

FINANCE COMMISSION OF TEXAS AUDIT COMMITTEE MEETING

Friday, August 19, 2022

8:30 a.m.

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

Public comment on any agenda item or issue under the jurisdiction of the Finance Commission of Texas agencies is allowed. Finance Commission members who are not members of the Audit Committee may be present at this committee meeting creating a quorum of the Finance Commission.

- A. Review and Approval of the Minutes of the June 24, 2022 Audit Committee Meeting
- B. Review of Agencies' Activities
 - 1. Office of Consumer Credit Commissioner
 - 2. Department of Savings and Mortgage Lending
 - 3. Texas Department of Banking
- C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2022 Third Quarter Investment Officer Reports
 - 1. Office of Consumer Credit Commissioner
 - 2. Department of Savings and Mortgage Lending
 - 3. Texas Department of Banking
- D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Readoption of the Investment Policies for:
 - 1. Office of Consumer Credit Commissioner
 - 2. Department of Savings and Mortgage Lending
 - 3. Texas Department of Banking
- E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2022 Third Quarter Financial Statements
 - 1. Office of Consumer Credit Commissioner
 - 2. Department of Savings and Mortgage Lending
 - 3. Texas Department of Banking
- F. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' Fiscal Year 2023 Operating Budgets
 - 1. Office of Consumer Credit Commissioner
 - 2. Department of Savings and Mortgage Lending
 - 3. Texas Department of Banking
- G. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Activities of the Texas Financial Education Endowment Fund

- H. 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 §§ 551.076 and 551.089, Texas Government Code

NOTE: The Audit Committee of 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.

MINUTES OF THE AUDIT COMMITTEE MEETING Friday, June 24, 2022

The Audit Committee of the Finance Commission of Texas convened at 8:33 a.m., on June 24, 2022, with the following members present:

Audit Committee Members in Attendance:

Debbie Scanlon, Chairman
Roselyn Morris
Phillip Holt, Finance Commission Chair

Audit Committee Member(s) Absent:

Hector Cerna

Chairman Scanlon announced there was a quorum of the Audit Committee of the Finance Commission of Texas with three members present. *(0:27 on audio file)*.

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Review and Approval of the Minutes of the April 22, 2022 Audit Committee Meeting	Phillip Holt made a motion to Approve the Minutes of the April 22, 2022 Audit Committee Meeting. Roselyn Morris seconded and the motion passed.	0:44 start of discussion 1:13 Vote
B. Review of Agencies' Activities 1. Department of Savings and Mortgage Lending 2. Texas Department of Banking 3. Office of Consumer Credit Commissioner	No Action Required.	1:21 start of discussion
C. Discussion of the 2023 Budget Process	No Action Required	5:38 start of discussion
D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Department of Savings and Mortgage Lending's 2022 Annual Internal Audit Report as Prepared and Presented by Garza/Gonzalez and Associates	Roselyn Morris made a motion to recommend that the Finance Commission Approve the Department of Savings and Mortgage Lending's 2022 Annual Internal Audit Report as Prepared and Presented by Garza/Gonzalez and Associates. Phillip Holt seconded and the motion passed.	6:59 start of discussion 25:52 Vote
E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Texas Department of Banking's 2022 Annual Internal Audit Report as Prepared and Presented by Garza/Gonzalez and Associates	Roselyn Morris made a motion to recommend that the Finance Commission Approve the Texas Department of Banking's 2022 Annual Internal Audit Report as Prepared and Presented by Garza/Gonzalez and Associates. Phillip Holt seconded and the motion passed.	26:17 start of discussion 38:12 Vote

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
F. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Office of Consumer Credit Commissioner's 2022 Annual Internal Audit Report as Prepared and Presented by Garza/Gonzalez and Associates	Roselyn Morris made a motion to recommend that the Finance Commission Approve the Office of Consumer Credit Commissioner's 2022 Annual Internal Audit Report as Prepared and Presented by Garza/Gonzalez and Associates. Phillip Holt seconded and the motion passed.	38:52 start of discussion 44:25 Vote
G. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Activities of the Texas Financial Education Endowment Fund.	<p>Roselyn Morris made a motion to recommend that the Finance Commission adopt a modification to the TFEE Grant Administration of Policy Manual to add a new Subsection F to Section I that would increase the maximum grant award not to exceed \$45,000 for one year period and \$90,000 for a two-year period. Approve the Activities of the Texas Financial Education Endowment Fund. Phillip Holt seconded and the motion passed.</p> <p>Phillip Holt made a motion to recommend that the Finance Commission Approve the Activities of the Texas Financial Education Endowment Fund. Roselyn Morris seconded and the motion passed.</p>	<p>44:51 start of discussion 48:32 Vote</p> <p>49:06 Vote</p>
H. 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 §§ 551.076 and 551.089, Texas Government Code.	Deferred to Executive Session – No vote taken.	n/a

There being no further business of the Audit Committee of the Finance Commission of Texas, Chairman Scanlon adjourned the meeting at 9:23 a.m. (49:38 on the audio file).

Debbie Scanlon, Chairman, Audit Committee
Finance Commission of Texas

Charles G. Cooper, Executive Director
Finance Commission of Texas

Ruth Wright, Executive Assistant
Finance Commission of Texas

Texas Office of Consumer Credit Commissioner
Audit Activities Report
As of July 31, 2022

Auditor: <i>Garza/Gonzalez</i>		Audit Report Date: <i>June 13, 2022</i>	
Audit Area: <i>Internal Audit – Regulated Lending Examinations</i>			
Findings:		Status Update:	
<i>Determine if ALECS can be programmed to require special instruction signatures.</i>		<i>In Progress. This will be completed by 9/30/22.</i>	
<i>Review risk scores for exam scheduling.</i>		<i>In Progress. This will be completed by 9/30/22.</i>	
<i>Establish exam review frequency guidelines.</i>		<i>In Progress. This will be completed by 9/30/22</i>	
<i>Update exam training procedures.</i>		<i>Complete.</i>	
<i>Re-enforce exam report quality assurance.</i>		<i>In Progress. This will be completed by 9/30/22.</i>	
<i>Review & evaluate exam flex reports.</i>		<i>In Progress. This will be completed by 9/30/22.</i>	
<i>Update the travel policy regarding state credit card usage.</i>		<i>In Progress. This will be completed by 9/30/22.</i>	
Auditor: <i>Department of Public Safety</i>		Audit Report Date: <i>May 18, 2022</i>	
Audit Area: <i>Non-Criminal Justice Audit – Licensing</i>			
Findings:		Status Update:	
<i>Evaluate IT access.</i>		<i>In Progress. This will be completed by 9/30/22.</i>	
<i>Evaluate access control.</i>		<i>In Progress. This will be completed by 9/30/22.</i>	
Auditor: <i>DIR: AT&T Cybersecurity Consulting</i>		Audit Report Date: <i>April 26, 2022</i>	
Audit Area: <i>Controlled Penetration Test and Web Application Vulnerabilities Scan</i>			
Findings:		Status Update:	
<i>NA</i>		<i>Rescan Completed. Awaiting Results</i>	
Auditor: <i>State Auditor's Office</i>		Audit Report Date: <i>March 2022</i>	
Audit Area: <i>SDSI</i>			
Findings:		Status Update:	
<i>Evaluate and update Change Management Procedures.</i>		<i>In Progress. This will be completed by 8/31/22.</i>	

Department of Savings and Mortgage Lending

Audit Activities Report as of July 31, 2022

Auditor:	<i>Department of Information Resources– AT&T Cybersecurity Consulting</i>	Audit Report Date: <i>Jan 31, 2022</i>
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Audit Area:	<i>Controlled Penetration Test and Web Application Vulnerabilities Scan</i>
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Findings: <i>N/A</i>	Status Update: <i>Penetration test and scan completed in January 2022. Remediation and rescan completed in July 2022.</i>
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Auditor:	<i>Garza/Gonzales</i>	Audit Report Date: <i>Jun 13, 2022</i>
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Audit Area:	<i>Legal and Enforcement</i>
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Recommendations: <i>Complete policies and procedures update.</i>	Status Update: <i>Planned completion date August 31, 2022.</i>
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<i>Assess existing quality control processes and identify areas that can be enhanced.</i>	<i>Planned completion date for assessment August 31, 2022.</i>
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Texas Department of Banking
Audit Activities Report
as of July 31, 2022

Auditor:	<i>Department of Information Resources – AT&T</i>	Audit Report Date: <i>Completed</i>
Audit Area:	<i>Texas Cybersecurity Framework Assessment</i>	
Findings:	Status Update: <i>Report on remediation presented at Audit Committee on August 19, 2022.</i>	
Auditor:	<i>Texas Comptroller of Public Accounts</i>	Audit Report Date: <i>Pending</i>
Audit Area:	<i>Post Payment Audit</i>	
Findings:	Status Update: <i>In Progress – a preliminary draft report has been provided by the Texas Comptroller of Public Accounts, and the agency is drafting its response.</i>	
Auditor:	<i>DIR / AT&T</i>	Audit Report Date: <i>Pending</i>
Audit Area:	<i>Control Penetration Test (CPT)</i>	
Findings:	Status Update: <i>None</i> <i>Review beginning August 1, 2022.</i>	

**Office of Consumer Credit Commissioner
Fiscal Year 2022 - 3rd Quarter**

Residential Mortgage Loan Originator Recovery Trust Fund #3008

<u>Beginning Balance at 03/01/2022</u>	<u>Additions / *(Deductions)</u>	<u>Interest Paid</u>	<u>Paid Bank Fees</u>	<u>Ending Balance at 5/31/2022</u>	<u>Current Interest Rate</u>
\$ 173,478.99	\$ 3,075.00	\$ 148.79	\$ -	\$ 176,702.78	0.01%

Prepared By: /s/ Chris Churchill

Date: 07/7/2022

Investment Officer: /s/ Mirand Diamond

Date: 7/7/2022

Note: These funds are held at the Texas Treasury Safekeeping Trust Company in overnight repurchase agreements.
The above investments are in compliance with the agency's investment policy.

Office of Consumer Credit Commissioner
Fiscal Year 2022 - 3rd Quarter

Texas Financial Education Endowment Fund #3071								
	Beginning Balance at 03/01/2022	Additions	Interest Paid	Transfers	Grant Disbursements	Paid Bank Fees	Ending Balance at 5/31/2022	Current Interest Rate
Cash	\$ 1,723,403.09	\$ (43,181.96)	\$ 1,327.20	\$ (149,221.21)	\$ -	\$ (5,700.72)	\$ 1,526,626.40	0.01%
Invested Portfolio	Beginning Balance at 03/01/2022	Additions	*Change in Value	Transfers	Transfer Out	Paid Fees	Ending Balance at 05/31/2022	
Cash in Bank	\$ 135,641.09	\$ -	\$ (103,638.53)	\$ -	\$ -	\$ -	\$ 32,002.56	
Investments - STIF	1,225,030.13	-	(176,730.29)			-	1,048,299.84	
Interest & Dividends Receivable	25.86		470.96				496.82	
Trade Receivables	-		-				-	
Investments - Equities	7,648.82		(888.79)				6,760.03	
Investments - Alternatives	6,762,474.74		(88,727.86)				6,673,746.88	
Investments - Fixed Income	120,407.04		132,545.55				252,952.59	
Investments - Futures	-		-				-	
Investments - SWAPS, at Fair Value	(42,994.03)		31,825.69				(11,168.34)	
Total Assets-Invested Portfolio	\$ 8,208,233.65	\$ -	\$ (205,143.27)	\$ -	\$ -	\$ -	\$ 8,003,090.38	
Liabilities								
Accounts Payable	\$ (3,726.75)	\$ 3,726.75	\$ -	\$ -	\$ -	\$ -	\$ -	
Interest Payable	(633.09)	\$ (965.86)					(1,598.95)	
Trade Payables	-	0.80					-	
Futures Contracts, at Fair Value	-	-					-	
Swaps, at Fair Value	-	-					-	
Total Liabilities	\$ (4,359.84)	\$ 2,761.69	\$ -	\$ -	\$ -	\$ -	\$ (1,598.95)	
Total Net Fiduciary Assets-Invested Portfolio	\$ 8,203,873.81						\$ 8,001,491.43	
Total Endowment Funds	<u>\$ 9,927,276.90</u>						<u>\$ 9,528,117.83</u>	

Note: These funds are invested with the Texas Treasury Safekeeping Trust Company.
The above investments are in compliance with the agency's investment policy.

* Reflects redistributed amount among the asset classes in addition to market value adjustment.

Prepared By: /s/ Chris Churchill

Date: 7/07/2022

Investment Officer: /s/ Mirand Diamond

Date: 7/7/2022

Department of Savings and Mortgage Lending

Investment Officer Report as of May 31, 2022

Recovery Fund

	Beginning Balance 3/1/2022	Additions/ Reductions	Interest Received	Bank Fees	Ending Balance 5/31/2022
Cash & Cash Equivalents	\$4,801,769.58	\$98,000.00	\$3,636.92	(\$120.22)	\$4,903,286.28
Mortgage Grant Program Balance (12/31/2021)					1,235,489.78
Recovery Balance					\$3,667,796.50

Bank Name	Type	Maturity Date	Interest Rate	Book/Market Value	Accrued Interest
Tx Treasury Safekeeping Trust Co	Overnight Repurchase	6/1/2022	0.75%	\$3,403,286.28	\$69.96
Dalhart Federal Savings	CD - 24 months	10/18/2022	1.25%	250,000.00	5,121.53
First Fed Community Bank, SSB	CD - 18 months	12/23/2022	0.45%	250,000.00	1,068.75
Horizon Bank SSB	CD - 24 months	1/31/2023	0.60%	250,000.00	129.17
TBK Bank	CD - 12 months	4/7/2023	0.60%	250,000.00	225.00
South Star Bank SSB	CD - 12 months	4/26/2023	0.50%	250,000.00	152.78
Sunflower Bank	CD - 12 months	6/2/2023	0.60%	250,000.00	750.00
				<u>\$4,903,286.28</u>	<u>\$7,517.19</u>

Investment Position:

The Fund is capable of meeting all known obligations.

Investment Officer: /s/Antonia Antov

Investment Officer: /s/Janie Recio

Investment Compliance:

The Department's Investment Policy has been followed.

Date: 6/28/2022

Date: 6/28/2022

Texas Department of Banking Quarterly Investment Report
 March 1, 2022 to May 31, 2022

Seized Prepaid Funeral Funds Held in a Financial Institution	Book Value at February 28, 2022	Interest Income Received	Trustee Fees Paid	Other Deductions	Other Additions	Book Value at May 31, 2022	Financial Institution	Investment Type	Maturity Date	Interest Rate
None	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			N/A	N/A
Total Seized Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00				

Notes:

/s/ Jesse Saucillo

Investment Officer

6/15/2022

Date

/s/ Sami Chadli

Investment Officer

6/17/2022

Date

Trust-Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report
March 1, 2022 to May 31, 2022

<u>Book Value at February 28, 2022</u>	<u>Interest Income Received</u>	<u>Trustee Fees Paid</u>	<u>(1) Other Deduction(s)</u>	<u>(2) Other Addition(s)</u>	<u>Book/Market Value at May 31, 2022</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Accrued Interest on CDs</u>
\$1,402,090.13	\$2,160.28	\$0.00	\$19,940.83	\$19,500.83	\$1,403,810.41	--	--	\$376.09

Trust Account Balances at Trustee/Depositories

Texas Treasury Safekeeping Trust Company *	\$427,291.99	6/1/2022	0.74%	--
State Bank of Texas, Dallas, Texas (CD)	\$240,000.00	12/16/2022	0.85%	\$72.66
Texas Bank Financial, Weatherford, Texas (CD)	\$246,992.73	12/24/2022	0.50%	\$23.68
Frontier Bank of Texas, Elgin, Texas (CD)	\$244,525.69	7/18/2022	0.75%	\$216.05
American Bank of Commerce, Wolfforth, Texas (CD)	\$245,000.00	11/18/2022	0.73%	\$63.70

Subtotal \$1,403,810.41

(1) Other deductions include: (a) \$526.84 restitution issued to consumers and \$729.89 escheated to the Texas Comptroller of Public Accounts (Comptroller's Office) as abandoned property related to Amarillo Family Funeral Home; (b) \$16,846.00 transfer of insurance-funded PFC assessments to the insurance-funded guaranty fund account; (c) \$38.10 restitution for consumers escheated to the Comptroller's Office related to Hernandez Funeral Home; and (d) \$1,800.00 payment to National Guardian Life Insurance Company (NGL), regarding Central Texas Heritage Holdings' cancellation and re-write of two PFCs illegally sold by Mr. Timothy Gaffney.

(2) Other additions include: (a) \$2,060.00 restitution received from Mr. Kevin Keeney on behalf of Howell-Doran Funeral Home; (b) \$200.00 restitution received from Mr. Marc Gonzalez on behalf of Gonzalez Funeral Home; (c) \$356.73 restitution received from Mr. Roy and Ms. Kay Bryant dba Amarillo Family Funeral Home; (d) \$16,846.00 deposit of insurance-funded PFC assessments received from permit holders; and (e) \$38.10 stop payment of restitution checks related to Hernandez Funeral Home that were not negotiated by consumers.

* These funds are held at the Texas Treasury Safekeeping Trust Company in overnight repurchase agreements.
The above investments are in compliance with the investment strategies of Administrative Memorandum 2016.

/s/ Jesse Saucillo
Investment Officer

6/15/2022
Date

/s/ Sami Chadli
Investment Officer

6/17/2022
Date

Insurance-Funded Prepaid Funeral Guaranty Fund Quarterly Investment Report
March 1, 2022 to May 31, 2022

<u>Book Value at February 28, 2022</u>	<u>Interest Income Received</u>	<u>Trustee Fees Paid</u>	<u>Other Deduction(s)</u>	<u>(1) Other Addition(s)</u>	<u>Book/Market Value at May 31, 2022</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Accrued Interest on CDs</u>
\$836,936.43	\$891.24	\$ 18.09	\$ -	\$ 33,990.00	\$871,799.58	--	--	\$136.02

Account Balances at Trustee/Depositories

Texas Treasury Safekeeping Trust Company *	\$381,168.03	6/1/2022	0.74%	--
AccessBank, Denton, Texas (CD)	\$245,631.55	7/14/2022	0.35%	\$35.33
Spring Hill State Bank, Longview, Texas (CD)	<u>\$245,000.00</u>	5/12/2023	1.00%	\$100.69
Subtotal	\$871,799.58			

(1) Other additions include assessments collected from permit holders on new insurance-funded prepaid funeral contracts sold.

* These funds are held at the Texas Treasury Safekeeping Trust Company in overnight repurchase agreements.

The above investments are in compliance with the investment strategies of Administrative Memorandum 2016.

/s/ Jesse Saucillo
Investment Officer

6/15/2022
Date

/s/ Sami Chadli
Investment Officer

6/17/2022
Date

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OFFICE OF CONSUMER CREDIT COMMISSIONER
INVESTMENT POLICY STATEMENT
[Effective ~~August 19, 2022~~ ~~August 20, 2021~~]

1. Overview

This policy governs the investment of funds maintained by the Office of Consumer Credit Commissioner ("Agency"). This policy does not convey investment authority where such does not exist through statute. This policy shall be approved by the Finance Commission of Texas (Finance Commission) as this policy applies to funds within its purview. The policy will be reviewed annually by the Finance Commission, with said review and any changes made to either the policy or investment strategies recorded in the minutes of the Finance Commission.

The Finance Commission met on ~~August 19, 2022~~ ~~August 20, 2021~~ to re-approve this policy as revised to clarify content within this policy. Previously, this policy was reviewed and approved on ~~August 20, 2021~~ ~~August 21, 2020~~.

It is the policy of the Agency to invest funds in compliance with the following priorities, in the order of importance:

- Preservation of principal;
- Maintenance of liquidity as appropriate to the identified need;
- Procurement of an appropriate yield;
- Diversification of investment portfolio; and,
- Marketability of the investment if the need arises to liquidate the investment before maturity.

All investments shall be made with the judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

To the extent that diversification of investment types and maturities assists in the achievement of the above-named priorities, investment strategies for the different funds held will consider the appropriate mix of investments.

2. Identification of Covered Funds

Funds covered by this policy are funds authorized to be collected by the Texas Finance Code.

OCCC Operating Fund (TTSTC #2973)	
Enabling Legislation	§16.003, TEX. FIN. CODE

OCCC Residential Mortgage Loan Originator Recovery Fund (TTSTC #3008)	
Enabling Legislation	Sections 341.601 through 341.610, TEX. FIN. CODE
Distribution Policy	The fund shall be used to reimburse residential mortgage loan applicants for actual damages incurred because of acts committed by a state-licensed residential mortgage loan originator who was licensed under the applicable chapter when the act was committed. Recovery is limited by the provisions of §341.606 to an aggregate of \$25,000 per claim.

Texas Financial Education Endowment Fund (TTSTC #3071)	
Enabling Legislation	§393.628, TEX. FIN. CODE
Distribution Policy	Annual distributions, payable quarterly or annually, are calculated as 3.5% times the twenty-quarter, moving-average value of the Fund as of June 30 for distributions to be made the following fiscal year.

3.Types of Authorized Investments

Each fund (or a portion of one or more funds) may be placed in the Texas Treasury Safekeeping Trust Company (TTSTC) or its successor. Pursuant to Section 404.106 of the Government Code, funds held by the TTSTC are to be invested in obligations in which the Texas Comptroller of Public Accounts is authorized to invest. Section 404.024 of the Government Code specifies those obligations in which the Comptroller is authorized to invest.

In accordance with Section 341.602(f) of the Finance Code, the OCCC Residential Mortgage Loan Originator Recovery Fund may be invested and reinvested in the same manner as funds of the Employees Retirement System of Texas, and the interest from these investments shall be deposited to the credit of the fund. An investment may not be made under Section 341.602(f) if the investment will impair the necessary liquidity required to satisfy payment of judgment awarded under Chapter 341, Subchapter G of the Finance Code.

The Texas Financial Education Endowment Fund is to be invested with the TTSTC. In accordance with Section 393.628(b) of the Finance Code and Title 7, Section 7.105 of the Texas Administrative Code, Texas Financial Education Endowment funds may be invested and reinvested in the same manner as funds of the Employees Retirement System of Texas under Texas Government Code Chapter 815, Subchapter D, and interest from those investments will be deposited to the credit of the account. The Investment Policy Statement for Texas Endowment Funds managed by the TTSTC is adopted by reference for the oversight of the Texas Financial Education Endowment Fund.

[See

<https://assets.ttstc.com/ttstc-public/20/2020-10-16%20TTSTC%20IPS%20Texas%20Endowment%20Funds.pdf>

<https://assets.ttstc.com/ttstc-public/20/2022-03-30%20TTSTC%20ENDOW%20Investment%20Policy.pdf>

These policies include:

- An investment return objective of 6%
- A securities lending objective to enhance current income to the extent consistent with the preservation of capital and maintenance of liquidity
- Portfolio rebalancing
- Portfolio hedging and overlays
- Asset allocation targets and performance benchmarks
- Risk management guidelines
- Investment manager expectations
- Fixed income, equity, real estate and all asset strategies

The investment policies of the TTSTC control over any conflict between this policy and the TTSTC investment policy for the Texas Financial Education Endowment Fund.

Insofar as a fund or portion of a fund is deposited in a financial institution, the Agency may utilize the investment securities listed below.¹ "Maximum allowable maturity," when used in this policy, means the remaining time until the final principal payment on the investment, measured from the date of purchase by the Agency.

¹ *The Office is prohibited from investing funds in companies that discriminate against firearm and ammunition industries or that boycott energy companies per Chapter 2274 of the Government Code.*

- A. Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks, with a maximum allowable maturity of 10 years;
- B. Direct obligations of this state or its agencies and instrumentalities with a maximum allowable maturity of 10 years;
- C. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the U. S., the underlying security for which is guaranteed by an agency or instrumentality of the U.S. provided that the applicable interest rate is not determined by an index that adjusts opposite to the changes in a market index and the stated final maturity date is not greater than 10 years from the date the collateralized mortgage obligation is acquired by the Agency;
- D. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the U.S. or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or by the explicit full faith and credit of the U.S. with a maximum allowable maturity of 10 years;
- E. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent with a maximum allowable maturity of 10 years. If the rating of the issuing entity is downgraded below investment quality during the time an investment is held from that entity, all prudent measures must be taken to liquidate the investment within a reasonable period of time, consistent with the guidelines in this policy;
- F. Bonds issued, assumed, or guaranteed by the State of Israel;
- G. Interest-bearing deposit accounts that are guaranteed or insured by the FDIC or its successor;
- H. Other interest-bearing deposit accounts not described above if:
 - i. The funds are invested through a broker with a main office or branch office in this state as selected by the Agency from an approved list, or through a depository institution with a main office or branch office in this state;
 - ii. The selected broker or depository institution arranges for the deposit of the funds in deposit accounts in one or more federally insured institutions, regardless of where located;
 - iii. The full amount of principal and accrued interest in such deposit accounts is insured by the U.S. or an instrumentality of the U.S.; and
 - iv. The Agency appoints a custodian of the deposit accounts that is:
 - a. The depository institution selected to broker the deposits;
 - b. A state or national bank designated by the comptroller as a state depository with its main office or a branch office in this state, that has capital stock and surplus of \$5 million or more;
 - c. The Texas Treasury Safekeeping Trust Company;
 - d. A Federal Reserve Bank or a branch of a Federal Reserve Bank;
 - e. A Federal Home Loan Bank;
 - f. A financial institution authorized to exercise fiduciary powers that is designated by the comptroller as custodian; or
 - g. A clearing broker dealer registered with the Securities and Exchange Commission (SEC) and operating under SEC Rule 15c3 (17 C.F.R. Section 240.15c3-3)

- I. A certificate of deposit issued by depository institution that has its main office or a branch office in this state, if the certificate:
 - i. Is guaranteed or fully insured by the FDIC, or its successor; or,
 - ii. Is secured by obligations allowable under Gov't Code § 2256.009(a) for direct investment by the Agency; or
 - iii. Is secured as provided under the Public Funds Collateral Act (Gov't Code Ch. 2257); and
 - iv. Does not have a maturity exceeding 36 months.

A certificate of deposit must be fully secured as described above but may be secured by a combination of the listed alternatives.

Bids for certificates of deposit may be solicited:

- Orally;
 - In writing;
 - Electronically; or
 - In any combination of those methods.
- J. A repurchase agreement, collateralized on a daily basis at a minimum of 102% of market value, including a direct security repurchase agreement and a reverse security repurchase agreement, that:
 - i. With respect to a reverse security repurchase agreement, does not have a defined termination date exceeding 90 days;
 - ii. Is secured by a combination of cash and obligations allowable under Gov't Code §2256.009(a)(1) or § 225603;
 - iii. Requires securities being purchased or cash held by the Agency to be pledged to the Agency, held in the Agency's name and deposited at the time the investment is made with the Agency or with a third party selected and approved by the Agency;
 - iv. Is placed through a primary government securities dealer, as defined by the Federal Reserve, or an insured financial institution domiciled in this state; and
 - v. Requires that money received under the terms of a reverse security repurchase agreement must be used to acquire additional authorized investments, but the term of the authorized investments required must mature not later than the expiration date stated in the reverse security repurchase agreement.
- K. A no-load money market mutual fund that:
 - i. Is registered with and regulated by the SEC;
 - ii. Provides the Agency with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940; and
 - iii. Complies with federal SEC Rule 2a-7, promulgated under the Investment Company Act of 1940 (17 C.F.R. § 270-2a-7).
- L. A no-load mutual fund that:
 - i. Is registered with the SEC;
 - ii. Has an average weighted maturity of less than two years; and
 - iii. Either:
 - a. Has a duration of one year or more and is invested exclusively in obligations authorized in this policy; or
 - b. Has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

In general, investments that were authorized at the time they were purchased or otherwise obtained may be retained under this policy even if later revisions of the policy render the investments in noncompliance. One exception is any investment that requires a minimum rating if the rating declines to below the minimum.

The investing entity is required to take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating. An exception also exists with respect to investments in companies that engage in business in Sudan or Iran, or with a foreign terrorist organization, as set forth in the state's divestiture requirements in Gov't Code Chapter 2270. These divestiture requirements expire in 2037.

4.Unauthorized Investments

The following are not authorized investments under this policy:

- A. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- B. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- C. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years;
- D. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index; and
- E. No portion of bond proceeds, reserves and funds held for debt service may be invested in no-load mutual funds described in Gov't Code §2256.014(b);
- F. Investments in companies doing business in Sudan, in Iran, or with a foreign terrorist organization;¹
- G. Investments in companies that boycott Israel; and
- H. Investments with companies that have been barred from participating in State of Texas contracts.

5.Safekeeping of Investments

All funds, securities, etc., held under this policy, where possible, will be placed under the name of the Office of Consumer Credit Commissioner and safekeeping receipts will be maintained on file.

6.Reporting

Not less than quarterly, the Investment Officer shall prepare a signed, written report of investment transactions for all funds covered by this policy for the preceding reporting period, to include:

- A. The investment position of the Agency on the date of the report;
- B. The book and market values of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested (for demand deposits and certificates of deposit, reports will reflect book value and market value as the same);
- C. The maturity date of each separately invested asset that has a maturity date;
- D. The fund for which each individual investment was acquired;
- E. Any non-compliance of the investment portfolio with this policy;
- F. Income received and expenses incurred in conjunction with investments; and,
- G. Any other information as required by the Finance Commission.

The reports shall be submitted to the Finance Commission at regularly scheduled meetings.

7.Rates of Return, Market Pricing and Ratings Changes

The Agency expects to receive market rates of return on all investments authorized under this policy, remembering the need to first, protect principal and second, maintain sufficient liquidity to meet the needs of the specific funds being invested. Higher rates of return will be targeted on the more aggressive and longer-term investment products. No rate of return is expected to be earned on any funds in a checking account, and therefore these will be kept to a minimum.

The Investment Officer will periodically review the market pricing, rating changes, and rates of return on all investments to ensure that values and yields are consistent with risk and meet investment objectives. The investment officer will use the same methods and procedures as a prudent investor, exercising reasonable care, skill, and caution.

¹Lists of companies with ties to Sudan, Iran and foreign terrorist organizations are published in the Texas Comptroller's website at: <https://comptroller.texas.gov/purchasing/publications/divestment.php>

8.Diversification

Investments in FDIC-insured deposits (in deposits not insured by the FDIC but otherwise secured by state or federal government obligations with margin) and in direct U.S. Treasury obligations are not subject to diversification other than maturity considerations. For investments other than those just listed, diversification shall be as follows:

- A. The aggregate investment in no-load mutual funds described in Gov't Code §2256.014(b) may not exceed 15 % of the monthly average fund balance of a covered investment fund held by the Agency, excluding bond proceeds and reserves and other funds held for debt service;
- B. No one covered fund shall invest in mutual funds in the aggregate more than 80% of its monthly average balance; and,
- C. Investment in any one mutual fund may not exceed 10% of the total assets of the mutual fund.

9.Settlement

Settlement of all transactions, except investment pool funds and mutual funds, shall be on a delivery versus payment basis.

10.Investment Officer

The Director of Licensing and Finance will be the designated Investment Officer and is responsible for the investment of the funds held and invested by the Agency. The Investment Officer is authorized to:

- A. Obtain external investment expertise if deemed necessary to fulfill investment objectives;
- B. Delegate routine business transactions within authorized and established investments; and,
- C. Enter into agreements with other parties as necessary to fulfill this policy, make or authorize investments, or notify other parties concerning this policy and its requirements.

If the Investment Officer has a personal business relationship with a business organization offering to engage in an investment transaction with the Agency, the Officer shall file a statement disclosing that personal business interest. For the purposes of this policy, an investment officer has a personal business relationship with a business organization if:

- The investment officer owns 10% or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- Funds received by the investment officer from the business organization exceed 10% of the investment officer's gross income for the previous year; or
- The investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

If the Investment Officer is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Agency, the Officer shall file a statement disclosing that relationship. Any statement filed under this paragraph shall be filed with the Texas Ethics Commission and the Finance Commission.

Within 180 days of the end of each Legislative session, the Agency will provide a report to the Finance Commission outlining any recent amendments pertaining to the Public Funds Investment Act and other statutes, and will provide appropriate recommendations to update the Investment Policy as needed.

11.Investment Training

The Investment Officer and other agency employees active in the investment function will attend training relating to their respective responsibilities under this policy, not less than once each state fiscal biennium. Training may include education in investment controls, security risks, strategy risks, market risks, portfolio diversification, and compliance with applicable statutes.

Any training conducted or approved by any state or federal agency, independent of the Agency, related to investments, risk management, portfolio diversification, or similar substance, is hereby approved by the Finance Commission as meeting the terms of this requirement.

The Investment Officer shall provide a report to the Finance Commission regarding the status of investment training at the time of the annual review of the policy.

12. Entities Authorized to Engage in Investment Transactions

Investments may be obtained through licensed securities brokers, commercial banks, state savings banks, and trust companies authorized to do business in Texas. To the extent that deposits and accounts are insured or secured for the full amount of principal and interest, no specific authorization from the Finance Commission is required as long as the individual institution falls under the requirements of this policy. All brokerage activities will be transacted using qualified brokerage firms. Qualified brokerage firms must be regulated by the Securities Exchange Commission and be members of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). The quality of all investment must meet the needs of the agency and be managed in accordance with this policy.

13. Acknowledgment of the Policy by Business Organizations Seeking to Sell Investments to the Agency

A written copy of this policy must be presented to any business organization² offering to engage in an investment transaction with the Agency. A qualified representative of the business organization offering to engage in an investment transaction with the Agency shall execute a written acknowledgment (Appendix #1) that the business organization:

- A. Has received and reviewed the Investment Policy for Funds under the Oversight of the Finance Commission of Texas; and,
- B. Has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Agency and the organization that are not authorized by the Agency's investment policy, except to the extent that this authorization:
 - i. is dependent on an analysis of the makeup of the Agency's entire portfolio;
 - ii. requires an interpretation of subjective investment standards; or
 - iii. relates to investment transactions of the Agency that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

The Investment Officer may not acquire or otherwise obtain any authorized investment described in the investment policy, or renew depository or other agreements, from a person who has not delivered to the Agency the instrument in substantially the form provided.

² A "business organization" means an investment pool or investment management firm that has contractual authority granted by an investing entity to exercise investment discretion in regard to the investing entity's funds.

Acknowledgment

I, (broker/banker/trust company officer), a qualified representative of (name of brokerage facility/bank/trust company) hereby make the following statements:

I have received and reviewed the Investment Policy for Funds under the Oversight of the Finance Commission of Texas; and,

I acknowledge that (name of brokerage facility/bank) has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Office of Consumer Credit Commissioner and (name of the brokerage facility/bank/trust company) that are not authorized by the referenced Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Office of Consumer Credit Commissioner's entire portfolio; requires an interpretation of subjective investment standards; or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the (name of the brokerage facility/bank/trust company) has accepted discretionary investment authority.

Signature of Qualified Representative

Date

OFFICE OF CONSUMER CREDIT COMMISSIONER
INVESTMENT POLICY STATEMENT
[Effective August 19, 2022]

1. Overview

This policy governs the investment of funds maintained by the Office of Consumer Credit Commissioner ("Agency"). This policy does not convey investment authority where such does not exist through statute. This policy shall be approved by the Finance Commission of Texas (Finance Commission) as this policy applies to funds within its purview. The policy will be reviewed annually by the Finance Commission, with said review and any changes made to either the policy or investment strategies recorded in the minutes of the Finance Commission.

The Finance Commission met on August 19, 2022 to re-approve this policy as revised to clarify content within this policy. Previously, this policy was reviewed and approved on August 20, 2021.

It is the policy of the Agency to invest funds in compliance with the following priorities, in the order of importance:

- Preservation of principal;
- Maintenance of liquidity as appropriate to the identified need;
- Procurement of an appropriate yield;
- Diversification of investment portfolio; and,
- Marketability of the investment if the need arises to liquidate the investment before maturity.

All investments shall be made with the judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

To the extent that diversification of investment types and maturities assists in the achievement of the above-named priorities, investment strategies for the different funds held will consider the appropriate mix of investments.

2. Identification of Covered Funds

Funds covered by this policy are funds authorized to be collected by the Texas Finance Code.

OCCC Operating Fund (TTSTC #2973)	
Enabling Legislation	§16.003, TEX. FIN. CODE

OCCC Residential Mortgage Loan Originator Recovery Fund (TTSTC #3008)	
Enabling Legislation	Sections 341.601 through 341.610, TEX. FIN. CODE
Distribution Policy	The fund shall be used to reimburse residential mortgage loan applicants for actual damages incurred because of acts committed by a state-licensed residential mortgage loan originator who was licensed under the applicable chapter when the act was committed. Recovery is limited by the provisions of §341.606 to an aggregate of \$25,000 per claim.

Texas Financial Education Endowment Fund (TTSTC #3071)	
Enabling Legislation	§393.628, TEX. FIN. CODE
Distribution Policy	Annual distributions, payable quarterly or annually, are calculated as 3.5% times the twenty-quarter, moving-average value of the Fund as of June 30 for distributions to be made the following fiscal year.

3.Types of Authorized Investments

Each fund (or a portion of one or more funds) may be placed in the Texas Treasury Safekeeping Trust Company (TTSTC) or its successor. Pursuant to Section 404.106 of the Government Code, funds held by the TTSTC are to be invested in obligations in which the Texas Comptroller of Public Accounts is authorized to invest. Section 404.024 of the Government Code specifies those obligations in which the Comptroller is authorized to invest.

In accordance with Section 341.602(f) of the Finance Code, the OCCC Residential Mortgage Loan Originator Recovery Fund may be invested and reinvested in the same manner as funds of the Employees Retirement System of Texas, and the interest from these investments shall be deposited to the credit of the fund. An investment may not be made under Section 341.602(f) if the investment will impair the necessary liquidity required to satisfy payment of judgment awarded under Chapter 341, Subchapter G of the Finance Code.

The Texas Financial Education Endowment Fund is to be invested with the TTSTC. In accordance with Section 393.628(b) of the Finance Code and Title 7, Section 7.105 of the Texas Administrative Code, Texas Financial Education Endowment funds may be invested and reinvested in the same manner as funds of the Employees Retirement System of Texas under Texas Government Code Chapter 815, Subchapter D, and interest from those investments will be deposited to the credit of the account. The Investment Policy Statement for Texas Endowment Funds managed by the TTSTC is adopted by reference for the oversight of the Texas Financial Education Endowment Fund.

[See

<https://assets.ttstc.com/ttstc-public/20/2022-03-30%20TTSTC%20ENDOW%20Investment%20Policy.pdf>

These policies include:

- An investment return objective of 6%
- A securities lending objective to enhance current income to the extent consistent with the preservation of capital and maintenance of liquidity
- Portfolio rebalancing
- Portfolio hedging and overlays
- Asset allocation targets and performance benchmarks
- Risk management guidelines
- Investment manager expectations
- Fixed income, equity, real estate and all asset strategies

The investment policies of the TTSTC control over any conflict between this policy and the TTSTC investment policy for the Texas Financial Education Endowment Fund.

Insofar as a fund or portion of a fund is deposited in a financial institution, the Agency may utilize the investment securities listed below.¹ "Maximum allowable maturity," when used in this policy, means the remaining time until the final principal payment on the investment, measured from the date of purchase by the Agency.

¹ The Office is prohibited from investing funds in companies that discriminate against firearm and ammunition industries or that boycott energy companies per Chapter 2274 of the Government Code.

- A. Obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks, with a maximum allowable maturity of 10 years;
- B. Direct obligations of this state or its agencies and instrumentalities with a maximum allowable maturity of 10 years;
- C. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the U. S., the underlying security for which is guaranteed by an agency or instrumentality of the U.S. provided that the applicable interest rate is not determined by an index that adjusts opposite to the changes in a market index and the stated final maturity date is not greater than 10 years from the date the collateralized mortgage obligation is acquired by the Agency;
- D. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the U.S. or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or by the explicit full faith and credit of the U.S. with a maximum allowable maturity of 10 years;
- E. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent with a maximum allowable maturity of 10 years. If the rating of the issuing entity is downgraded below investment quality during the time an investment is held from that entity, all prudent measures must be taken to liquidate the investment within a reasonable period of time, consistent with the guidelines in this policy;
- F. Bonds issued, assumed, or guaranteed by the State of Israel;
- G. Interest-bearing deposit accounts that are guaranteed or insured by the FDIC or its successor;
- H. Other interest-bearing deposit accounts not described above if:
 - i. The funds are invested through a broker with a main office or branch office in this state as selected by the Agency from an approved list, or through a depository institution with a main office or branch office in this state;
 - ii. The selected broker or depository institution arranges for the deposit of the funds in deposit accounts in one or more federally insured institutions, regardless of where located;
 - iii. The full amount of principal and accrued interest in such deposit accounts is insured by the U.S. or an instrumentality of the U.S.; and
 - iv. The Agency appoints a custodian of the deposit accounts that is:
 - a. The depository institution selected to broker the deposits;
 - b. A state or national bank designated by the comptroller as a state depository with its main office or a branch office in this state, that has capital stock and surplus of \$5 million or more;
 - c. The Texas Treasury Safekeeping Trust Company;
 - d. A Federal Reserve Bank or a branch of a Federal Reserve Bank;
 - e. A Federal Home Loan Bank;
 - f. A financial institution authorized to exercise fiduciary powers that is designated by the comptroller as custodian; or
 - g. A clearing broker dealer registered with the Securities and Exchange Commission (SEC) and operating under SEC Rule 15c3 (17 C.F.R. Section 240.15c3-3)

- I. A certificate of deposit issued by depository institution that has its main office or a branch office in this state, if the certificate:
- i. Is guaranteed or fully insured by the FDIC, or its successor; or,
 - ii. Is secured by obligations allowable under Gov't Code § 2256.009(a) for direct investment by the Agency; or
 - iii. Is secured as provided under the Public Funds Collateral Act (Gov't Code Ch. 2257); and
 - iv. Does not have a maturity exceeding 36 months.

A certificate of deposit must be fully secured as described above but may be secured by a combination of the listed alternatives.

Bids for certificates of deposit may be solicited:

- o Orally;
 - o In writing;
 - o Electronically; or
 - o In any combination of those methods.
- J. A repurchase agreement, collateralized on a daily basis at a minimum of 102% of market value, including a direct security repurchase agreement and a reverse security repurchase agreement, that:
- i. With respect to a reverse security repurchase agreement, does not have a defined termination date exceeding 90 days;
 - ii. Is secured by a combination of cash and obligations allowable under Gov't Code §2256.009(a)(1) or § 225603;
 - iii. Requires securities being purchased or cash held by the Agency to be pledged to the Agency, held in the Agency's name and deposited at the time the investment is made with the Agency or with a third party selected and approved by the Agency;
 - iv. Is placed through a primary government securities dealer, as defined by the Federal Reserve, or an insured financial institution domiciled in this state; and
 - v. Requires that money received under the terms of a reverse security repurchase agreement must be used to acquire additional authorized investments, but the term of the authorized investments required must mature not later than the expiration date stated in the reverse security repurchase agreement.
- K. A no-load money market mutual fund that:
- i. Is registered with and regulated by the SEC;
 - ii. Provides the Agency with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940; and
 - iii. Complies with federal SEC Rule 2a-7, promulgated under the Investment Company Act of 1940 (17 C.F.R. § 270-2a-7).
- L. A no-load mutual fund that:
- i. Is registered with the SEC;
 - ii. Has an average weighted maturity of less than two years; and
 - iii. Either:
 - a. Has a duration of one year or more and is invested exclusively in obligations authorized in this policy; or
 - b. Has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

In general, investments that were authorized at the time they were purchased or otherwise obtained may be retained under this policy even if later revisions of the policy render the investments in noncompliance. One exception is any investment that requires a minimum rating if the rating declines to below the minimum.

The investing entity is required to take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating. An exception also exists with respect to investments in companies that engage in business in Sudan or Iran, or with a foreign terrorist organization, as set forth in the state's divestiture requirements in Gov't Code Chapter 2270. These divestiture requirements expire in 2037.

4.Unauthorized Investments

The following are not authorized investments under this policy:

- A. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- B. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- C. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years;
- D. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index; and
- E. No portion of bond proceeds, reserves and funds held for debt service may be invested in no-load mutual funds described in Gov't Code §2256.014(b);
- F. Investments in companies doing business in Sudan, in Iran, or with a foreign terrorist organization;¹
- G. Investments in companies that boycott Israel; and
- H. Investments with companies that have been barred from participating in State of Texas contracts.

5.Safekeeping of Investments

All funds, securities, etc., held under this policy, where possible, will be placed under the name of the Office of Consumer Credit Commissioner and safekeeping receipts will be maintained on file.

6.Reporting

Not less than quarterly, the Investment Officer shall prepare a signed, written report of investment transactions for all funds covered by this policy for the preceding reporting period, to include:

- A. The investment position of the Agency on the date of the report;
- B. The book and market values of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested (for demand deposits and certificates of deposit, reports will reflect book value and market value as the same);
- C. The maturity date of each separately invested asset that has a maturity date;
- D. The fund for which each individual investment was acquired;
- E. Any non-compliance of the investment portfolio with this policy;
- F. Income received and expenses incurred in conjunction with investments; and,
- G. Any other information as required by the Finance Commission.

The reports shall be submitted to the Finance Commission at regularly scheduled meetings.

7.Rates of Return, Market Pricing and Ratings Changes

The Agency expects to receive market rates of return on all investments authorized under this policy, remembering the need to first, protect principal and second, maintain sufficient liquidity to meet the needs of the specific funds being invested. Higher rates of return will be targeted on the more aggressive and longer-term investment products. No rate of return is expected to be earned on any funds in a checking account, and therefore these will be kept to a minimum.

The Investment Officer will periodically review the market pricing, rating changes, and rates of return on all investments to ensure that values and yields are consistent with risk and meet investment objectives. The investment officer will use the same methods and procedures as a prudent investor, exercising reasonable care, skill, and caution.

Lists of companies with ties to Sudan, Iran and foreign terrorist organizations are published in the Texas Comptroller's website at:
<https://comptroller.texas.gov/purchasing/publications/divestment.php>

8.Diversification

Investments in FDIC-insured deposits (in deposits not insured by the FDIC but otherwise secured by state or federal government obligations with margin) and in direct U.S. Treasury obligations are not subject to diversification other than maturity considerations. For investments other than those just listed, diversification shall be as follows:

- A. The aggregate investment in no-load mutual funds described in Gov't Code §2256.014(b) may not exceed 15 % of the monthly average fund balance of a covered investment fund held by the Agency, excluding bond proceeds and reserves and other funds held for debt service;
- B. No one covered fund shall invest in mutual funds in the aggregate more than 80% of its monthly average balance; and,
- C. Investment in any one mutual fund may not exceed 10% of the total assets of the mutual fund.

9.Settlement

Settlement of all transactions, except investment pool funds and mutual funds, shall be on a delivery versus payment basis.

10.Investment Officer

The Director of Licensing and Finance will be the designated Investment Officer and is responsible for the investment of the funds held and invested by the Agency. The Investment Officer is authorized to:

- A. Obtain external investment expertise if deemed necessary to fulfill investment objectives;
- B. Delegate routine business transactions within authorized and established investments; and,
- C. Enter into agreements with other parties as necessary to fulfill this policy, make or authorize investments, or notify other parties concerning this policy and its requirements.

If the Investment Officer has a personal business relationship with a business organization offering to engage in an investment transaction with the Agency, the Officer shall file a statement disclosing that personal business interest. For the purposes of this policy, an investment officer has a personal business relationship with a business organization if:

- The investment officer owns 10% or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- Funds received by the investment officer from the business organization exceed 10% of the investment officer's gross income for the previous year; or
- The investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

If the Investment Officer is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Agency, the Officer shall file a statement disclosing that relationship. Any statement filed under this paragraph shall be filed with the Texas Ethics Commission and the Finance Commission.

Within 180 days of the end of each Legislative session, the Agency will provide a report to the Finance Commission outlining any recent amendments pertaining to the Public Funds Investment Act and other statutes, and will provide appropriate recommendations to update the Investment Policy as needed.

11.Investment Training

The Investment Officer and other agency employees active in the investment function will attend training relating to their respective responsibilities under this policy, not less than once each state fiscal biennium. Training may include education in investment controls, security risks, strategy risks, market risks, portfolio diversification, and compliance with applicable statutes.

Any training conducted or approved by any state or federal agency, independent of the Agency, related to investments, risk management, portfolio diversification, or similar substance, is hereby approved by the Finance Commission as meeting the terms of this requirement.

The Investment Officer shall provide a report to the Finance Commission regarding the status of investment training at the time of the annual review of the policy.

12. Entities Authorized to Engage in Investment Transactions

Investments may be obtained through licensed securities brokers, commercial banks, state savings banks, and trust companies authorized to do business in Texas. To the extent that deposits and accounts are insured or secured for the full amount of principal and interest, no specific authorization from the Finance Commission is required as long as the individual institution falls under the requirements of this policy. All brokerage activities will be transacted using qualified brokerage firms. Qualified brokerage firms must be regulated by the Securities Exchange Commission and be members of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). The quality of all investment must meet the needs of the agency and be managed in accordance with this policy.

13. Acknowledgment of the Policy by Business Organizations Seeking to Sell Investments to the Agency

A written copy of this policy must be presented to any business organization² offering to engage in an investment transaction with the Agency. A qualified representative of the business organization offering to engage in an investment transaction with the Agency shall execute a written acknowledgment (Appendix #1) that the business organization:

- A. Has received and reviewed the Investment Policy for Funds under the Oversight of the Finance Commission of Texas; and,
- B. Has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Agency and the organization that are not authorized by the Agency's investment policy, except to the extent that this authorization:
 - i. is dependent on an analysis of the makeup of the Agency's entire portfolio;
 - ii. requires an interpretation of subjective investment standards; or
 - iii. relates to investment transactions of the Agency that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

The Investment Officer may not acquire or otherwise obtain any authorized investment described in the investment policy, or renew depository or other agreements, from a person who has not delivered to the Agency the instrument in substantially the form provided.

² A "business organization" means an investment pool or investment management firm that has contractual authority granted by an investing entity to exercise investment discretion in regard to the investing entity's funds.

Acknowledgment

I, (broker/banker/trust company officer), a qualified representative of (name of brokerage facility/bank/trust company) hereby make the following statements:

I have received and reviewed the Investment Policy for Funds under the Oversight of the Finance Commission of Texas; and,

I acknowledge that (name of brokerage facility/bank) has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Office of Consumer Credit Commissioner and (name of the brokerage facility/bank/trust company) that are not authorized by the referenced Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Office of Consumer Credit Commissioner's entire portfolio; requires an interpretation of subjective investment standards; or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the (name of the brokerage facility/bank/trust company) has accepted discretionary investment authority.

Signature of Qualified Representative

Date

OCCC Investment Training

Staff Member	Date	Course	Sponsor	Hours
Mirand Diamond	8/5/2022	PFIA	Univ North Texas	5
William Collard	8/5/2022	PFIA	Univ North Texas	5
Leslie Pettijohn	8/6/2021	PFIA	Univ North Texas	5
Chris Churchill	8/6/2021	PFIA	Univ North Texas	5

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DEPARTMENT OF SAVINGS AND MORTGAGE LENDING INVESTMENT POLICY

Overview

This policy governs the investment of funds of the Recovery Fund and Mortgage Grant Fund (“the Funds”) which are administered by the Department of Savings and Mortgage Lending (“the Department”) to the extent the Department has statutory investment authority. The Recovery Fund was established as mandated by the 76th Legislature and organized pursuant to Texas Finance Code, Chapter 156, Subchapter F. The Mortgage Grant Fund was created by the 87th Legislature and organized pursuant to Texas Finance Code, Chapter 156, Subchapter G. While this agency is not subject to the requirements in the Public Funds Investment Act (Government Code Chapter 2256), except as specifically authorized by the 87th legislature, efforts are made to closely follow the Act.

This policy does not convey investment authority where such does not exist through statute or the courts. This policy shall be approved by the Finance Commission as this policy applies to funds within its purview. The policy will be reviewed annually by the Finance Commission, with said review and any changes made to either the policy or investment strategies recorded in the minutes of the Finance Commission.

The Finance Commission reapproved this policy on August 18²⁰, 2022¹. The policy includes [changed related to certain prohibitions pursuant to Chapters 2270, 2273, 2274 of the Government Code, which became effective on September 1, 2021. changes required by legislation passed by the 87th Legislature, as follows:](#)
[the creation of the Mortgage Grant Fund;](#)
[amounts in the Recovery Fund may no longer be invested be invested and reinvested in the same manner as funds of the Employee Retirement system of Texas; and](#)
[amounts in both the Recovery and Mortgage Grant Funds may be invested and reinvested in accordance with the Public Funds Investment Act and under the standard described in Section 11b, Article VII, Texas Constitution.](#)

Previous changes to this policy were approved on August 2⁴⁰, 2021¹⁰.

It is the policy of the Department to invest funds in compliance with the following priorities, in order of importance:

- Preservation of principal;
- Maintenance of liquidity as appropriate to the identified need;
- Procurement of an appropriate yield;
- Diversification of the investment portfolio; and
- Marketability of the investment if the need arises to liquidate the investment before maturity.

According to the Texas Constitution, Section 11b, Article VII, each of the Funds shall be managed and invested as a prudent investor, exercising reasonable care, skill, and caution, would invest in light of the purposes, terms, distribution requirements, and other circumstances of the Funds then prevailing, taking into consideration the investment of all the assets of each of the Funds rather than a single investment.

To the extent that diversification of investment types and maturities assists in the achievement of the above-named priorities, investment strategies for the different funds held will consider the appropriate mix of investments.

Identification of Covered Funds

Funds covered by this policy include amounts deposited into the Recovery Fund as prescribed in Texas Finance Code Chapter 156 Subchapter F, and the Mortgage Grant Fund as prescribed in Texas Finance Code Chapter 156 Subchapter G.

Types of Authorized Investments

The Funds or a portion of the Funds may be placed in the Texas Treasury Safekeeping Trust Company (“TTSTC”) (or its successor). Pursuant to Government Code, Section 404.106, funds held by the TTSTC shall be invested in obligations in which the Texas Comptroller of Public Accounts is authorized to invest. Government Code Section 404.024 specifies those obligations in which the Comptroller is authorized to invest.

According to Texas Finance Code Section 156.501(c), the amounts in the Recovery Fund may be invested and

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING INVESTMENT POLICY

reinvested in accordance with Chapter 2256, Government Code, and under the standard described by Section 11b, Article VII, Texas Constitution, however an investment may not be made if it will impair the necessary liquidity required to satisfy claims awarded to residential mortgage loan applicants from the Recovery Fund.

According to Texas Finance Code Section 156.553(b), the amounts in the Mortgage Grant Fund may be invested and reinvested in accordance with Chapter 2256, Government Code, and under the standard described in Section 11b, Article VII, Texas Constitution.

Authorized investments according to the Public Funds Investment Act as well as their applicable standards, requirements, and any exceptions–, may be found at Tex. Gov’t Code §§ 2256.009 through 2256.016, and include:

1. Obligations of, or Guaranteed by, Governmental Entities
2. Certificates of Deposit and Share Certificates
3. Repurchase Agreements
4. Securities Lending Programs
5. Bankers’ Acceptances
6. Commercial Paper
7. Mutual Funds
8. Guaranteed Investment Contracts
9. Investment Pools

To provide for more flexibility and obtain a higher rate of return, while still maintaining liquidity and preserving principal, the Department’s maximum allowable maturity period for any individual investment is 36 months (60 months for Obligations of, or Guaranteed by, Governmental Entities) and a minimum acceptable credit rating of A. To further limit the investment risk, the Department restricts the eligible securities for investment of funds covered under this policy to:

1. *Certificates of Deposit & Time Deposits* – Deposit accounts in a depository institution that has its main office or a branch office in this state which are: 1) Insured by a federal deposit insurance agency or its successor; or 2) 100% secured by either obligations that are described by Tex. Gov’t Code § 2256.009(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Tex. Gov’t Code § 2256.009(b), or in accordance with Tex. Gov’t Code Chapter 2257; and 3) do not have a maturity exceeding 36 months. Bids for certificates of deposit may be solicited orally, in writing, electronically or in any combination of those methods.
2. *Repurchase Agreements* – Direct or reverse security repurchase agreements with TTSTC (or its successor) or another authorized entity under this policy, which are: 1) collateralized on a daily basis at a minimum of 102% of market value; 2) 100% secured by securities authorized by the Public Funds Investment Act; 3) are placed through a primary government securities dealer, as defined by the Federal Reserve, or an insured financial institution domiciled in this state.
3. *Obligations of, or Guaranteed by, Governmental Entities* – Obligations, including letters of credit, of the United States or its agencies and instrumentalities (including the Federal Home Loan Banks), direct obligations of this state or its agencies and instrumentalities, and obligations of state or local government agencies and instrumentalities of any state rated as to investment quality by a nationally recognized investment rating firm not less than A with a maximum allowable maturity of 60 months.
4. *Investment Pools* – Investment pools with TTSTC or another authorized entity, which pools invest in authorized by the Public Funds Investment Act investments, according to the requirements of Tex. Gov’t Code § 2256.016.

Investments that were authorized at the time they were purchased may be retained under this policy until their maturity, even if later revisions of the policy render the investments in noncompliance; unless the reason for noncompliance is that the investment’s rating declines to below the minimum rating required by this policy. In such cases, the investing

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

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entity is required to take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating. An exception also exists with respect to investments in companies that engage in business in Sudan or Iran, or with a foreign terrorist organization, as set forth in the state's divestiture requirements in Gov't Code Chapter 2270, effective September 1, 2017. These divestiture requirements expire in 2037.

Unauthorized Investments

Unauthorized Investments under this policy are:

1. All investments in securities not specifically listed in this policy as eligible securities;
2. All investments with maturity and credit rating that do not comply with the requirements of this policy;
3. All investments obtained through an unauthorized entity under this policy;
4. All investments which comply with the policy but through inherent characteristics or external influences and factors could prevent the Department to reach its investment goals under this policy;
5. All investments in companies doing business in Sudan, Iran, or engaging in business with a foreign terrorist organization.¹
6. [All investments in companies that boycott Israel.](#)
7. [All investments in companies that provide abortions or are affiliates of an abortion provider.](#)
8. [All investments with companies that discriminate against firearm or ammunition industries.](#)
9. [All investments with companies that boycott energy companies.](#)
10. [All investments with companies that have been barred from participating in State of Texas contracts.](#)

Strategy for the Recovery Fund

The investment strategy for funds received into the Recovery Fund is to place funds in either authorized investments set forth in this policy, or in the Texas Treasury Safekeeping Trust Company, with amounts and maturities determined using the following priorities in order of importance:

- (1) the suitability of the investment to the available balances and anticipated needs of the Recovery Fund
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;
- (5) diversification of the investment portfolio; and
- (6) yield.

Strategy for the Mortgage Grant Fund

The investment strategy for funds received into the Mortgage Grant Fund is to place funds in either authorized investments set forth in this policy, or in the Texas Treasury Safekeeping Trust Company, with amounts and maturities determined by using the following priorities in order of importance:

- (1) the suitability of the investment to the anticipated needs of the Mortgage Grant Fund,
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;
- (5) diversification of the investment portfolio; and
- (6) yield.

Safekeeping of Investments

All funds, securities, etc., held under this policy, where possible, will be placed under the name of the Department of Savings and Mortgage Lending and safekeeping receipts will be maintained on file.

Reporting

Not less than quarterly, the Investment Officer shall prepare a signed, written report of investment transactions for all funds covered by this policy for the preceding reporting period, to include:

- The investment position of the Funds on the date of the report;
- The book and market values of each separately invested asset at the beginning and end of the reporting period by the

¹ Lists of companies with ties to Sudan, Iran and foreign terrorist organizations are published on the Texas Comptroller's website at <https://comptroller.texas.gov/purchasing/publications/divestment.php>.

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type of asset and fund type invested (for demand deposits and certificates of deposit, reports will reflect book value and market value as the same);

- The maturity date of each separately invested asset that has a maturity date;
- The compliance, including any non-compliance, of the investment portfolio with this policy;
- Income received and expenses incurred in conjunction with investments; and,
- Any other information as required by the Finance Commission or deemed relevant to this policy. The reports shall be submitted to the Finance Commission at regularly scheduled meetings.

Investment Management

The investment management of the Funds must be of sufficient quality and capability to meet and understand the suitability of the investments to the meet the financial requirements of the Department and each of the Funds.

Rates of Return, Market Pricing, and Ratings Changes

The Department expects to receive market rates of return on all investments authorized under this policy, remembering the need to first, protect principal and second, maintain sufficient liquidity to meet the needs of the specific funds being invested. No rate of return is expected to be earned on any funds in a checking account, and therefore these will be kept to a minimum.

The Investment Officer will periodically review the market pricing, rating changes, and rates of return on all investments to ensure that their ratings, values, and yields are consistent with risk and meet investment objectives, using the same methods and procedures a prudent investor, exercising reasonable care, skill, and caution, would use.

Diversification

Investments in FDIC-insured deposits, in deposits not insured by the FDIC but otherwise secured by state or federal government obligations with margin, and in direct U.S. Treasury obligations, are not subject to diversification other than maturity considerations.

Settlement

Settlement of all transactions, except investment pool funds and mutual funds, shall be on a delivery versus payment basis.

Investment Officer

The Director of Operations will be the designated primary Investment Officer ("Investment Officer") and is responsible for the funds held and invested by the Department. The Commissioner may designate a secondary Investment Officer who will act as Investment Officer, if the primary Investment Officer is unavailable. The Investment Officer is authorized to:

- Obtain external investment expertise if deemed necessary to fulfill investment objectives;
- Delegate routine business transactions within authorized and established investments; and,
- Enter into agreements with other parties as necessary to fulfill this policy, make or authorize investments, or notify other parties concerning this policy and its requirements.

The Investment Officer may not have a personal business relationship with a business organization offering to engage in an investment transaction with the Department.

If the Investment Officer is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Department, the Officer shall file a statement disclosing that relationship. Any statement filed under this paragraph shall be filed with the Texas Ethics Commission and the Finance Commission.

Within six months of the end of each Legislative session, the Investment Officer will provide a report to the Finance Commission outlining any amendments made to the Public Funds Investment Act and other statutes impacting the agency's investments, and provide recommendations to update the Investment Policy, as needed.

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING INVESTMENT POLICY

Investment Training

The Investment Officer and other agency employees active in the investment function will attend training relating to their respective responsibilities under this policy, not less than once each state fiscal biennium. Training may include education in investment controls, security risks, strategy risks, market risks, portfolio diversification, and compliance with the Public Funds Investment Act. Any training conducted or approved by any state or federal agency, independent of the Department, related to investments, risk management, portfolio diversification, or similar substance, is hereby approved by the Finance Commission as meeting the terms of this requirement.

The Investment Officer shall provide a report to the Finance Commission regarding the status of investment training at the time of the annual review of the policy.

Entities Authorized to Engage in Investment Transactions

Investments may be obtained through licensed securities brokers, commercial banks, state savings banks, and trust companies authorized to do business in Texas. To the extent that deposits and accounts are insured or secured for the full amount of principal and interest, no specific authorization from the Finance Commission is required as long as the individual institution falls under the requirements of this policy. All brokerage activities will be transacted using qualified brokerage firms. Qualified brokerage firms must be regulated by the Securities Exchange Commission and be members of Financial Industry Regulatory Authority (FINRA).

Acknowledgment of the Policy by Business Organizations Seeking to Sell Investments to the Department

A written copy of this policy must be presented to any business organization² offering to engage in an investment transaction with the Department. Any business organization holding federally insured deposit accounts is exempt from this requirement. A qualified representative of the business organization offering to engage in an investment transaction with the Department shall execute a written acknowledgment (Appendix) that the business organization:

- Has received and reviewed the Investment Policy of the Department; and,
- Has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Department and the organization that are not authorized by the Department's investment policy, except to the extent that this authorization:
 - is dependent on an analysis of the makeup of the Department's entire portfolio;
 - requires an interpretation of subjective investment standards; or
 - relates to investment transactions of the Department that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

The Investment Officer may not acquire or otherwise obtain any authorized investment described in the investment policy, or renew depository or other agreements, from a business organization who has not delivered to the Department the instrument in substantially the form provided.

² A "business organization" means an investment pool or investment management firm that has contractual authority granted by an investing entity to exercise investment discretion in regard to the investing entity's funds.

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING INVESTMENT POLICY

Appendix Acknowledgment

I, (broker/banker/trust company officer), a qualified representative of (name of brokerage facility/bank/trust company), hereby make the following statements:

I have received and reviewed the Investment Policy for Funds under the Oversight of the Finance Commission of Texas; and,

I acknowledge that (name of brokerage facility/bank/trust company) has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Department of Savings and Mortgage Lending and (name of the brokerage facility/bank/trust company) that are not authorized by the referenced Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Department's entire portfolio; requires an interpretation of subjective investment standards; or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the (name of the brokerage facility/bank/trust company) has accepted discretionary investment authority.

Signature of Qualified Representative

Date

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING
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Investment Training Report

Name/Designation	Date	Course	Provider	Hours
Antonia Antov – Primary Investment Officer	August 2021	Texas Public Funds Investment Act	Texas State University	5
Janie Recio – Secondary Investment Officer	August 2020	Texas Public Funds Investment Act	University of North Texas Center for Public Management	10
According to Government Code Sec. 2256.007, investment officer training requirements are on a state fiscal biennium basis.				

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING INVESTMENT POLICY

Overview

This policy governs the investment of funds of the Recovery Fund and Mortgage Grant Fund (“the Funds”) which are administered by the Department of Savings and Mortgage Lending (“the Department”) to the extent the Department has statutory investment authority. The Recovery Fund was established as mandated by the 76th Legislature and organized pursuant to Texas Finance Code, Chapter 156, Subchapter F. The Mortgage Grant Fund was created by the 87th Legislature and organized pursuant to Texas Finance Code, Chapter 156, Subchapter G. While this agency is not subject to the requirements in the Public Funds Investment Act (Government Code Chapter 2256), except as specifically authorized by the 87th legislature, efforts are made to closely follow the Act.

This policy does not convey investment authority where such does not exist through statute or the courts. This policy shall be approved by the Finance Commission as this policy applies to funds within its purview. The policy will be reviewed annually by the Finance Commission, with said review and any changes made to either the policy or investment strategies recorded in the minutes of the Finance Commission.

The Finance Commission reapproved this policy on August 18, 2022. The policy includes changes related to certain prohibitions pursuant to Chapters 2270, 2273, and 2274 of the Government Code, which became effective on September 1, 2021.

Previous changes to this policy were approved on August 20, 2021.

It is the policy of the Department to invest funds in compliance with the following priorities, in order of importance:

- Preservation of principal;
- Maintenance of liquidity as appropriate to the identified need;
- Procurement of an appropriate yield;
- Diversification of the investment portfolio; and
- Marketability of the investment if the need arises to liquidate the investment before maturity.

According to the Texas Constitution, Section 11b, Article VII, each of the Funds shall be managed and invested as a prudent investor, exercising reasonable care, skill, and caution, would invest in light of the purposes, terms, distribution requirements, and other circumstances of the Funds then prevailing, taking into consideration the investment of all the assets of each of the Funds rather than a single investment.

To the extent that diversification of investment types and maturities assists in the achievement of the above-named priorities, investment strategies for the different funds held will consider the appropriate mix of investments.

Identification of Covered Funds

Funds covered by this policy include amounts deposited into the Recovery Fund as prescribed in Texas Finance Code Chapter 156 Subchapter F, and the Mortgage Grant Fund as prescribed in Texas Finance Code Chapter 156 Subchapter G.

Types of Authorized Investments

The Funds or a portion of the Funds may be placed in the Texas Treasury Safekeeping Trust Company (“TTSTC”) (or its successor). Pursuant to Government Code, Section 404.106, funds held by the TTSTC shall be invested in obligations in which the Texas Comptroller of Public Accounts is authorized to invest. Government Code Section 404.024 specifies those obligations in which the Comptroller is authorized to invest.

According to Texas Finance Code Section 156.501(c), the amounts in the Recovery Fund may be invested and reinvested in accordance with Chapter 2256, Government Code, and under the standard described by Section 11b, Article VII, Texas Constitution, however an investment may not be made if it will impair the necessary liquidity required to satisfy claims awarded to residential mortgage loan applicants from the Recovery Fund.

According to Texas Finance Code Section 156.553(b), the amounts in the Mortgage Grant Fund may be invested and

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING INVESTMENT POLICY

reinvested in accordance with Chapter 2256, Government Code, and under the standard described in Section 11b, Article VII, Texas Constitution.

Authorized investments according to the Public Funds Investment Act as well as their applicable standards, requirements, and any exceptions, may be found at Tex. Gov't Code §§ 2256.009 through 2256.016, and include:

1. Obligations of, or Guaranteed by, Governmental Entities
2. Certificates of Deposit and Share Certificates
3. Repurchase Agreements
4. Securities Lending Programs
5. Bankers' Acceptances
6. Commercial Paper
7. Mutual Funds
8. Guaranteed Investment Contracts
9. Investment Pools

To provide for more flexibility and obtain a higher rate of return, while still maintaining liquidity and preserving principal, the Department's maximum allowable maturity period for any individual investment is 36 months (60 months for Obligations of, or Guaranteed by, Governmental Entities) and a minimum acceptable credit rating of A. To further limit the investment risk, the Department restricts the eligible securities for investment of funds covered under this policy to:

1. *Certificates of Deposit & Time Deposits* – Deposit accounts in a depository institution that has its main office or a branch office in this state which are: 1) Insured by a federal deposit insurance agency or its successor; or 2) 100% secured by either obligations that are described by Tex. Gov't Code § 2256.009(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Tex. Gov't Code § 2256.009(b), or in accordance with Tex. Gov't Code Chapter 2257; and 3) do not have a maturity exceeding 36 months. Bids for certificates of deposit may be solicited orally, in writing, electronically or in any combination of those methods.
2. *Repurchase Agreements* – Direct or reverse security repurchase agreements with TTSTC (or its successor) or another authorized entity under this policy, which are: 1) collateralized on a daily basis at a minimum of 102% of market value; 2) 100% secured by securities authorized by the Public Funds Investment Act; 3) are placed through a primary government securities dealer, as defined by the Federal Reserve, or an insured financial institution domiciled in this state.
3. *Obligations of, or Guaranteed by, Governmental Entities* – Obligations, including letters of credit, of the United States or its agencies and instrumentalities (including the Federal Home Loan Banks), direct obligations of this state or its agencies and instrumentalities, and obligations of state or local government agencies and instrumentalities of any state rated as to investment quality by a nationally recognized investment rating firm not less than A with a maximum allowable maturity of 60 months.
4. *Investment Pools* – Investment pools with TTSTC or another authorized entity, which pools invest in authorized by the Public Funds Investment Act investments, according to the requirements of Tex. Gov't Code § 2256.016.

Investments that were authorized at the time they were purchased may be retained under this policy until their maturity, even if later revisions of the policy render the investments in noncompliance; unless the reason for noncompliance is that the investment's rating declines to below the minimum rating required by this policy. In such cases, the investing entity is required to take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating. An exception also exists with respect to investments in companies that engage in business in Sudan or Iran, or with a foreign terrorist organization, as set forth in the state's divestiture requirements in Gov't Code Chapter 2270, effective September 1, 2017. These divestiture requirements expire in 2037.

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING INVESTMENT POLICY

Unauthorized Investments

Unauthorized Investments under this policy are:

1. All investments in securities not specifically listed in this policy as eligible securities;
2. All investments with maturity and credit rating that do not comply with the requirements of this policy;
3. All investments obtained through an unauthorized entity under this policy;
4. All investments which comply with the policy but through inherent characteristics or external influences and factors could prevent the Department to reach its investment goals under this policy;
5. All investments in companies doing business in Sudan, Iran, or engaging in business with a foreign terrorist organization.¹
6. All investments in companies that boycott Israel.
7. All investments in companies that provide abortions or are affiliates of an abortion provider.
8. All investments with companies that discriminate against firearm or ammunition industries.
9. All investments with companies that boycott energy companies.
10. All investments with companies that have been barred from participating in State of Texas contracts.

Strategy for the Recovery Fund

The investment strategy for funds received into the Recovery Fund is to place funds in either authorized investments set forth in this policy, or in the Texas Treasury Safekeeping Trust Company, with amounts and maturities determined using the following priorities in order of importance:

- (1) the suitability of the investment to the available balances and anticipated needs of the Recovery Fund
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;
- (5) diversification of the investment portfolio; and
- (6) yield.

Strategy for the Mortgage Grant Fund

The investment strategy for funds received into the Mortgage Grant Fund is to place funds in either authorized investments set forth in this policy, or in the Texas Treasury Safekeeping Trust Company, with amounts and maturities determined by using the following priorities in order of importance:

- (1) the suitability of the investment to the anticipated needs of the Mortgage Grant Fund,
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;
- (5) diversification of the investment portfolio; and
- (6) yield.

Safekeeping of Investments

All funds, securities, etc., held under this policy, where possible, will be placed under the name of the Department of Savings and Mortgage Lending and safekeeping receipts will be maintained on file.

Reporting

Not less than quarterly, the Investment Officer shall prepare a signed, written report of investment transactions for all funds covered by this policy for the preceding reporting period, to include:

- The investment position of the Funds on the date of the report;
- The book and market values of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested (for demand deposits and certificates of deposit, reports will reflect book value and market value as the same);
- The maturity date of each separately invested asset that has a maturity date;
- The compliance, including any non-compliance, of the investment portfolio with this policy;
- Income received and expenses incurred in conjunction with investments; and,

¹ Lists of companies with ties to Sudan, Iran and foreign terrorist organizations are published on the Texas Comptroller's website at <https://comptroller.texas.gov/purchasing/publications/divestment.php>.

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

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- Any other information as required by the Finance Commission or deemed relevant to this policy. The reports shall be submitted to the Finance Commission at regularly scheduled meetings.

Investment Management

The investment management of the Funds must be of sufficient quality and capability to meet and understand the suitability of the investments to the meet the financial requirements of the Department and each of the Funds.

Rates of Return, Market Pricing, and Ratings Changes

The Department expects to receive market rates of return on all investments authorized under this policy, remembering the need to first, protect principal and second, maintain sufficient liquidity to meet the needs of the specific funds being invested. No rate of return is expected to be earned on any funds in a checking account, and therefore these will be kept to a minimum.

The Investment Officer will periodically review the market pricing, rating changes, and rates of return on all investments to ensure that their ratings, values, and yields are consistent with risk and meet investment objectives, using the same methods and procedures a prudent investor, exercising reasonable care, skill, and caution, would use.

Diversification

Investments in FDIC-insured deposits, in deposits not insured by the FDIC but otherwise secured by state or federal government obligations with margin, and in direct U.S. Treasury obligations, are not subject to diversification other than maturity considerations.

Settlement

Settlement of all transactions, except investment pool funds and mutual funds, shall be on a delivery versus payment basis.

Investment Officer

The Director of Operations will be the designated primary Investment Officer ("Investment Officer") and is responsible for the funds held and invested by the Department. The Commissioner may designate a secondary Investment Officer who will act as Investment Officer, if the primary Investment Officer is unavailable. The Investment Officer is authorized to:

- Obtain external investment expertise if deemed necessary to fulfill investment objectives;
- Delegate routine business transactions within authorized and established investments; and,
- Enter into agreements with other parties as necessary to fulfill this policy, make or authorize investments, or notify other parties concerning this policy and its requirements.

The Investment Officer may not have a personal business relationship with a business organization offering to engage in an investment transaction with the Department.

If the Investment Officer is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Department, the Officer shall file a statement disclosing that relationship. Any statement filed under this paragraph shall be filed with the Texas Ethics Commission and the Finance Commission.

Within six months of the end of each Legislative session, the Investment Officer will provide a report to the Finance Commission outlining any amendments made to the Public Funds Investment Act and other statutes impacting the agency's investments, and provide recommendations to update the Investment Policy, as needed.

Investment Training

The Investment Officer and other agency employees active in the investment function will attend training relating to their respective responsibilities under this policy, not less than once each state fiscal biennium. Training may include education in investment controls, security risks, strategy risks, market risks, portfolio diversification, and compliance with the Public Funds Investment Act. Any training conducted or approved by any state or federal agency, independent of the Department, related to investments, risk management, portfolio diversification, or similar substance, is hereby

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING INVESTMENT POLICY

approved by the Finance Commission as meeting the terms of this requirement.

The Investment Officer shall provide a report to the Finance Commission regarding the status of investment training at the time of the annual review of the policy.

Entities Authorized to Engage in Investment Transactions

Investments may be obtained through licensed securities brokers, commercial banks, state savings banks, and trust companies authorized to do business in Texas. To the extent that deposits and accounts are insured or secured for the full amount of principal and interest, no specific authorization from the Finance Commission is required as long as the individual institution falls under the requirements of this policy. All brokerage activities will be transacted using qualified brokerage firms. Qualified brokerage firms must be regulated by the Securities Exchange Commission and be members of Financial Industry Regulatory Authority (FINRA).

Acknowledgment of the Policy by Business Organizations Seeking to Sell Investments to the Department

A written copy of this policy must be presented to any business organization² offering to engage in an investment transaction with the Department. Any business organization holding federally insured deposit accounts is exempt from this requirement. A qualified representative of the business organization offering to engage in an investment transaction with the Department shall execute a written acknowledgment (Appendix) that the business organization:

- Has received and reviewed the Investment Policy of the Department; and,
- Has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Department and the organization that are not authorized by the Department's investment policy, except to the extent that this authorization:
 - is dependent on an analysis of the makeup of the Department's entire portfolio;
 - requires an interpretation of subjective investment standards; or
 - relates to investment transactions of the Department that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

The Investment Officer may not acquire or otherwise obtain any authorized investment described in the investment policy, or renew depository or other agreements, from a business organization who has not delivered to the Department the instrument in substantially the form provided.

² A "business organization" means an investment pool or investment management firm that has contractual authority granted by an investing entity to exercise investment discretion in regard to the investing entity's funds.

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING INVESTMENT POLICY

Appendix Acknowledgment

I, (broker/banker/trust company officer), a qualified representative of (name of brokerage facility/bank/trust company), hereby make the following statements:

I have received and reviewed the Investment Policy for Funds under the Oversight of the Finance Commission of Texas; and,

I acknowledge that (name of brokerage facility/bank/trust company) has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Department of Savings and Mortgage Lending and (name of the brokerage facility/bank/trust company) that are not authorized by the referenced Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Department's entire portfolio; requires an interpretation of subjective investment standards; or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the (name of the brokerage facility/bank/trust company) has accepted discretionary investment authority.

Signature of Qualified Representative

Date

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING
INVESTMENT POLICY

Investment Training Report

Name/Designation	Date	Course	Provider	Hours
Antonia Antov – Primary Investment Officer	August 2021	Texas Public Funds Investment Act	Texas State University	5
Janie Recio – Secondary Investment Officer	August 2020	Texas Public Funds Investment Act	University of North Texas Center for Public Management	10
According to Government Code Sec. 2256.007, investment officer training requirements are on a state fiscal biennium basis.				



TEXAS DEPARTMENT OF BANKING

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ADMINISTRATIVE MEMORANDUM – 2027

August ~~20, 2021~~19, 2022

TO: Finance Commission Members

FROM: Charles G. Cooper, Banking Commissioner

SUBJECT: Investment Policy for Funds Under the Oversight of the Finance Commission of Texas

Overview

This policy governs the investment of funds maintained by the Texas Department of Banking ("Department"), as well as the investment of funds under its control to the extent the Department has either statutory or court-approved investment authority. While this agency is not subject to the requirements in the Public Funds Investment Act (Government Code Ch. 2256), efforts are made to closely follow the Act. This policy does not convey investment authority where such does not exist through statute or the courts. This policy shall be approved by the Finance Commission as this policy applies to funds within its purview. The policy will be reviewed annually by the Finance Commission, with said review and any changes made to either the policy or investment strategies recorded in the minutes of the Finance Commission.

The Finance Commission met on August ~~20, 2021~~19, 2022, to re-approve this policy as revised to clarify content include certain prohibitions related to Chapter 2274 of the Government Code which became effective September 1, 2021 ~~within this memorandum~~. Previously, this policy was reviewed and approved on August ~~21, 2020~~20, 2021.

It is the policy of the Department to invest funds in compliance with the following priorities, in order of importance:

- Preservation of principal;
- Maintenance of liquidity as appropriate to the identified need;
- Procurement of an appropriate yield;
- Diversification of the investment portfolio, and,
- Marketability of the investment if the need arises to liquidate the investment before maturity.

All investments shall be made with the judgment and care, under prevailing circumstances, that a

person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

To the extent that diversification of investment types and maturities assists in the achievement of the above-named priorities, investment strategies for the different funds held will consider the appropriate mix of investments.

Identification of Covered Funds

Funds covered by this policy include funds acquired through seizure of a trust-funded prepaid funeral contract seller, or liquidation of a trust company or uninsured bank.

Types of Authorized Investments

The fund or a portion of the fund may be placed in the Texas Treasury Safekeeping Trust Company (or its successor). Pursuant to Section 404.106 of the Government Code (Gov't Code), funds held by the Texas Treasury Safekeeping Trust Company are to be invested in obligations in which the Texas Comptroller of Public Accounts is authorized to invest. Section 404.024 of the Gov't Code specifies those obligations in which the Comptroller is authorized to invest.

Insofar as the fund or a portion of the fund is deposited in a financial institution as authorized by Texas Finance Code Section 154.353, the Department may utilize the investment securities listed below.¹ "Maximum allowable maturity," when used in this policy, means the remaining time until the final principal payment on the investment, measured from the date of purchase by the Department.

1. Obligations, including letters of credit, of the United States (U.S.) or its agencies and instrumentalities, including the Federal Home Loan Banks with a maximum allowable maturity of 10 years;
2. Direct obligations of this state or its agencies and instrumentalities with a maximum allowable maturity of 10 years;
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the U.S., the underlying security for which is guaranteed by an agency or instrumentality of the U.S., provided that the applicable interest rate is not determined by an index that adjusts opposite to the changes in a market index and the stated final maturity date is not greater than 10 years from the date the collateralized mortgage obligation is acquired by the Department;
4. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the U.S. or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured

¹ The Department is prohibited from investing funds in companies that discriminate against firearm and ammunition industries or that boycott energy companies per Chapter 2274 of the Government Code.

by the Federal Deposit Insurance Corporation (FDIC) or by the explicit full faith and credit of the U.S. with a maximum allowable maturity of 10 years;

5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent with a maximum allowable maturity of 10 years. If the rating of the issuing entity is downgraded below investment quality during the time an investment is held from that entity, all prudent measures must be taken to liquidate the investment within a reasonable period of time, consistent with the guidelines in this policy;
6. Bonds issued, assumed, or guaranteed by the State of Israel;
7. Interest-bearing deposit accounts that are guaranteed or insured by the FDIC or its successor;
8. Other interest-bearing deposit accounts not described above if:
 - a. The funds are invested through a broker with a main office or branch office in this state as selected by the Department from an approved list, or through a depository institution with a main office or branch office in this state;
 - b. The selected broker or depository institution arranges for deposit of the funds in deposit accounts in one or more federally insured institutions, regardless of where located;
 - c. The full amount of principal and accrued interest in such deposit accounts is insured by the U.S. or an instrumentality of the U.S.; and
 - d. The Department appoints a custodian of the deposit accounts that is:
 - i. The depository institution selected to broker the deposits;
 - ii. A state or national bank designated by the comptroller as a state depository with its main office or a branch office in this state, that has capital stock and surplus of \$5 million or more;
 - iii. The Texas Treasury Safekeeping Trust Company;
 - iv. A Federal Reserve Bank or a branch of a Federal Reserve Bank;
 - v. A Federal Home Loan Bank;
 - vi. A financial institution authorized to exercise fiduciary powers that is designated by the comptroller as a custodian; or
 - vii. A clearing broker dealer registered with the Securities and Exchange Commission (SEC) and operating under SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).
9. A certificate of deposit issued by a depository institution that has its main office or a branch office in this state, if the certificate:
 - a. Is guaranteed or insured by the FDIC, or its successor;
 - b. Is secured by obligations described by Gov't Code § 2256.009(a) for direct

investment by the Department; or

- c. Is secured as provided under the Public Funds Collateral Act (Gov't Code Chapter 2257); and
- d. Does not have a maturity exceeding 36 months.

A certificate of deposit must be fully secured as described above but may be secured by a combination of the listed alternatives.

Bids for certificates of deposit may be solicited:

- Orally;
- In writing;
- Electronically; or
- In any combination of those methods.

10. A repurchase agreement, collateralized on a daily basis at a minimum of 102% of market value, including a direct security repurchase agreement and a reverse security repurchase agreement that:

- a. With respect to a reverse security repurchase agreement, does not have a defined termination date exceeding 90 days;
- b. Is secured by a combination of cash and obligations described by Gov't Code § 2256.009(a)(1) or § 2256.013;
- c. Requires securities being purchased or cash held by the Department to be pledged to the Department, held in the Department's name, and deposited at the time the investment is made with the Department or with a third party selected and approved by the Department;
- d. Is placed through a primary government securities dealer, as defined by the Federal Reserve, or an insured financial institution domiciled in this state; and
- e. Requires that money received under the terms of a reverse security repurchase agreement must be used to acquire additional authorized investments, but the term of the authorized investments required must mature not later than the expiration date stated in the reverse security repurchase agreement.

11. A no-load money market mutual fund that:

- a. Is registered with and regulated by the SEC;
- b. Provides the Department with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940; and
- c. Complies with federal SEC Rule 2a-7, promulgated under the Investment Company Act of 1940 (17 C.F.R. § 270-2a-7).

12. A no-load mutual fund that:

- a. Is registered with the SEC;
- b. Has an average weighted maturity of less than two years; and
- c. Either:
 - i. Has a duration of one year or more and are invested exclusively in obligations authorized in this policy; or
 - ii. Has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

In general, investments that were authorized at the time they were purchased or received through liquidation or seizure may be retained under this policy even if later revisions of the policy render the investments in noncompliance. One exception is any investment that requires a minimum rating if the rating declines to below the minimum. The investing entity is required to take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating. An exception also exists with respect to investments in companies that engage in business in Sudan or Iran, or with a foreign terrorist organization, as set forth in the state's divestiture requirements in Gov't Code Chapter 2270, effective September 1, 2017. These divestiture requirements expire in 2037.

Investments obtained or purchased by court-appointed liquidators acting on behalf of the Banking Commissioner will be reported to the Finance Commission; however, such investments are not subject to the provisions of this policy.

Any noncomplying investments received through liquidation or seizure will be reported by the Investment Officer to the Finance Commission at the next Finance Commission meeting when a quarterly report is presented. At the time they are initially reported, the Finance Commission may either approve a plan for divestiture, or accept an investment as noncomplying under the policy, with a specific rationale for retaining it. If noncomplying investments are retained, the Investment Officer shall present a plan to the Finance Commission to protect the investments from loss to the extent possible. All noncomplying investments will be identified as exceptions in quarterly reports to the Commission.

Unauthorized Investments

The following are not authorized investments under this policy:

1. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
2. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
3. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years;
4. Collateralized mortgage obligations the interest rate of which is determined by an index

that adjusts opposite to the changes in a market index;

5. No portion of bond proceeds, reserves and funds held for debt service may be invested in no-load mutual funds described in Gov't Code § 2256.014(b); ~~and~~
6. Investments in companies doing business in Sudan, in Iran, or with a foreign terrorist organization;²
7. All investments in companies that boycott Israel; and
8. All investments with companies that have been barred from participating in State of Texas contracts.

Strategies for Covered Funds

The investment strategy for funds acquired through seizure of a trust-funded prepaid funeral contract seller, or trust company or uninsured bank in liquidation is to maintain investments seized in the seized entity's existing investment vehicle until potential legal challenges to the Department's seizure are resolved. Thereafter, if funds are in unauthorized investments, the Investment Officer will reinvest funds into authorized investments as it becomes prudent to do so. If funds are anticipated to be held for less than one year, funds may be placed in the Texas Treasury Safekeeping Trust Company, subject to an agreement with that company. Otherwise, funds will be invested in authorized investments as set forth elsewhere in this policy. Investments will be of a diverse nature, with maturities and cash flows structured to accommodate the anticipated distributions from the seizure or liquidation. Court-appointed liquidators will be used when possible to manage funds under liquidation.

Safekeeping of Investments

All funds, securities, etc., held under this policy, where possible, will be placed under the name of the Texas Department of Banking and safekeeping receipts will be maintained on file.

Reporting

Not less than quarterly, the Investment Officer shall prepare a signed, written report of investment transactions for all funds covered by this policy for the preceding reporting period, to include:

1. The investment position of the Department on the date of the report;
2. The book and market values of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested (for demand deposits and

² Lists of companies with ties to Sudan, Iran and foreign terrorist organizations are published on the Texas Comptroller's website at <https://comptroller.texas.gov/purchasing/publications/divestment.php>.

certificates of deposit, reports will reflect book value and market value as the same);

3. The maturity date of each separately invested asset that has a maturity date;
4. The fund for which each individual investment was acquired;
5. The statement of compliance, including any non-compliance, of the investment portfolio with this policy;
6. Income received and expenses incurred in conjunction with investments; and,
7. Any other information as required by the Finance Commission.

The reports shall be submitted to the Finance Commission at regularly scheduled meetings.

Rates of Return, Market Pricing, and Ratings Changes

The Department expects to receive market rates of return on all investments authorized under this policy, remembering the need to first, protect principal and second, maintain sufficient liquidity to meet the needs of the specific funds being invested. Higher rates of return will be targeted on the more aggressive and longer term investment products. No rate of return is expected to be earned on any funds in a checking account, and therefore these will be kept to a minimum.

The Investment Officer will periodically review the market pricing, rating changes, and rates of return on all investments to ensure that their ratings, values, and yields are consistent with risk and meet investment objectives. The Investment Officer will use the same methods and procedures as a prudent investor, exercising reasonable care, skill, and caution.

Diversification

Investments in FDIC-insured deposits (or in deposits not insured by the FDIC but otherwise secured by state or federal government obligations with margin) and in direct U.S. Treasury obligations are not subject to diversification other than maturity considerations. For investments other than those just listed, diversification shall be as follows:

1. The aggregate investment in no-load mutual funds described in Gov't Code § 2256.014(b) may not exceed 15% of the monthly average fund balance of a covered investment fund held by the Department, excluding bond proceeds and reserves and other funds held for debt service;
2. No one covered fund shall invest in mutual funds in the aggregate more than 80% of its monthly average balance; and,
3. Investment in any one mutual fund may not exceed 10% of the total assets of the mutual fund.

Settlement

Settlement of all transactions, except investment pool funds and mutual funds, shall be on a delivery versus payment basis.

Investment Officer

The Director of the Non-Depository Supervision Division is designated as the primary Investment Officer and is responsible for the investment of the funds held and invested by the Department. The Chief Financial Officer is designated as the secondary Investment Officer and will perform the functions of the primary Investment Officer if the primary Investment Officer is unavailable. The Investment Officer is authorized to:

1. Obtain external investment expertise if deemed necessary to fulfill investment objectives;
2. Delegate routine business transactions within authorized and established investments; and,
3. Enter into agreements with other parties as necessary to fulfill this policy, make or authorize investments, or notify other parties concerning this policy and its requirements.

The Investment Officer may not have a personal business relationship with a business organization offering to engage in an investment transaction with the Department.

If the Investment Officer is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Department, the Officer shall file a statement disclosing that relationship. Any statement filed under this paragraph shall be filed with the Texas Ethics Commission and the Finance Commission.

Within six months of the end of each Legislative session, if amendments have been made to the Public Funds Investment Act, the Investment Officer will provide a report to the Finance Commission outlining the amendments and provide recommendations to update the Investment Policy.

Investment Training

The Investment Officer and other agency employees active in the investment function will attend training relating to their respective responsibilities under this policy, not less than once each state fiscal biennium. Training may include education in investment controls, security risks, strategy risks, market risks, portfolio diversification, and compliance with the Public Funds Investment Act.

Any training conducted or approved by any state or federal agency, independent of the Department of Banking, related to investments, risk management, portfolio diversification, or similar substance, is hereby approved by the Finance Commission as meeting the terms of this requirement.

The Investment Officer shall provide a report to the Finance Commission regarding the status of investment training at the time of the annual review of the policy.

Entities Authorized to Engage in Investment Transactions

Investments may be obtained through licensed securities brokers, commercial banks, state savings banks, and trust companies authorized to do business in Texas. To the extent that deposits and accounts are insured or secured for the full amount of principal and interest, no specific authorization from the Finance Commission is required as long as the individual institution falls under the requirements of this policy. All brokerage activities will be transacted using qualified brokerage firms. Qualified brokerage firms must be regulated by the Securities Exchange Commission and be members of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). The quality of all investments must meet the needs of the agency and be managed in accordance with this policy.

Acknowledgment of the Policy by Business Organizations Seeking to Sell Investments to the Department

A written copy of this policy must be presented to any business organization³ offering to engage in an investment transaction with the Department. Any business organization holding federally insured deposit accounts that come under the Department's control, through a seizure or liquidation are exempt from this requirement. A qualified representative of the business organization offering to engage in an investment transaction with the Department shall execute a written acknowledgment, as provided in the Appendix, that the business organization:

1. Has received and reviewed the Investment Policy for Funds under the Oversight of the Finance Commission of Texas; and,
2. Has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Department and the organization that are not authorized by the Department's investment policy, except to the extent that this authorization:
 - a. is dependent on an analysis of the makeup of the Department's entire portfolio;
 - b. requires an interpretation of subjective investment standards; or
 - c. relates to investment transactions of the Department that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

The Investment Officer may not acquire or otherwise obtain any authorized investment described in the investment policy, or renew depository or other agreements, from a business organization who has not delivered to the Department the instrument in substantially the form provided.

³ A "business organization" means an investment pool or investment management firm that has contractual authority granted by an investing entity to exercise investment discretion in regard to the investing entity's funds.

Appendix

Acknowledgment

I, (broker/banker/trust company officer), a qualified representative of (name of brokerage facility/bank/trust company), hereby make the following statements:

I have received and reviewed the Investment Policy for Funds under the Oversight of the Finance Commission of Texas; and,

I acknowledge that (name of brokerage facility/bank/trust company) has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Department of Banking and (name of the brokerage facility/bank/trust company) that are not authorized by the referenced Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Department's entire portfolio; requires an interpretation of subjective investment standards; or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the (name of the brokerage facility/bank/trust company) has accepted discretionary investment authority.

Signature of Qualified Representative

Date



TEXAS DEPARTMENT OF BANKING

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ADMINISTRATIVE MEMORANDUM – 2027

August 19, 2022

TO: Finance Commission Members

FROM: Charles G. Cooper, Banking Commissioner

SUBJECT: Investment Policy for Funds Under the Oversight of the Finance Commission of Texas

Overview

This policy governs the investment of funds maintained by the Texas Department of Banking ("Department"), as well as the investment of funds under its control to the extent the Department has either statutory or court-approved investment authority. While this agency is not subject to the requirements in the Public Funds Investment Act (Government Code Ch. 2256), efforts are made to closely follow the Act. This policy does not convey investment authority where such does not exist through statute or the courts. This policy shall be approved by the Finance Commission as this policy applies to funds within its purview. The policy will be reviewed annually by the Finance Commission, with said review and any changes made to either the policy or investment strategies recorded in the minutes of the Finance Commission.

The Finance Commission met on August 19, 2022, to re-approve this policy as revised to include certain prohibitions related to Chapter 2274 of the Government Code which became effective September 1, 2021. Previously, this policy was reviewed and approved on August 20, 2021.

It is the policy of the Department to invest funds in compliance with the following priorities, in order of importance:

- Preservation of principal;
- Maintenance of liquidity as appropriate to the identified need;
- Procurement of an appropriate yield;
- Diversification of the investment portfolio, and,
- Marketability of the investment if the need arises to liquidate the investment before maturity.

All investments shall be made with the judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's

own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

To the extent that diversification of investment types and maturities assists in the achievement of the above-named priorities, investment strategies for the different funds held will consider the appropriate mix of investments.

Identification of Covered Funds

Funds covered by this policy include funds acquired through seizure of a trust-funded prepaid funeral contract seller, or liquidation of a trust company or uninsured bank.

Types of Authorized Investments

The fund or a portion of the fund may be placed in the Texas Treasury Safekeeping Trust Company (or its successor). Pursuant to Section 404.106 of the Government Code (Gov't Code), funds held by the Texas Treasury Safekeeping Trust Company are to be invested in obligations in which the Texas Comptroller of Public Accounts is authorized to invest. Section 404.024 of the Gov't Code specifies those obligations in which the Comptroller is authorized to invest.

Insofar as the fund or a portion of the fund is deposited in a financial institution as authorized by Texas Finance Code Section 154.353, the Department may utilize the investment securities listed below.¹ "Maximum allowable maturity," when used in this policy, means the remaining time until the final principal payment on the investment, measured from the date of purchase by the Department.

1. Obligations, including letters of credit, of the United States (U.S.) or its agencies and instrumentalities, including the Federal Home Loan Banks with a maximum allowable maturity of 10 years;
2. Direct obligations of this state or its agencies and instrumentalities with a maximum allowable maturity of 10 years;
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the U.S., the underlying security for which is guaranteed by an agency or instrumentality of the U.S., provided that the applicable interest rate is not determined by an index that adjusts opposite to the changes in a market index and the stated final maturity date is not greater than 10 years from the date the collateralized mortgage obligation is acquired by the Department;
4. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the U.S. or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or by the explicit full faith and credit

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of the U.S. with a maximum allowable maturity of 10 years;

5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent with a maximum allowable maturity of 10 years. If the rating of the issuing entity is downgraded below investment quality during the time an investment is held from that entity, all prudent measures must be taken to liquidate the investment within a reasonable period of time, consistent with the guidelines in this policy;
6. Bonds issued, assumed, or guaranteed by the State of Israel;
7. Interest-bearing deposit accounts that are guaranteed or insured by the FDIC or its successor;
8. Other interest-bearing deposit accounts not described above if:
 - a. The funds are invested through a broker with a main office or branch office in this state as selected by the Department from an approved list, or through a depository institution with a main office or branch office in this state;
 - b. The selected broker or depository institution arranges for deposit of the funds in deposit accounts in one or more federally insured institutions, regardless of where located;
 - c. The full amount of principal and accrued interest in such deposit accounts is insured by the U.S. or an instrumentality of the U.S.; and
 - d. The Department appoints a custodian of the deposit accounts that is:
 - i. The depository institution selected to broker the deposits;
 - ii. A state or national bank designated by the comptroller as a state depository with its main office or a branch office in this state, that has capital stock and surplus of \$5 million or more;
 - iii. The Texas Treasury Safekeeping Trust Company;
 - iv. A Federal Reserve Bank or a branch of a Federal Reserve Bank;
 - v. A Federal Home Loan Bank;
 - vi. A financial institution authorized to exercise fiduciary powers that is designated by the comptroller as a custodian; or
 - vii. A clearing broker dealer registered with the Securities and Exchange Commission (SEC) and operating under SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).
9. A certificate of deposit issued by a depository institution that has its main office or a branch office in this state, if the certificate:
 - a. Is guaranteed or insured by the FDIC, or its successor;
 - b. Is secured by obligations described by Gov't Code § 2256.009(a) for direct investment by the Department; or

- c. Is secured as provided under the Public Funds Collateral Act (Gov't Code Chapter 2257); and
- d. Does not have a maturity exceeding 36 months.

A certificate of deposit must be fully secured as described above but may be secured by a combination of the listed alternatives.

Bids for certificates of deposit may be solicited:

- Orally;
 - In writing;
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 - In any combination of those methods.
10. A repurchase agreement, collateralized on a daily basis at a minimum of 102% of market value, including a direct security repurchase agreement and a reverse security repurchase agreement that:
- a. With respect to a reverse security repurchase agreement, does not have a defined termination date exceeding 90 days;
 - b. Is secured by a combination of cash and obligations described by Gov't Code § 2256.009(a)(1) or § 2256.013;
 - c. Requires securities being purchased or cash held by the Department to be pledged to the Department, held in the Department's name, and deposited at the time the investment is made with the Department or with a third party selected and approved by the Department;
 - d. Is placed through a primary government securities dealer, as defined by the Federal Reserve, or an insured financial institution domiciled in this state; and
 - e. Requires that money received under the terms of a reverse security repurchase agreement must be used to acquire additional authorized investments, but the term of the authorized investments required must mature not later than the expiration date stated in the reverse security repurchase agreement.
11. A no-load money market mutual fund that:
- a. Is registered with and regulated by the SEC;
 - b. Provides the Department with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940; and
 - c. Complies with federal SEC Rule 2a-7, promulgated under the Investment Company Act of 1940 (17 C.F.R. § 270-2a-7).
12. A no-load mutual fund that:
- a. Is registered with the SEC;

- b. Has an average weighted maturity of less than two years; and
- c. Either:
 - i. Has a duration of one year or more and are invested exclusively in obligations authorized in this policy; or
 - ii. Has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

In general, investments that were authorized at the time they were purchased or received through liquidation or seizure may be retained under this policy even if later revisions of the policy render the investments in noncompliance. One exception is any investment that requires a minimum rating if the rating declines to below the minimum. The investing entity is required to take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating. An exception also exists with respect to investments in companies that engage in business in Sudan or Iran, or with a foreign terrorist organization, as set forth in the state's divestiture requirements in Gov't Code Chapter 2270, effective September 1, 2017. These divestiture requirements expire in 2037.

Investments obtained or purchased by court-appointed liquidators acting on behalf of the Banking Commissioner will be reported to the Finance Commission; however, such investments are not subject to the provisions of this policy.

Any noncomplying investments received through liquidation or seizure will be reported by the Investment Officer to the Finance Commission at the next Finance Commission meeting when a quarterly report is presented. At the time they are initially reported, the Finance Commission may either approve a plan for divestiture, or accept an investment as noncomplying under the policy, with a specific rationale for retaining it. If noncomplying investments are retained, the Investment Officer shall present a plan to the Finance Commission to protect the investments from loss to the extent possible. All noncomplying investments will be identified as exceptions in quarterly reports to the Commission.

Unauthorized Investments

The following are not authorized investments under this policy:

1. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
2. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
3. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years;
4. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index;

5. No portion of bond proceeds, reserves and funds held for debt service may be invested in no-load mutual funds described in Gov't Code § 2256.014(b);
6. Investments in companies doing business in Sudan, in Iran, or with a foreign terrorist organization;²
7. All investments in companies that boycott Israel; and
8. All investments with companies that have been barred from participating in State of Texas contracts.

Strategies for Covered Funds

The investment strategy for funds acquired through seizure of a trust-funded prepaid funeral contract seller, or trust company or uninsured bank in liquidation is to maintain investments seized in the seized entity's existing investment vehicle until potential legal challenges to the Department's seizure are resolved. Thereafter, if funds are in unauthorized investments, the Investment Officer will reinvest funds into authorized investments as it becomes prudent to do so. If funds are anticipated to be held for less than one year, funds may be placed in the Texas Treasury Safekeeping Trust Company, subject to an agreement with that company. Otherwise, funds will be invested in authorized investments as set forth elsewhere in this policy. Investments will be of a diverse nature, with maturities and cash flows structured to accommodate the anticipated distributions from the seizure or liquidation. Court-appointed liquidators will be used when possible to manage funds under liquidation.

Safekeeping of Investments

All funds, securities, etc., held under this policy, where possible, will be placed under the name of the Texas Department of Banking and safekeeping receipts will be maintained on file.

Reporting

Not less than quarterly, the Investment Officer shall prepare a signed, written report of investment transactions for all funds covered by this policy for the preceding reporting period, to include:

1. The investment position of the Department on the date of the report;
2. The book and market values of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested (for demand deposits and certificates of deposit, reports will reflect book value and market value as the same);
3. The maturity date of each separately invested asset that has a maturity date;

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³ A "business organization" means an investment pool or investment management firm that has contractual authority granted by an investing entity to exercise investment discretion in regard to the investing entity's funds.

4. The fund for which each individual investment was acquired;
5. The statement of compliance, including any non-compliance, of the investment portfolio with this policy;
6. Income received and expenses incurred in conjunction with investments; and,
7. Any other information as required by the Finance Commission.

The reports shall be submitted to the Finance Commission at regularly scheduled meetings.

Rates of Return, Market Pricing, and Ratings Changes

The Department expects to receive market rates of return on all investments authorized under this policy, remembering the need to first, protect principal and second, maintain sufficient liquidity to meet the needs of the specific funds being invested. Higher rates of return will be targeted on the more aggressive and longer term investment products. No rate of return is expected to be earned on any funds in a checking account, and therefore these will be kept to a minimum.

The Investment Officer will periodically review the market pricing, rating changes, and rates of return on all investments to ensure that their ratings, values, and yields are consistent with risk and meet investment objectives. The Investment Officer will use the same methods and procedures as a prudent investor, exercising reasonable care, skill, and caution.

Diversification

Investments in FDIC-insured deposits (or in deposits not insured by the FDIC but otherwise secured by state or federal government obligations with margin) and in direct U.S. Treasury obligations are not subject to diversification other than maturity considerations. For investments other than those just listed, diversification shall be as follows:

1. The aggregate investment in no-load mutual funds described in Gov't Code § 2256.014(b) may not exceed 15% of the monthly average fund balance of a covered investment fund held by the Department, excluding bond proceeds and reserves and other funds held for debt service;
2. No one covered fund shall invest in mutual funds in the aggregate more than 80% of its monthly average balance; and,
3. Investment in any one mutual fund may not exceed 10% of the total assets of the mutual fund.

Settlement

Settlement of all transactions, except investment pool funds and mutual funds, shall be on a delivery versus payment basis.

Investment Officer

The Director of the Non-Depository Supervision Division is designated as the primary Investment Officer and is responsible for the investment of the funds held and invested by the Department. The Chief Financial Officer is designated as the secondary Investment Officer and will perform the functions of the primary Investment Officer if the primary Investment Officer is unavailable. The Investment Officer is authorized to:

1. Obtain external investment expertise if deemed necessary to fulfill investment objectives;
2. Delegate routine business transactions within authorized and established investments; and,
3. Enter into agreements with other parties as necessary to fulfill this policy, make or authorize investments, or notify other parties concerning this policy and its requirements.

The Investment Officer may not have a personal business relationship with a business organization offering to engage in an investment transaction with the Department.

If the Investment Officer is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Department, the Officer shall file a statement disclosing that relationship. Any statement filed under this paragraph shall be filed with the Texas Ethics Commission and the Finance Commission.

Within six months of the end of each Legislative session, if amendments have been made to the Public Funds Investment Act, the Investment Officer will provide a report to the Finance Commission outlining the amendments and provide recommendations to update the Investment Policy.

Investment Training

The Investment Officer and other agency employees active in the investment function will attend training relating to their respective responsibilities under this policy, not less than once each state fiscal biennium. Training may include education in investment controls, security risks, strategy risks, market risks, portfolio diversification, and compliance with the Public Funds Investment Act.

Any training conducted or approved by any state or federal agency, independent of the Department of Banking, related to investments, risk management, portfolio diversification, or similar substance, is hereby approved by the Finance Commission as meeting the terms of this requirement.

The Investment Officer shall provide a report to the Finance Commission regarding the status of investment training at the time of the annual review of the policy.

Entities Authorized to Engage in Investment Transactions

Investments may be obtained through licensed securities brokers, commercial banks, state savings banks, and trust companies authorized to do business in Texas. To the extent that deposits and accounts are insured or secured for the full amount of principal and interest, no specific authorization from the Finance Commission is required as long as the individual institution falls under the requirements of this policy. All brokerage activities will be transacted using qualified brokerage firms. Qualified brokerage firms must be regulated by the Securities Exchange Commission and be members of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). The quality of all investments must meet the needs of the agency and be managed in accordance with this policy.

Acknowledgment of the Policy by Business Organizations Seeking to Sell Investments to the Department

A written copy of this policy must be presented to any business organization³ offering to engage in an investment transaction with the Department. Any business organization holding federally insured deposit accounts that come under the Department's control, through a seizure or liquidation are exempt from this requirement. A qualified representative of the business organization offering to engage in an investment transaction with the Department shall execute a written acknowledgment, as provided in the Appendix, that the business organization:

1. Has received and reviewed the Investment Policy for Funds under the Oversight of the Finance Commission of Texas; and,
2. Has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Department and the organization that are not authorized by the Department's investment policy, except to the extent that this authorization:
 - a. is dependent on an analysis of the makeup of the Department's entire portfolio;
 - b. requires an interpretation of subjective investment standards; or
 - c. relates to investment transactions of the Department that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

The Investment Officer may not acquire or otherwise obtain any authorized investment described in the investment policy, or renew depository or other agreements, from a business organization who has not delivered to the Department the instrument in substantially the form provided.

³ A "business organization" means an investment pool or investment management firm that has contractual authority granted by an investing entity to exercise investment discretion in regard to the investing entity's funds.

Appendix

Acknowledgment

I, (broker/banker/trust company officer), a qualified representative of (name of brokerage facility/bank/trust company), hereby make the following statements:

I have received and reviewed the Investment Policy for Funds under the Oversight of the Finance Commission of Texas; and,

I acknowledge that (name of brokerage facility/bank/trust company) has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Department of Banking and (name of the brokerage facility/bank/trust company) that are not authorized by the referenced Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Department's entire portfolio; requires an interpretation of subjective investment standards; or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the (name of the brokerage facility/bank/trust company) has accepted discretionary investment authority.

Signature of Qualified Representative

Date

Office of Consumer Credit Commissioner
Operating Statement and Budget Analysis
For the Quarter Ending May 31, 2022

	FY 2021 ACTUAL	FY 2022 BUDGET	QUARTER PERFORMANCE				FY 2022 PERFORMANCE			
			3rd Quarter BUDGET	3rd Quarter ACTUAL	(Over)/Under BUDGET	Percent BUDGET	YTD BUDGET	YTD ACTUAL	(Over)/Under BUDGET	Percent BUDGET
REVENUES										
Industry										
Consumer Lending Industry	\$ 2,101,206	\$ 2,029,648	\$ 37,339	\$ 48,675	\$ (11,336)	130.4%	\$1,967,979	\$1,613,295	\$ 354,684	82.0%
Credit Access Industry	703,744	613,919	39,324	650	38,674	1.7%	961,722	816,035	145,687	84.9%
MVSF Industry	4,141,299	3,684,013	261,478	258,611	2,867	98.9%	3,455,261	3,200,372	254,889	92.6%
Pawn	1,044,545	998,574	88,618	378,502	(289,884)	427.1%	115,482	391,952	(276,470)	339.4%
Registered Entities	359,250	308,813	35,480	33,615	1,865	94.7%	270,942	352,730	(81,788)	130.2%
Penalties	26,600	-	0	73,430	(73,430)	0.0%	0	114,143	(114,143)	0.0%
Miscellaneous Revenue	4,634	6,500	1,370	11,703	(10,333)	854.1%	5,329	17,562	(12,233)	329.6%
TOTAL REVENUES	\$ 8,381,278	\$ 7,641,467	\$ 463,609	\$ 805,186	\$ (341,578)	173.7%	\$6,776,715	\$6,506,089	\$ 270,626	96.0%
EXPENDITURES										
Personnel Costs										
Employee Compensation	\$ 4,527,625	\$ 4,695,706	\$ 1,173,927	\$ 1,068,528	\$ 105,399	91.0%	\$3,521,780	\$3,301,174	\$ 220,606	93.7%
Employee Benefits		1,787,758	446,940	392,065	54,874	87.7%	1,340,819	1,152,880	187,939	86.0%
Add'l Health/Retirement		74,241	18,560	16,895	1,665	91.0%	55,681	51,739	3,942	92.9%
Other Personnel Costs	1,571,060	122,384	31,221	59,414	(28,193)	190.3%	93,663	93,945	(282)	100.3%
Subtotal Personnel Costs	\$ 6,237,113	\$ 6,680,090	\$ 1,670,648	\$ 1,536,902	\$ 133,745	92.0%	\$5,011,943	\$4,599,738	\$ 412,205	91.8%
	70,687								412,205	
	67,741									
In-State Travel	\$ 245,526	\$ 671,750	\$ 167,938	\$ 115,364	\$ 52,574	68.7%	\$ 503,813	\$ 360,096	\$ 143,717	71.5%
Out of State - Travel	0	18,750	4,688	0	4,688	0.00%	14,063	0	14,063	0.00%
Subtotal Travel	\$ 245,526	\$ 690,500	\$ 172,626	\$ 115,364	\$ 57,262	66.8%	\$ 517,876	\$ 360,096	\$ 157,780	69.5%
Operating Costs										
Professional Services & Fees	\$ 104,545	\$ 57,466	\$ 14,367	\$ 46,606	\$ (32,239)	324.4%	\$ 43,100	\$ 70,980	\$ (27,880)	164.7%
Consumables	8,474	12,000	3,000	942	2,058	31.4%	9,000	5,663	3,337	62.9%
Office Utilities	14,012	17,800	4,450	3,894	556	87.5%	13,350	11,656	1,694	87.3%
Rent - Building/Space	26,389	27,700	6,925	6,903	22	99.7%	20,775	22,730	(1,955)	109.4%
Rent - Equipment/Other	2,882	3,000	750	675	75	90.0%	2,250	2,391	(141)	106.3%
Communications	73,650	78,455	19,614	16,848	2,766	85.9%	58,841	58,616	225	99.6%
Information Technology	206,170	489,153	122,288	91,567	30,721	74.9%	366,865	222,008	144,857	60.5%
Employee Training	4,253	14,000	3,500	99	3,401	2.8%	10,500	1,973	8,527	18.8%
Misc. Operating Costs	243,679	280,880	69,595	46,531	23,064	66.9%	208,786	246,274	(37,488)	118.0%
Subtotal Operating Costs	\$ 684,054	\$ 980,454	\$ 244,489	\$ 214,065	\$ 30,424	87.6%	\$ 733,467	\$ 642,291	\$ 91,176	87.6%
TOTAL EXPENDITURES	\$ 7,166,692	\$ 8,351,044	\$ 2,087,763	\$ 1,866,331	\$ 221,432	89.4%	\$6,263,286	\$5,602,125	\$ 661,161	89.4%
EXPENDITURES (OVER) / UNDER REVENUES	\$ 1,214,586	\$ (709,577)	\$ (1,624,154)	\$ (1,061,145)	\$ (563,009)		\$ 513,429	\$ 903,964	\$ (390,535)	

**Office of Consumer Credit Commissioner
Budget Variance Analysis
For the Quarter Ending May 31, 2022**

Revenues: Overall revenues are 96% of the budget.

Consumer Lending- The negative variance (-18%) is due to the 50% discount rate for regulated lenders which was 10% greater than initially planned. Additionally, fewer regulated lenders and RMLOs renewed in Q2 than projected.

Credit access industry- The negative variance (-15%) is due to the 15% discount given to CABs on annual renewal that was not forecasted in the budget.

MVSF- Fewer applications were received in Q3 than projected.

Pawn- The revenue collected from this industry is much higher than budgeted (+239%) due to timing of the renewal cycle. Renewal was opened online at the beginning of May and many pawnshops renewed at that time.

Registered entities- The positive variance (30% over budget) is due to increases in registered creditor late filing fees. Throughout the remainder of the fiscal year revenue collections are not expected to be substantial.

Misc Revenue- This category is higher than budgeted (+227%) due to increases in interest rates and a resulting greater amount of interest received than anticipated.

Expenditures: Overall expenditures are 89% budget.

Personnel- These expenditures are ~8% under budget primarily due to delays in filling vacant positions.

Travel- These expenditures are under budget (-30%) due to a delay in resuming out-of-state travel and overall lower levels of travel than initially forecast despite the resumption of regular examination schedules. Examination activity tended to occur in the urban region locations with less overnight travel which was more cost effective.

	In-State	Out of State	
	FY22	FY22	Total
Regulatory Supervision	342,303		\$ 342,303
Development & Training	16,197		\$ 16,197
Other Reg Activities	1,596		\$ 1,596
	360,096	\$ -	\$ 360,096

Professional fees- This category is 65% over budget due to accounting services expenditures related to the audit completed by the State Auditor's Office.

Information Technology – This category is ~39% under budget due to timing of projects and expenses. Additionally, payment of some IT expenses related to website updates will be higher in Q4. Overall, this category will be expected to come in under budget because of a few projects that were budgeted, but were postponed, and contingencies that were not needed.

Employee Training – This category is ~81% under budget due to the timing of training sessions, coupled with lower costs for virtual trainings.

Misc Operating Costs - This category is ~18% over budget due to higher than anticipated court costs and fees for receiving electronic payments.

Office of Consumer Credit Commissioner
Liquidity Report
For the Quarter Ending May 31, 2022

	Actual
Cash at Beginning of Period	\$ 14,679,167
Revenues Over (Under) Expenditures	\$ (1,064,426)
Increase (Decrease) in Payables/Encumbrances	\$ (32,558)
(Increase) Decrease in Receivables	\$ (7,319)
Prior period correction	\$ -
Cash at End of Period	<u>\$ 13,574,864</u>

Reserved Cash Balance:	
Building Maintenance/IT	\$ -
Long-term facilities planning	\$ 6,283,819
Payables (net of receivables)	\$ 578,249
Lump sums for Retirements	\$ 237,276
Program Funds	\$ -
Other	\$ -
Total Reserved Cash Balance	<u>\$ 7,099,344</u>

Unreserved Cash Balance:	
Future Operations	\$ 6,475,520
Total Unreserved Cash Balance	<u>\$ 6,475,520</u>

Total Cash Balance	<u>\$ 13,574,864</u>
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Unreserved Cash / FY 2022 Monthly Budget	9.3
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Department of Savings and Mortgage Lending
Operating Statement and Budget Analysis
For the Quarter Ending May 31, 2022

	FY 2021 ACTUAL	FY 2022 BUDGET	QUARTER PERFORMANCE				FY 2022 PERFORMANCE			
			3rd Quarter BUDGET	3rd Quarter ACTUAL	(Over)/Under BUDGET	Percent BUDGET	YTD BUDGET	YTD ACTUAL	(Over)/Under BUDGET	Percent BUDGET
REVENUES										
Thrift Industry										
Assessments	\$ 2,047,590	\$ 3,977,825	\$ 1,001,492	\$ 968,295	\$ 33,197	96.7%	\$ 2,962,199	\$ 2,905,663	\$ 56,536	98.1%
Application Fees	38,100	20,000	5,000	2,050	2,950	41.0%	15,000	6,800	8,200	45.3%
Mortgage Industry										
Licensing Fees	3,985,594	3,574,250	360,700	404,210	(43,510)	112.1%	3,213,650	3,031,325	182,325	94.3%
Administrative Penalties	168,953	-	-	76,905	(76,905)	0.0%	-	152,554	(152,554)	0.0%
Misc. Revenues	10,629	5,000	500	9,493	(8,993)	1898.5%	1,500	10,429	(8,929)	695.3%
TOTAL REVENUES	\$ 6,250,866	\$ 7,577,075	\$ 1,367,692	\$ 1,460,952	\$ (93,260)	106.8%	\$ 6,192,349	\$ 6,106,771	\$ 85,578	98.6%
EXPENDITURES										
Personnel Costs										
Employee Compensation	\$ 4,522,006	\$ 5,338,176	\$ 1,365,600	\$ 1,268,501	\$ 97,099	92.9%	\$ 3,972,576	\$ 3,690,916	\$ 281,660	92.9%
Employee Benefits	1,398,151	1,701,126	434,885	376,034	58,851	86.5%	1,266,180	1,094,870	171,310	86.5%
Add'l Health/Retirement	61,968	79,770	20,485	16,433	4,052	80.2%	59,285	47,838	11,447	80.7%
Other Personnel Costs	193,943	96,894	20,980	31,170	(10,190)	148.6%	74,554	80,868	(6,314)	108.5%
Subtotal Personnel Costs	\$ 6,176,068	\$ 7,215,966	\$ 1,841,950	\$ 1,692,138	\$ 149,812	91.9%	\$ 5,372,595	\$ 4,914,492	\$ 458,103	91.5%
Travel										
In-State	\$ 4,787	\$ 127,500	\$ 36,531	\$ 12,569	\$ 23,962	34.4%	\$ 90,969	\$ 33,013	\$ 57,956	36.3%
Out-of-State	-	34,000	9,809	-	9,809	0.0%	24,191	5,026	19,165	20.8%
Subtotal Travel	\$ 4,787	\$ 161,500	\$ 46,340	\$ 12,569	\$ 33,771	27.1%	\$ 115,160	\$ 38,040	\$ 77,120	33.0%
Operating Costs										
Professional Fees	\$ 38,607	\$ 87,940	\$ 8,500	\$ 747	\$ 7,753	8.8%	\$ 60,640	\$ 30,870	\$ 29,770	50.9%
Consumables	7,042	12,000	3,000	2,307	693	76.9%	9,000	5,289	3,711	58.8%
Office Utilities	11,589	14,975	3,503	3,337	166	95.3%	10,762	9,840	922	91.4%
Rent - Space & Equipment	1,434	2,490	50	210	(160)	420.0%	2,440	6,970	(4,530)	285.6%
Communications	87,683	82,890	18,777	15,509	3,268	82.6%	71,647	72,623	(976)	101.4%
Information Technology	288,556	263,449	61,150	82,911	(21,761)	135.6%	249,599	182,373	67,226	73.1%
Employee Training	44,175	69,600	13,400	5,782	7,618	43.1%	56,200	36,125	20,075	64.3%
Misc. Operating Costs	114,221	137,143	30,233	31,355	(1,122)	103.7%	104,464	80,823	23,641	77.4%
Subtotal Operating Costs	\$ 593,307	\$ 670,487	\$ 138,613	\$ 142,157	\$ (3,544)	102.6%	\$ 564,752	\$ 424,913	\$ 139,839	75.2%
TOTAL EXPENDITURES	\$ 6,774,162	\$ 8,047,953	\$ 2,026,903	\$ 1,846,863	\$ 180,040	91.1%	\$ 6,052,507	\$ 5,377,445	\$ 675,062	88.8%
EXPENDITURES (OVER)/ UNDER REVENUES	\$ (523,296)	\$ (470,878)	\$ (659,211)	\$ (385,911)	\$ (273,300)		\$ 139,842	\$ 729,326	\$ (589,484)	

Department of Savings and Mortgage Lending

Budget Variance Analysis

For the Quarter Ending May 31, 2022

Revenues: Overall revenues are at 1.4% under budget.

Licensing Fees – Amounts collected are 5.7% under budget. The Department received fewer renewal and new applications than budgeted.

Misc. Revenues – Actual amounts are significantly over budget, due to an increase of the collected depository interest.

Expenditures: Overall expenditures are at 11.1% under budget.

Personnel Costs – The category is 8.5% under budget due to unfilled vacancies.

Travel – Due to the travel restrictions imposed in response to COVID-19 pandemic, travel costs incurred were significantly under budget.

Travel Breakdown 3rd Qtr FY22			
Category	In-State	Out-of-State	Total
Regulation and Supervision	\$23,590.30	\$0.00	\$23,590.30
Development and Training	7,297.69	5,026.21	12,323.90
Other Regulatory Activities	0.00	0.00	0.00
Non-Employee Travel	2,125.44	0.00	2,125.44
Total	\$33,013.43	\$5,026.21	\$38,039.64

Professional Fees – Fees for legal services paid to Office of the Attorney General were significantly below budgeted.

Rent – Space & Equipment – The category is significantly over budget, due to space and audio/video equipment rented for Department events held in-person and not virtual as budgeted.

Information Technology – The category is under budget due to a security work project, which is rescheduled for FY2023.

Employee Training – The category is impacted by unfilled vacancies and changes in the type of training offered taken - multiple training events are offered virtually for a reduced or at no cost.

Miscellaneous Operating Costs – The category is under budget due to unfilled vacancies, and lower than budgeted postage costs and fees for electronic payments.

Department of Savings and Mortgage Lending

Liquidity Report For the Quarter Ending May 31, 2022

	ACTUAL
Cash at Beginning of Period	\$ 12,130,619
Revenues Over (Under) Expenditures	\$ (385,244)
Increase (Decrease) in Payables	\$ 3,910
(Increase) Decrease in Receivables	\$ 14,265
Cash at End of Period	<u>\$ 11,763,549</u>
Reserved Cash Balance:	
Bldg. maintenance/IT	\$ -
Long-term facilities planning	6,279,612
Payables (net of receivables)	666,960
Lump Sums for Retirements	157,801
Program Funds	-
Other	-
Total Reserved Cash Balance	<u>\$ 7,104,373</u>
Unreserved Cash Balance:	
Future Operations	<u>\$ 4,659,176</u>
Total Unreserved Cash Balance	<u>\$ 4,659,176</u>
Total Cash Balance	<u>\$ 11,763,549</u>
Unreserved Cash/FY2022 Monthly Budget	6.95 months *

Projected

* Add'l long-term facilities planning amount 2,965,000
pursuant to Finance Commission action Dec 21

Unreserved Cash/FY2022 Monthly Budget 2.53 months

Texas Department of Banking
Operating Statement and Budget Analysis
For the Quarter Ending May 31, 2022

	FY 2021 ACTUAL	FY 2022 BUDGET	QUARTER PERFORMANCE				FY 2022 PERFORMANCE			
			3rd Quarter BUDGET	3rd Quarter ACTUAL	(Over)/Under BUDGET	Percent BUDGET	YTD BUDGET	YTD ACTUAL	(Over)/Under BUDGET	Percent BUDGET
REVENUES										
Bank & Trust Regulation	\$24,298,891	\$28,025,383	\$7,818,789	\$7,806,831	\$11,958	99.8%	\$23,585,249	\$23,041,838	\$543,411	97.7%
Penalties - Bank & Trust Regulation	15,000	0	0	0	0	0.0%	0	250,000	(250,000)	0.0%
Non-Depository Supervision	2,547,904	2,929,920	716,475	685,349	31,126	95.7%	2,709,145	2,597,692	111,453	95.9%
Penalties - Non-Depository Supervision	1,135,524	349,750	88,150	201,493	(113,343)	228.6%	295,250	566,205	(270,955)	191.8%
Miscellaneous Revenues	8,487	8,500	2,125	19,336	(17,211)	909.9%	6,375	22,557	(16,182)	353.8%
TOTAL REVENUES	\$28,005,806	\$31,313,553	\$8,625,539	\$8,713,009	(\$87,470)	101.0%	\$26,596,019	\$26,478,293	\$117,726	99.6%
EXPENDITURES										
Personnel Costs										
Employee Compensation	\$18,288,942	\$20,300,024	\$5,169,989	\$4,446,215	\$723,774	86.0%	\$14,901,171	\$13,175,998	\$1,725,173	88.4%
Employee Benefits	5,257,976	5,974,356	1,493,086	1,292,991	200,095	86.6%	4,312,132	3,798,694	513,438	88.1%
Add'l Health/Retirement	262,772	301,068	77,550	63,406	14,143	81.8%	223,518	188,736	34,781	84.4%
Other Personnel Costs	628,821	608,946	68,909	96,896	(27,986)	140.6%	229,117	317,788	(88,671)	138.7%
Subtotal Personnel Costs	\$24,438,511	\$27,184,394	\$6,809,534	\$5,899,508	\$910,026	86.6%	\$19,665,937	\$17,481,216	\$2,184,721	88.9%
Travel										
In-State	\$56,229	\$1,015,704	\$301,116	\$138,715	\$162,401	46.1%	\$705,583	\$284,410	\$421,173	40.3%
Out-of-State	4,065	504,755	78,897	12,853	66,044	16.3%	172,915	27,381	145,534	15.8%
Subtotal Travel	\$60,295	\$1,520,459	\$380,013	\$151,568	\$228,445	39.9%	\$878,498	\$311,791	\$566,707	35.5%
Operating Costs										
Professional Fees	\$136,197	\$461,005	\$52,353	\$46,463	\$5,890	88.7%	\$289,991	\$160,300	\$129,691	55.3%
Consumables	33,293	44,500	14,456	12,655	1,801	87.5%	49,839	43,945	5,894	88.2%
Office Utilities	28,604	38,838	8,894	8,055	839	90.6%	35,435	30,724	4,711	86.7%
Rent - Building/Space	401,134	434,544	109,687	101,973	7,713	93.0%	348,551	339,888	8,663	97.5%
Rent - Equipment/Other	23,656	30,504	7,626	4,862	2,764	63.8%	20,378	17,047	3,331	83.7%
Communications	274,364	269,576	66,204	52,318	13,886	79.0%	201,501	176,451	25,050	87.6%
Information Technology	394,470	515,377	77,993	48,845	29,149	62.6%	302,258	390,335	(88,078)	129.1%
Employee Training	109,377	260,548	54,178	44,812	9,366	82.7%	130,986	99,172	31,813	75.7%
Misc. Operating Costs	367,259	553,808	42,232	43,745	(1,513)	103.6%	258,461	306,104	(47,643)	118.4%
Subtotal Operating Costs	\$1,768,355	\$2,608,700	\$433,623	\$363,728	\$69,895	83.9%	\$1,637,399	\$1,563,966	\$73,434	95.5%
TOTAL EXPENDITURES	\$26,267,161	\$31,313,553	\$7,623,170	\$6,414,804	\$1,208,366	84.1%	\$22,181,835	\$19,356,973	\$2,824,862	87.3%
EXPENDITURES (OVER) / UNDER REVENUES	\$1,738,645	\$0	\$1,002,369	\$2,298,206	(\$1,295,837)		\$4,414,184	\$7,121,319	(\$2,707,135)	

Texas Department of Banking

Overview of Budget Variances for the Third Quarter of Fiscal Year 2022 - (Variances in excess of \$1,000 and 5% from budget are reported).

Penalties - Non-Depository Supervision – The variance is due to the higher than anticipated collected penalties primarily from unlicensed money service businesses.

Miscellaneous Revenue – The variance is due to the Texas Treasury Safekeeping Trust Company revising their interest rate calculation and a higher rate of return than anticipated.

Employee Compensation and Benefits – The positive variance relates to vacant staff positions. Vacancies in terms of FTEs as of May 31, 2022 are listed below:

Administrative	7
Examiners	28

Other Personnel Costs – The negative variance is mainly due to two unanticipated resignations and one unanticipated retirement.

Travel Breakdown

	In-State Travel	Out-of-State Travel
Regulatory Supervision	\$108,750	\$413
Development and Training	10,565	6,564
Other Regulatory Activities	16,896	5,876
Non-Employee	2,504	0
Total	\$138,715	\$12,853

In-State Travel – The positive variance is due to the pandemic and its effect on travel.

Out-of-State Travel – The positive variance is due to the pandemic and its effect on travel.

Professional Fees – The positive variance is due to: (1) lower expenditures than budgeted for building related outside counsel fees, contracted hearings officer fees, and Office of the Attorney General fees; and (2) OCCC and DSML reimbursements for architectural services.

Consumables – The positive variance is due to budgeted expenditures that did not materialize as based on history.

Rent - Building/Space – The positive variance is due to townhall meetings that did not take place and staff meetings that were held virtually.

Rent - Equipment/Other – The positive variance is due to audio/video equipment for townhall meetings that did not take place and negotiated lower rental rates for copiers.

Communications – The positive variance is due to lower expenditures than anticipated as based on historical trends.

Information Technology – The positive variance is due to lower than anticipated expenditures related to cloud migration efforts and delayed data exchange environment set up.

Employee Training – The positive variance is due to classes that were cancelled or not attended as scheduled.

TEXAS DEPARTMENT OF BANKING
Liquidity Report
For the Period Ending May 31, 2022

	Actual
Cash at Beginning of Period	\$21,551,221
Revenues Over (Under) Expenditures	2,297,012
Increase (Decrease) in Payables/Encumbrances	36,647
(Increase) Decrease in Receivables	18,247
Cash at End of Period	<u>\$23,903,127</u>
Reserved Cash Balance:	
Bldg. maintenance/IT	\$0
Long-term facilities planning	6,284,275
Payables (net of receivables)	2,026,768
Lump Sums for Retirements	673,348
Program Funds	0
Other	0
Total Reserved Cash Balance	<u>\$8,984,391</u>
Unreserved Cash Balance:	
Future Operations	14,918,737
Total Unreserved Cash Balance	<u>\$14,918,737</u>
Total Cash Balance	<u>\$23,903,127</u>
Unreserved Cash/FY2022 Monthly Budget	5.72 months

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**Office of Consumer Credit Commissioner
Proposed Budget Fiscal Year 2023**

	Budget 2022	Budget 2023
REVENUE:		
Regulated Lenders	\$ 2,029,648	\$ 2,291,531
Credit Access Industry	998,574	746,351
MV Industry	3,684,013	4,355,540
Pawn Industry	613,919	737,403
Registered Industry	308,813	330,485
Miscellaneous Revenues	6,500	15,000
TOTAL REVENUES:	\$ 7,641,467	\$ 8,476,310
EXPENDITURES:		
Personnel Costs		
Employee Compensation	\$ 4,695,706	\$ 5,045,938
Employee Benefits	1,787,758	1,805,828
Add'l Health/Retirement	74,241	74,950
Other Personnel Costs	122,384	121,194
Subtotal Personnel Costs	\$ 6,680,089	7,047,910
Travel		
In-State	671,750	567,000
Out-of-State	34,750	75,000
Out-of-State Reimbursements	(16,000)	(60,000)
Subtotal Travel	690,500	582,000
Other Expenditures		
Professional Fees & Services	57,466	90,500
Consumable Supplies	12,000	7,500
Office Utilities	17,800	17,250
Rent - Buildings/Space	27,700	27,600
Rent - Equipment/Other	3,000	3,100
Communications	78,455	79,830
Information Technology	489,153	488,969
Employee Training	14,000	8,700
Misc. Operating Costs	280,880	277,240
Subtotal Operating Costs	980,454	1,000,689
TOTAL EXPENDITURES:	\$ 8,351,043	\$ 8,630,599
EXPENDITURES (OVER)/UNDER REVENUE:	\$ (709,576)	\$ (154,289)

FTE's

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**Office of Consumer Credit Commissioner
Proposed Budget Fiscal Year 2023**

	Budget 2022	Estimated FY 2022	% of 2022 Budget	Budget 2023	\$ Change Budget 2022 to Budget 2023	% Change Budget 2022 to Budget 2023
REVENUE:						
Regulated Lenders	\$ 2,029,648	\$ 1,696,845	83.6%	\$ 2,291,531	\$ 261,883	12.9%
Credit Access Industry	998,574	908,145	90.9%	746,351	(252,223)	-25.3%
MV Industry	3,684,013	3,387,375	91.9%	4,355,540	671,527	18.2%
Pawn Industry	613,919	490,627	79.9%	737,403	123,484	20.1%
Registered Industry	308,813	359,590	116.4%	330,485	21,672	7.0%
Miscellaneous Revenues	6,500	18,862	290.2%	15,000	8,500	130.8%
TOTAL REVENUES:	\$ 7,641,467	\$ 6,861,444	89.8%	\$ 8,476,310	\$ 834,843	10.9%
EXPENDITURES:						
Personnel Costs						
Employee Compensation	\$ 4,695,706	\$ 4,444,653	94.7%	\$ 5,045,938	\$ 350,232	7.5%
Employee Benefits	1,787,758	1,513,135	84.6%	1,805,828	18,070	1.0%
Add'l Health/Retirement	74,241	64,102	86.3%	74,950	709	1.0%
Other Personnel Costs	122,384	120,293	98.3%	121,194	(1,190)	-1.0%
Subtotal Personnel Costs	\$ 6,680,089	\$ 6,142,183	91.9%	7,047,910	367,821	5.5%
Travel						
In-State	671,750	480,096	71.5%	567,000	(104,750)	-15.6%
Out-of-State	34,750	-	0.0%	75,000	40,250	115.8%
Out-of-State Reimbursements	(16,000)	-	0.0%	(60,000)	(44,000)	275.0%
Subtotal Travel	690,500	480,096	69.5%	582,000	(108,500)	-15.7%
Other Expenditures						
Professional Fees & Services	57,466	101,325	176.3%	90,500	33,034	57.5%
Consumable Supplies	12,000	7,163	59.7%	7,500	(4,500)	-37.5%
Office Utilities	17,800	15,391	86.5%	17,250	(550)	-3.1%
Rent - Buildings/Space	22,700	29,602	106.9%	27,600	(100)	-0.4%
Rent - Equipment/Other	3,000	3,066	102.2%	3,100	100	3.3%
Communications	78,455	76,566	97.6%	79,830	1,375	1.8%
Information Technology	489,153	371,835	76.0%	488,969	(184)	0.0%
Employee Training	14,000	5,367	38.3%	8,700	(5,300)	-37.9%
Misc. Operating Costs	280,880	286,198	101.9%	277,240	(3,640)	-1.3%
Subtotal Operating Costs	980,454	896,514	91.4%	1,000,689	20,235	2.1%
TOTAL EXPENDITURES:	\$ 8,351,043	\$ 7,518,793	90.0%	\$ 8,630,599	\$ 279,556	3.3%
EXPENDITURES (OVER)/UNDER REVENUE:	\$ (709,576)	\$ (657,349)		\$ (154,289)	\$ 555,287	

FTE's

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DEPARTMENT OF
**SAVINGS AND
MORTGAGE LENDING**

HECTOR RETTA, COMMISSIONER

**Budget Information
FY2022-FY2023**

	FY 2022 Approved Budget	FY 2023 Proposed Budget
REVENUES		
Thrift Industry		
Assessments	\$ 3,977,825	\$ 4,076,434
Application Fees	20,000	16,000
Mortgage Industry		
Licensing Fees	3,574,250	4,707,550
Administrative Penalties	-	-
Misc. Revenues	5,000	105,000
TOTAL REVENUES	\$ 7,577,075	\$ 8,904,984
EXPENDITURES		
Personnel Costs		
Employee Compensation	\$ 5,338,176	\$ 5,858,020
Employee Benefits	1,701,126	1,734,627
Add'l Health/Retirement	79,770	81,661
Other Personnel Costs	96,894	105,481
Subtotal Personnel Costs	\$ 7,215,966	\$ 7,779,789
Travel		
In-State	\$ 127,500	\$ 108,000
Out-of-State	34,000	45,000
Subtotal Travel	\$ 161,500	\$ 153,000
Operating Costs		
Professional Fees	\$ 87,940	\$ 120,844
Consumables	12,000	10,000
Office Utilities	14,975	14,059
Rent - Space & Equipment	2,490	10,700
Communications	82,890	96,432
Information Technology	263,449	258,391
Employee Training	69,600	70,000
Misc. Operating Costs	137,143	130,205
Subtotal Operating Costs	\$ 670,487	\$ 710,631
TOTAL EXPENDITURES	\$ 8,047,953	\$ 8,643,420
EXPENDITURES (OVER)/ UNDER REVENUES	\$ (470,878)	\$ 261,564

FTEs

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Department of Savings and Mortgage Lending
Budget Information
FY2022-FY2023

	FY 2022	FY 2022	% of FY2022	FY2023	\$ Change	% Change
	BUDGET	ESTIMATED	BUDGET	BUDGET	FY22 Budget to FY23 Budget	FY22 Budget to FY23 Budget
REVENUES						
Thrift Industry						
Assessments	\$ 3,977,825	\$ 3,934,882	98.9%	\$ 4,076,434	\$ 98,609	2.5%
Application Fees	20,000	6,800	34.0%	16,000	(4,000)	-20.0%
Mortgage Industry						
Licensing Fees	3,574,250	3,352,330	93.8%	4,707,550	1,133,300	31.7%
Administrative Penalties	-	174,533	0.0%	-	-	0.0%
Misc. Revenues	5,000	24,339	486.8%	105,000	100,000	2000.0%
TOTAL REVENUES	\$ 7,577,075	\$ 7,492,884	98.9%	\$ 8,904,984	\$ 1,327,909	17.5%
EXPENDITURES						
Personnel Costs						
Employee Compensation	\$ 5,338,176	\$ 5,002,547	93.7%	\$ 5,858,020	\$ 519,844	9.7%
Employee Benefits	1,701,126	1,472,637	86.6%	1,734,627	33,501	2.0%
Add'l Health/Retirement	79,770	64,830	81.3%	81,661	1,891	2.4%
Other Personnel Costs	96,894	129,784	133.9%	105,481	8,587	8.9%
Subtotal Personnel Costs	\$ 7,215,966	\$ 6,669,798	92.4%	\$ 7,779,789	\$ 563,823	7.8%
Travel						
In-State	\$ 127,500	\$ 42,195	33.1%	\$ 108,000	\$ (19,500)	-15.3%
Out-of-State	34,000	21,000	61.8%	45,000	11,000	32.4%
Subtotal Travel	\$ 161,500	\$ 63,195	39.1%	\$ 153,000	\$ (8,500)	-5.3%
Operating Costs						
Professional Fees	\$ 87,940	\$ 48,770	55.5%	\$ 120,844	\$ 32,904	37.4%
Consumables	12,000	7,500	62.5%	10,000	(2,000)	-16.7%
Office Utilities	14,975	13,516	90.3%	14,059	(916)	-6.1%
Rent - Space & Equipment	2,490	7,197	289.0%	10,700	8,210	329.7%
Communications	82,890	90,060	108.7%	96,432	13,542	16.3%
Information Technology	263,449	207,723	78.8%	258,391	(5,058)	-1.9%
Employee Training	69,600	53,152	76.4%	70,000	400	0.6%
Misc. Operating Costs	137,143	97,807	71.3%	130,205	(6,938)	-5.1%
Subtotal Operating Costs	\$ 670,487	\$ 525,725	78.4%	\$ 710,631	\$ 40,144	6.0%
TOTAL EXPENDITURES	\$ 8,047,953	\$ 7,258,718	90.2%	\$ 8,643,420	\$ 595,467	7.4%
EXPENDITURES (OVER)/ UNDER REVENUES	\$ (470,878)	\$ 234,166		\$ 261,564	\$ 732,442	
FTEs	70			70		



North Texas Association of Mortgage Professionals

North Texas Association of Mortgage Professionals
PO BOX 793441
Dallas, TX 75379

August 3rd, 2022

Chairman Phillip Holt
Finance Commission Chairman
The Finance Commission of Texas
2601 N Lamar Blvd,
Austin, TX 78705

Chairman Holt,

The NTXAMP is appreciative of the opportunity to review the proposed Savings and Mortgage Lending Department Fiscal year 2023 budget. As the non-profit trade association for mortgage brokers and affiliated business partners in the State of Texas we take the opportunity to represent the needs of our members very seriously, including the costs of licensing. We value the relationship we have with Savings and Mortgage Lending Department and the regulatory support they have provided to us on behalf of our members.

I have shared the budget and the proposed changes with our Board of Directors, and they have unanimously agreed to offer this letter of support for the proposed changes. We appreciate the diligence the department has put into balancing the budget.

Sincerely,

DocuSigned by:
Andy Seepersad
5A27E1CEA620455...

Andy Seepersad, PhD
NTXAMP President
813 317-1435

CC: Commissioner Hector Retta
William Purce



**Independent
Bankers
Association
of Texas**

Thomas C. Sellers
IBAT Chairman
Alliance Bank, Sulphur Springs

K. Kyle Irwin
IBAT Chairman-Elect
Western Bank, Gruver

Christopher C. Doyle
IBAT Secretary-Treasurer
Texas First Bank, Texas City

Bradley H. Tidwell
IBAT Immediate Past Chairman
VeraBank, Henderson

Cory R. Flencher
Chairman
IBAT Leadership Division
Citizens State Bank, Brenham

Hazem A. Ahmed
Chairman
IBAT Education Foundation
Independent Financial, Houston

Christopher L. Williston VI, CAE
President and CEO
IBAT, Austin

August 8, 2022

The Honorable Phillip Holt
Chairman
Finance Commission of Texas
2601 North Lamar Blvd.
Austin, TX 78705

RE: Savings and Mortgage Lending Department FY 2023 Budget

Dear Chairman Holt:

The Independent Bankers Association of Texas (IBAT) is pleased to offer our comments and observations on the Texas Savings and Mortgage Lending Department's FY 2023 budget on behalf of our state savings bank members in Texas.

We have reviewed the budget information posted on the Finance Commission website along with additional backup information provided by the Department.

We are appreciative that the Department is structured for the Mortgage and Thrift industries to cover the cost of their respective regulatory oversight. The Department continues to focus resources on retention of tenured staff, which we believe to be a most appropriate expenditure of funds.

The Department continues to operate in an efficient manner and has been a good steward of the funds provided by the state savings banks under their regulation. Further, the SDSI status afforded this agency provides very appropriate flexibility to pivot if necessary to meet unforeseen challenges. IBAT is fully supportive of this budget to provide for appropriate funding of this agency to allow it to carry out its mission.

IBAT very much appreciates the excellent working relationship and ongoing open communication we have with the Texas Department of Savings and Mortgage Lending.

Thank you for considering our comments and for your service to Texas.

Sincerely,

Stephen Y. Scurlock
Director of Government Relations

Meredyth Fowler
Legislative Council

**Texas Department of Banking
Proposed Budget - FY 2023**

	Budget 2022	Budget 2023*
REVENUE		
Bank & Trust Regulation	\$28,025,383	\$30,345,091
Penalties - Bank & Trust Regulation	0	0
Non-Depository Supervision	2,929,920	3,237,400
Penalties - Non-Depository Supervision	349,750	285,000
Miscellaneous Revenues	8,500	84,200
TOTAL REVENUES	\$31,313,553	\$33,951,691
EXPENDITURES		
Personnel Costs		
Employee Compensation	\$20,300,024	\$21,650,654
Employee Benefits	5,974,356	6,101,007
Add'l Health/Retirement	301,068	314,468
Other Personnel Costs	608,946	596,388
Subtotal Personnel Costs	\$27,184,394	\$28,662,517
Travel		
In-State	\$1,015,704	\$1,246,150
Out-of-State	504,755	675,895
Subtotal Travel	\$1,520,459	\$1,922,045
Operating Costs		
Professional Fees	\$461,005	\$669,070
Consumables	44,500	38,000
Office Utilities	38,838	33,870
Rent - Building/Space	434,544	471,735
Rent - Equipment/Other	30,504	28,784
Communications	269,576	270,841
Information Technology	515,377	734,225
Employee Training	260,548	348,581
Misc. Operating Costs	553,808	772,023
Subtotal Operating Costs	\$2,608,700	\$3,367,129
TOTAL EXPENDITURES	\$31,313,553	\$33,951,691
EXPENDITURES (OVER) / UNDER REVENUES	\$0	\$0

FTEs

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* FY 2023 budgeted assessments are net approximately \$12.3 million in Bank and Trust that are not expected to be assessed to operate the Department.

**Texas Department of Banking
Proposed Budget - FY 2023**

	Budget 2022	Estimated FY 2022*	% of 2022 Budget	Budget 2023**	\$ Change Budget 2022 to Budget 2023	% Change Budget 2022 to Budget 2023
REVENUE						
Bank & Trust Regulation	\$28,025,383	\$23,932,170	85.39%	\$30,345,091	\$2,319,708	8.28%
Penalties - Bank & Trust Regulation	0	0	0.00%	0	0	0.00%
Non-Depository Supervision	2,929,920	3,152,498	107.60%	3,237,400	307,480	10.49%
Penalties - Non-Depository Supervision	349,750	120,000	34.31%	285,000	(64,750)	-18.51%
Miscellaneous Revenues	8,500	4,188	49.27%	84,200	75,700	890.59%
TOTAL REVENUES	\$31,313,553	\$27,208,856	86.89%	\$33,951,691	\$2,638,138	8.42%
EXPENDITURES						
Personnel Costs						
Employee Compensation	\$20,300,024	\$18,445,095	90.86%	\$21,650,654	\$1,350,630	6.65%
Employee Benefits	5,974,356	4,949,561	82.85%	6,101,007	126,651	2.12%
Add'l Health/Retirement	301,068	252,086	83.73%	314,468	13,401	4.45%
Other Personnel Costs	608,946	527,251	86.58%	596,388	(12,558)	-2.06%
Subtotal Personnel Costs	\$27,184,394	\$24,173,993	88.93%	\$28,662,517	\$1,478,124	5.44%
Travel						
In-State	\$1,015,704	\$550,470	54.20%	\$1,246,150	\$230,446	22.69%
Out-of-State	504,755	72,946	14.45%	675,895	171,140	33.91%
Subtotal Travel	\$1,520,459	\$623,417	41.00%	\$1,922,045	\$401,586	26.41%
Operating Costs						
Professional Fees	\$461,005	\$291,642	63.26%	\$669,070	\$208,065	45.13%
Consumables	44,500	34,400	77.30%	38,000	(6,500)	-14.61%
Office Utilities	38,838	33,399	86.00%	33,870	(4,968)	-12.79%
Rent - Building/Space	434,544	409,631	94.27%	471,735	37,191	8.56%
Rent - Equipment/Other	30,504	22,593	74.06%	28,784	(1,720)	-5.64%
Communications	269,576	238,572	88.50%	270,841	1,265	0.47%
Information Technology	515,377	536,549	104.11%	734,225	218,848	42.46%
Employee Training	260,548	241,792	92.80%	348,581	88,033	33.79%
Misc. Operating Costs	553,808	511,882	92.43%	772,023	218,214	39.40%
Subtotal Operating Costs	\$2,608,700	\$2,320,460	88.95%	\$3,367,129	\$758,429	29.07%
TOTAL EXPENDITURES	\$31,313,553	\$27,117,870	86.60%	\$33,951,691	\$2,638,138	8.42%
EXPENDITURES (OVER) / UNDER REVENUES	\$0	\$90,986		\$0		

FTEs

202

205

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* FY 2022 forecast using a combination of estimated projections and annualized June 30, 2022 actuals. To only collect funds needed to operate the Department, FY 2022 Bank and Trust assessments and Non-Depository Supervision assessments were reduced approximately by \$12.3 million and \$1.05 million, respectively.

** FY 2023 budgeted assessments are net approximately \$12.3 million in Bank and Trust that are not expected to be assessed to operate the Department.



Texas Financial Education Endowment (TFEE)

TFEE Report – August 19, 2022

Report on Activities Relating to the Texas Financial Education Endowment Fund

The 2022-2023 TFEE Grant Cycle has concluded the first semi-annual period. Grant award recipients are submitting reports and agency staff are currently reviewing reimbursement requests. Additionally, grant award recipients from the 2020-2021 grant cycle are in the process of submitting longitudinal reports. Reports on the overall impact of the 2020-2021 grant cycle, as well as data regarding activities and reimbursements during the first period of the 2022-2023 grant cycle, will be published early next fiscal year.

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