financial module.

Measure: Report on activities related to CAPPS transition and implementation.

Status: *The OCCC continues to make preparations to transition to CAPPS for financials. Prototyping session have concluded and train-the-trainer meetings have begun. Additionally, key staff participate in project management meetings biweekly. User acceptance testing will begin in mid-May. Implementation is scheduled for September 1, 2021.*

- 5.3.3. Objective:** Continue to work towards a long term solution, in collaboration with the other Commission agencies, to address headquarter facilities space and parking needs.

Measure: Report on activities related to the relocation of the Finance Commission agencies.

Status: *The Finance Commission agencies have continued to actively work on options towards a long term solution for headquarters facilities. The Finance Commission has been regularly briefed on these activities at Finance Commission meetings.*

5.4. Information Technology.

- 5.4.1. Objective: Software Modernization and Continuous Improvement.** Ongoing enhancements to the Application, Licensing, Examination, Compliance System (ALECS), improving functionality and security. Consolidation of agency services to one internal directory.

Measure: Reporting on development and milestones.

Status: *The IT department is continuing to modernize and update endpoint computer software suites to latest licensed versions, with particular focus on eliminating versions*

which have reached end-of-support and no longer receive security updates; as one example, Microsoft Office 2010, which reached end of service in late CY'20. ALECS continues to be refined, including an update that will exchange information between it and CAPPs, to which the OCCC will convert many of its accounting needs at the start of FY'22. Identity credentialing will be consolidated into Active Directory, allowing full depreciation of LDAP, which is used for some systems.

- 5.4.2 Objective: Hardware Modernization.** Updating and maintaining the OCCC endpoint computer asset deployment and the shared network equipment, with focus on provisioning dispersed workforce as a result of pandemic protocols.

Measure: Reporting on milestones and distribution.

Status: *The IT department is continuing to stay focused on ensuring that staff are equipped with modern, non-legacy technology. Disruptive events (pandemic-imposed WFH requirements, lengthy leave for one IT member) have constrained resources somewhat and required provisioning older, but still viable, laptops to ensure that all staff have adequate technology to support remote work activities. Regular provisioning and routine decommissioning of hardware is expected during the second half of FY21.*

- 5.4.3 Objective: Increase Agency Security Posture.** Using the recommendations provided in the FY19 cybersecurity assessment, OCCC will increase security maturity for objectives in the Texas Cybersecurity Framework.

Measure: Activity reporting on the roadmap with timelines for implementation of recommendations.

Status: *OCCC completed, and successfully passed, its biannual Texas Cybersecurity Framework audit and Network Penetration Test, validating the quality of the existing security posture. Findings offer opportunities for improvement, which IT and management have prioritized for implementation. Adding multifactor authentication to our VPN external access is planned under DIR's program, but its budget has been exhausted for FY'21 so the project will be planned for FY'22.*

- 5.4.4 Objective: Formal Change Management Procedure.** Continued use and improvement of the agency's change management procedure, including consistent, collected documentation.

Measure: Reporting of change request documentation metrics and summaries.

Status: *The OCCC implemented a new application in the latter part of FY20 to support change management. This application has proven itself as useful and valuable for maintaining and tracking records of change requests from proposal to testing to bug fixing to production release.*

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B.

Texas Department of Banking

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Charles G. Cooper
Commissioner

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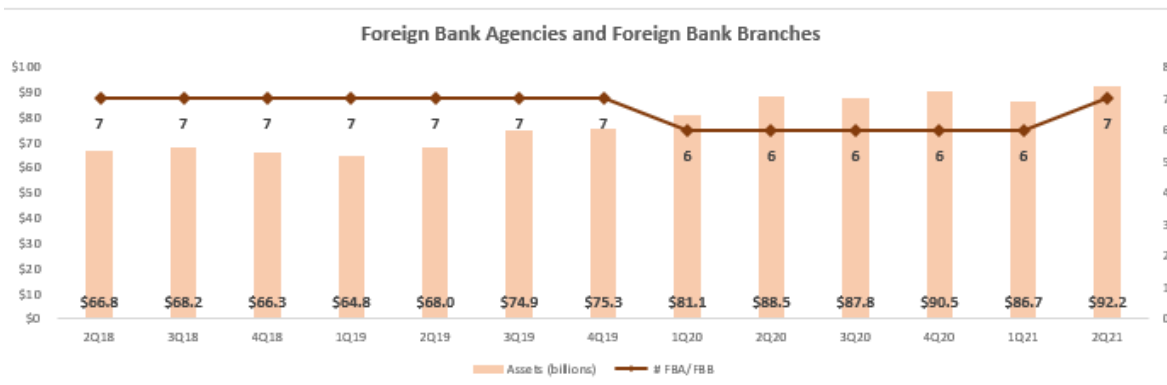
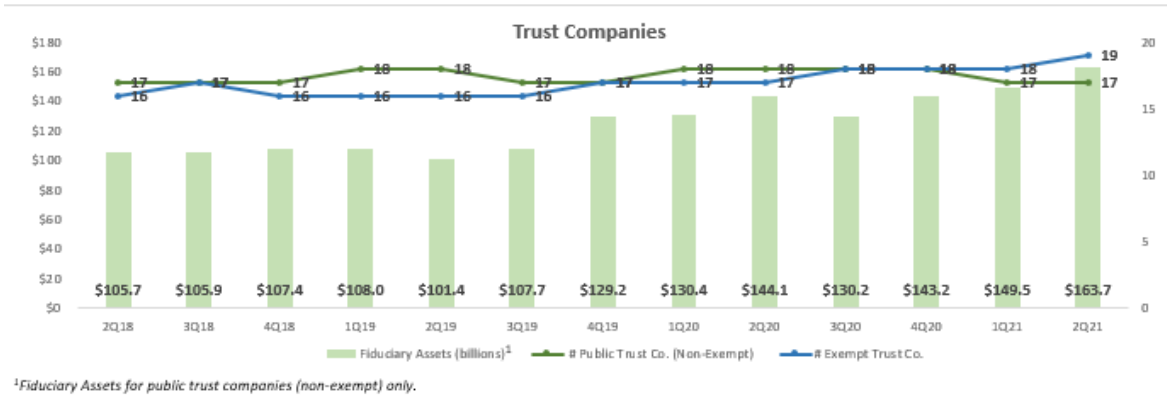
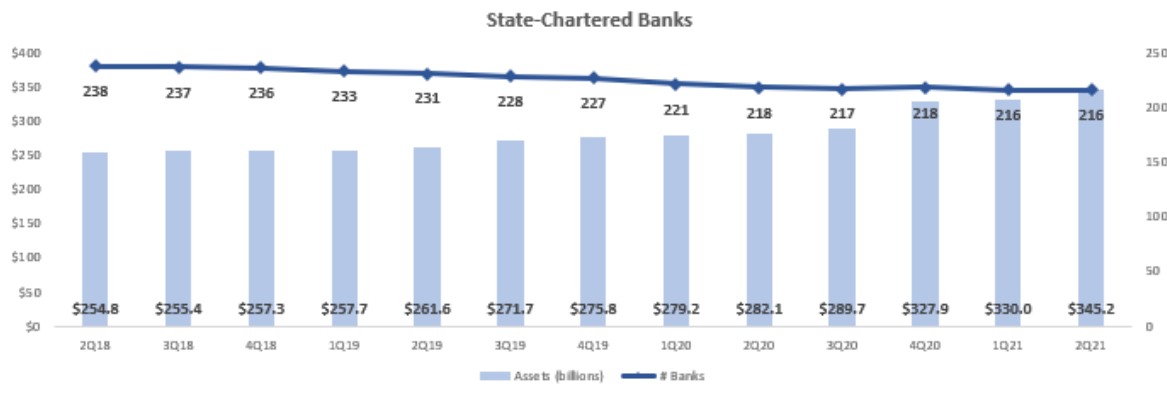
To: Finance Commission Members

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

Date: March 31, 2021

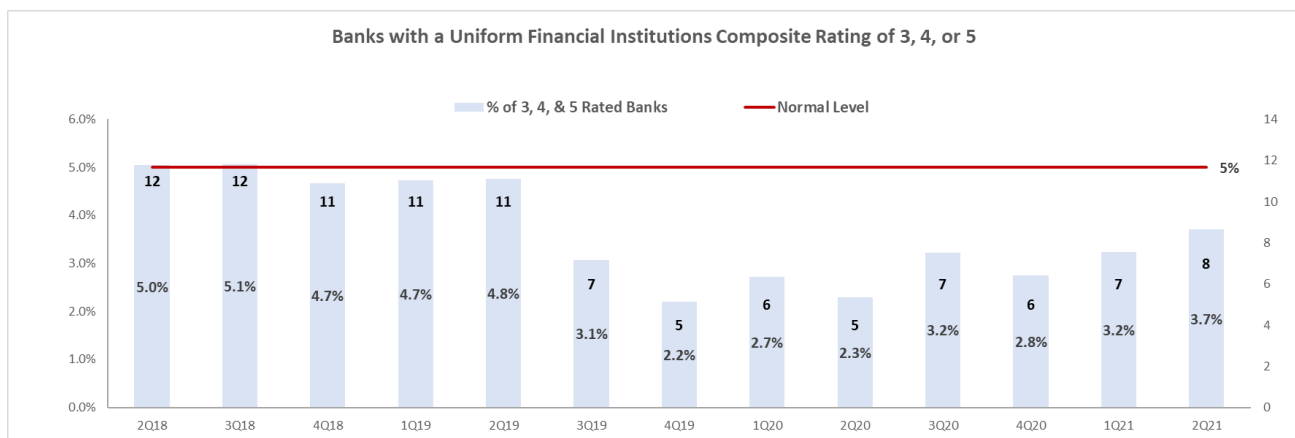
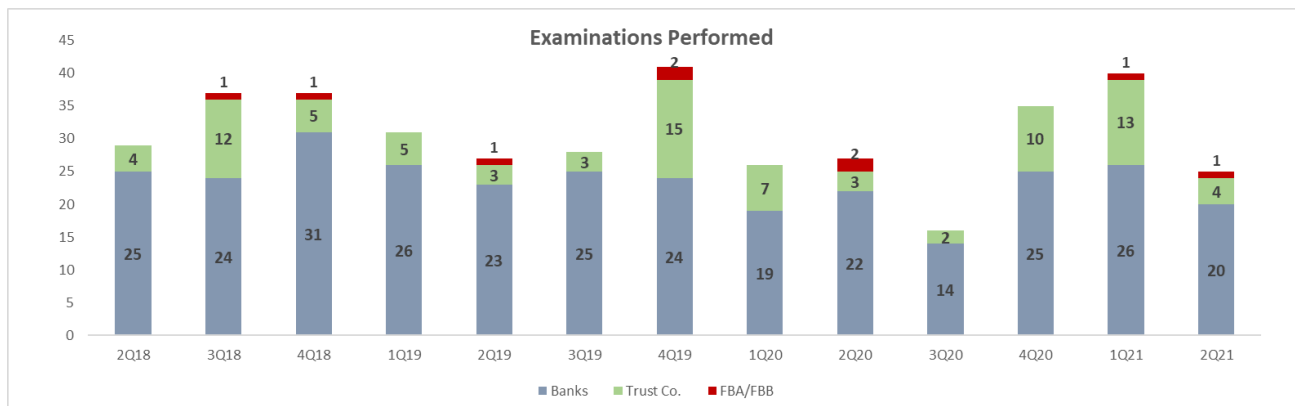
Subject: Summary of the Bank & Trust Supervision Division Activities

Bank and Trust Supervision – Industry Profiles



Summary of the Bank & Trust Supervision Division Activities

Page 2



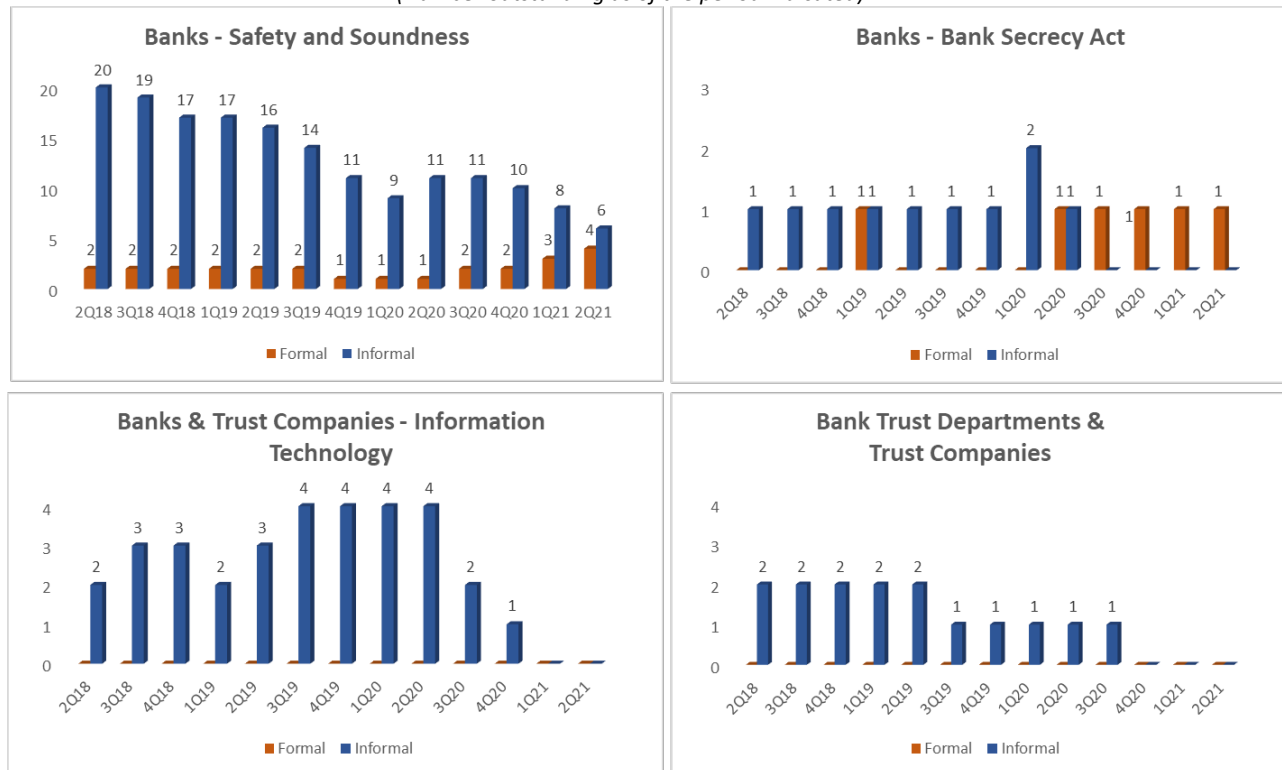
The Department considers any bank with a Uniform Financial Institutions Composite Rating of 3, 4, or 5, to be a problem bank. The number of problem banks is in the normal range of between 3% and 5% of the total number of institutions. As expected, we are seeing the number of problem banks increase in part due to the economic fallout from the COVID-19 pandemic. However, the increase has been tempered by government stimulus programs and improving economic conditions.

Summary of the Bank & Trust Supervision Division Activities

Page 3

Enforcement Actions Outstanding by Type

(Number outstanding as of the period indicated)



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 2020	FY 2021 (YTD – Feb. 2021)
Commercial Banks (All / DOB Only)	96% / 94%	91% / 86%
IT	97% / 97%	97% / 100%
Trust	100% / 100%	100% / 100%
Foreign Banks (FRB)	67%	50%
Trust Companies (DOB)	67%	100%
IT	100%	100%

The division is meeting examination priorities for FY 2021 for IT and trust but is outside of guidelines for commercial and foreign bank examinations. Seven commercial bank examinations were started late this fiscal year with an average of 14 days late. The delayed examination starts were primarily the result of catching up on examinations and targeted reviews that were paused due to the pandemic as well as

rearranging the schedule to accommodate two conversion investigation examinations. Compliance with commercial bank examination priorities is expected to improve through the remainder of this fiscal year. As a reminder, compliance with examination priorities for foreign bank entities is expected to remain a challenge for the remainder of fiscal year 2021 as these examinations are conducted jointly with the Federal Reserve, who is focusing examination efforts on higher risk entities.

Division Highlights

- **Winter Storm 2021:** Texans continue to recover from a February winter storm that provided historically frigid temperatures coupled with snow and ice. These conditions resulted in impassable roads that stranded millions of Texans. Blackouts lasted hours to days depending on the geographic area. In addition, millions were without water during this period. Many of our banks had to temporarily close their offices due to treacherous roadways and/or electrical supply or water outages. However, banks implemented their disaster recovery plans and were able to maintain services through online, mobile, and other channels until physical access to offices could be restored.
- **Regional Power Providers:** Many Texas regional power providers suffered financially during the winter storm when wholesale rates for power increased to \$9,000 per megawatt hour. The Department is monitoring the financial condition of these power supply companies and the impact that deterioration in financial conditions may have on bond prices and repayment since Texas banks may hold investments in those bonds.
- **2020 Rate the Department Survey:** Results of the [2020 Rate the Department Survey](#) showed that 110 banks and trust companies responded, and the feedback is mostly positive. This Survey provides feedback about the communication and general working relationship between the agency's personnel and supervised entities.
- **COVID-19 Update:**
 - All examinations continue to be performed offsite as we are taking a cautious approach while the COVID-19 pandemic persists. The Department continues to actively monitor and respond to the changing circumstances brought about by the COVID-19 pandemic. The Department maintains regular communication with regulated entities and performs offsite monitoring of key financial metrics.
 - The impact of the COVID-19 pandemic to bank loan portfolios has thus far been minimal. Adversely classified asset levels have increased modestly, and overall credit risk remains sound. Most of our banks provided loan deferrals at the onset of the pandemic to help their customers cope with decreased cash flow. Subsequently, feedback from bankers is that a large portion of the deferrals have returned to original payment terms.
- **Special Operations and Conferences:**
 - Beginning on February 3, 2021, Commissioner Charles Cooper attended the Texas Bankers Association Cyber Tech Event 2021.

- On March 9, 2021, Commissioner Charles Cooper provided the opening remarks at the Independent Bankers Association of Texas (IBAT) Vendor Management Summit.
- On March 22, 2021, Commissioner Charles Cooper represented the Department as a panelist at the IBAT “Day at the Capital Event.”
- Beginning on March 22, 2021, Commissioner Charles Cooper, Deputy Commissioner Kurt Purdom, Chief Operating Officer Wendy Rodriguez, General Counsel Catherine Reyer, Senior Counsel Everette Jobe, and Houston Regional Director Jacque Willardson participated in the Conference of State Bank Supervisors (CSBS) 2021 Government Relations Fly-In held virtually this year. As part of this event, representatives met with Texas congressional leaders to discuss banking issues affecting Texas banks.
- On March 23, 2021, Commissioner Charles Cooper participated as a panelist on the IBAT Bank Operations Institute Regulator Panel.



Charles G. Cooper
Commissioner

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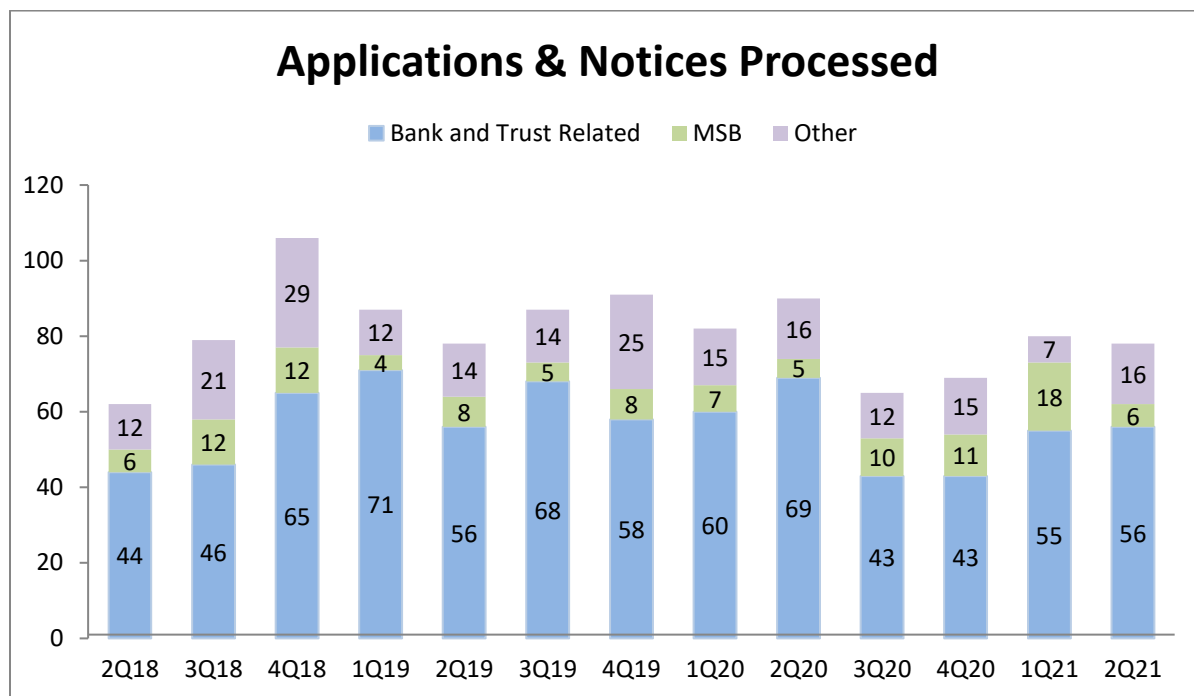
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To: Finance Commission Members

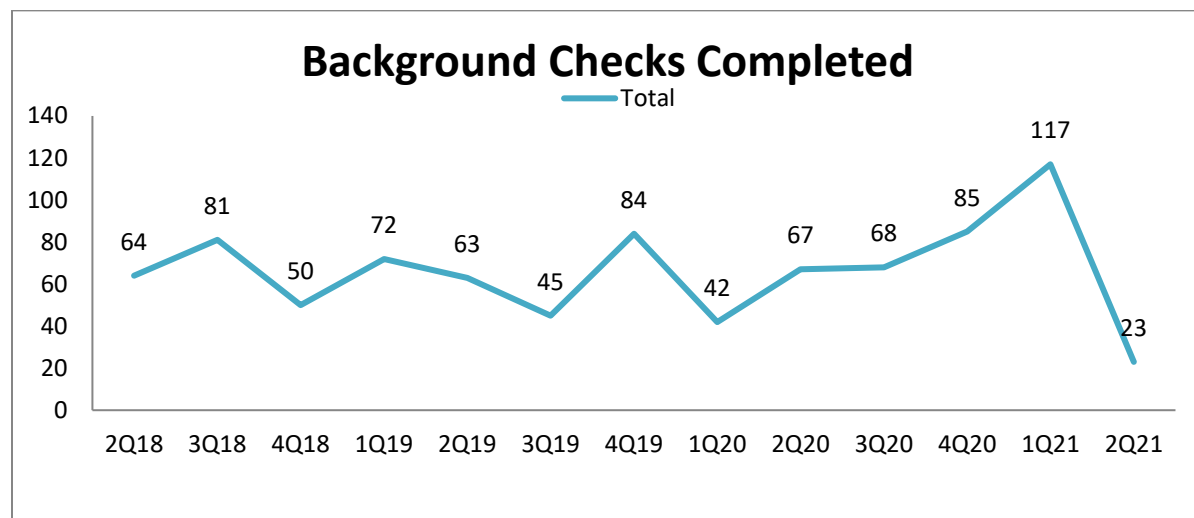
From: Mark Largent, Director of Corporate Activities

Date: March 31, 2021

Subject: Summary of the Corporate Division's Activities



Information on a Fiscal Quarter Basis.



Information on a Fiscal Quarter Basis.

Note: The reduction in background checks in 2Q21 is the result of delays in accessing federal background check information caused by the SolarWinds security breach. This has been resolved and the division has resumed the checks.

Entities/Activities	Applications and Notices Under Review (as of March 30, 2021)
Bank Related	25
Trust Companies	1
Money Services Business (MSB)	30
Others	6
Totals	62

Division Highlights

- Application volume remains high and slightly above the level reported at the last Finance Commission meeting. Compared to our last report submitted, the Corporate Division's filings presently under review by category type changed by:
 - Bank related increased 1 (4%)
 - Trust company decreased 2 (67%)
 - MSB related increased 4 (15%)
 - Other decreased 1 (14%)
- **Significant Filing**
 - The Ozona National Bank, Ozona, Texas, has applied to convert to a Texas state bank charter under the name of Ozona Bank [estimated gain in state banking assets of approximately \$303 million].
- **Charter, Conversion, and Merger Activity** – Since the last report to the Finance Commission, the following transactions have consummated:
 - *Banks*
 - Happy State Bank, Happy, Texas, completed its merger with First Bank of Muleshoe, Muleshoe, Texas [no change in state banking assets].
 - *Trust Companies*
 - None.
- **Conferences, Conventions, and Committee Meetings** – Since the last report to the Finance Commission, Corporate Division personnel have participated in the following:
 - Director Mark Largent and Corporate Analyst Xazel Garcia participated in the virtually-held 2021 Nationwide Multi-State Licensing System Annual Conference on February 23–26.



Charles G. Cooper
Commissioner

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To: Finance Commission Members

From: Jesus "Jesse" Saucillo, Director of Non-Depository Supervision

Date: April 1, 2021

Subject: Summary of Non-Depository Supervision (NDS) Activities

			FY 2021							
Entity	FY 2020		1 st		2 nd		3 rd		4 th	
Industry Profile (# / Assets (billions))										
Money Services Businesses (MSB)	171	\$163.4	181	\$164.1	184	\$163.6				
Prepaid Funeral Contract (PFC)	353	\$4.3	352	\$4.3	354	\$4.5				
Perpetual Care Cemeteries (PCC)	243	\$376.5*	243	\$386.7*	243	\$390.9*				
Check Verification Entities (CVE)	2	n/a	2	n/a	2	n/a				
Examinations Performed										
MSB	93		24		21					
MSB Limited Scope	2		1		0					
MSB Accepted other State	12		0		2					
PFC	263		61		42					
PFC Limited Scope	0		0		0					
PCC	179		51		53					
PCC Limited Scope	1		0		0					
Ratings (# / %) Assigned to All Regulated Entities										
1	298	39.84%	294	38.99%	296	39.31%				
2	391	52.27%	389	51.59%	387	51.39%				
3	56	7.49%	66	8.75%	67	8.90%				
4 & 5	3	0.40%	5	0.67%	3	0.40%				
Noncompliance with Examination Priorities (Past Due)										
MSB	14		3		3					
PFC	2		2		0					
PCC	0		0		0					

NOTES:

* PCC \$ amounts reflected in the millions.

Limited scope examinations do not receive a rating.

Examination Activities

NDS' ability to perform remote examinations has allowed our division to meet all NDS performance measures for the second quarter of fiscal year 2021. Below is additional information on the examination results reflected on page 1 of this memorandum.

- As of the close of February 2021, no PFC or PCC examinations were past due.
- Of the three MSB past due examinations, two were conducted in March 2021, and the third one will be conducted in April 2021 as part of a multi-state examination.
- The Department continues to be an active state in the MSB Networked Supervision designed to conduct one comprehensive multi-state examination. Approximately 70 of the largest MSBs have been identified as "One Company One Exam" (OCOE) and the goal is for the states to coordinate and examine each of these MSBs once per calendar year. The Department is scheduled to be the lead state for 13 OCOE examinations in calendar year 2021.

Division Activities

- In February 2021, NDS Director Saucillo, along with various other Departmental staff, attended the virtual Nationwide Multistate Licensing System (NMLS) Annual Conference and Training event. The NMLS conference included various discussions and presentations impacting the MSB industry and the coordination of multi-state joint examinations.
- NDS continues to hold conference calls and virtual meetings with examiners to ensure staff is kept informed of recent Departmental and industry developments, and to allow examiners an opportunity to discuss any issues impacting them.
- [The 2020 Rate the Department](#) survey was recently completed. Only 41 survey responses were received from the MSB, PFC, and PCC industries, or approximately 5% of the 781 total NDS license holders. The majority of the survey responses and comments were positive. The low number of survey responses received is generally a good indicator that the majority of NDS license holders are satisfied with the division's supervisory activities. The Department will continue to monitor comments from license holders to improve routine operations as needed and will explore ways of increasing the response rate going forward.
- Garza/Gonzalez & Associates completed their audit fieldwork in March 2021 related to testing of internal controls and processes over the Department's consumer assistance area, which included NDS' processing of consumer complaints and inquiries. The final report received from Garza/Gonzalez & Associates reflected no material instances of noncompliance by NDS.
- In March 2021, the division participated in the multi-state coordinated outreach effort of MSBs to assess the impact of the Microsoft exchange server vulnerabilities. As part of the coordinated effort, the Department communicated with MSBs being examined in March 2021 to assess their impact of the compromise. None of the MSBs contacted reported any immediate threats.
- Effective March 1st, the MSB Financial Examiner I vacancy was filled, and the division is now fully staffed.



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Memorandum

To: Finance Commission Members

From: Lori Wright, Director of Human Resources

Date: March 31, 2021

Subject: Summary of the Human Resources Division Activities

Human Resources Fiscal Year 2021 Activities

Active Postings				
Number of Positions	Position	Division	Status	Activities
1	Purchaser V	Administrative Services	Open Until Filled	
1	Programmer V <i>Limited Term</i>	MIS	Open Until Filled	
1	Financial Examiner V <i>Credit Review Specialist</i>	Bank and Trust	Open Until Filled	
1	Financial Examiner IV-V <i>Commercial Bank Examiner</i>	Bank and Trust	Perpetual Posting	
1	Financial Examiner VI-VII <i>Commercial Bank Examiner</i>	Bank and Trust	Perpetual Posting	

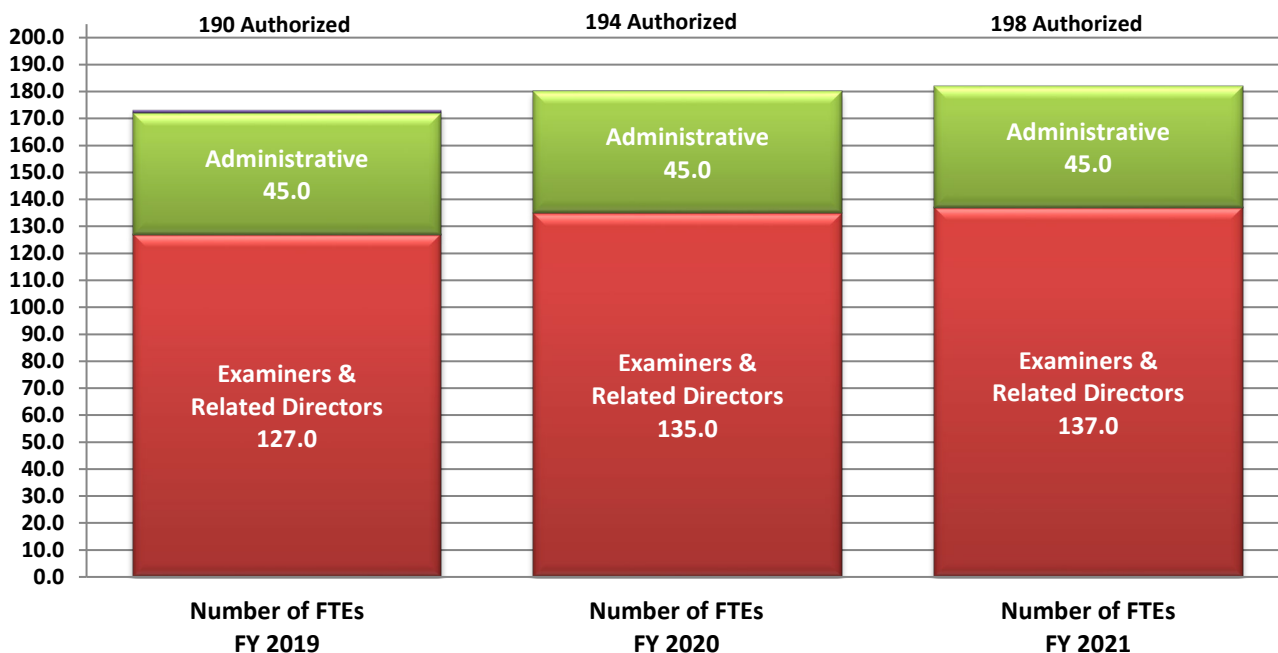
COVID-19

Human Resources continues to track illness, determine FFCRA leave entitlement, and monitor quarantine requirements for Department Staff.

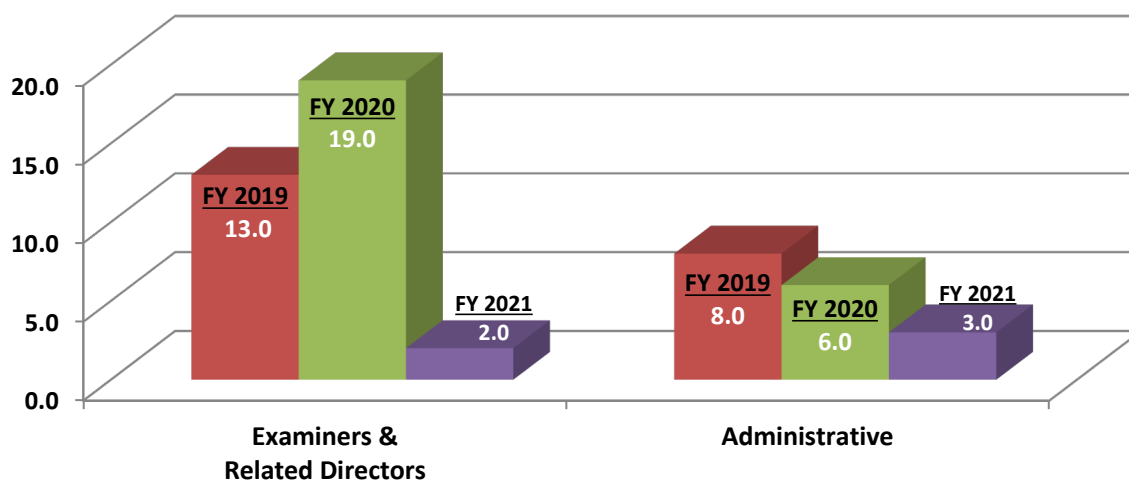
Annual Employee Performance Appraisals

Finalizing calendar year 2020 employee performance appraisals in NEOGOV.

Texas Department of Banking Employee Data for Fiscal Years 2019, 2020 and 2021 as of 02/28/2021



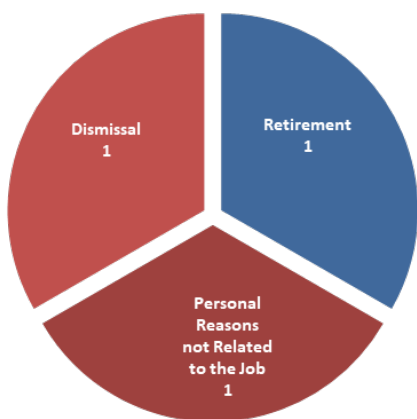
New Hire Data for Fiscal Years 2019, 2020 and 2021



FY 2021 Employee Turnover Reasons

All Employees
3 Resignations

Financial Examiners Only
0 Resignations



As of 02/28/2021



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Memorandum

To: Finance Commission Members

From: Lori Wright, Director of Human Resources

Date: March 11, 2021

Subject: 2020 Internal Employee Survey

In November 2020, the Department distributed an internal survey to staff using Survey Monkey. We voluntarily conduct this internal survey in even numbered years to help continue to improve the agency. Highlights of the survey include:

- 158 employees or 88% of staff responded to the survey.
- 98 employees indicated that they were overall satisfied with their job, the way they are treated, and the direction the Department is headed. These employees chose not to answer the individual questions.
- The questions' ratings ranged from 1 strongly agree to 4 strongly disagree.
- 94% of respondents agree that the Department's response to COVID-19 has been effective and safe.
- Four administrative and nine financial examiner staff members expressed dissatisfaction with their compensation.
- Items with a weighted average above 2.0 are indicative of further review. These items include:
 - Department computer programs organization and problems
 - Adequacy of data cards/cell modem
 - Travel voucher processing at headquarters
 - The Department's intranet (DOBIE) organization and usefulness
- The Employee Advisory Council has received the results of the survey and will review and provide suggestions for improvement to Senior Staff.
- Senior staff has met and will develop an action plan for areas that need improvement.

Overall, we would like to see a better response rate in the future but are pleased with the scores and comments received.

Department of Banking
Actual Performance for Output Measures
Fiscal Year 2021

Type/Strategy/Measure	2021 Target	2021 Actual	2021 YTD	Percent of Annual Target
-----------------------	----------------	----------------	-------------	-----------------------------

Output Measures-Key

1-1-1 Bank Examination

1. # Bank Examinations Performed

Quarter 1	89	27	27	30.34%
Quarter 2	89	20	47	52.81%

FY 2021, Quarter 1 - The number of bank examinations for quarter one was corrected from 26 to 27 to reflect accurate data.

The number of bank examinations is above the target due to performing more joint examinations than projected.

2. # Foreign/Trust/IT Examinations Performed

Quarter 1	197	58	58	29.44%
Quarter 2	197	45	103	52.28%

1-2-1 Non-Bank Examination

1. # NDS Licensees Examined

Quarter 1	550	137	137	24.91%
Quarter 2	550	118	255	46.36%

1-3-1 Application Processing

1. # License Applications Completed

Quarter 1	298	85	85	28.52%
Quarter 2	298	83	168	56.38%

FY 2021, Quarter 2 - The number of subsidiary, money services business, and conversion filing activities exceeded expectations.




Charles G. Cooper
Commissioner

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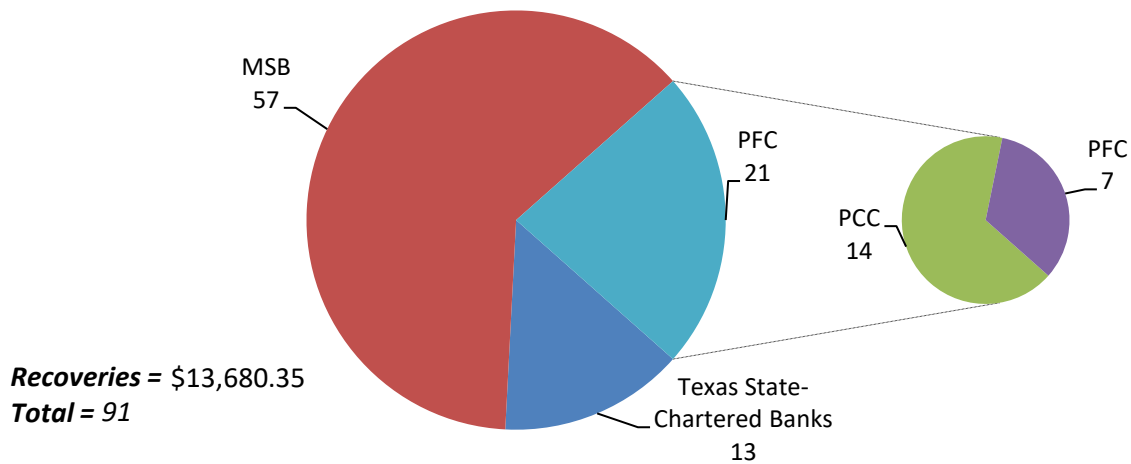
To: Finance Commission Members

From: Michelle Hodge, Director of Strategic Support 

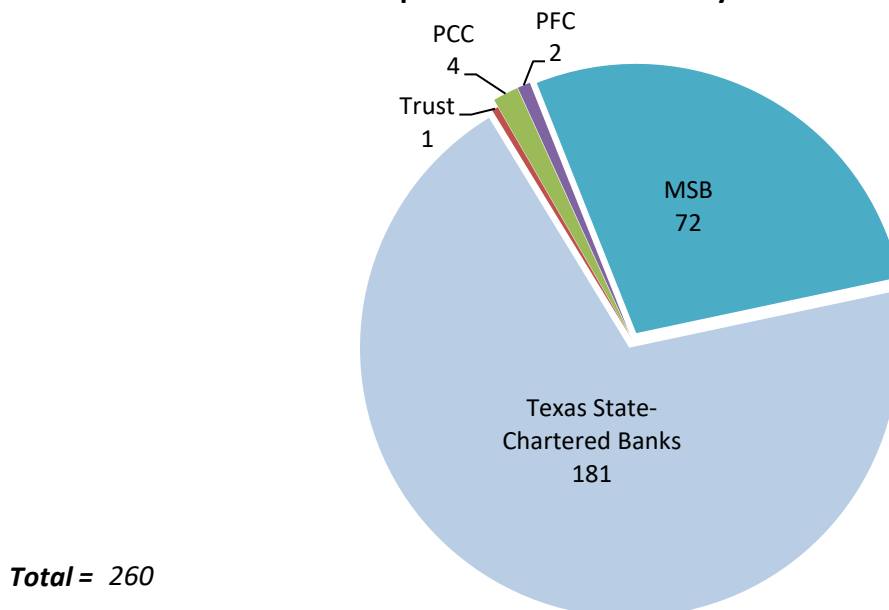
Date: March 31, 2021

Subject: Summary of the Strategic Support Division Activities

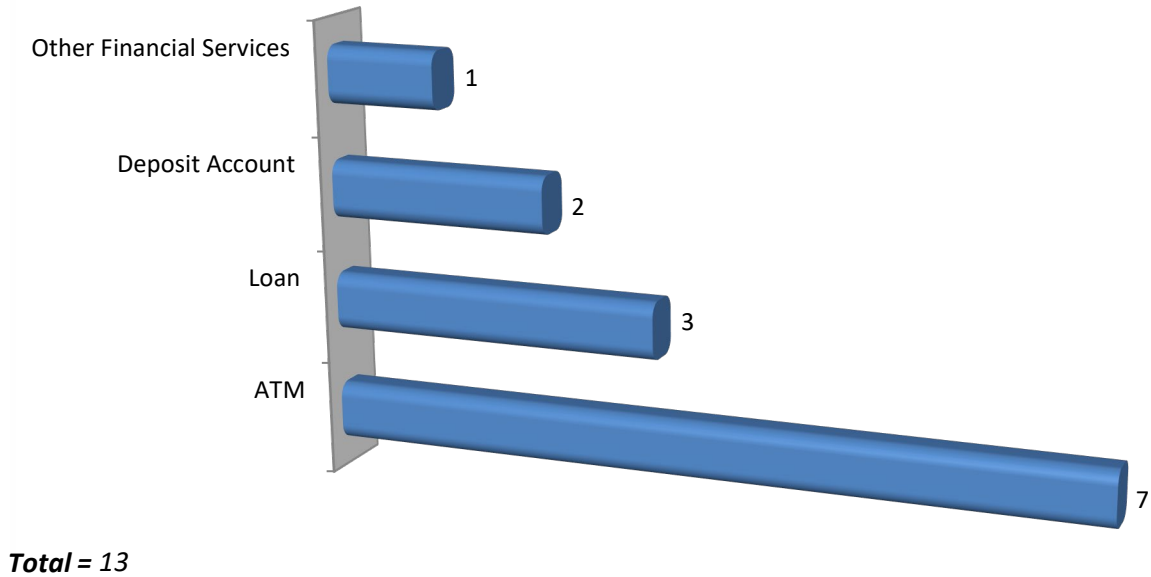
Jurisdictional Written Complaints September 2020 - February 2021



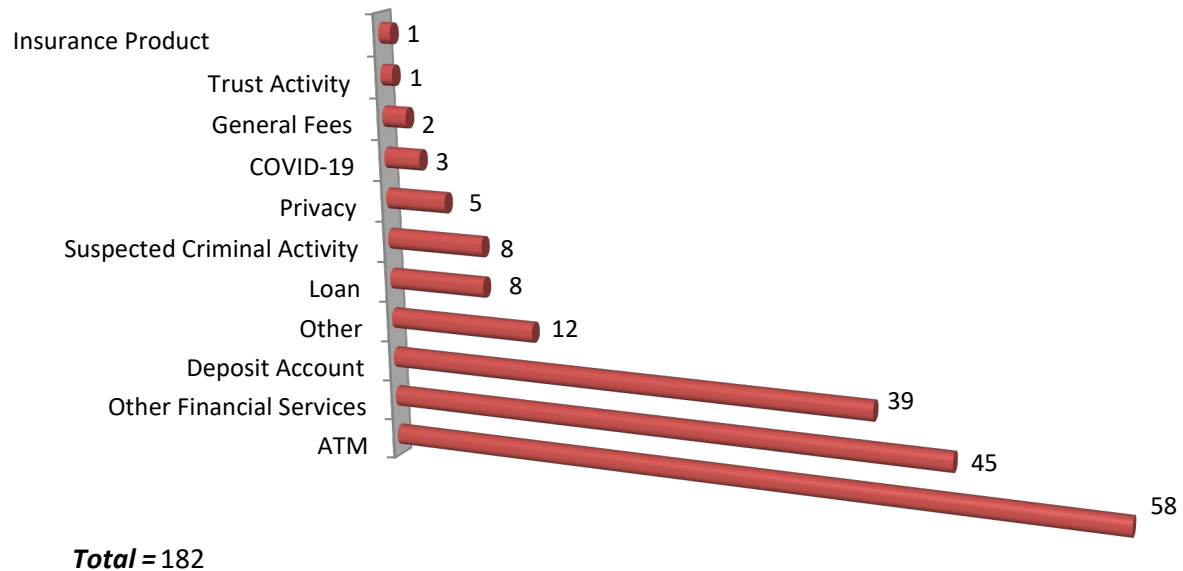
Inquiries on Jurisdictional Entities September 2020 - February 2021



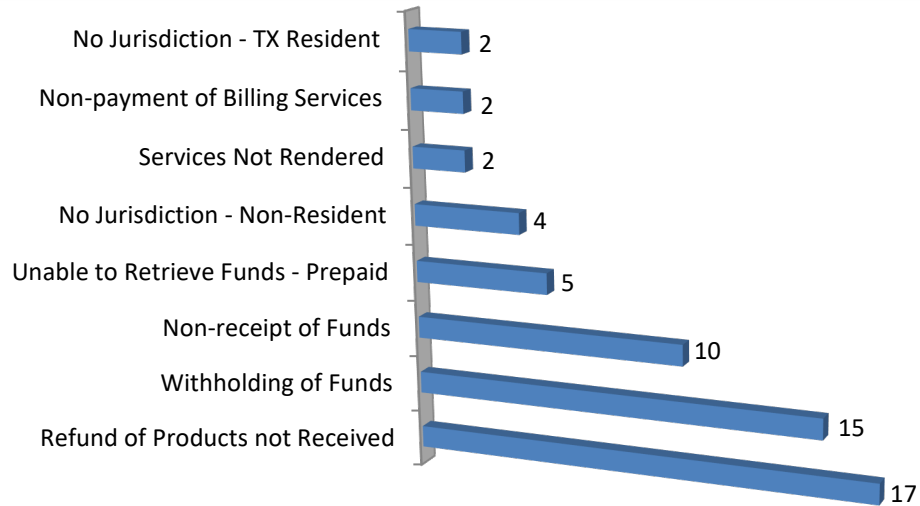
**State-Chartered Banks and Trust Companies
Written Complaints by Type
September 2020 - February 2021**



**State-Chartered Banks and Trust Companies
Inquiries by Type
September 2020 - February 2021**

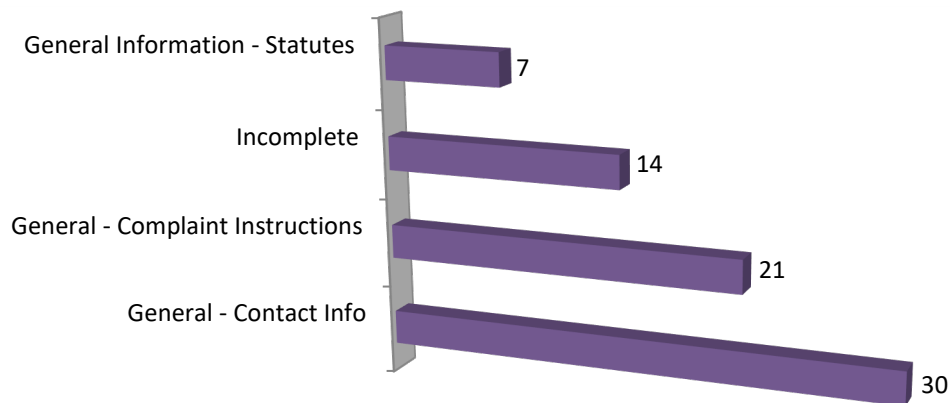


**Money Services Businesses
Written Complaints by Type
September 2020 - February 2021**



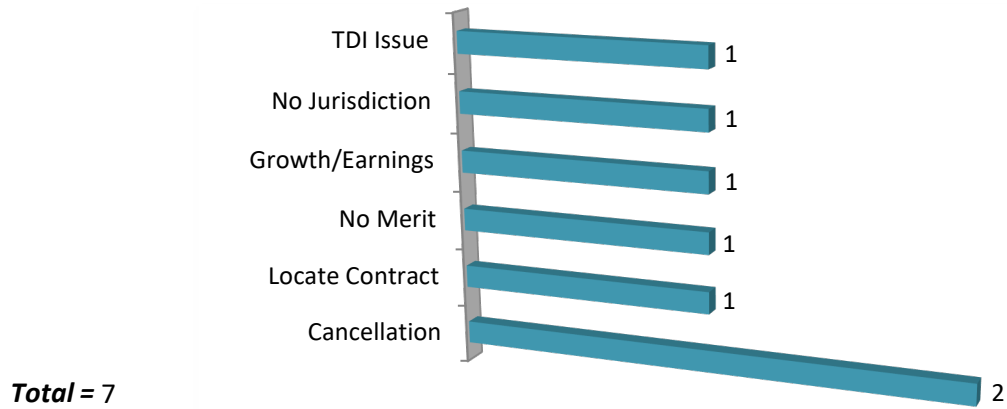
Total = 57

**Money Services Businesses
Inquiries by Type
September 2020 - February 2021**

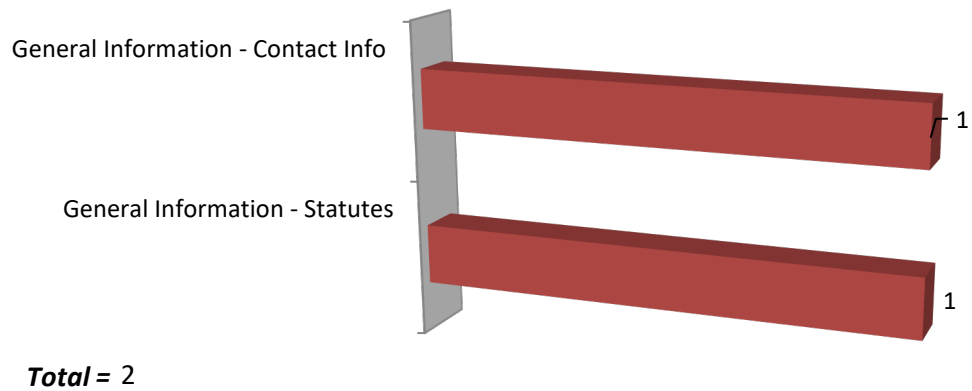


Total =72

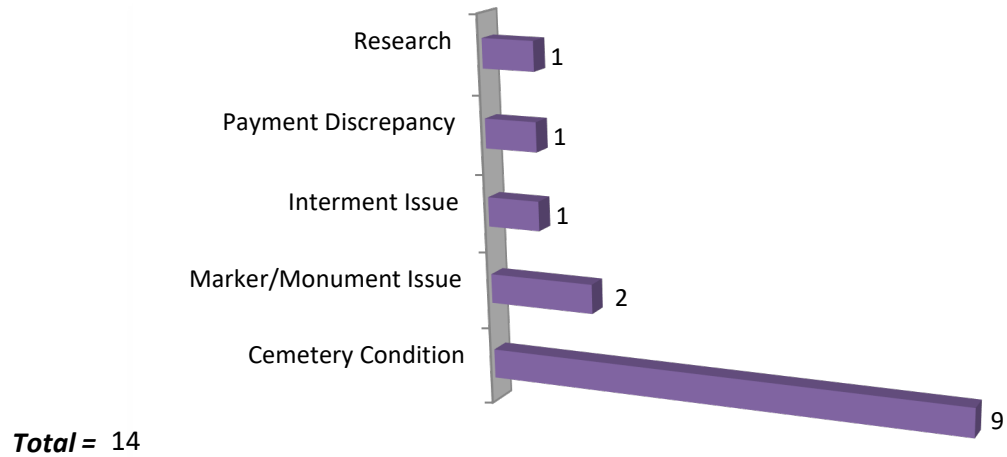
**Prepaid Funeral Contract Sellers
Written Complaints by Type
September 2020 - February 2021**



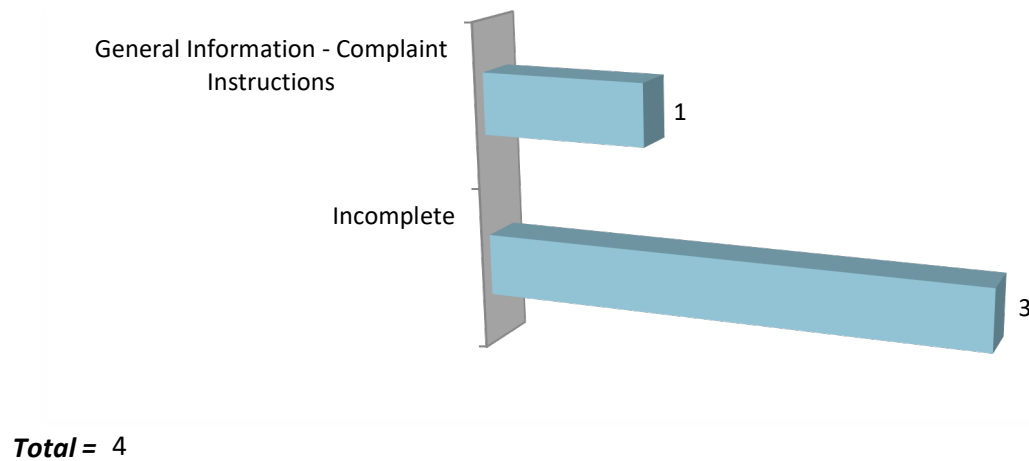
**Prepaid Funeral Contract Sellers
Inquiries by Type
September 2020 - February 2021**



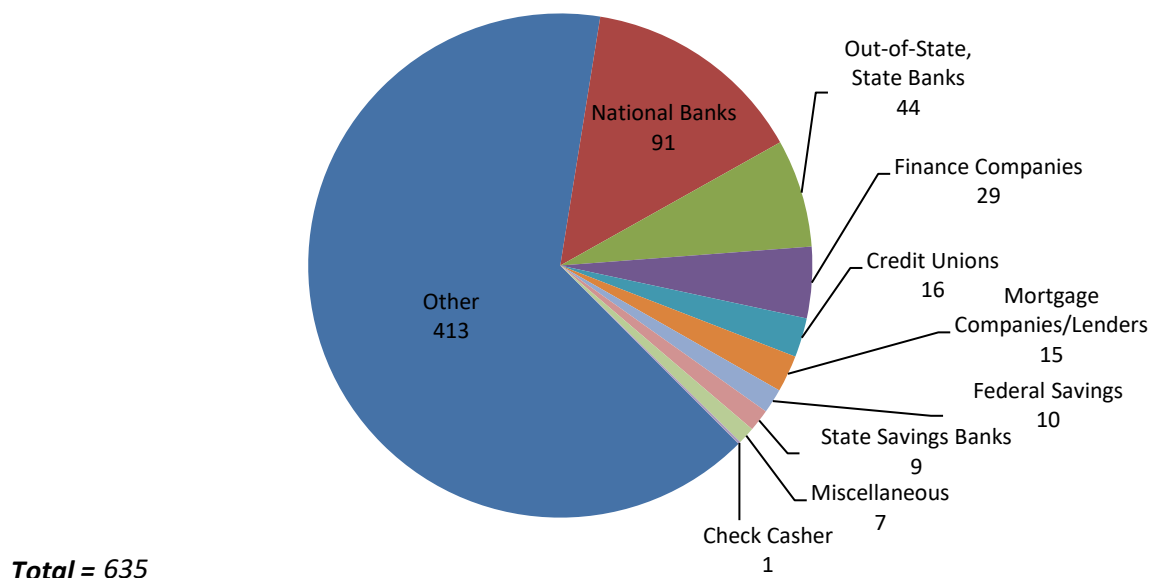
**Perpetual Care Cemeteries
Written Complaints by Type
September 2020 - February 2021**



**Perpetual Care Cemeteries
Inquiries by Type
September 2020 - February 2021**



Complaints and Inquiries Against Non-Jurisdictional Entities September 2020 - February 2021



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.

Complaint Activities Information by Quarter

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
State-Chartered Banks				
Avg. Number of Days to Close a Written Complaint	55	42	N/A	N/A
Percentage of Written Complaints Resolved Within 90 days	100%	100%	N/A	N/A
Number of Written Complaints Resolved	10	7	N/A	N/A
Trust				
Avg. Number of Days to Close a Written Complaint	N/A	N/A	N/A	N/A
Percentage of Written Complaints Resolved Within 90 days	N/A	N/A	N/A	N/A
Number of Written Complaints Resolved	N/A	N/A	N/A	N/A
PFC/PCC				
Avg. Number of Days to Close a Written Complaint	22	23	N/A	N/A
Percentage of Written Complaints Resolved Within 90 days	100%	100%	N/A	N/A
Number of Written Complaints Resolved	15	6	N/A	N/A
MSB				
Avg. Number of Days to Close a Written Complaint	24	25	N/A	N/A
Percentage of Written Complaints Resolved Within 90 days	100%	100%	N/A	N/A
Number of Written Complaints Resolved	27	30	N/A	N/A

Closed Account Notification System (CANS) ACTIVITY

January 1, 2018 – March 31, 2021

Entity	Enrolled	Compromised Accounts Reported
Texas State-Chartered Banks	191	308
Texas State-Chartered Savings Banks	24	49
Federal Savings Banks	10	N/A
State Credit Unions	132	635
Federal Credit Unions	229	266
National Banks	170	102
Out-of-State State-Chartered Banks	12	98
Out-of-State National Banks	6	N/A
Total	774	1,458

Bank Examination Testing System (BETS) Activity

Number of Candidates Passing Each Phase

	FY 2018	FY 2019	FY 2020	FY 2021 As of 03/31/21
I. General Knowledge	6	3	4*	2
II. Loan Analysis	3	5	7	N/A
III. Panel	2	5	10	1
IV. Test Bank	3	4	7	4
Total FE3	22	19	15	20

Promotions

Commissioned Examiners	2	5*	7	4
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*Includes a FE V Credit Specialist

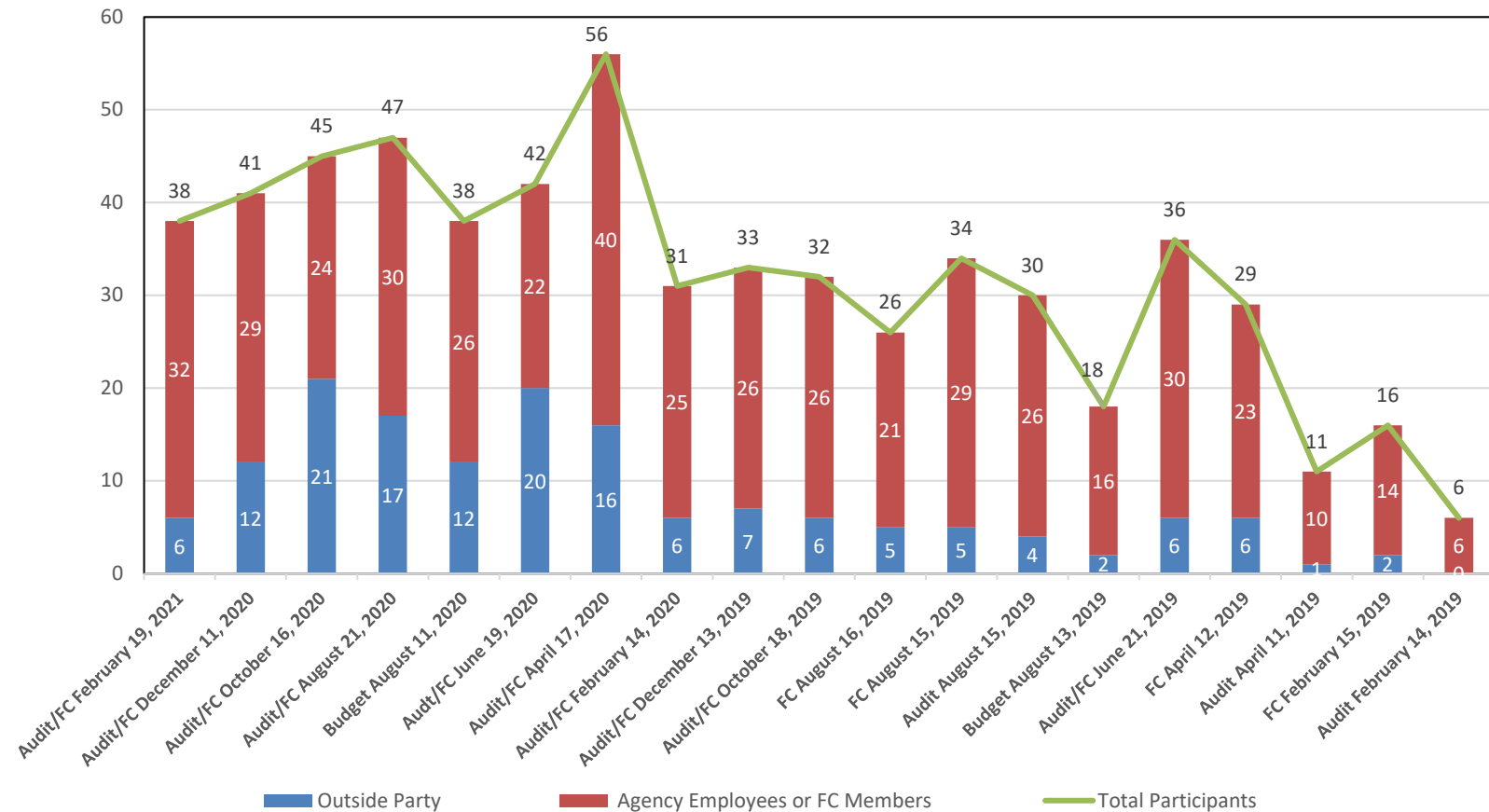
Other Divisional Items:

- *Audit*
 - Garza/Gonzalez & Associates completed their audit fieldwork in March 2021 related to testing of internal controls and processes over the Department's consumer assistance area, which included DSS' processing of consumer complaints and inquiries. The final report received from Garza/Gonzalez & Associates reflected one finding related to performance measure verification which is being addressed.
- *87th Legislative Session*
 - The Texas Legislature filed 6,919 bills and joint resolutions by the bill filing deadline on March 12, 2021. House and Senate committee hearings are ongoing, and the Department is monitoring the progress of 400 of these bills. Bill tracking reports are updated weekly and posted on the Department's intranet (DOBIE) to help keep agency staff informed of legislative activities.

- *Rate the Department*
 - The annual Rate the Department survey closed on February 8, 2021. The survey results for [Bank and Trust Companies](#), [Prepaid Funeral Benefit Contracts & Perpetual Care Cemetery](#), and [Money Services Businesses](#) have been posted on the Department's website.
- *Internal Bank Secrecy Act and Money Laundering School (BSA/AML)*
 - An internal virtual BSA/AML school was held on February 22-23, 2021. The Department had 64 examiners attend training. BSA Specialists Jared Brown and Michael Ebie, and Senior Examiner Eric Teague taught this year's internal BSA/AML school.
- *Publications*
 - The March 2021 edition of the [Condition of the Texas State Banking System](#) report is available with financial data as of December 31, 2020.
 - Various agency publications were updated in March 2021 with December 31, 2020 financial data, including the [Agency Profile](#), [Top 100 Banks in Texas](#), and the [Overall Texas Banking Activity](#).
- *CSBS Bank Supervision Profile*
 - Updated the Department's CSBS Bank Supervision Profile in March 2021 as annually required for good standing with our CSBS accreditation. Each year, the Department updates various sections of the CSBS Profile for State-Chartered Banks which is a compilation of information regarding the operations and characteristics of the Department.
- *Personnel Manual Updates*
 - Personnel Manual
 - Section 2 – Fraud Prevention Policy (March).
- *Examination Procedure Updates*
 - Capital Procedure for Banks (March).
 - Asset Management for Trust Departments and Trust Companies (March).
 - Request List for Trust Departments and Trust Companies (March).
- *Website Statistics between September 1, 2020 through February 28, 2021*
 - The Texas Department of Banking website had 365,039-page views of the homepage. The top three pages after the homepage were the Entity Search (22,134-page views), Applications and Forms (8,601-page views) and Contact Us (8,318-page views). The Financial Education webpage had 946-page views during the same period. Users are accessing the site via desktop (64,887), mobile (49,732), and tablet devices (1,548).
 - The Finance Commission website had 19,850-page views. The top three visited pages were the homepage (7,126-page views), Finance Commission Meetings (2,499-page views), and 2020 Meetings Archive (1,043-page views). Users are accessing the site via desktop (4,090), mobile (1,944), and tablet devices (99).
 - The Texas Prepaid Funeral Contracts website had 35,388-page views of the homepage. The top three pages after the homepage were General Information (5,038-page views),

Prepaid Planning Brochure (1,951-page views) and FAQs (1,697-page views). Users are accessing the site via mobile (8,452), desktop (7,161), and tablet devices (588).

Finance Commission Webcast Historical Data





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

Memorandum

TO: Finance Commission Members
FROM: Catherine Reyer, General Counsel
DATE: April 1, 2021
RE: Legal Division Update

Litigation

E. Edward Okpa vs. Charles G. Cooper, Texas Banking Commissioner, Texas Department of Banking, Cause No. D-1-GN-20-005368, in the 53rd Judicial District Court of Travis County, Texas. This case was filed 9/28/20, seeking a declaratory judgment that the plaintiff's proposed business model would not require a money transmission license under the Texas Finance Code. On 1/22/21, the OAG filed its answer on behalf of the Commissioner and the Department. OAG is in active discussions with plaintiff's attorneys regarding dismissal of the suit.

Pending Contested Cases

There are no cases currently set for administrative hearing.

Orders Issued 2/1/21 – 3/31/21

During this time period, the Commissioner issued one enforcement order, which is public, final and non-appealable:

Non-Depository Supervision

- Cease and Desist Order dated March 4, 2021; Robert L. Green, Sr., Bay City, TX

Public Information Requests

From February 1, 2021 through March 31, 2021, staff received and responded to 19 requests for public information. During the same period, we received and responded to four public information requests addressed to the Finance Commission.

Gifts

In November 2020, the Conference of State Bank Supervisors (CSBS) conducted an accreditation review of the Department's supervision of money services businesses. The normal fee for this type of review is \$5,700. In March 2021, the Department was notified that the fee was paid by a grant to CSBS from a national mortgage settlement fund.

FY 2021 Quarterly Order Activity

BANK				
Type of Action	1st	2nd	3rd	4th
Consent Order	1	1		
Cease & Desist	0	0		
Supervision	1	0		
Prohibition	0	1		
Total	2	2		
TRUST COMPANY				
Consent Order	0	0		
Cease & Desist	0	0		
Supervision	0	0		
Prohibition	0	0		
Total	0	0		
MONEY SERVICES BUSINESS				
Consent Order	7	5		
Cease & Desist	0	0		
Final Order After Hearing	0	0		
Total	7	5		
PERPETUAL CARE CEMETERY				
Consent Order	0	0		
Cease & Desist	0	0		
Refusal to Renew Cert/Auth	0	0		
Final Order after hearing	0	0		
Total	0	0		
PREPAID FUNERAL CONTRACT				
Consent Order	0	0		
Cease & Desist	0	0		
Total	0	0		

2. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of Amendment to 7 TAC §3.36, Concerning Annual Assessments and Specialty Examination Fees

PURPOSE: Section 3.36 is proposed to be amended to mitigate the assessment effects of participating in the Paycheck Protection Program by decreasing a state bank's assessment base by the amount attributable to Paycheck Protection Program loans reflected in the bank's financial statements.

RECOMMENDED ACTION: The Department recommends that the Commission approve publication of the proposed amended rule in the *Texas Register* for comment.

RECOMMENDED MOTION: I move that we publish the proposed amendment to 7 TAC §3.36 in the *Texas Register*.

Title 7. Banking and Securities
Part 1. Finance Commission of Texas
Chapter 3. State Bank Regulation

7 TAC §3.36

The Finance Commission of Texas (the commission), on behalf of the Texas Department of Banking (the department), proposes to amend §3.36, concerning annual assessments and specialty examination fees. The amended rule is proposed to mitigate the assessment effects of participating in the Paycheck Protection Program (PPP) by decreasing a state bank's assessment base by the amount attributable to PPP loans reflected in the bank's financial statements.

Recent events have significantly and adversely impacted the global economy and financial markets. The spread of the Coronavirus Disease (COVID-19) has slowed economic activity in many countries, including the United States. Small businesses have experienced liquidity difficulties and a collapse in revenue streams as millions of Americans have been ordered to stay home, severely reducing their ability to engage in normal commerce. Many small businesses have been forced to close temporarily or furlough employees. Continued access to financing is crucial for small businesses to weather economic disruptions caused by COVID-19 and, ultimately, to help restore economic activity.

As part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Public Law 116-136 (Mar. 27, 2020), and in recognition of the exigent circumstances faced by small businesses, the United States Congress created the PPP. PPP loans are fully guaranteed as to principal and accrued

interest by the Small Business Administration (SBA), the amount of each being determined at the time the guarantee is exercised. As a general matter, SBA guarantees are backed by the full faith and credit of the U.S. Government. PPP loans also afford borrowers forgiveness up to the principal amount of the PPP loan if the proceeds of the PPP loan are used for certain expenses. The SBA reimburses PPP lenders for any amount of a PPP loan that is forgiven. PPP lenders are not held liable for any representations made by PPP borrowers in connection with a borrower's request for PPP loan forgiveness. The program has since been renewed and extended several times and, unless further extended, new applications will not be accepted after May 31, 2021.

The annual assessment chargeable to a state bank for the 12-month period beginning each September 1 is calculated based in part on the institution's total assets as reported in its most recent March 31st call report. An institution that assists economic stability and recovery during the COVID-19 crisis by making PPP loans to customers will increase its total loan portfolio, all else being equal, which will increase the total assets on its balance sheet by an amount equal to the outstanding balance of PPP loans. Absent a change to the assessment rule, this increase in total assets will result in an increase to the institution's annual assessment.

In recognition of the important role Texas state banks have played in providing liquidity to small businesses and helping to stabilize the broader economy in the midst of the economic disruption caused by COVID-19, the agency proposes to mitigate the increased assessment by excluding the quarter-end outstanding balance of all PPP loans from the

institution's total assets for purposes of calculating the institution's assessment.

Specifically, the definition of "on-book assets" in §3.36(b)(6) is proposed to be amended to subtract the outstanding balance of PPP loans included on "Schedule RC-M – Memoranda" in the institution's March 31st call report from total assets. In a conforming change, a definition for "PPP" is proposed to be added as new §3.36(b)(7).

Kurt M. Purdom, Deputy Commissioner, Texas Department of Banking, has determined that for the first five-year period the proposed rule is in effect, there will be de minimis fiscal implications for state government and no fiscal implications for local government as a result of enforcing or administering the rule.

Mr. Purdom also has determined that, for each year of the first five years the rule as proposed is in effect, the public benefit anticipated as a result of enforcing the rule is the mitigation of the assessment effects of state bank participation in the PPP.

For each year of the first five years that the rule will be in effect, there will be no economic costs to persons required to comply with the rule as proposed.

For each year of the first five years that the rule will be in effect, the rule will limit the effect of the existing rule by decreasing the amount of assessment fees paid to the agency that might otherwise be payable under the unamended rule, but will not, within the meaning and intent of Government Code, §2001.0221:

- create or eliminate a government program;
- require the creation of new employee positions or the elimination of existing employee positions;
- require an increase or decrease in future legislative appropriations to the agency;
- require an increase in fees paid to the agency;
- create a new regulation;
- expand or repeal an existing regulation;
- increase or decrease the number of individuals subject to the rule's applicability; or
- positively or adversely affect this state's economy.

There will be no adverse economic effect on small businesses, micro-businesses, or rural communities. There will be no difference in the cost of compliance for these entities.

To be considered, comments on the proposed amendment must be submitted no later than 5:00 p.m. on May 31, 2021. Comments should be addressed to General Counsel, Texas Department of Banking, Legal Division, 2601 North Lamar Boulevard, Suite 300, Austin, Texas 78705-4294. Comments may also be submitted by email to legal@dob.texas.gov.

The amendment is proposed pursuant to Finance Code, §31.003(a)(4) and §31.106, which authorize the commission to adopt rules necessary or reasonable to recover the cost of supervision and regulation by imposing and collecting ratable and equitable fees. As required by Finance Code, §31.003(b), the commission considered the

need to promote a stable banking environment, provide the public with convenient, safe, and competitive banking services, preserve and promote the competitive position of state banks with regard to national banks and other depository institutions in this state consistent with the safety and soundness of state banks and the state bank system, and allow for economic development in this state.

Finance Code, §31.106, is affected by the proposed amendment.

§3.36 Annual Assessments and Specialty Examination Fees.

(a) (No change.)

(b) Definitions. The following words and terms, when used in this section, §3.37 of this title (relating to Calculation of Annual Assessment for Banks), or §3.38 of this title (relating to Calculation of Annual Assessment for Foreign Bank Branches and Agencies), shall have the following meanings, unless the context clearly indicates otherwise.

(1)-(5) (No change.)

(6) On-book assets--The total assets reported by a bank, foreign bank branch, or foreign bank agency on the balance sheet contained in its most recent March 31st call report, minus the outstanding balance of PPP loans included on "Schedule RC-M – Memoranda."

(7) PPP--The Paycheck Protection Program administered by the Small Business Administration.

(c)-(i) (No change.)

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C.

**Department of Savings and
Mortgage Lending**

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C. Department of Savings and Mortgage Lending

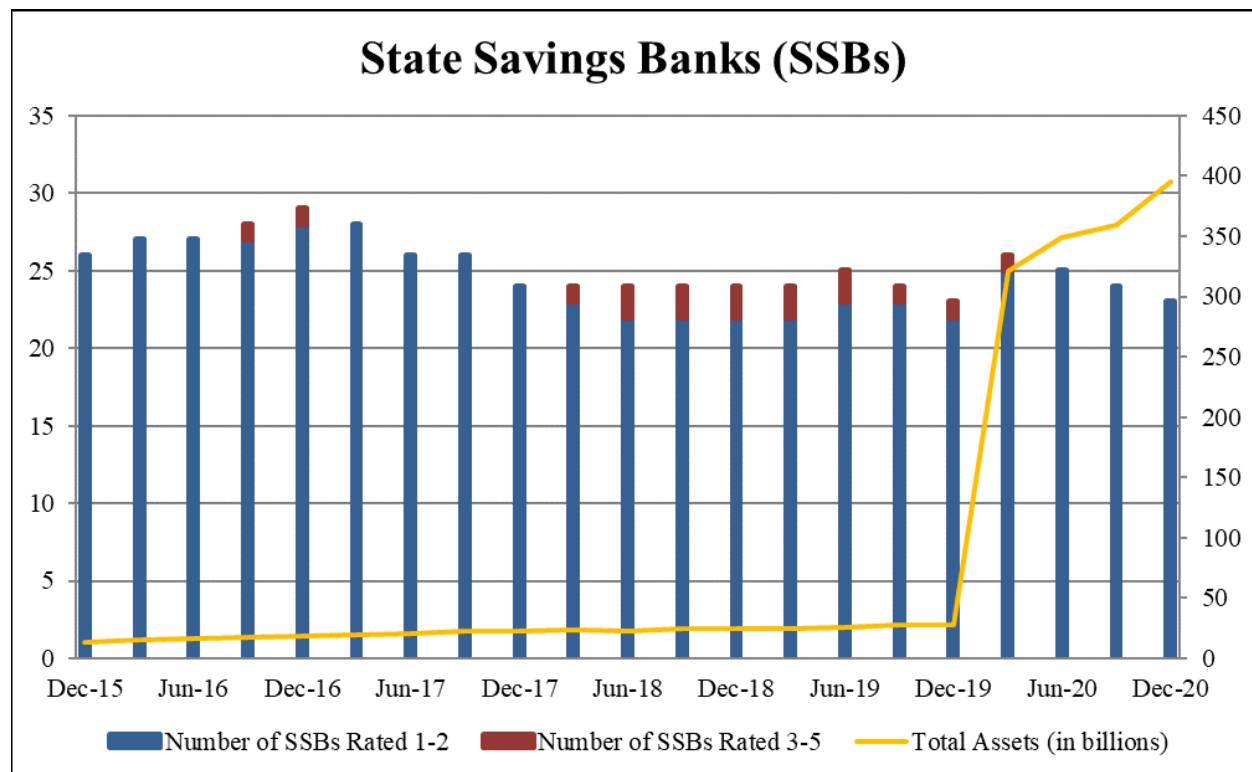
1. Industry Status and Departmental Operations: a) Thrift Regulation Division Activities; b) Mortgage Regulation Division Activities; e) Operations Division Activities; f) Legal Division Activities, including Consumer Complaints and Gift Reporting; and g) Legislative Activities

a) Thrift Regulation Division Activities

Industry Status

The Department continues to monitor various local, state, and national data sources to understand best the risks facing the industry and individual savings banks.

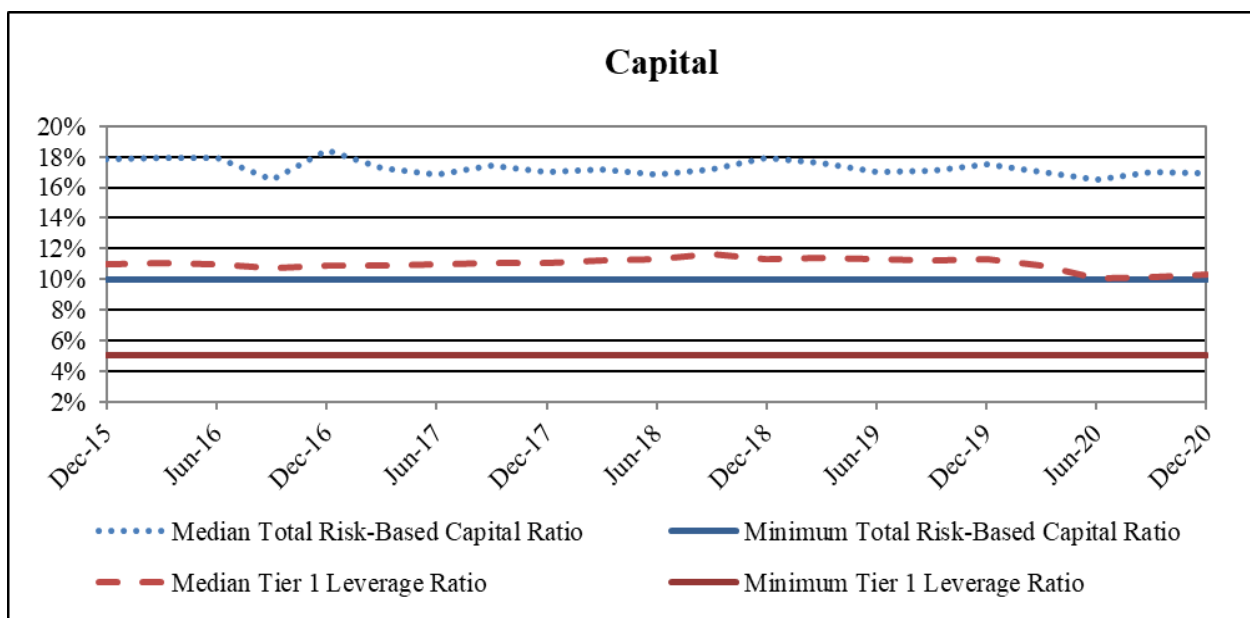
The Department conducts bank examinations to ensure confidence in the banking system using the Uniform Financial Institutions Rating System (UFIRS). Banks with a UFIRS rating of 1 or 2 are considered well rated. The industry consist of 23 state savings banks with assets that totaled \$395.3 billion as of December 31, 2020. The industry remains sound with all banks being well rated. As of calendar year end, one formal and one informal supervisory action are noted.



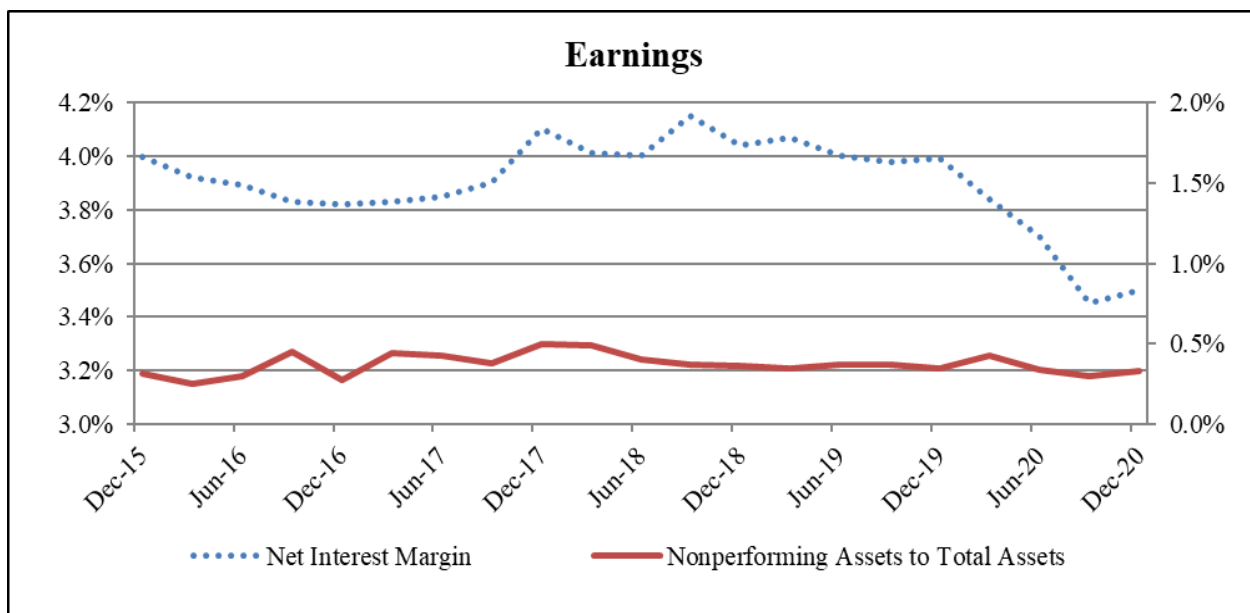
All SSBs are subject to quarterly offsite reviews. Those with the highest risk profiles receive enhanced scrutiny, as warranted, with targeted visitations, accelerated examinations, and/or corrective actions. Below are specific areas that the Department monitors in relation to changes in the state and national economic environment.

Bank capital performs several very important functions, including absorbs losses, promotes public confidence helps restrict excessive asset growth and provides protection to the depositors. Regulatory capital standards are designed to strengthen the quality and quantity of bank capital and promote a stronger financial industry that is more resilient to economic stress. As of December 31, 2020, all SSBs remain well above regulatory capital minimums. The portfolio

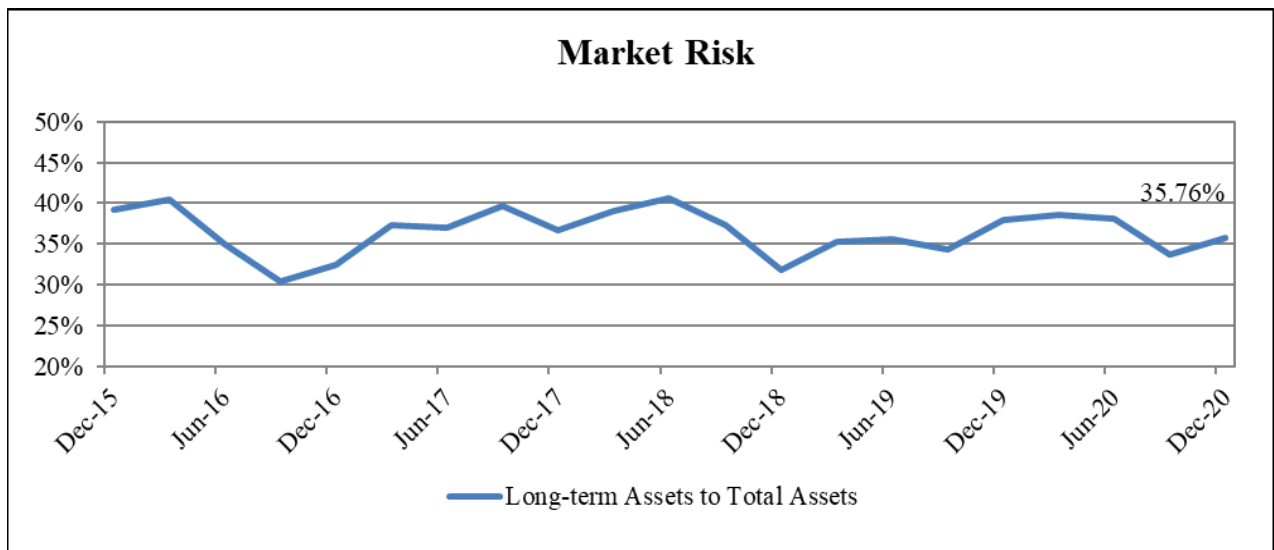
median total risk-based capital ratio and median leverage capital protection have remained generally consistent and are now 16.93% and 10.30%, respectively.



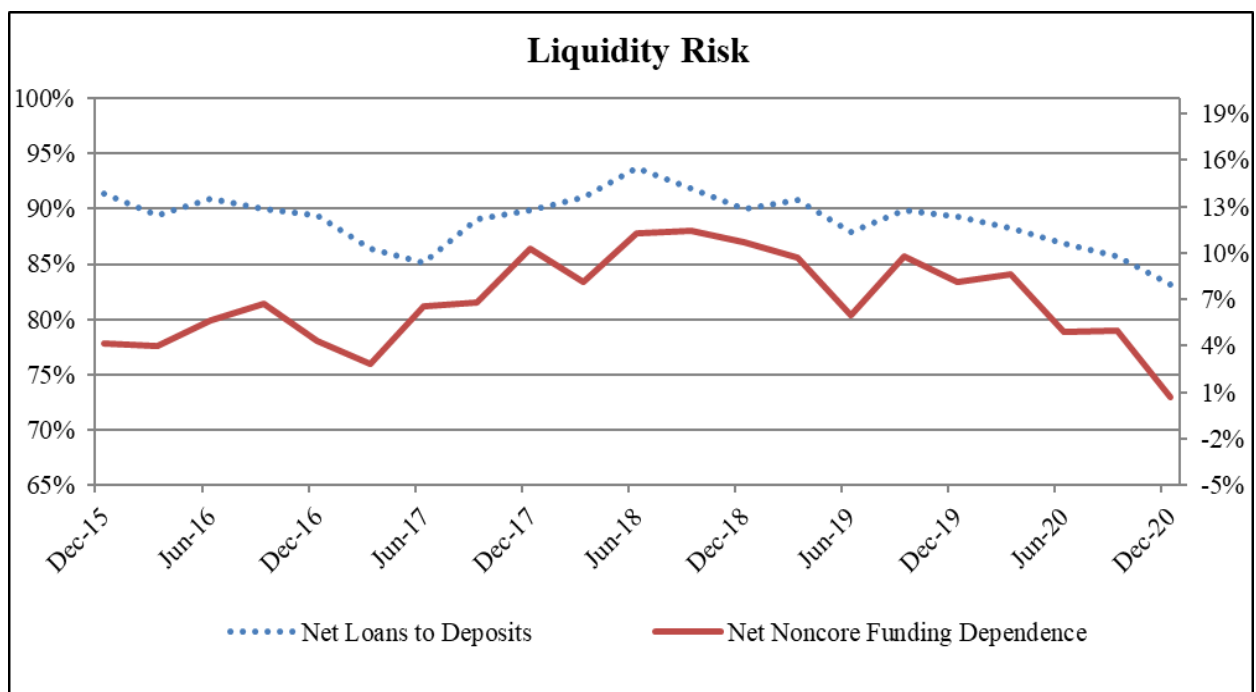
The earnings indicator is the initial safeguard against the risk of engaging in the banking business, and is the first line of defense against capital depletion resulting from shrinkage in asset value. Earnings performance should allow the bank to remain competitive by providing the resources required to implement management's strategic initiatives. The net interest or profit margin is 3.50%. Non-performing asset levels remain low at 0.33% of total assets.



Market risk primarily reflects exposures to changing interest rates over time. Long-term asset exposure can be an indicator of the degree of market risk taken by a state savings bank. As of December 31, 2020, long-term assets to total assets ratio decreased to 35.76% and remains manageable.



Liquidity risk reflects the bank's ability to fund assets and meet financial obligations under various scenarios, including adverse conditions. Liquidity risk continues to decline. The Net Noncore Funding Dependence (NNCFD) Ratio, a measure of the funding of long-term assets using short-term funding strategies, is 0.68%. The loan-to-deposit ratio, a measure of the use of deposits to fund lending activities, is 83.19% representing a continued decline from the previous four quarters.



Thrift Examination Activity Report

Due to COVID-19, thrift examinations continue to be conducted off-site. On-site activities are being offered by SML. If any on-site activities are conducted, safety protocols will be followed.

Thrift Supervision Activity Report

Thrift Supervision section continues to receive and process various requests for approval, including branch, subsidiary, holding company applications, and loan production offices.

On February 10, 2021, an application was received to convert Keystone Bank, N.A., to a state savings bank, Keystone Bank, SSB. The application was approved on March 10, 2021, and

effective March 11, 2021.

An application to reorganize Mineola Community Mutual Holding Company from a mutual to stock form of ownership was received from Mineola Community Bank, SSB, on February 9, 2021, and is under review.

No merger activity was received, approved or effective since the February 2021 Finance Commission meeting

Outreach and Training

On February 24, 2021, Commissioner Jones and Deputy Commissioner Trotti spoke at the Tarrant County Bankers Association.

On March 16, 2021, Commissioner Jones and Deputy Commissioner Trotti spoke at the Texas Bankers Association (TBA) Executive Management Zoom Meeting.

b) Mortgage Regulation Division Activities

Industry Status

License/Registration Type	Approved Count as of		% Change
	2/29/2020	2/28/2021	
Mortgage Banker	405	418	3%
Mortgage Company	1,495	1,669	12%
Residential Mortgage Loan Servicer	194	211	9%
Independent Contractor Company	170	195	15%
Credit Union Subsidiary Organization	4	3	-25%
Auxiliary Mortgage Loan Activity Company	3	4	33%
Financial Services Company	1	0	-100%
<i>Subtotal Entity Licenses</i>	2,270	2,500	10%
Mortgage Banker Branches	3,040	3,372	11%
Mortgage Company Branches	741	938	27%
Credit Union Subsidiary Organization Branches	2	2	0%
<i>Subtotal Branch Licenses</i>	3,783	4,312	14%
Mortgage Loan Originator	27,429	34,419	25%
<i>Subtotal Individual Licenses</i>	27,429	34,419	25%
Total Count of Licenses/Registrations	33,482	41,231	23%

The number of entities and branches increased by 12% and individual mortgage loan originators increased by 25%, when compared to February 29, 2020.

Licensing Activity Report

During the 2nd quarter of fiscal year 2021, the Licensing Section staff approved 3,521 new licenses and processed 45,829 NMLS filings for regulated entities.

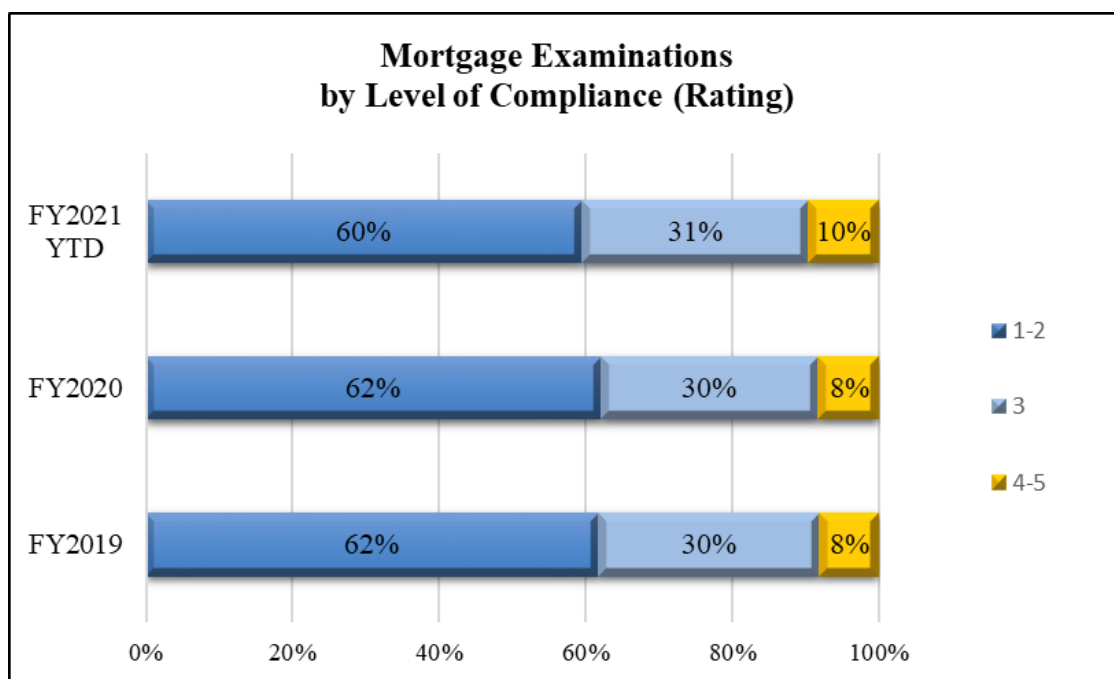
The Department closed the reinstatement period, which ran from January 1, 2021, through February 28, 2021, which allows licensees that did not renew timely the ability to request reinstatement for calendar year 2021. If the entity or individual did not renew timely, their license status went to “Terminated-Failed to Renew” which prevents them from originating until the

renewal is processed. Companies or individuals that failed to reinstate before February 28, 2021, will have to restart the application process.

Mortgage Examination Activity Report

During the first two quarters of fiscal year 2021, the Department conducted 198 examinations covering 3,722 individual licensees. The number of examinations is slightly lower when compared to the same reporting period in fiscal year 2020 while the number of individual licensees covered increased by 44%. This increase is associated with larger entities being examined in the second quarter.

Below is a breakdown of mortgage examination results by compliance rating for the first half of fiscal year 2021. As shown in the chart below, the stratification of examination ratings during the past six months reflects a stable trend in the combined 1 & 2 rating categories when compared to fiscal years 2019 and 2020. There were two 5 rated examinations issued during the first half of fiscal year 2021.



Outreach and Training

Commissioner Jones, Director Florence, Licensing Manager Chris Osuna, Examiners Justin Accola, Ellena Meier, and Bill Poe, attended the NMLS annual conference on February 23, 2021.

c) Operations Division Activities

Risk Management

The Department has begun increasing presence in the Austin office, however, still at no more than 50% in the office at any given time. Hygienic supplies are available in the office and all necessary precautions are adhered to. All office staff is equipped to work remotely.

Mortgage and thrift examinations field staff continues to perform only off-site activities.

Director Antov and Information Resources staff continue to assist all employees as needed to ensure that work, regardless of the location at which it is performed, continues without any disruptions.

The management team continues to maintain regular communication with staff and to stay informed, and prepares for further development of the situation.

Accounting, Budget, and Financial Reporting

Staff has closed out the second quarter of fiscal year 2021. The reports are located elsewhere in the packet.

In compliance with the Texas Government Code, Chapter 2106, the Department submitted the Statewide Cost Allocation Worksheet for fiscal year 2021, to the Comptroller of Public Accounts.

CAPPS Implementation – The prototyping phase concluded at the end of February and the security configuration phase concluded in March. Staff is expecting confirmation of enrollment in the training sessions related to each CAPPS Financials Module. The User Acceptance Testing phase is expected to begin in May.

Director Antov continues to participate in biweekly CAPPS project management meetings.

Legislative Activity – Staff has provided a 5-year HUB expenditures and HUB goals progress report to the office of Senator Royce West upon their request. Staff is reviewing and analyzing filed bills for fiscal impact on the agency and the regulated industries and submitting fiscal notes to the Legislative Budget Board, as assigned.

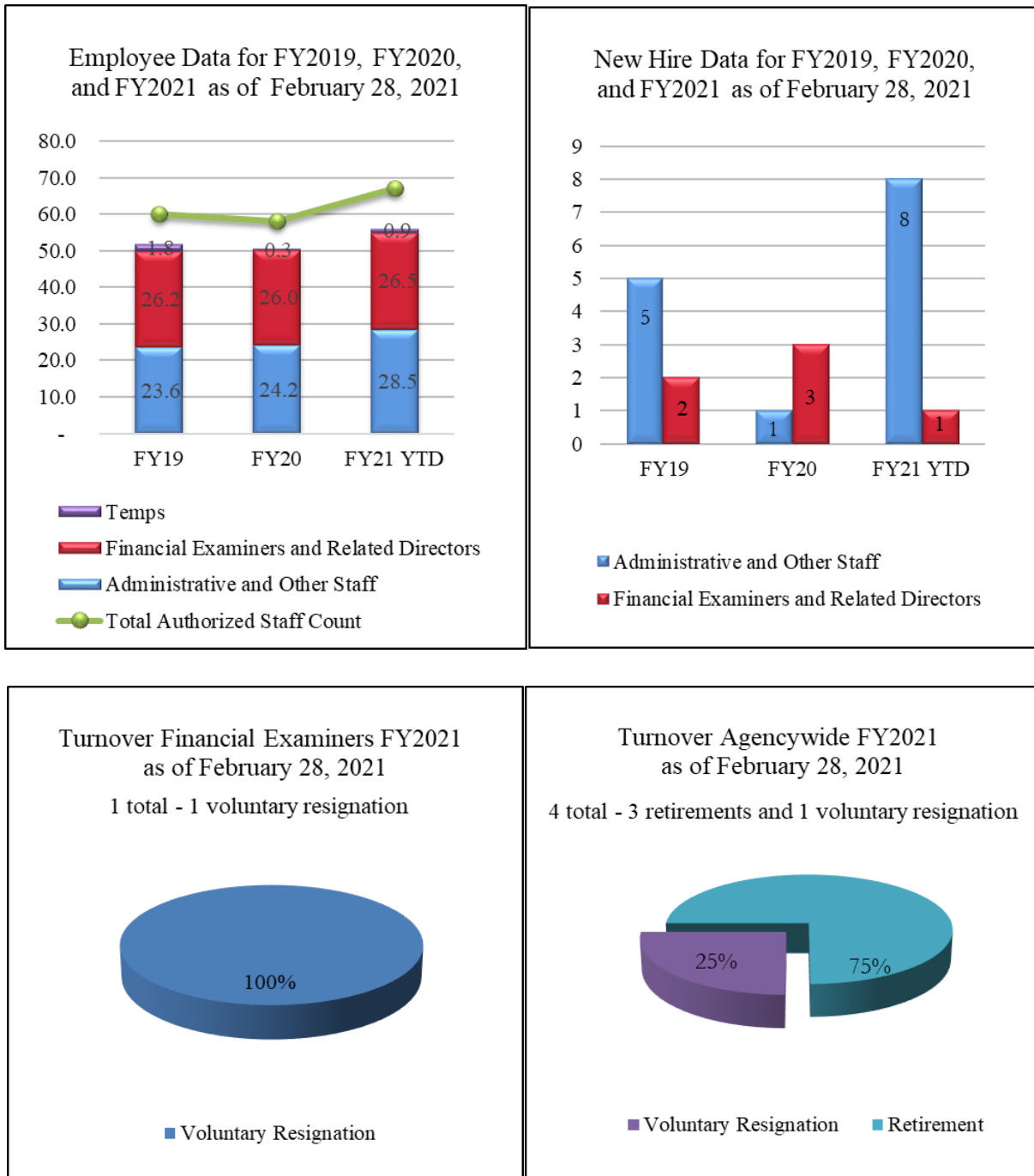
Human Resources

As of April 1, 2021, the Department was staffed at 57 regular full-time and 1 part-time employees. During the months of February, March, and April, two Investigators and one Financial Examiner joined the Department. One separation occurred during the same period – retirement of the Director of Mortgage Regulation.

Below is the status of the Department's vacancies:

Vacancy Status	
Investigator II/III – 2	Positions filled
Investigator IV/V	
Financial Examiner V – Thrift - 2	Collecting and reviewing applications, conducting interviews
Financial Examiner VI/VII – Thrift - 3	
Director III/IV - Mortgage Regulation	Collecting and reviewing applications, conducting interviews
License and Permit Specialist I/II - 2	Collecting and reviewing applications

Staffing Charts as of February 28, 2021



Performance Measures

Department of Savings and Mortgage Lending Actual Performance for Output Measures

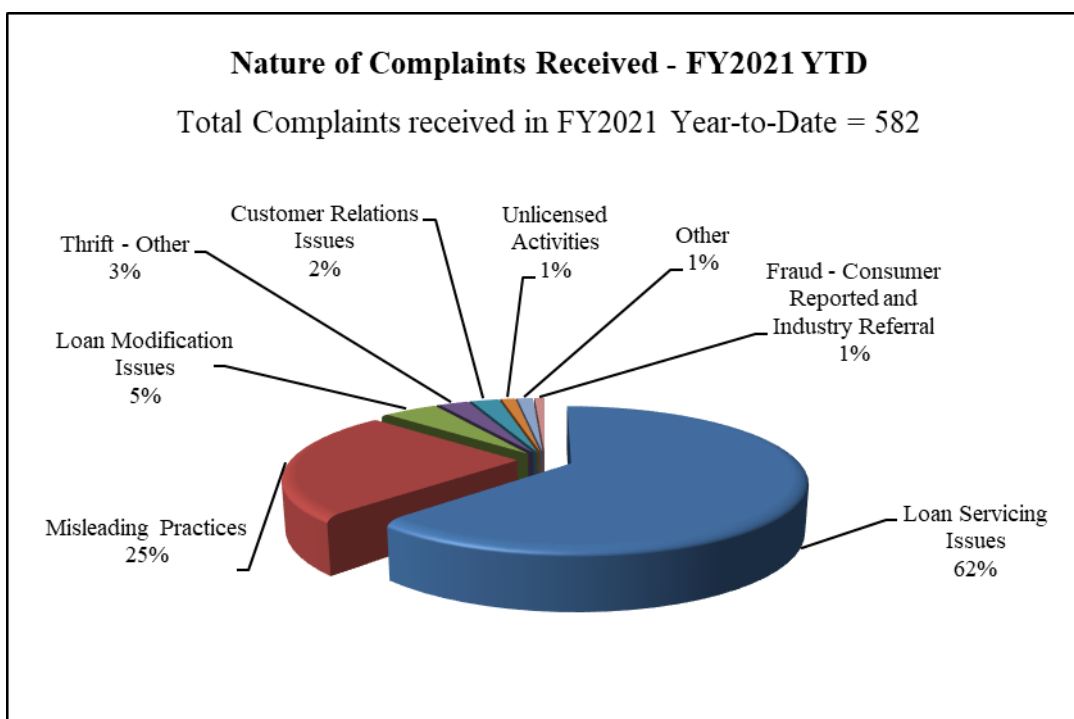
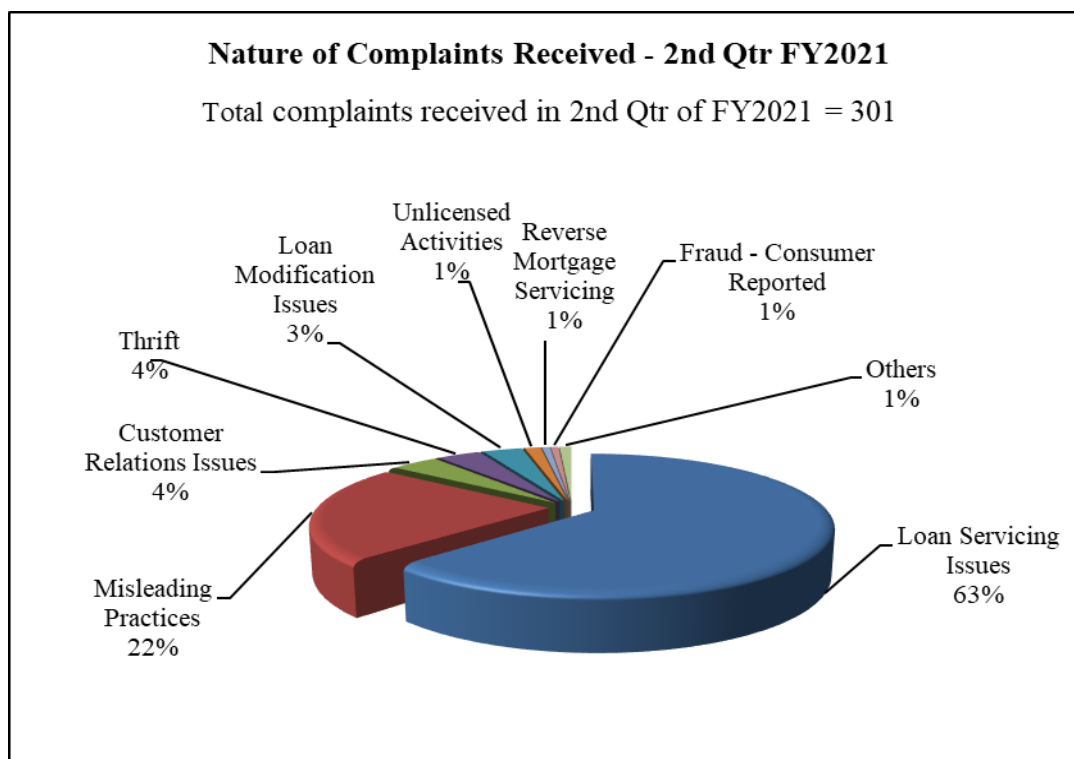
Type/Strategy/Measure	2021 Target	2021 Actual	2021 YTD	Percent of Annual Target	
Output Measures-Key					
1-1-1 Thrift Safety and Soundness					
1. Number of State Chartered Savings Institution Examinations Performed					
Quarter 1	16	4	4	25.00%	
Quarter 2	16	6	10	62.50%	*
The Department examines state chartered savings banks jointly with the FDIC and FRB, based on a priority schedule. The results for this measure may fluctuate between quarters due to the timing of individual examinations.					
2-1-1 Mortgage Regulation					
1. Number of Applications Processed					
Quarter 1	8,600	2,317	2,317	26.94%	
Quarter 2	8,600	3,521	5,838	67.88%	*
The Department received higher than expected number of applications; therefore, the number of applications processed has been affected in the same manner.					
2. Number of Licensees Examined					
Quarter 1	5,900	1,670	1,670	28.31%	
Quarter 2	5,900	2,052	3,722	63.08%	*
During the second quarter, several larger entities were examined.					
3-1-1 Consumer Responsiveness					
1. Number of Complaints Closed					
Quarter 1	1,000	253	253	25.30%	
Quarter 2	1,000	239	492	49.20%	

* Varies by 5% or more from target.

d) Legal Division Activities, including Consumer Complaints and Gift Reporting

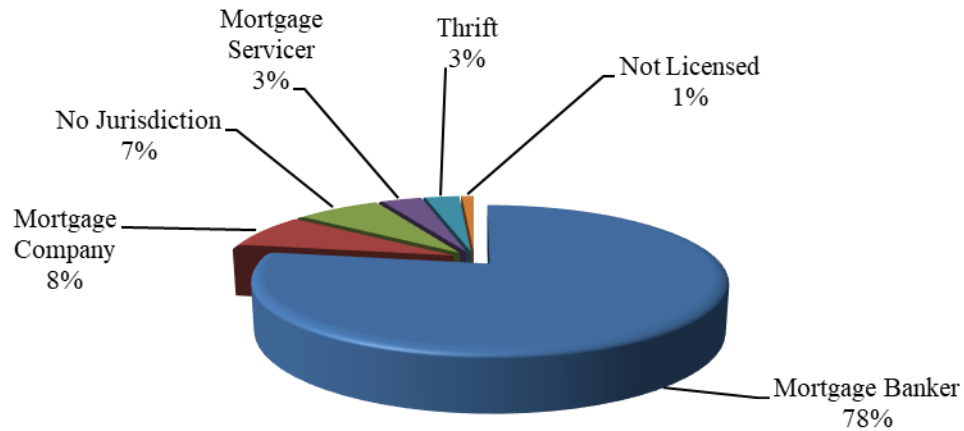
Consumer Complaints Activity Report

Loan Servicing complaints continue to be the largest complaint category accounting for 63% of the total number of complaints received in the second quarter of fiscal year 2021 compared to 61% received in the same reporting period in fiscal year 2020. The total number of complaints received in the second quarter of fiscal year 2021 decreased 5.6% when compared to the same reporting period in fiscal year 2020.



Complaints Received by Respondent Type - FY2021 YTD

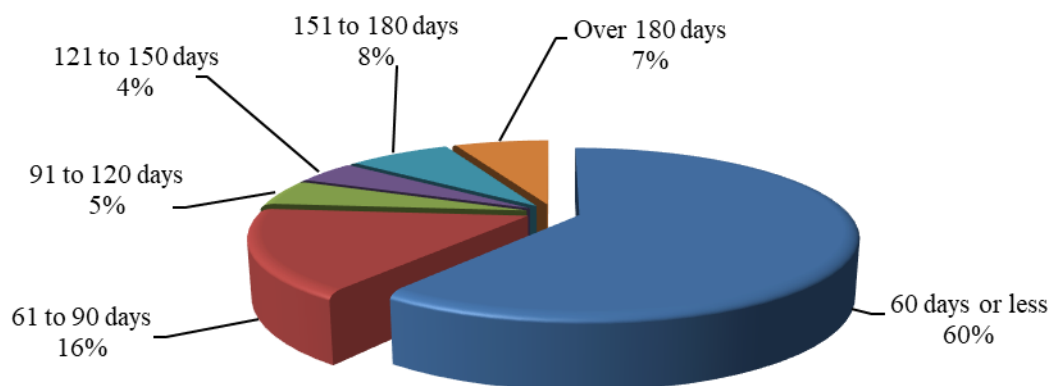
Total Complaints received FY2021 Year-To-Date = 582



The following charts reflect the consumer complaint information through the end of the second quarter of fiscal year 2021. Open complaint aging has dropped below acceptable ranges with 76% being aged less than 90 days.

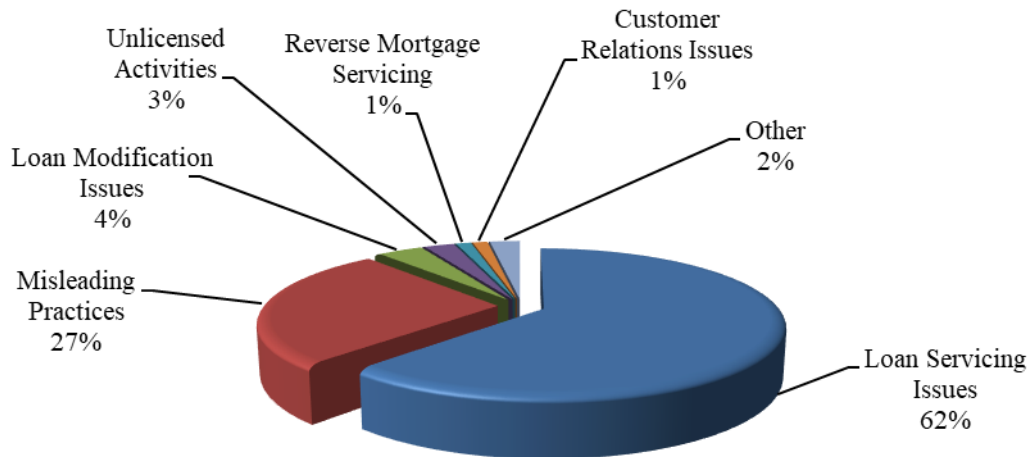
Aging of Open Complaints as of February 28, 2021

Total Open Complaints as of February 28, 2021 = 161



Nature of Open Complaints as of February 28, 2021

Total Open Complaints as of February 28, 2021 = 161



* The "Other" Category includes: Thrift - Other, Refunds and File Transfers, Identity Theft, and Fraud

Closed Complaints Information by Quarter	FY2021			
	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr
Servicing Complaints				
Average Number of Days to Close a Complaint	22.3	26.8		
Percentage of Complaints Closed Within 90 Days	95.6%	96.0%		
Number of Servicing Complaints Closed	160	148		
Non-Servicing Complaints				
Average Number of Days to Close a Complaint	29.4	30.3		
Percentage of Complaints Closed Within 90 Days	92.5%	90.1%		
Number of Non-Servicing Complaints Closed	93	91		
All Complaints				
Total Number of Complaints Closed	253	239		

The average number of days to close a servicing complaint increased to 26.8 days compared to 19.8 days in 2nd Quarter of fiscal year 2020. Non-servicing complaint resolution time increased from 16.8 days in 2nd Quarter of fiscal year 2020 to 30.3 days in the same period of fiscal year 2021.

Legal and Enforcement Activity Report

Enforcement Orders

Enforcement Activity By Quarter	FY 2021			
Type of Action	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Agreed Order to Surrender License	0	0		
Agreed Order to Take Affirmative Action	0	2		
Agreed Order to Cease and Desist	0	1		
Agreed Order	1	1		
Advisory Letter	8	5		
Consent Order	0	0		
Final Order	1	0		
Letter of Reprimand	4	0		
Order to Cease and Desist	3	2		
Order to Take Affirmative Action	7	0		
Order of Suspension	0	0		
Order of Revocation	0	0		
Order Rescinding Previous Order	0	1		
Total Number of Enforcement Actions	24	12		

In March 2021, the Department took 15 enforcement actions: eight Advisory Letters; five Orders to Cease and Desist; two Orders to Take Affirmative Action; and one Order Rescinding Previous Order.

Recovery Fund Applications

The Department received one application for the recovery fund since the last Finance Commission Meeting on February 19, 2021, which has been denied.

Contested State Office of Administrative Hearings (SOAH) Cases

Case No. 450 21-1361 *Department of Savings and Mortgage Lending v. Guillermo Magdaleno Jr. a/k/a Guillermo Hernandez Magdaleno*.

The Department denied the RMLO license application of Guillermo Magdaleno based on a criminal conviction for presenting false or misleading information on an insurance claim when he held a license to act as an insurance agent. Mr. Magdaleno appealed the denial and the case was heard at the State Office of Administrative Hearings (SOAH) on February 25, 2021. The Department is awaiting the Proposal for Decision.

Case No. 450 20-4631 *Department of Savings and Mortgage Lending v. Taufik Abuchaibe*.

The Department denied the RMLO license application of Taufik Abuchaibe based on felony convictions involving fraud, dishonesty, breach of trust, and money laundering. On September 18, 2020, the Department filed a Motion for Summary Disposition. Mr. Abuchaibe filed a response on October 2, 2020, to which the Department filed objections on October 8, 2020. On October 15, 2020, the ALJ issued Order No. 1 Granting the Department's Motion for Summary Disposition and Canceling Hearing, closing the record and finding that there are no genuine issues of material fact and that the Department is entitled to a decision in its favor as a matter of law. On December 2, 2020, the ALJ issued her proposal for decision recommending that the application for license be denied. On January 4, 2021, the Commissioner issued her final order adopting the ALJ's proposal for decision. On January 6, 2021, Mr. Abuchaibe emailed the Department a letter requesting the Commissioner reconsider her final order, and on February 10, 2021, Department's staff filed a written reply in opposition to Mr. Abuchaibe's letter. After review and due consideration of both, the commissioner found there was not good cause to reconsider her final

order and denied Mr. Abuchaibe's request on February 26, 2021. The Department considers the matter final and no further updates will be provided.

Litigation

Case No. 19-31300-HMC In Re: John Hoang Trien and Adversary No. 20-03001 State of Texas v. John Hoang Trien pending before the U.S. Bankruptcy Court for the Western District of Texas, El Paso Division.

The Department sought to enforce past administrative cease and desist orders (issued for unlicensed residential loan origination and unregistered residential loan servicing activity), by enlisting the services of the Texas Attorney General's Office. The subject John Trien however filed a Chapter 11 bankruptcy proceeding. The State of Texas continued its efforts by filing an Adversary Proceeding (lawsuit within the bankruptcy) against Mr. Trien. Bankruptcy Judge Christopher Mott, on the Motion of the United States Trustee's Office, converted the Chapter 11 bankruptcy to a Chapter 7 bankruptcy. This case is now in liquidation not reorganization. In May 2020, the State of Texas filed a motion to amend its adversary complaint against Mr. Trien, which was granted by the court. Within the adversary proceeding, Mr. Trien had also filed a motion to strike the amended complaint, as well as a motion for summary judgment and such motions were denied by the court during May 2020. There have been numerous discovery battles recently. Trien's deposition and several others were taken in September 2020. On November 9, 2020, the Parties participated in a mediation and have agreed to settle all matters in controversy, subject to final Division and Executive Office approval. Mr. Trien and his counsel have agreed to permanent injunctive terms; consumer damages totaling \$197,513 (\$142,513 of which will be deemed non-dischargeable); civil penalties totaling \$400,000, (\$75,000 of which will be deemed non-dischargeable); and attorneys' fees of \$150,000 (\$75,000 of which will be deemed non-dischargeable). The injunctive terms will include provisions that prohibit Mr. Trien from originating or servicing residential mortgage loans. The draft Agreed Final Order and Permanent Injunction is pending the Defendant's review and signature.

Case No: D-1-GN-20-004218 State of Texas v. Peter Wagner

The Department had entered into a settlement agreement, whereby Mr. Wagner was to make certain restitution payments to consumers for his unlicensed residential loan modification activity. In May 2020, Mr. Wagner defaulted on his installment payments and the department asked the Texas Attorney General's Financial Litigation and Charitable Trusts Division to reduce the agreement to a district court judgment. The lawsuit was filed on August 12, 2020. Defendant was served and filed his answer. Discovery has been exchanged. The Department and the Attorney General are awaiting the judge's ruling on a Motion for Summary Judgment, which was heard on March 8, 2021.

Public Information Requests

During January and February 2021, the Department received and responded to 23 public information requests. During the same period, no requests were forwarded to the Attorney General's Office for a ruling.

Rulemaking

SML Future Rule Activity		
Rule	Rulemaking Action	Projected Date for Presentation
Chapter 80, Texas Residential Mortgage Loan Companies, Subchapter B, Licensing	Proposed repeals and new rules	June, 2021
Chapter 81, Mortgage Bankers and Residential Mortgage Loan Originators, Subchapter B, Licensing	Proposed repeals, amendments, and new rules	June, 2021

Gift Reporting

None. The Department did not received any gifts during February and March 2021.

e) Legislative Activities

On March 10, 2021, Commissioner Jones provided written and oral testimony at the organizational meeting of the House Pensions, Investments and Financial Services Committee. Testimony related to an update on the Department and the regulated industries.

The Department is tracking 537 bills. Those with direct impact to the Department or the industries are reported to the Finance Commission on a weekly basis.

Bill movements of note:

SB43 and HB216 (Sen. Zaffirini, Rep. Ortega) – The bills propose to create a new Chapter 159 within the Texas Finance Code, to be administered by the Department. Chapter 159 would address wrap mortgage loans. The bills also seek to amend the eligibility for licensing exemption sections within Chapters 156, 157 and 180 (to read the same as the proposed exemption language in Chapter 159), to allow the Commissioner of the Department to determine when two or more owners have “substantially common ownership”.

Status: SB43 was heard at the Senate Committee on Natural Resources and Economic Development hearing on March 18, 2021. General Counsel Ernest Garcia registered as a resource witness. The bill was left pending.

HB3472 and SB1791 (Rep. Deshotel, Sen. Lucio) – Relating to the investment and use of excess residential mortgage loan originator recovery fund fees; changing a fee. These identical bills would amend Section 156 of the Finance Code to no longer require payment of the recovery fund fee at the time of license renewal, and set the fee amount paid with an original application for a license to \$20. Additionally, the amendments would require that funds in excess of \$3.5M be used for providing grants for various purposes, including an annual grant of not less than \$100,000 to certain statewide nonprofit organizations.

Status: HB3472 was heard by the House Pensions, Investments, and Financial Services Committee on March 31, 2021, and was left pending.

HB3617 (Rep. Anchia) – Relating to certain qualifications and requirements of licensed mortgage companies and the regulation of the Department of Savings and Mortgage Lending. This bill

amends Section 156.2041 of the Finance Code to remove the requirement for residential mortgage loan originators to maintain a physical office in this state.

Status: HB3617 was heard by the House Pensions, Investments, and Financial Services Committee on March 31, 2021, and was left pending.

HB4309 and SB1900 (Rep. Anchia, Sen. Zaffirini) – Relating to the regulatory authority of the savings and mortgage lending commissioner. Each of these bills amend various subsections of Sections 92, 96, 97 and 156 of the Finance Code. The amendments would allow the commissioner to regulate, examine, and collect examination fees from third-party service providers and affiliates of a state savings bank; require an applicant to publish information regarding a state savings bank application in the Texas Register or in a newspaper in the county where the bank is to have its principal office; give authority to the commissioner to take enforcement action against a holding company which holds a state savings bank the same as if it were a state savings bank; and remove the requirement that a mortgage company maintain a physical office in this state.

Status: SB1900 was referred to Senate Business & Commerce Committee. The bill is scheduled for public hearing on April 6, 2021.

2. Discussion of and Possible Action Regarding Anticipated and Pending Litigation

Anticipated Litigation

None

Pending Litigation

Daniel Shea v. Mid America Mortgage, Hon. Greg Abbott, Mr. Philip Holt and Caroline C. Jones
Cause No. 2019-22261 pending before the 55th Judicial District Court of Harris County, Texas

Caroline C. Jones in her capacity as Commissioner of the Department of Savings and Mortgage Lending has been named as a defendant in the above referenced matter. The Plaintiff sought injunctive relief to allow him to obtain a cash-out refinance of his existing VA Loan. Under Section 50(a)(6) of Article XVI of the Texas Constitution, VA loans are not eligible for a cash out refinance. Plaintiff contended this restriction forces veterans to take out home equity loans at much higher interest rates than if they were to refinance into another VA loan. The Commissioner was represented by the General Litigation Division of the Office of the Attorney General in this matter. On March 8, 2021, the Department's Plea to the Jurisdiction was heard and subsequently granted and the case against the Commissioner was dismissed with prejudice.

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D.

**Office of Consumer Credit
Commissioner**

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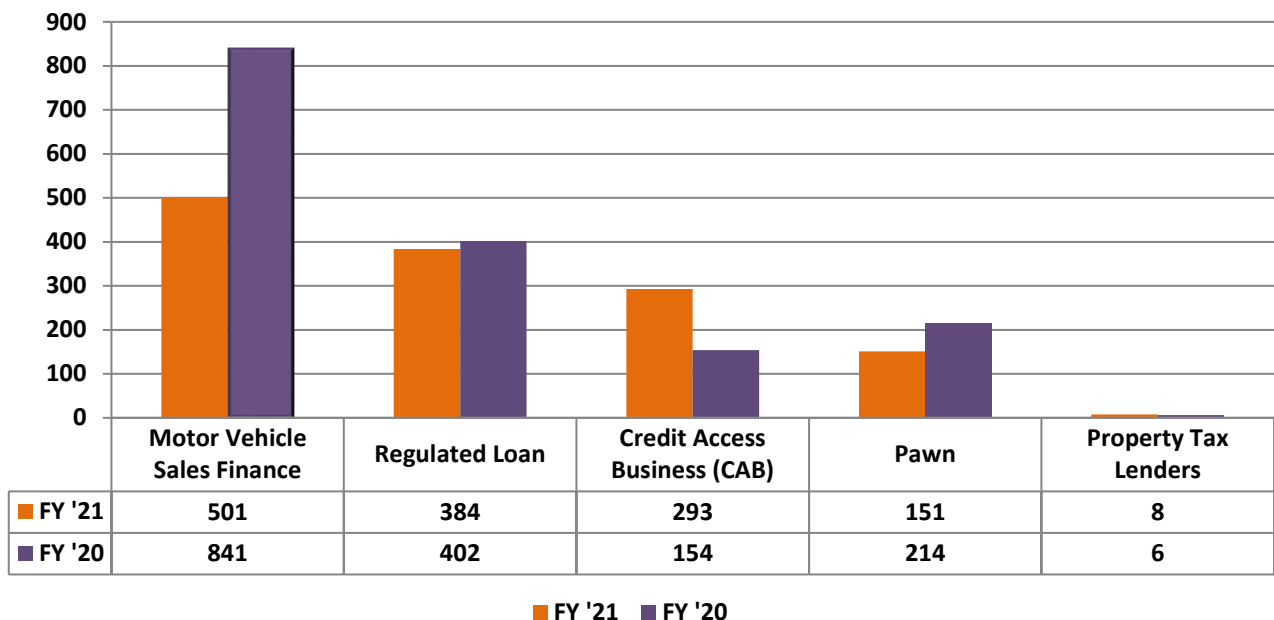
Consumer Protection and Consumer Assistance Report

The OCCC's examination performance exceeds exam production targets as of the end of the second quarter. During the first two quarters of Fiscal Year 2021, the OCCC conducted remote examinations of 129 companies with a total of 484 licensed locations. A multi-state auto finance exam has commenced since the last briefing. This examination is being conducted in coordination with the Consumer Financial Protection Bureau (CFPB). The OCCC is serving as Single-Point-of-Contact (SPOC) and the Examiner-In-Charge (EIC) for all participating states. The SPOC and the EIC will coordinate the participating states communications with the company and will represent the states in meetings with the CFPB.

The OCCC has also begun the process of attaining re-accreditation as a mortgage regulator under the Conference of State Bank Supervisors/American Association of Residential Mortgage Regulators Mortgage Accreditation Program. This accreditation review process will take about 5 months to complete. The process includes a comprehensive review of agency policies, procedures, budgets, and performance metric reporting for Examination and Enforcement Activities.

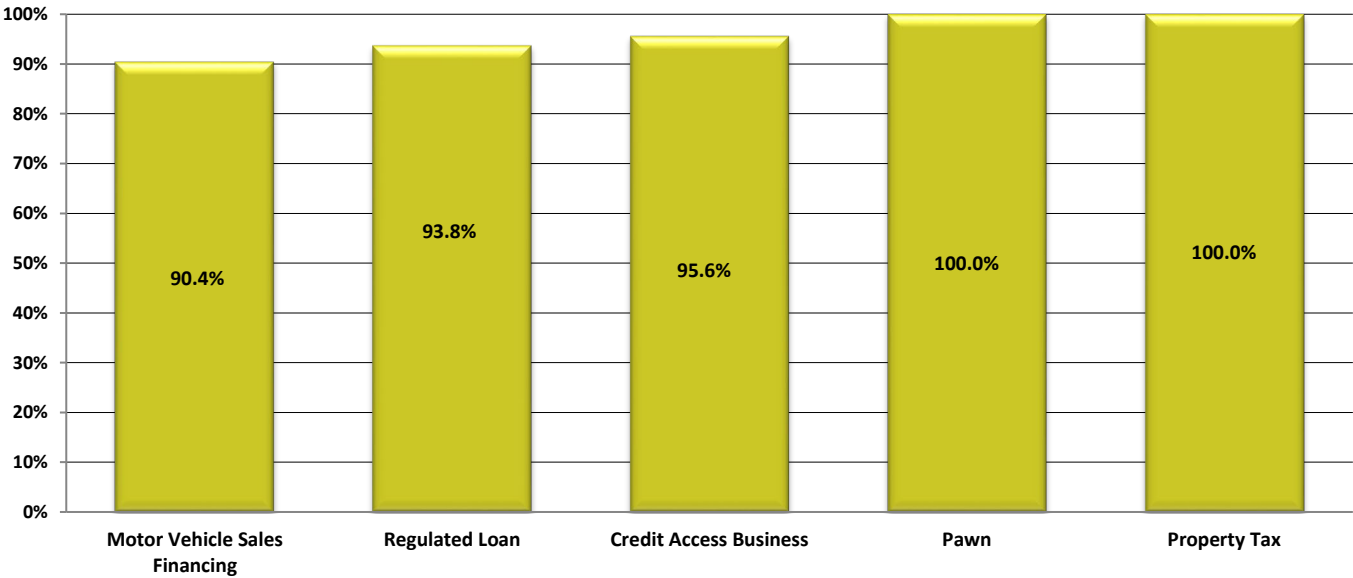
Staff development and retention remains a primary focus area. The Examination Department has continued with staff development strategies in support of this focus. A survey was administered on March 29, 2021 polling examiners for individual interests related to specializations and training needs/requests/interests for upcoming continuing education. The responses to this survey will inform senior staff about any reorganization and structural changes necessary to handle the future direction of the Examination Department. The next group of Financial Examiner III candidates is expected to begin testing in late summer.

Examinations Conducted: Sept - Feb Fiscal Year Comparison

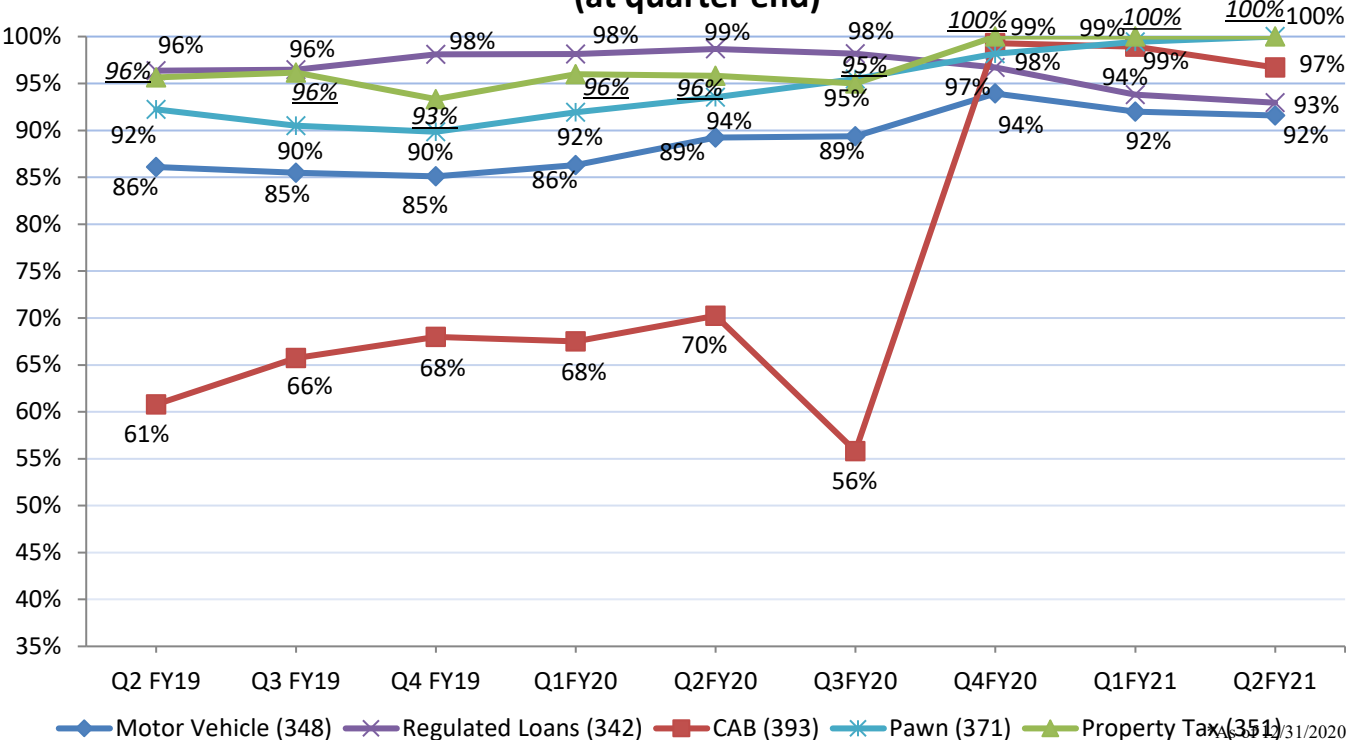


The second chart below denotes the acceptable level of compliance on a trailing 12-month basis through the end of February 2021.

Acceptable Level of Compliance FY '21 (Sept 2020 - Feb 2021)



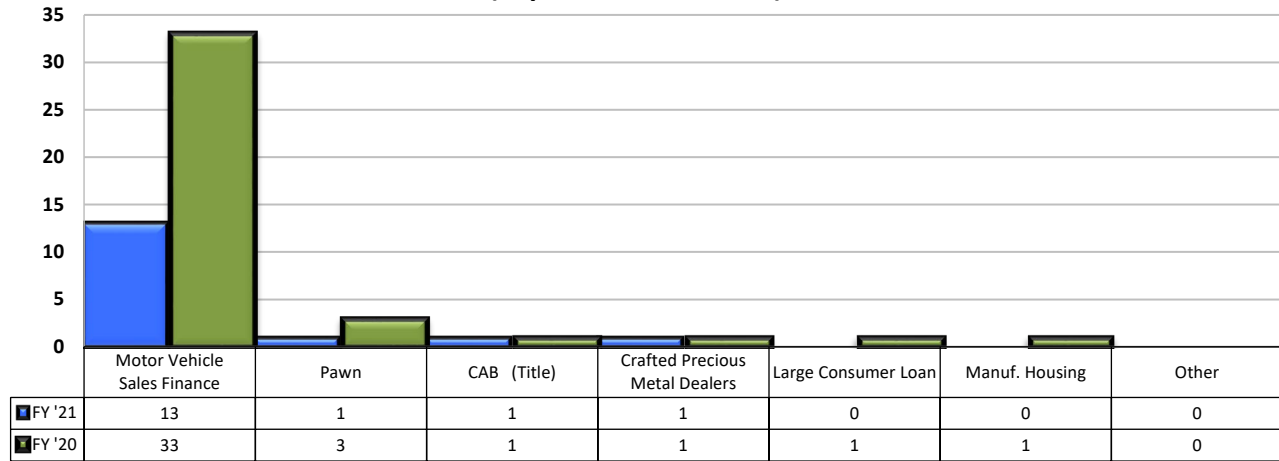
Acceptable Compliance Levels - Trailing 12 Months (at quarter end)



Investigations

For FY 2021, the OCCC has completed 16 investigations, 29.1% of the FY 2021 goal of 55. While activity in this area increased substantially over the past two months, the number of investigations completed is still being impacted by COVID-19 restrictions. Motor Vehicle Sales Finance comprises 81.3% of the overall number of investigations.

Investigations Completed FY '21 (Sept 2020 - Feb 2021) Total: 16 FY '20 (Sept 2019 - Feb 2020) Total: 40



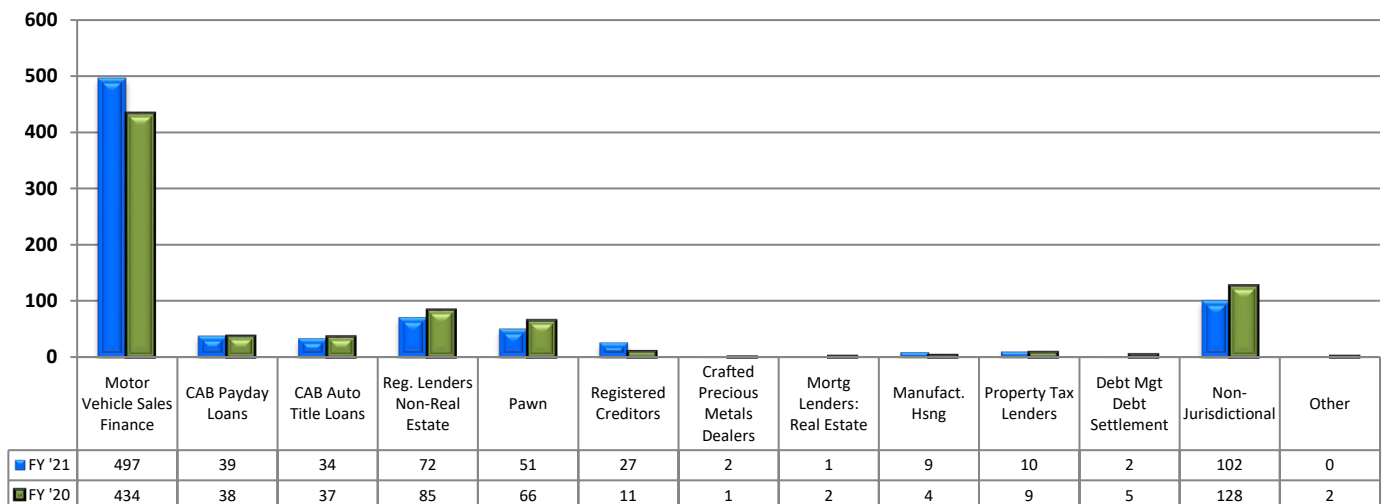
Consumer Assistance

During the first two quarters of Fiscal Year 2021, 846 complaints were closed of which 102 were classified as non-jurisdictional.

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

MVSF complaints were the largest complaint category at 58.7%. The second largest category were CAB complaints at 8.6% collectively; separately, these are 4.6% for payday loans and 4.0% for title loans. The third largest category came from Regulated Lenders Non-Real Estate at 8.5%. The fourth largest category was Pawnshops at 6.0%.

Complaints Closed FY '21 (Sept 2020 - Feb 2021) Total: 846 FY '20 (Sept 2019 - Feb 2020) Total: 822



FY '21: Number of Complaints Closed by Source (Table 1), Subject (Table 2), and Disposition (Table 3)

Table 1

Source of Complaint				
Consumer	373	375	N/A	N/A
Business	2	0	N/A	N/A
Law Enforcement	1	0	N/A	N/A
State or Federal Agency	47	34	N/A	N/A
OSCC	7	6	N/A	N/A
Whistleblower	0	1	N/A	N/A
Other	0	0	N/A	N/A
Total	430	416	N/A	N/A

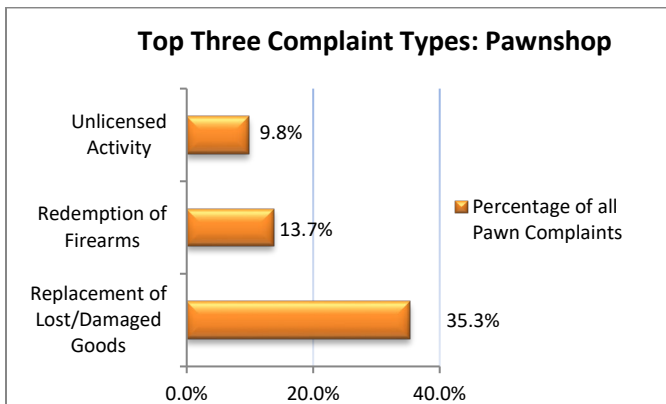
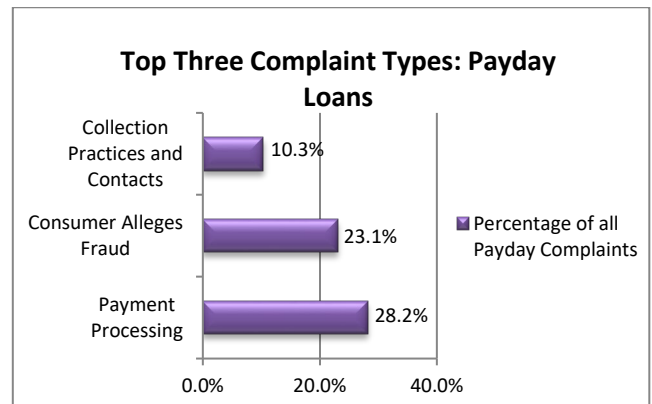
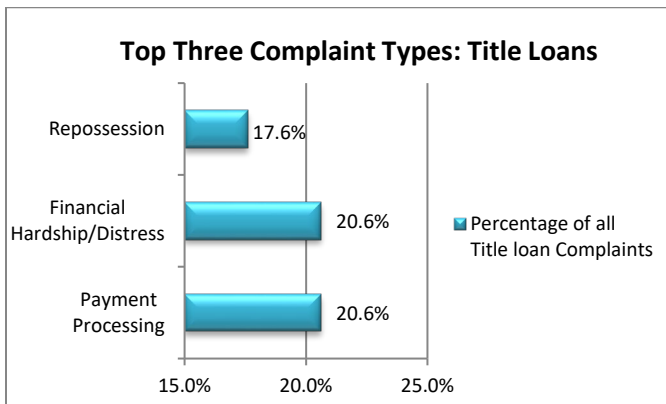
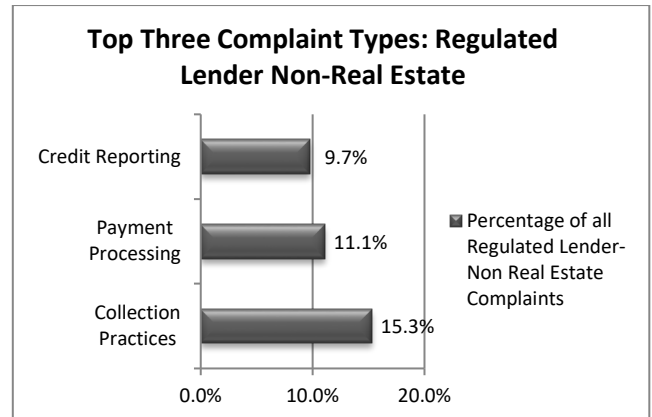
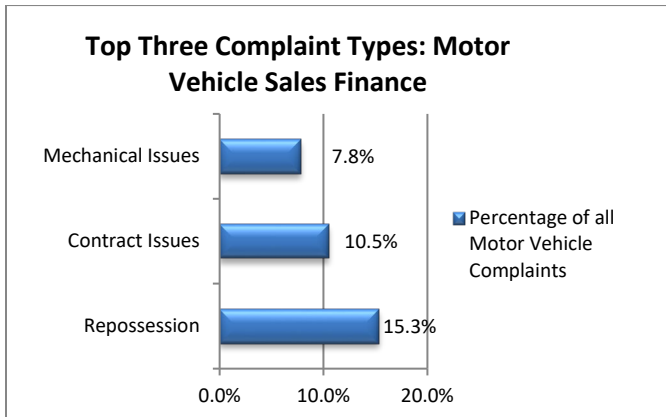
Table 2

Subjects	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Motor Vehicle Sales Finance	253	244	N/A	N/A
CAB Payday Loans	22	17	N/A	N/A
CAB Auto Title Loans	13	21	N/A	N/A
Reg. Lenders Non-Real Estate	43	29	N/A	N/A
Pawn	19	32	N/A	N/A
Registered Creditors	18	9	N/A	N/A
Crafted Precious Metals Dealers	1	1	N/A	N/A
Mortgage Lenders: Real Estate	1	0	N/A	N/A
Manufactured. Housing	4	5	N/A	N/A
Property Tax Lenders	7	3	N/A	N/A
Debt Management Debt Settlement	1	1	N/A	N/A
Non-Jurisdictional	48	54	N/A	N/A
Refund Anticipation Loan	0	0	N/A	N/A
Other	0	0	N/A	N/A
Total	430	416	N/A	N/A

Table 3

Disposition:				
Closed to Investigation	7	8	N/A	N/A
Closed to Legal	0	2	N/A	N/A
Closed-Action Taken	212	152	N/A	N/A
Closed-No Violation	75	85	N/A	N/A
Closed-Administratively	88	115	N/A	N/A
Closed-Non Jurisdictional	48	54	N/A	N/A
Total	430	416	N/A	N/A

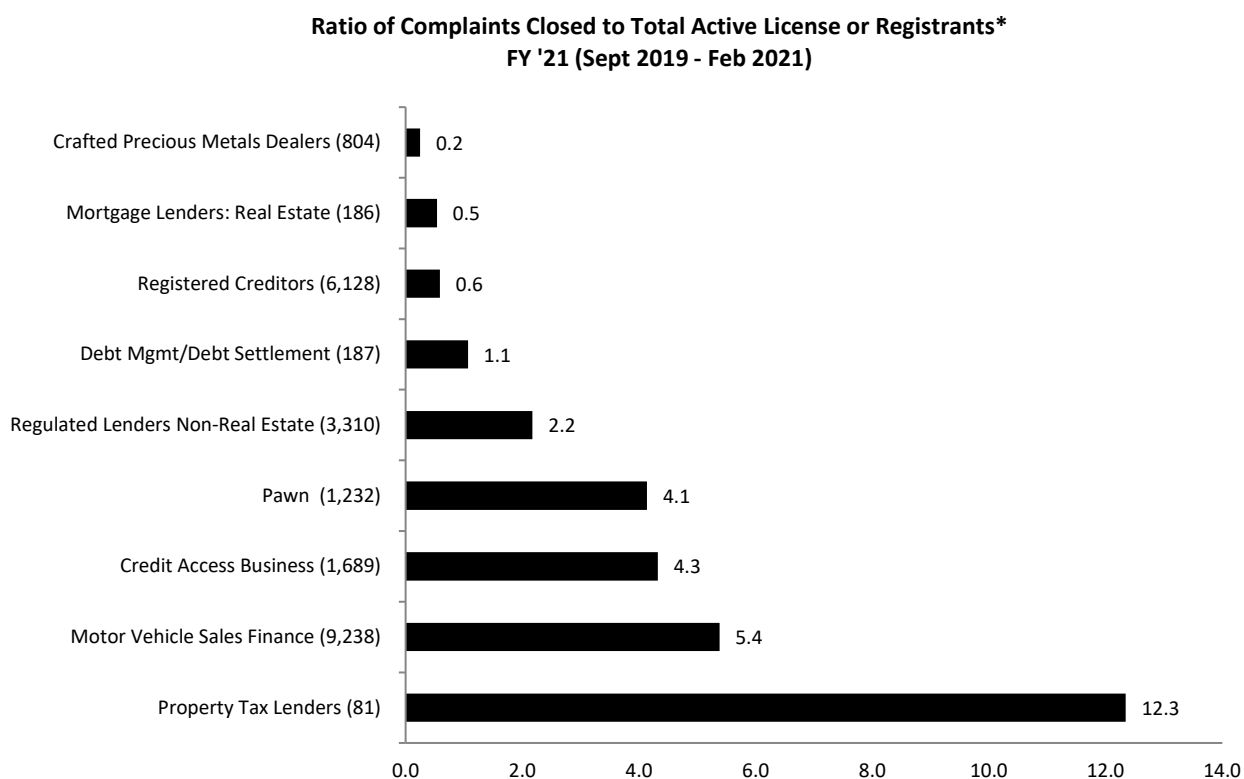
Each of the following charts represent the three top complaint areas per license type:



Consumer Assistance Activities Information by Quarter

Production Targets and Priorities	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Percentage Written Complaints Closed within 90 days	92.8%	95.1%	N/A	N/A
Average Number of Days to Close a Complaint	41.9	37.7	N/A	N/A
Number of Complaints Closed	430	416	N/A	N/A

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



*License-Registrant levels as of 3-1-2021

■ Complaints per Hundred Licenses

CAB Reporting Update

Summaries of CAB reports through 2020 are available on the OCC website. Presented are selected statistics of year-end totals from both the Annual and Quarterly reports compared with previous years. In 2020, CAB activity declined among all metrics. Number of Loans, Dollar of Loans, Dollar of Fees, and Total Customers all declined between 31% - 39%. Total repossessions declined 20% from the previous year.

Data Highlights (All Loan Types) Calendar Year	2020	2019	2018	2017	2016	2015
Number of Payday Loans and Refinances ¹	2,385,287	3,676,280	3,859,893	4,351,772	4,730,285	5,288,723
Number of Title Loans and Refinances ¹	805,739	1,074,630	1,107,258	1,059,411	1,168,041	1,497,302
Number of vehicles repossessed under all Auto Title Loans	34,629	42,878	37,777	32,347	32,077	37,296
Total Customers ²	1,016,820	1,611,367	1,505,212	1,499,599	1,651,278	1,691,553
Total \$ fees accrued on all transactions	\$1.39 B	\$2.03 B	\$1.86 B	\$1.76 B	\$1.63 B	\$1.67 B
Total \$ Loaned by All Licensees (in billions)	\$1.92 B	\$3.14 B	\$3.33 B	\$3.27 B	\$3.60 B	\$4.10 B
Total \$ Loaned by Out of State Licensees (in millions)	\$664 M	\$1.01 B	\$851 M	\$839 M	\$813 M	\$747 M

Payday Loans Calendar Year	Single Installment			Multiple Installment		
	2020	2019	2018	2020	2019	2018
Average loan amount	\$459	\$453	\$468	\$607	\$667	\$621
Average fee per \$100 borrowed	\$23.32	\$22.67	\$23.57	\$142.66	\$139.81	\$135.52
Average original term (in days)	22	22	21	153	151	142
Average Fee Converted to a Daily Rate ³	1.08%	1.05%	1.10%	0.93%	0.93%	0.95%
Estimated transactions per borrower ⁴	4.9	5.2	5.7	1.9	1.7	1.8

Title Loans Calendar Year	Single Installment			Multiple Installment		
	2020	2019	2018	2020	2019	2018
Average loan amount	\$1,524	\$1,650	\$1,340	\$1,321	\$1,267	\$1,245
Average fee per \$100 borrowed	\$15.11	\$15.23	\$15.93	\$110.14	\$114.99	\$114.79
Average original term (in days)	30	30	30	158	157	155
Average Fee Converted to a Daily Rate ³	0.50%	0.51%	0.53%	0.70%	0.73%	0.74%
Estimated transactions per borrower ⁴	9.1	7.7	7.8	2.6	2.4	2.2

¹Number of loans and refinances are the sum of quarterly report #10F.

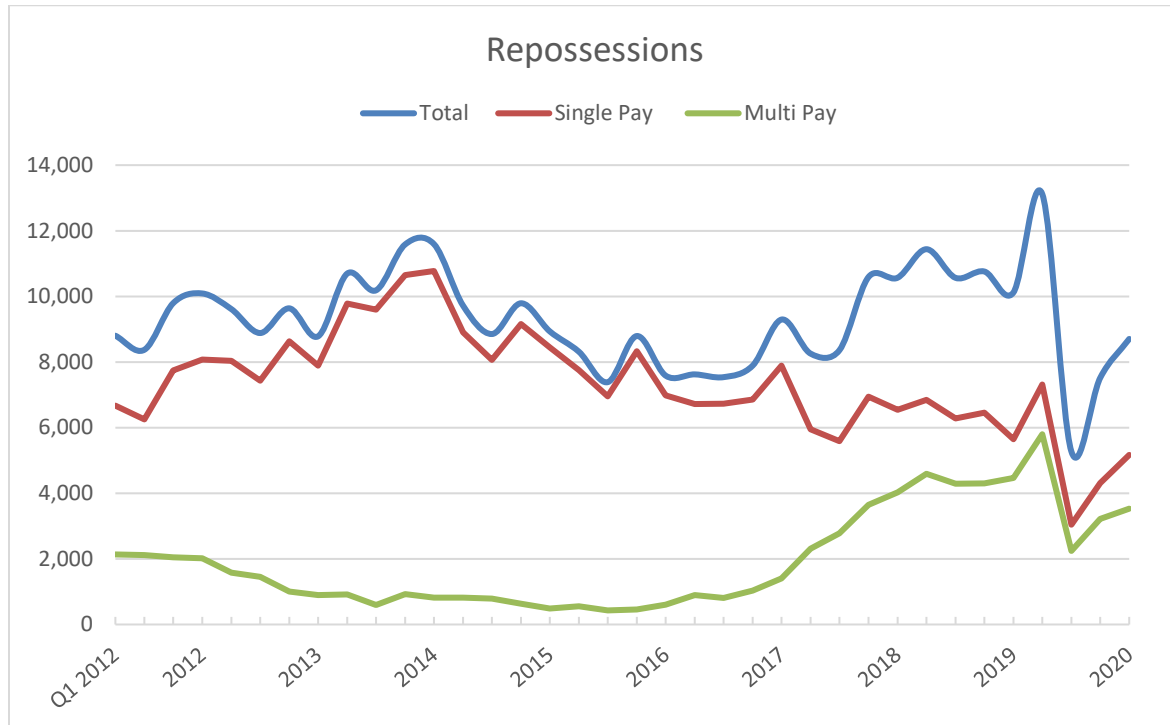
²Customers are reported on the annual report item #5. They are unique to each product type and to each location. Depending on customer borrowing habits they may be counted more than once.

³Based on averages, per dollar borrowed a consumer would pay this percentage per day. The APR could be approximated by multiplying this rate by 365; however, it could be significantly higher if the multiple installment loans reduce principal with each payment and the total fees remain the same.

⁴Equation: \sum Quarterly 10F / Annual Report #5. Effects on the estimation include (1) Single store reporting can count customers more than once if obtaining loans at different stores (2) Total transactions in 10F could be made to some customers who aren't counted in this year's customer count. e.g. They are refinancing loans made in the prior year.

Additional Repossession Information

Quarterly report CAB data capturing repossessions began Jan 1, 2012. Q1 of 2020 surpassed Q4 of 2014 for the highest single total for repossessions. Data filed for Q2 of 2020 shows repossessions in the months of April – June dropped 60% from the previous quarter to the lowest single quarterly total. Repossessions rebounded in the second half of 2020 but were still below historical norms. These totals will continue to be monitored closely.





Licensing Report- April 2021

Mirand Diamond, Director of Licensing & Finance

Renewals

The department will begin preparing for pawn renewal in the coming weeks and anticipates opening renewal for pawn shops and pawn employees in early May.

Applications Processing

The team continues to maintain all aspects of departmental functionality. The licensing team is working on a hybrid basis. Much of the staff continues working remotely, yet the department has certain staff scheduled on premises during business hours. More than 80% of the licensing staff come into the office multiple times weekly adhering to health and safety standards consistently.

The volume of incoming applications remains near 140 monthly on average in FY 2021, holding steady as related to prior fiscal years. Additionally, at this point halfway through the fiscal year, the team is on target to meet annual processing benchmarks for business licenses.

Pawn employee application processing continues as expected with the average number of pawn employee applications received monthly aligning with anticipated projections.

Other Updates

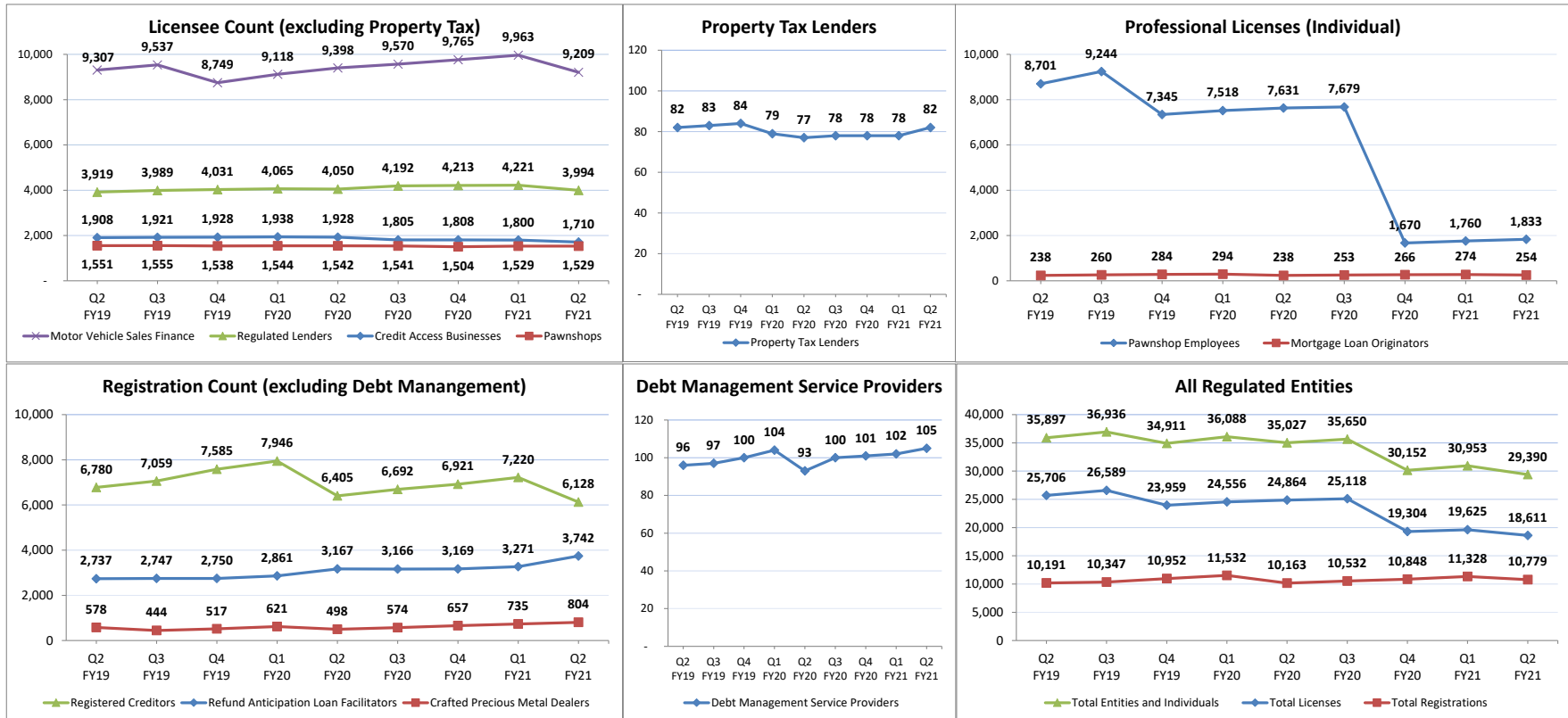
The department continues to work with IT and the OCCC's change advisory committee to enhance and refine ALECS. Department leadership will soon begin a project to enhance auto-generated email notifications.

The department has coordinated with DPS and completed a project to unsubscribe from criminal history notifications for subsequent activity related to principal parties who are no longer affiliated with an active license.

Regulated Entity Population Trends

The following charts reflect the number of OCCC regulated entities at the end of each quarter in fiscal years 2019 and 2020 to current data.

Number of OCCC Regulated Entities Quarterly Comparison of FY19-21





ADMINISTRATION REPORT

FINANCIAL EDUCATION AND TFEE

As of the end of the 2nd quarter, the Financial Education Department provided financial education services to 555 individuals. The agency has implemented FDIC's Money Smart Curriculum and has two webinars utilizing this curriculum scheduled during the month of April. Additionally, the OCCC and the Department of Banking have scheduled a Making Housing Decisions webinar for April 28, 2021.

Second period TFEE reimbursement requests totaling \$64,636.77 are currently processing. The second period semi-annual report detailing these reimbursement requests is available elsewhere in the meeting materials.

The agency is continuing preparations for the 2022-2023 TFEE Grant Cycle.

COMMUNICATION

On March 11, 2021, Commissioner Pettijohn and Executive Staff held a staff meeting to update employees on the status of agency operations. The OCCC continues to utilize virtual communication technologies and is also ensuring in-person social distance measures are in place as more staff begin to transition back into the office.

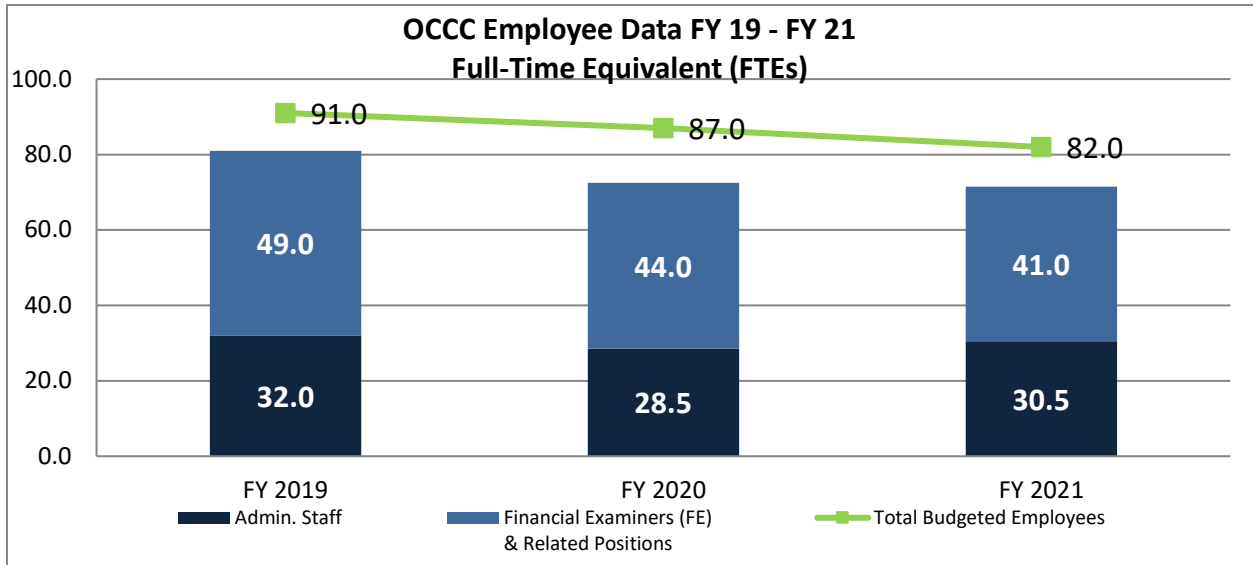
The OCCC continues to communicate with stakeholders through virtual presentations and written publications. Advisory Bulletins regarding Coronavirus Guidance were recently updated. Additionally, Financial Examiner Eric Fancher provided presentations by webinar sponsored by the Texas Department of Motor Vehicles on February 4th and March 4th to automobile dealers regarding financing.

HUMAN RESOURCES

During this reporting period from the end of January 2021 to the end of March 2021, the OCCC was staffed with a total of 72 FTEs (71 full time equivalent and one part time). Currently the OCCC does not have any open postings. Several positions are currently vacant and new postings are expected in the near future.

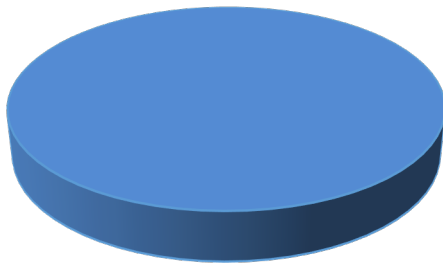
Vacancy	Status
None	

The following chart compares administrative staff vs. financial examiners (FEs) for the last three fiscal years.



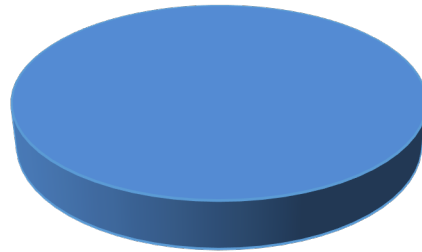
The turnover rate as of March 2021 is 5.1%, and the chart below represents FY21 data.

OCCC Turnover Categories
FY 21 - All Employees
(09/01/2020 - 3/31/2021)
4 total - 4 Voluntary Resignations.



■ Voluntary Resignation

OCCC Turnover Categories
FY 21 - FE Series
(09/01/2020 - 3/31/2021)
3 total - 3 Voluntary Resignations.



■ Voluntary Resignation

OCCC employees are following annual required policies and updates. Policies are regularly monitored to ensure compliance with local, state and federal law. HR continues to monitor health and safety measures for staff working in the Austin headquarters.

OCCC employees maintained 100% participation and remain in compliance with EEO training having recently completed the course related to Recognition and Prevention of Sexual Harassment with EEO Training provided by the Texas Workforce Commission Civil Rights Division. This training met the two-year EEO training requirement as described by 40 TAC §819.24 and Labor Code § 21.010.

INFORMATION TECHNOLOGY

Cybersecurity

IT has pursued several of the higher-ranked findings from the recent Texas Cybersecurity Framework audit, which OCCC fully passed. Subsequent actions have included updating the endpoint computer security profile to exclude connected USB memory units to prohibit information exfiltration; updating security protocols that can be used to access the OCCC website; and enabling end-user permission required when IT needs to connect to an in-use, remote computer.

Technology modernization and deployment

The ongoing preparation for conversion to the CAPPS system is progressing on schedule. A recent coding project, to exchange data between ALECS and CAPPS, has been fully tested and is ready for the conversion.

Efforts to consolidate agency endpoint computers to a standard suite, and common versions of essential software applications, particularly Microsoft Office and Adobe Acrobat, are continuing.

Training

OCCC staff have completed at least 142 minutes of the OCCC's minimum annual 180 minute cybersecurity training requirements through the end of March.



Accounting Report- April 2021

Mirand Diamond, Director of Licensing & Finance

Staffing

The accounting department has three full-time accountants and is continuing to appropriately cross-train staff on all accounting tasks to assure continuity of operations. As part of the department's reorganization in the past year, the department set an objective to ensure that at least one individual is fully trained as a backup to each critical area, such as payroll, accounts payable, and revenue accounting. The department is making good progress on this objective.

CAPPS

The department continues to make preparations to transition to CAPPS for financials. Prototyping session have concluded and train-the-trainer meetings have begun. Additionally, key staff participate in project management meetings biweekly. User acceptance testing will begin in mid-May. Implementation is scheduled for September 1, 2021.

Procedures

Procedures for accounts payable, travel voucher processing, alects reconciliation, and certain reports have been finalized. The department is working to complete procedure reviews in phases, and continues to identify tasks that need procedures to be written, reviewed or updated.

Other Items

The accounting department concluded the audit of the TFEE Fund Investment Portfolio Administration with Garza Gonzalez. The audit report provided one recommendation to amend policies to prescribe time frames for reconciliation and the department agrees with the recommendation. The next internal audit will relate to fiscal management and that audit is expected to begin in the near future.

OFFICE OF CONSUMER CREDIT COMMISSIONER
EXECUTIVE SUMMARY

As of February 28, 2021

	FY 2019	FY 2020	FISCAL YEAR 2021				
			1st QTR	2nd QTR	3rd QTR	4th QTR	FYTD
CONSUMER PROTECTION							
Monies Returned (000)	14,578	4,391	808	555			1,363
Regulated Lenders Examinations	942	576	250	134			384
Property Tax Lender Examinations	30	7	1	7			8
Pawnshop Examinations	473	276	22	129			151
Motor Vehicle Examinations	2,463	1,350	288	213			501
Credit Access Businesses Examinations	475	284	14	279			293
CONSUMER ASSISTANCE							
Telephone Complaints Received	510	459	100	146			246
Written Complaints Received	1,151	1,303	274	283			557
Total Complaints Closed	1,737	1,756	430	416			846
% of Written Complaints Closed within 90 Calendar Days	85.4%	86.6%	92.8%	95.1%			93.8%
ADMINISTRATIVE ENFORCEMENT ACTIONS							
Originated	417	188	112	23			135
Finalized	324	270	80	78			158
LICENSING AND REGISTRATION							
Licenses							
Regulated Loan Licenses	4,031	4,213	4,221	3,994			3,994
Pawnshop Licenses	1,538	1,504	1,529	1,529			1,529
Pawnshop Employee Licenses	7,345	1,670	1,760	1,833			1,833
Commercial MV Sales Fin. Licenses	49	54	58	52			52
Motor Vehicle Sales Finance Licenses	8,700	9,711	9,905	9,157			9,157
Property Tax Loan Licenses	84	78	78	82			82
Mortgage Loan Originators	284	266	274	254			254
Credit Access Business Licenses	1,928	1,808	1,800	1,710			1,710
Registrations							
Registered Creditors	7,585	6,921	7,220	6,128			6,128
Crafted Precious Metal Dealers	517	657	102	804			804
Debt Management Service Providers	100	101	102	105			105
Refund Anticipation Loan Facilitators	2,750	3,169	3,271	3,742			3,742
Applications							
Business -- New	1,679	1,621	284	426			710
Business -- Change of Ownership	131	87	18	27			45
Pawnshop Employees -- New	3,640	630	99	104			203
HUMAN RESOURCES DATA							
Field Examiners Staffing	49	44	43	41			41
Total Staffing	81	73	73.5	72.5			72.5

**Office of Consumer Credit Commissioner
Actual Performance for Output Measures
Fiscal Year 2021**

Type/Strategy/Measure	2021 Target	2021 Actual	2021 YTD	Percent of Annual Target	
Output Measures-Key					
CONSUMER PROTECTION					
1-1-1 Complaint Resolution					
1. # Complaints Closed					
Quarter 1	1,750	430	430	24.6%	
Quarter 2	1,750	416	846	48.3%	
2-1-1 Examination and Enforcement					
1. # Examinations Completed					
Quarter 1	2,500	575	575	23.0%	
Quarter 2	2,500	762	1,337	53.5%	
EFFECTIVE LICENSING & REGISTRATION					
2-2-1 Licensing and Registration					
1. # Business License Applications Processed					
Quarter 1	1,750	284	284	16.2%	*
The Licensing Department had increased call volume and customer service contact in September and October due to motor vehicle renewal, which focused resources and time on these tasks and took time away from application processing, resulting in a lower number of applications processed in Q1 of FY 21. Application processing will increase during the remainder of the fiscal year. The department was also working to fill an administrative assistant vacancy during this time, which has since been filled.					
Quarter 2	1,750	426	710	40.6%	*
The Licensing Department had increased call volume and customer service contact in December due to renewal for regulated lenders, property tax lenders and credit access businesses, which focused resources and time on these tasks and took time away from application processing, resulting in a lower number of applications processed in Q2 of FY 21. Application processing will increase during the remainder of the fiscal year.					
FINANCIAL EDUCATION					
3-3-1 Financial Education					
1. # People Receiving Direct Educational Services					
Quarter 1	775	247	247	31.9%	*
The Financial Education department exceeded first quarter goals for the number of people receiving direct education services as a result of increased attendance at agency webinars.					
Quarter 2	775	308	555	71.6%	*
The Financial Education Department has exceeded its target for number of people receiving direct education services. The agency has increased promotion of webinars via email and social media during FY 2021; this has resulted in increased attendance at OCCC hosted financial education webinars.					

*Varies by 5% or more from target.



Legal Department Report

Michael Rigby, General Counsel

April 2021

Enforcement Report

Contested Cases

The OCCC currently has four contested cases with hearings scheduled before the State Office of Administrative Hearings (SOAH):

Auto Bueno, LLC d/b/a The Auto Cave and North Texas Financial, LLC (SOAH Docket No. 466-21-1012)

In November 2020, the OCCC issued an Amended Order to Cease and Desist Unlicensed Activity, Take Affirmative Action, and Make Restitution, alleging that Auto Bueno and North Texas Financial engaged in unlicensed activity by purporting to acquire retail installment contracts from 1and2 Automotive LLC. Auto Bueno and North Texas Financial requested a hearing on the order, and a hearing before SOAH is scheduled for May 14, 2021.

PrimaLend Capital Partners, LP and Good Floor Loans LLC (SOAH Docket No. 466-21-1015)

In November 2020, the OCCC issued an Order to Cease and Desist Unlicensed Activity, Take Affirmative Action, and Make Restitution, alleging that PrimaLend and Good Floor engaged in unlicensed activity by purporting to acquire retail installment contracts from 1and2 Automotive LLC. PrimaLend and Good Floor requested a hearing on the order, and a hearing before SOAH is scheduled for June 17, 2021.

Daylight Motors Inc. and Lamar Capital Ltd. (SOAH Docket No. 466-21-1677)

In January 2021, the OCCC issued amended orders to revoke the motor vehicle sales finance licenses of Daylight Motors and Lamar Capital, based on the federal criminal convictions of their principal parties. Larry Tillery, the owner of Daylight Motors and Lamar Capital, pleaded guilty to federal money laundering and tax evasion charges, in connection with an illegal gambling ring that he ran out of Daylight Motors. In addition, Brian Tillery (the vice president of Daylight Motors) pleaded guilty to money laundering, and Judy Tillery (the compliance officer for both companies) pleaded guilty to structuring financial transactions to evade federal currency reporting requirements. Daylight Motors and Lamar Capital requested a hearing on the orders, and a hearing before SOAH is scheduled for June 8, 2021.

Mike Jack Enterprises LLC d/b/a Houston Motors (SOAH Docket No. 466-21-1786)

In January 2021, the OCCC notified Houston Motors that it intended to deny Houston Motors' motor vehicle sales finance license application, based on Houston Motors' failure to comply with an agreed order to address unlicensed activity. Houston Motors requested a hearing on the license application denial, and a hearing before SOAH is scheduled for April 15, 2021.

Orders on Reporting Violations

In March 2021, the OCCC issued five orders against credit access businesses that did not timely and accurately file their 2020 fourth quarter and annual reports by the deadline of January 31, 2021. Of these orders, two were injunctions requiring the licensees to file timely and accurate reports, and three imposed an administrative penalty for violating a previous injunction.

Performance Report

The following table includes data on performance measures the legal department is tracking.

September 1, 2020, through March 31, 2021	
Cases Opened	136
Cases Closed	160
Average Number of Days to Close an Enforcement Action	84
Contested Cases Referred to SOAH	4
Contested Cases Heard at SOAH	0
Enforcement Actions Taken and Closed by Final Order	147

The OCCC has four upcoming SOAH hearings as described above.

The following table summarizes enforcement actions closed by the OCCC during the last four fiscal years. 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 March 31, 2021				
	FYTD 2021	FY 2020	FY 2019	FY 2018
Injunction Actions				
Crafted Precious Metal Dealer	0	1	0	0
Credit Access Business	29	27	53	27
Debt Management Provider	0	9	10	5
Manufactured Housing	0	0	0	0
Motor Vehicle Sales Finance	5	54	20	19
Motor Vehicle Sales Finance Commercial	1	0	0	0
Pawnshop	48	44	82	39
Pawnshop Employee	0	0	67	48
Property Tax Lender	0	1	8	2
Registered Creditor	0	1	0	1
Regulated Lender	27	49	22	12
Residential Mortgage Loan Originator	0	0	0	1
Total Injunction Actions	110	186	262	154
Administrative Penalty Actions				
Crafted Precious Metal Dealer	0	1	0	0
Credit Access Business	9	11	14	6
Debt Management Provider	0	3	0	1
Motor Vehicle Sales Finance	5	13	19	26
Pawnshop	15	29	12	6
Pawnshop Employee	0	0	0	0
Property Tax Lender	0	3	6	6
Regulated Lender	18	18	7	0
Residential Mortgage Loan Originator	0	0	0	0
Total Administrative Penalty Actions	47	78	58	45
Revocation / Suspension Actions				
Crafted Precious Metal Dealer	0	0	0	0
Credit Access Business	1	0	1	0
Motor Vehicle Sales Finance	1	2	0	1
Pawnshop	0	0	0	0
Pawnshop Employee	0	0	1	0
Property Tax Lender	0	0	0	0
Regulated Lender	0	1	0	0
Residential Mortgage Loan Originator	0	0	0	0
Total Revocation / Suspension Actions	2	3	2	1
Application Denial and Protest Actions				
Credit Access Business	0	0	0	0
Motor Vehicle Sales Finance	1	3	2	0
Pawnshop	0	0	0	0
Pawnshop Employee	0	0	0	0
Property Tax Lender	0	0	0	0
Regulated Lender	0	0	0	0
Residential Mortgage Loan Originator	0	0	0	0
Total App. Denial and Protest Actions	1	3	2	0
Total Actions Closed	160	270	324	200

Rule Actions

The OCCC is not presenting any rule actions at the April 2021 meeting.

At the August 2021 meeting, the OCCC plans to present rule actions to readopt the following chapters after rule review (and to present proposals of any amendments resulting from the rule review):

- 7 TAC Chapter 7 (relating to the Texas Financial Education Endowment)
- 7 TAC Chapter 89 (relating to property tax lenders)

Advisory Bulletins

From February 1, 2021 to March 31, 2021, the OCCC did not issue any new advisory bulletins.

During this period, the OCCC revised five previously issued advisory bulletins describing COVID-19 emergency measures for OCCC licensees, to explain that the bulletins' guidance is in effect through April 30, 2021.

Official Interpretation Requests

From February 1, 2021 to March 31, 2021, the OCCC did not receive any requests for official interpretations of the Texas Finance Code. As of March 31, 2021, there were no pending requests for official interpretations of the Texas Finance Code.

On March 30, 2021, the OCCC received a request for an official interpretation of the Texas Constitution's home equity lending provisions. The request asks whether a bank organized under the laws of another state may make a home equity loan under the Texas Constitution. The OCCC has distributed the request to the other Joint Financial Regulatory Agencies (Texas Department of Banking, Texas Department of Savings and Mortgage Lending, and Texas Credit Union Department), so that the agencies can work together to determine how to proceed with the request.

Public Information Requests

February 1, 2021 through March 31, 2021	
Requests Received	26
Requests Closed	22
Requests Withdrawn	1
Requests Referred to Office of Attorney General	0
Average Number of Days to Address a Public Information Request	1.68

Gifts Received by the OCCC

From February 1, 2021 to March 31, 2021, the OCCC received three gifts. The OCCC received two free registrations worth \$250 each, and one discounted registration worth \$125, for the 2021 NMLS Annual Conference & Training.