

A.

Finance Commission

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FINANCE COMMISSION OF TEXAS

MEETING DATE**December 13, 2024**

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

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

FUTURE MEETING DATESFebruary 21, 2025
April 25, 2025
June 20, 2025
August 15, 2025
October 24, 2025
December 19, 2025

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

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

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FINANCE COMMISSION AGENDA

Friday, December 13, 2024

9:00 a.m.

or Upon Adjournment of the Audit Committee Meeting

Finance Commission Building

William F. Aldridge Hearing Room

2601 North Lamar Boulevard

Austin, Texas 78705

Section A.3 will take up agenda items A1, C2 and D2 with NO DISCUSSION as notated in bold and italicized

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

A. FINANCE COMMISSION MATTERS

1. Review and Approval of the Minutes of the October 25, 2024 Finance Commission Meeting

2. General Public Comment

3. Consent Agenda

4. Finance Commission Operations

5. Audit Committee Report

A. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' Fiscal Year 2025 Internal Auditor's Risk Assessment and Audit Plan

1. Department of Savings and Mortgage Lending

2. Texas Department of Banking

3. Office of Consumer Credit Commissioner

B. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Activities of the Texas Financial Education Endowment Fund

6. Discussion of and Possible Vote to Take Action Regarding Personnel Matters Pursuant to § 551.074, Texas Government Code: Deliberations with Respect to the Duties and Compensation of a Person Holding the Position of Executive Director of the Finance Commission, Deliberations with Respect to the Duties and Compensation of Persons Holding the Position of Agency Commissioner Positions, and Other Staff

7. Discussion of and Possible Vote to Take Action Regarding Facility Planning and Real Property Matters Pursuant to § 551.072, Texas Government Code: Deliberations Regarding the Purchase, Exchange, Lease or Value of Real Property

8. Discussion of and Consultation with Attorney and Possible Vote to Take Action Pursuant to § 551.071, Texas Government Code, for the Purpose of Seeking the Advice or Attorney-client Privileged Communications from our Attorneys, Including Matters Related to the Potential Financial Exposure of the Finance Commission Agencies and Their Officers and the Finance Commission and its Officers and Including Matters of Pending and Contemplated Litigation

9. 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

10. Discussion of Matters Made Confidential by Law Pursuant to § 551.081, Texas Government Code, including Information Relating to the Financial Condition or Business Affairs of a Financial Institution

B. DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

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

C. TEXAS DEPARTMENT OF BANKING

1. Industry Status and Departmental Operations: a) Current Issues Affecting Department's Regulated Entities; b) Bank and Trust Division Activities; c) Corporate Division Activities; d) Non-Depository Supervision Division Activities; e) Administrative, Staffing and Fiscal Division Activities; f) Strategic Support Division Activities including Consumer Complaint Data; g) Legal Division Activities including Enforcement Activity and Gift Reporting; and h) Legislative Activities
2. *Discussion of and Possible Vote to Take Action on the Reappointment of J. Kyle Williams as the Industry Representative to the Guaranty Fund Advisory Council for the Period January 1, 2025, to December 31, 2026*
3. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation

D. OFFICE OF CONSUMER CREDIT COMMISSIONER

1. Industry Status and Departmental Operations: a) Consumer Protection and Assistance Division Activities; b) Licensing Division Activities; c) Administration Division Activities; d) Financial Division Activities; e) Legal Division Activities; and f) Legislative Activities
2. *Discussion of and Possible Vote to Take Action on the Adoption of Amendments to 7 TAC, Part 1, Chapter 7, Concerning Texas Financial Education Endowment Fund, Resulting from Rule Review*
3. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of Amendments in 7 TAC, Part 1, Chapter 2, Concerning Residential Mortgage Loan Originators Regulated by the Office of Consumer Credit Commissioner
4. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation

Ernest Polk v. Texas Office of Consumer Credit Commissioner; Cause No. 01-22-00712-CV, in the First Court of Appeals, Houston, Texas

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

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

MINUTES OF THE FINANCE COMMISSION MEETING Friday, October 25, 2024

The Finance Commission of Texas convened at 9:00 a.m., on Friday, October 25, 2024, with the following members present:

Finance Commission Members in Attendance:

Phillip Holt, Chairman	Kathleen Fields	Sharon McCormick
Laura Warren, Vice Chairman	Martin “Marty” Green	Roselyn “Rosie” Morris
Bob Borochoff	Troy Lambden	David Osborn

Finance Commission Members Absent:

Hector Cerna	Roselyn “Rosie” Morris	Miguel Romano
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Commissioner Charles G. Cooper announced there was a quorum with eight (8) members present. *(1:03 on audio file).*

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Finance Commission Matters		
1. Review and Approval of the Minutes of the August 16, 2024 Finance Committee Meeting	On Consent Agenda – Item A1 This item Approved on the Consent Agenda.	n/a
2. General Public Comment	No Action Required.	1:12 Start of Discussion
3. Consent Agenda – Items A1, A8, C3, D2 and D6-D10	Laura Warren made a motion to Approve Consent Agenda items A1, A8, C3, D2, D6-D10. Kathleen Fields seconded, and the motion passed.	1:48 Start of Discussion 2:02 Vote
4. Finance Commission Operations	No Action Required.	2:26 Start of Discussion
5. Audit Committee Report		
A. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies’ 2024 Fourth Quarter Investment Officer Reports 1. Texas Department of Banking 2. Office of Consumer Credit Commissioner 3. Department of Savings and Mortgage Lending	Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve the Agencies’ 2024 Fourth Quarter Investment Officer Reports passed.	3:34 Start of Discussion 3:44 Vote

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
<p>B. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2024 Fourth Quarter Financial Statements</p> <ol style="list-style-type: none"> 1. Texas Department of Banking 2. Office of Consumer Credit Commissioner 3. Department of Savings and Mortgage Lending 	<p>Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve the Agencies' 2024 Fourth Quarter Financial Statements passed.</p>	<p>4:00 Start of Discussion</p> <p>4:08 Vote</p>
<p>C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Activities of the Texas Financial Education Endowment Fund</p>	<p>No Action Required.</p>	<p>n/a</p>
<p>6. Discussion of the Condition of the Texas State Banking System</p>	<p>No Action Required.</p>	<p>4:34 Start of Discussion</p>
<p>7. Discussion of and Possible Vote to Take Action on the Accomplishment Reports for Fiscal Year 2024 for the Commissioners of the Texas Department of Banking, the Office of Consumer Credit Commissioner and the Department of Savings and Mortgage Lending</p>	<p>Laura Warren made a motion to Approve the Accomplishment Report for Fiscal Year 2024 for the Commissioner of the Texas Department of Banking. Troy Lambden seconded, and the motion passed.</p> <p>David Osborn made a motion to Approve the Accomplishment Report for Fiscal Year 2024 for the Commissioner of the Office of Consumer Credit Commissioner. Laura Warren seconded, and the motion passed.</p> <p>Marty Green made a motion to Approve the Accomplishment Report for Fiscal Year 2024 for the Commissioner of the Department of Savings and Mortgage Lending. Troy Lambden seconded, and the motion passed.</p>	<p>52:59 Start of Discussion</p> <p>53:18 Vote</p> <p>53:41 Vote</p> <p>54:02 Vote</p>
<p>8. Discussion of and Possible Vote to Take Action on the Adoption of Amendments in 7 TAC, Part 8, Chapter 151, Concerning Home Equity Lending Procedures, Resulting from Rule Review</p>	<p>On Consent Agenda – Item A8 This item Approved on the Consent Agenda.</p>	<p>n/a</p>
<p>9. Discussion of and Possible Vote to Take Action Regarding Personnel Matters Pursuant to § 551.074, Texas Government Code: Deliberations with Respect to the Duties and Compensation of a Person Holding the Position of Executive Director of the Finance Commission, Deliberations with Respect to the Duties and Compensation of Persons Holding the Position of Agency Commissioner Positions, and Other Staff</p>	<p>No Discussion.</p>	<p>n/a</p>

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
10. Discussion of and Possible Vote to Take Action Regarding Facility Planning and Real Property Matters Pursuant to § 551.072, Texas Government Code: Deliberations Regarding the Purchase, Exchange, Lease or Value of Real Property	No Discussion.	n/a
11. Discussion of and Consultation with Attorney and Possible Vote to Take Action Pursuant to § 551.071, Texas Government Code, for the Purpose of Seeking the Advice or Attorney-client Privileged Communications from our Attorneys, Including Matters Related to the Potential Financial Exposure of the Finance Commission Agencies and Their Officers and the Finance Commission and its Officers and Including Matters of Pending and Contemplated Litigation	No Discussion.	n/a
12. Discussion of and Consultation on Security Audit, Possible Issue Related to Confidential or Sensitive Information, Security Breach Audit and Assessment, or Security Assessments or Deployment Related to Information Resources Technology as Authorized by §§ 551.076 and 551.089, Texas Government Code	No Discussion.	n/a
13. Discussion of Matters Made Confidential by Law Pursuant to § 551.0811, Texas Government Code, including Information Relating to the Financial Condition or Business Affairs of a Financial Institution	No Discussion.	n/a
B. Texas Department of Banking		
1. Industry Status and Departmental Operations: a) Current Issues Affecting Department's Regulated Entities; b) Bank and Trust Division Activities; c) Corporate Division Activities; d) Non-Depository Supervision Division Activities; e) Administrative, Staffing and Fiscal Division Activities; f) Strategic Support Division Activities including Consumer Complaint Data; g) Legal Division Activities including Enforcement Activity and Gift Reporting; and h) Legislative Activities	No Action Required.	54:31 Start of Discussion
2. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation	No Discussion.	n/a

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
C. Office of Consumer Credit Commissioner		
1. Industry Status and Departmental Operations: a) Consumer Protection and Assistance Division Activities; b) Licensing Division Activities; c) Administration Division Activities; d) Financial Division Activities; e) Legal Division Activities; and f) Legislative Activities	No Action Required.	1:22:07 Start of Discussion
2. Discussion of and Possible Vote to Take Action on the Adoption of Amendments in 7 TAC, Part 5, Chapter 84, Concerning Motor Vehicle Installment Sales, Resulting from Rule Review	Laura Warren made a motion to Approve the Adoption of Amendments of 7 TAC, Part 5, Chapter 84, Concerning Motor Vehicle Installment Sales, Resulting from Rule Review. Sharon McCormick seconded, and the motion passed.	1:36:58 Start of Discussion 1:43:35 Vote
3. Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Chapter 7, Concerning the Texas Financial Education Endowment Fund, Resulting from Rule Review	On Consent Agenda – Item C3 This item Approved on the Consent Agenda.	n/a
4. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of Amendments in 7 TAC, Part 1, Chapter 7, Concerning Texas Financial Education Endowment Fund, Resulting from Rule Review	Kathleen Fields made a motion to Approve the Proposal and Publication for Comment of Amendments of 7 TAC, Part 1, Chapter 7, Concerning Texas Financial Education Endowment Fund, Resulting from Rule Review. Troy Lambden seconded, and the motion passed.	1:43:57 Start of Discussion 1:46:52 Vote
5. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation <i>Ernest Polk v. Texas Office of Consumer Credit Commissioner; Cause No. 01-22-00712-CV, in the First Court of Appeals, Houston, Texas</i>	No Action Required.	n/a
D. Department of Savings and Mortgage Lending		
1. Industry Status and Departmental Operations: a) Thrift Regulation Division Activities; b) Mortgage Regulation Division Activities; c) Operations Division Activities; d) Legal Division Activities, including Consumer Complaints and Gift Reporting; e) Legislative Activities	No Action Required.	1:47:22 Start of Discussion
2. Discussion of and Possible Vote to Take Action on the Adoption of New Rules in 7 TAC, Part 4, Chapter 55, Concerning Residential Mortgage Loan Originators, Resulting from Rule Review	On Consent Agenda – Item D2 This item Approved on the Consent Agenda.	n/a

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
3. Discussion of and Possible Vote to Take Action on the Adoption of New Rules in 7 TAC, Part 4, Chapter 56, Concerning Residential Mortgage Loan Companies, Resulting from Rule Review	Bob Borochoff made a motion to Approve the Adoption of New Rules in 7 TAC, Part 4, Chapter 56, Concerning Residential Mortgage Loan Companies, Resulting from Rule Review. Sharon McCormick seconded, and the motion passed.	1:59:48 Start of Discussion 2:09:47 Vote
4. Discussion of and Possible Vote to Take Action on the Adoption of New Rules in 7 TAC, Part 4, Chapter 57, Concerning Mortgage Bankers, Resulting from Rule Review	Marty Green made a motion to Approve the Adoption of New Rules in 7 TAC, Part 4, Chapter 57, Concerning Mortgage Bankers, Resulting from Rule Review. Troy Lambden seconded, and the motion passed.	2:10:14 Start of Discussion 2:10:56 Vote
5. Discussion of and Possible Vote to Take Action on the Adoption of New Rules in 7 TAC, Part 4, Chapter 58, Concerning Residential Mortgage Loan Servicers, Resulting from Rule Review	Kathleen Fields made a motion to Approve the Adoption of New Rules in 7 TAC, Part 4, Chapter 58, Concerning Residential Mortgage Loan Servicers, Resulting from Rule Review. Troy Lambden seconded, and the motion passed.	2:11:21 Start of Discussion 2:12:02 Vote
6. Discussion of and Possible Vote to Take Action on the Adoption of New Rules in 7 TAC, Part 4, Chapter 59, Concerning Wrap Mortgage Loans, Resulting from Rule Review	On Consent Agenda – Item D6 This item Approved on the Consent Agenda.	n/a
7. Discussion of and Possible Vote to Take Action on the Adoption of Repeals in 7 TAC, Part 4, Chapter 78, Concerning Wrap Mortgage Loans, Resulting from Rule Review	On Consent Agenda – Item D7 This item Approved on the Consent Agenda.	n/a
8. Discussion of and Possible Vote to Take Action on the Adoption of Repeals in 7 TAC, Part 4, Chapter 79, Concerning Residential Mortgage Loan Servicers, Resulting from Rule Review	On Consent Agenda – Item D8 This item Approved on the Consent Agenda.	n/a
9. Discussion of and Possible Vote to Take Action on the Adoption of Repeals in 7 TAC, Part 4, Chapter 80, Concerning Residential Mortgage Loan Companies, Resulting from Rule Review	On Consent Agenda – Item D9 This item Approved on the Consent Agenda.	n/a

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
10. Discussion of and Possible Vote to Take Action on the Adoption of Repeals in 7 TAC, Part 4, Chapter 81, Concerning Mortgage Bankers and Residential Mortgage Loan Originators, Resulting from Rule Review	On Consent Agenda – Item D10 This item Approved on the Consent Agenda.	n/a
11. Discussion of and Possible Vote to Take Action on the Anticipated and Pending Litigation <i>Tim Schoenbauer v. Texas Department of Savings and Mortgage Lending; Cause No. JPC-23-02334-32, in the Justice Court, Precinct 3, Place 2, Dallas County, Texas</i>	No Action Required.	n/a

There being no further business, Chairman Phillip Holt adjourned the meeting of the Finance Commission at 11:13 a.m. (2:13:17 on the audio file).

Phillip Holt, Chairman
Finance Commission of Texas

Charles G. Cooper, Executive Director
Finance Commission of Texas

Ruth Wright, Executive Assistant
Finance Commission of Texas

Finance Commission of Texas

Consent Agenda

December 13, 2024

A. Finance Commission Matters

1. Review and Approval of the Minutes of the October 25, 2024 Finance Commission Meeting

C. Texas Department of Banking

2. Discussion of and Possible Vote to Take Action on the Reappointment of J. Kyle Williams as the Industry Representative to the Guaranty Fund Advisory Council for the Period January 1, 2025, to December 31, 2026

D. Office of Consumer Credit Commissioner

2. Discussion of and Possible Vote to Take Action on the Adoption of Amendments to 7 TAC, Part 1, Chapter 7, Concerning Texas Financial Education Endowment Fund, Resulting from Rule Review

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B.

**Department of Savings and
Mortgage Lending**

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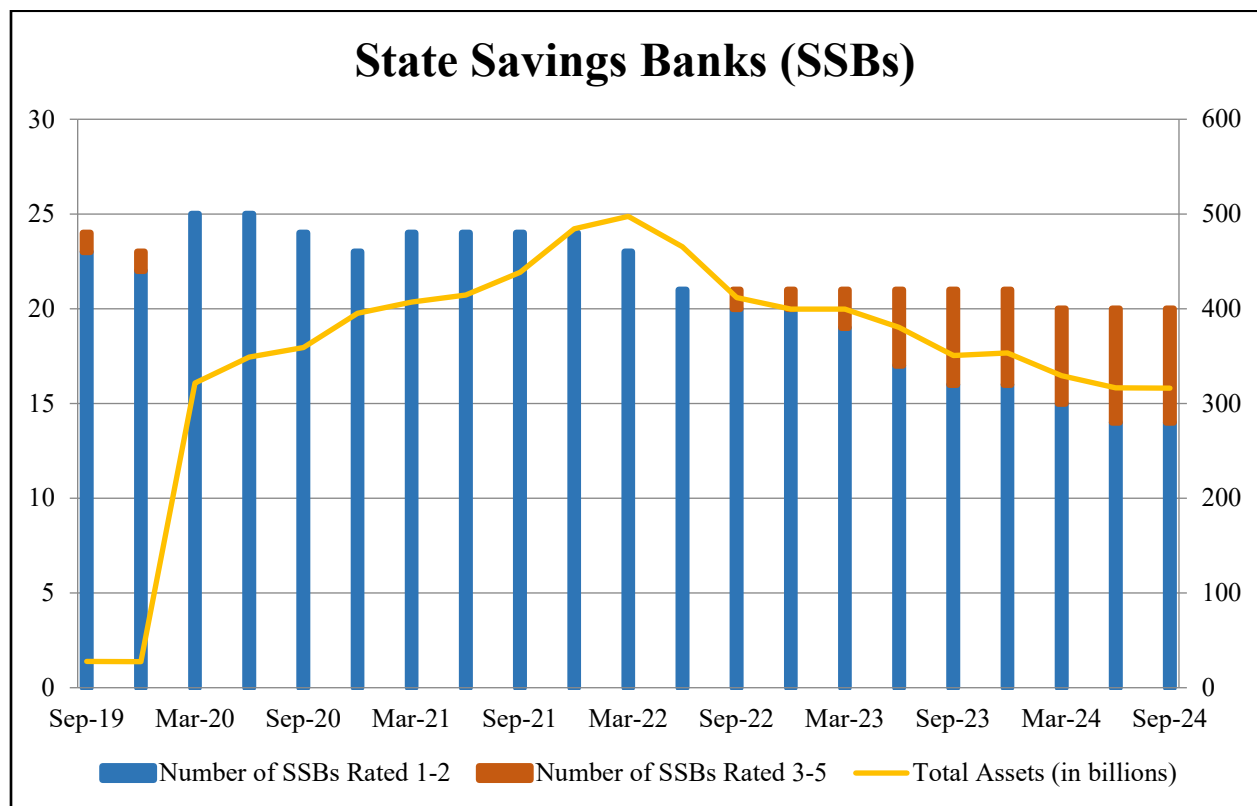
D. Department of Savings and Mortgage Lending

a) Thrift Regulation Division Activities

Industry Status

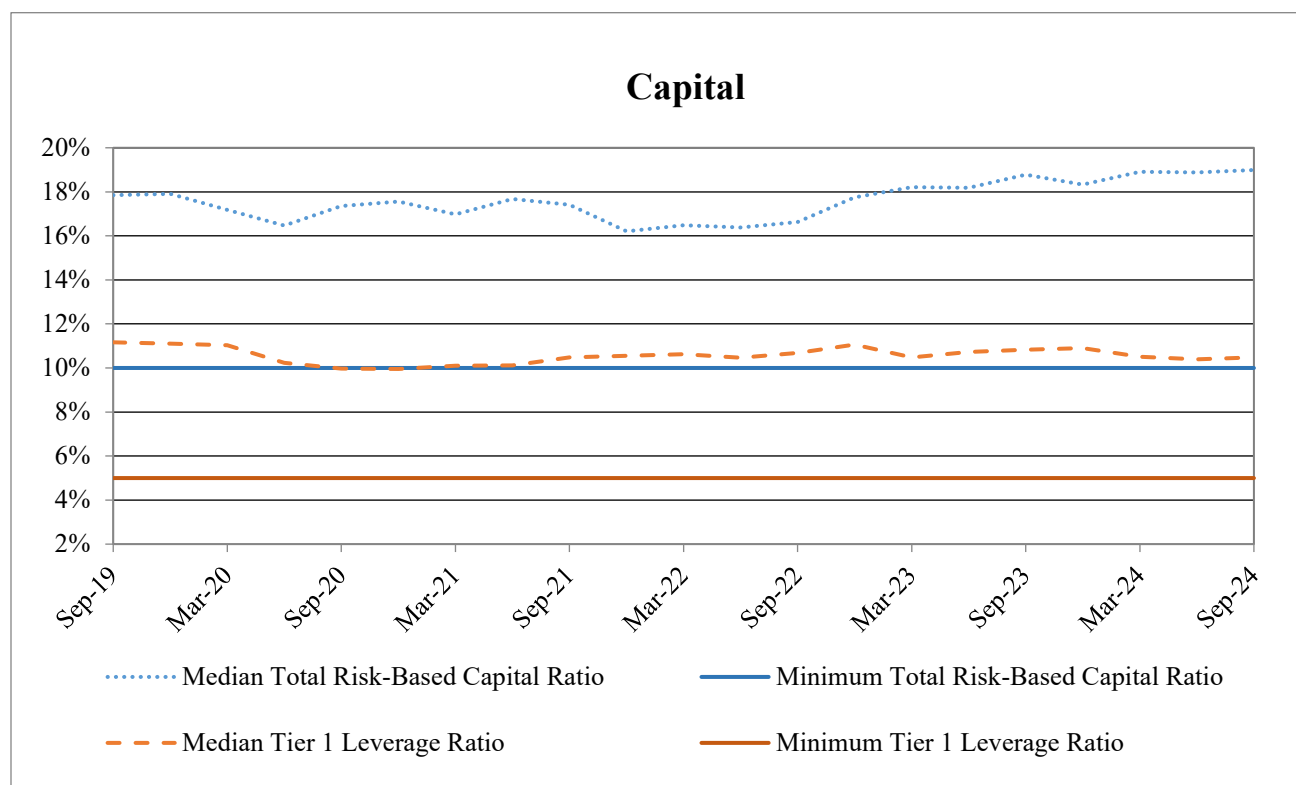
The Department continues to monitor various local, state, and national data sources to understand the risks facing the industry and individual savings banks.

The Department conducts bank examinations to ensure confidence in the banking system using the Uniform Financial Institutions Rating System (UFIRS). Banks with a UFIRS rating of 1 or 2 are considered well-rated. The industry is comprised of 20 state savings banks with assets totaling \$316.6 billion as of September 30, 2024. Integrity Bank, SSB, a de novo institution, was opened on October 11, 2024. The industry consists of 70% of banks being well-rated as of October 31, 2024, with three informal and one formal supervisory action in place.

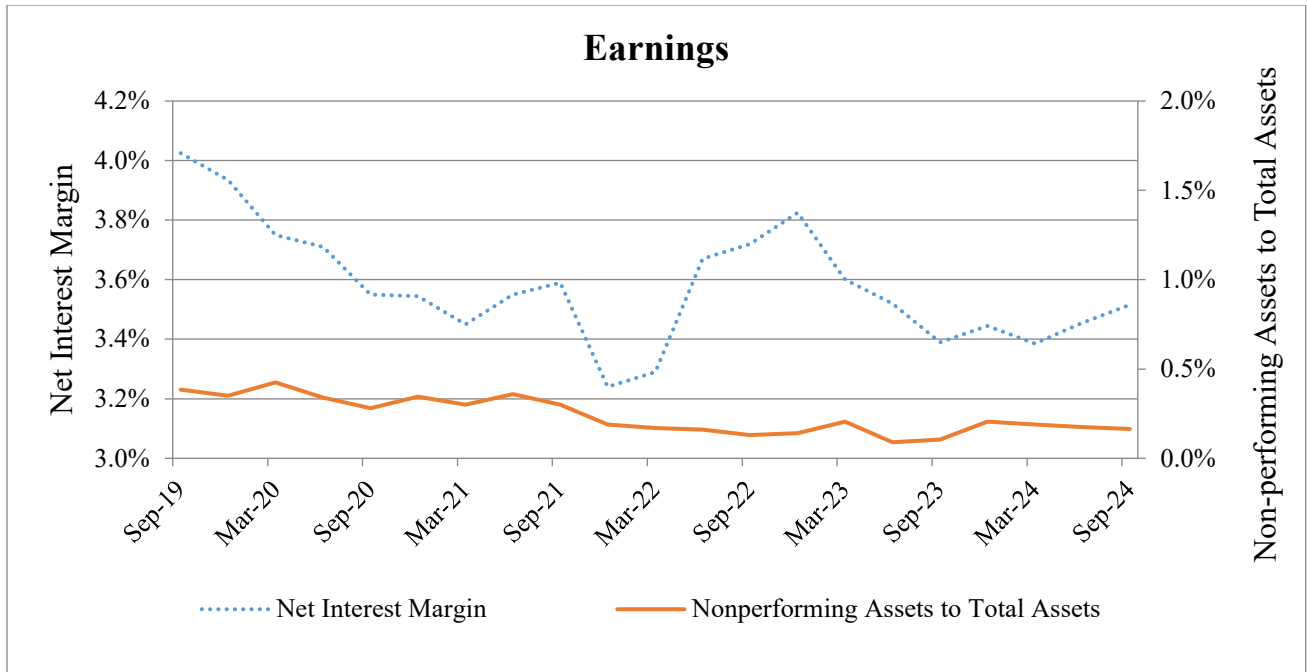


All SSBs are subject to quarterly offsite reviews. Those with the highest risk profiles receive enhanced scrutiny, as warranted, with targeted visitations, accelerated examinations, and/or corrective actions. Below are specific areas that the Department monitors in relation to changes in the state and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

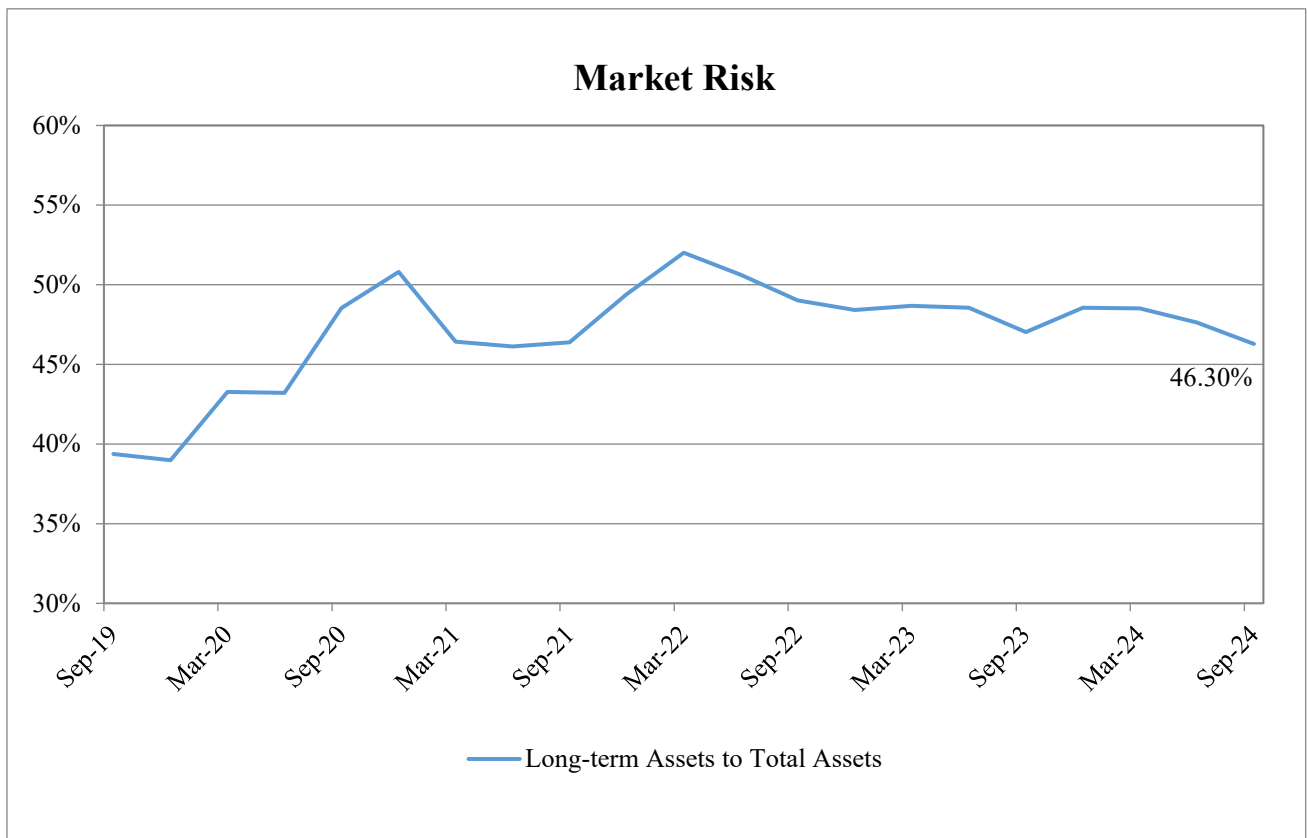
Bank capital performs several very important functions, including absorbs losses, promotes public confidence helps restrict excessive asset growth and provides protection to the depositors. Regulatory capital standards are designed to strengthen the quality and quantity of bank capital and promote a stronger financial industry that is more resilient to economic stress. As of September 30, 2024, all SSBs remain well above regulatory capital minimums. The portfolio median total risk-based capital ratio and median leverage capital protection have remained generally consistent and are now 18.99% and 10.48%, respectively.



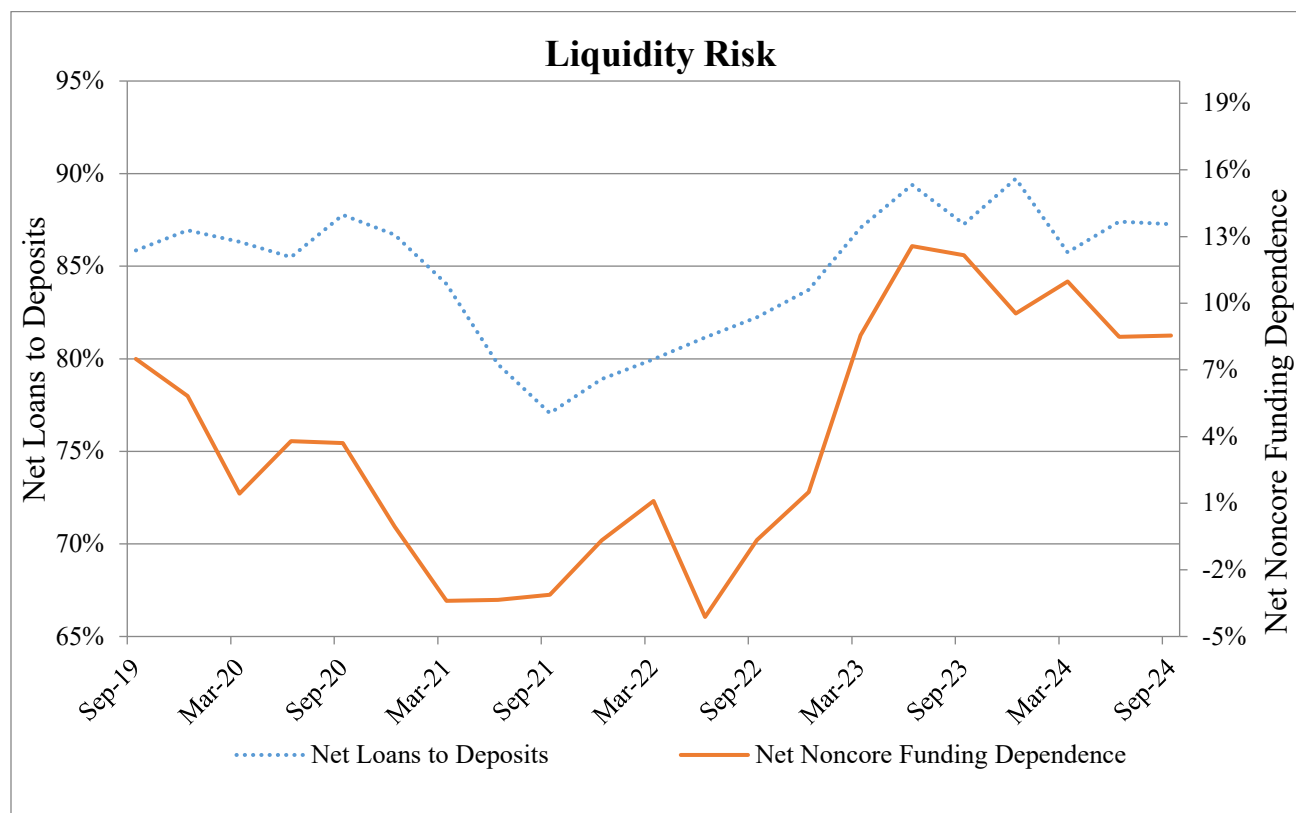
Earnings is the initial safeguard against the risk of engaging in the banking business, and is the first line of defense against capital depletion resulting from shrinkage in asset value. Earnings performance should allow the bank to remain competitive by providing the resources required to implement management's strategic initiatives. The net interest or profit margin is 3.52%. Non-performing asset levels remain low at 0.17% of total assets.



Market risk primarily reflects exposures to changing interest rates over time. Long-term asset exposure can be an indicator of the degree of market risk taken by a state savings bank. As of September 30, 2024, long-term assets to total assets ratio decreased to 46.30%.



Liquidity risk reflects the bank's ability to fund assets and meet financial obligations under various scenarios including adverse conditions. Liquidity risk is increasing. The Net Noncore Funding Dependence (NNCFD) Ratio, a measure of the funding of long-term assets using short-term funding strategies, is 8.55%. The loan-to-deposit ratio, a measure of the use of deposits to fund lending activities, is 87.26%.



Thrift Examination Activity Report

On-site examinations are being conducted based on a risk priority schedule.

Thrift Supervision Activity Report

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

Outreach

On October 30, 2024, Deputy Commissioner/Director of Thrift Regulation Stephany Trotti spoke at the IBAT Women in Banking Conference.

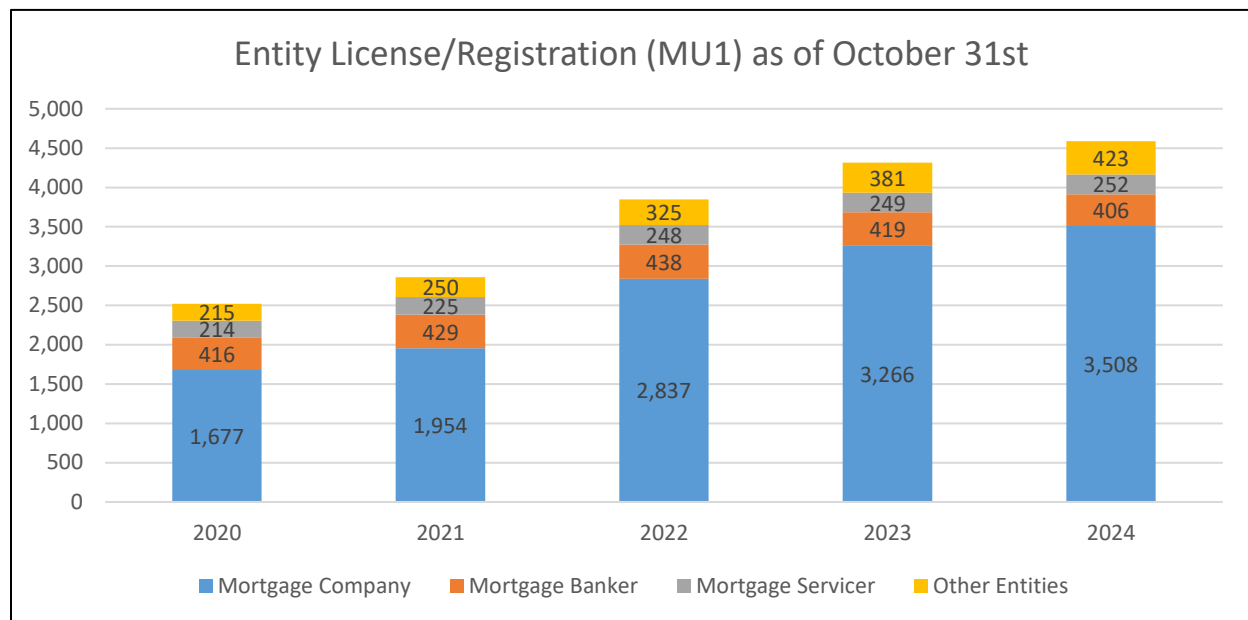
b) Mortgage Regulation Division Activities

Industry Status

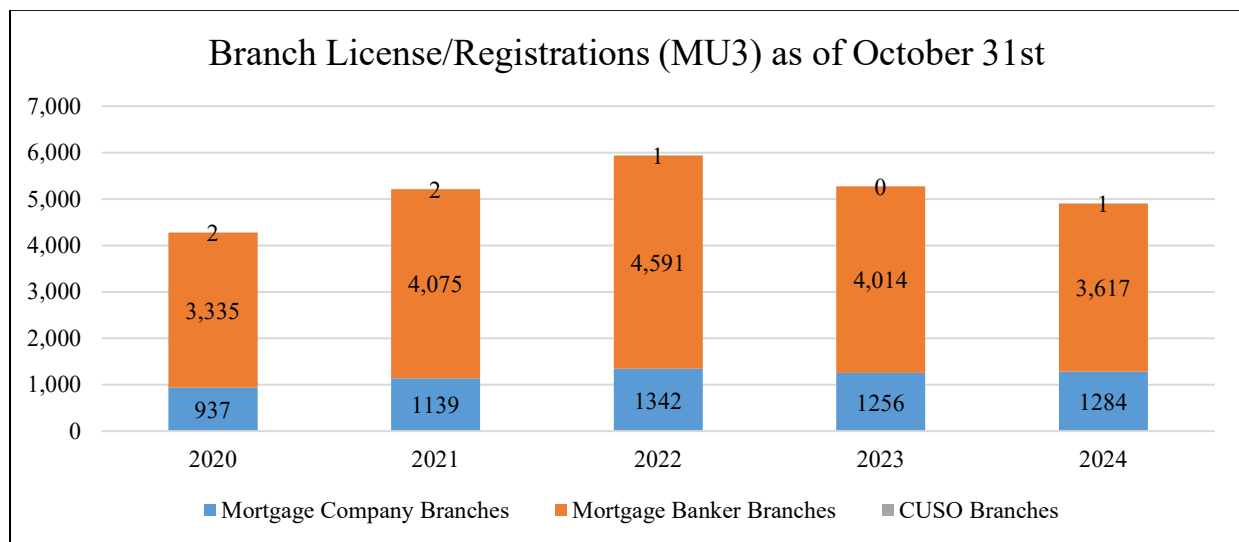
The Department continues to monitor various local, state, and national sources to identify issues impacting the mortgage industry, including interest rate changes, housing supply and demand,

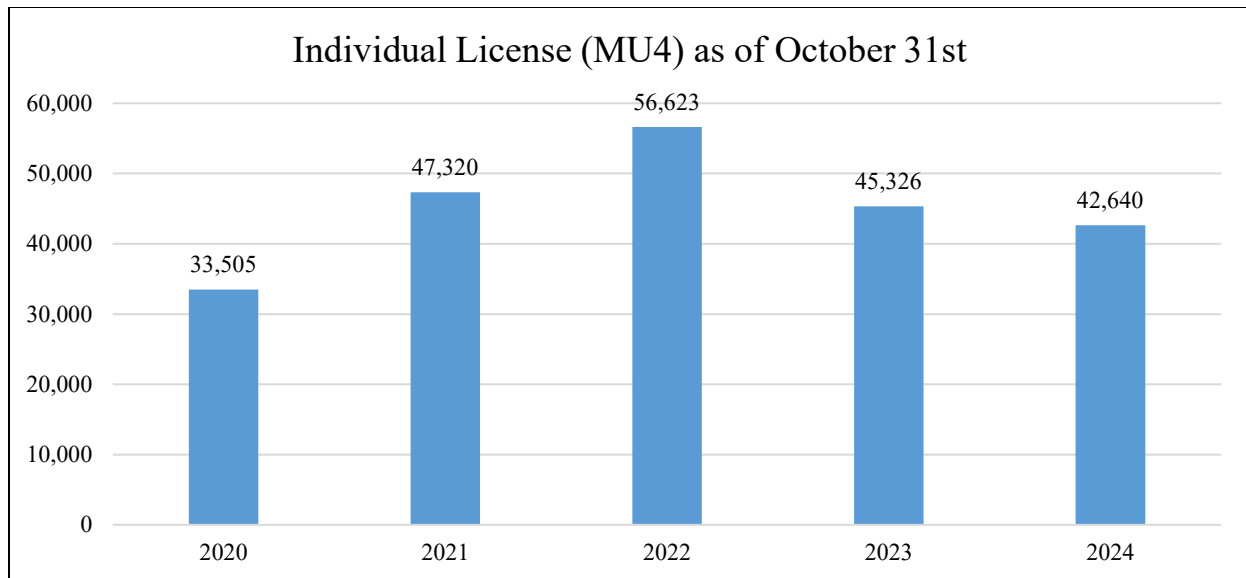
availability and affordability of homeowner's and flood insurance, mortgage-backed securities (MBSs) market, and trends in homeownership.

The charts below reflect historical information regarding the number of licenses and registrations in an approved status as of October 31st for the respective years shown.



Other entities include an Auxiliary Mortgage Loan Activity Company, a Credit Union Subsidiary Organization (CUSO), a Financial Services Company, and an Independent Contractor Processor/Underwriter Company.





While the number of licensed mortgage companies continues to rise, the growth rate has begun to moderate. Nonetheless, after the renewal and reinstatement period, the Department expects a reduction in the number of licensed mortgage companies.

Licensing Activity Report

From September 1, 2024, to October 31, 2024, the Mortgage Licensing section processed 1,578 applications and approved 1,323 applications, including 77 mortgage entities, 224 branch offices, and 1,022 residential mortgage loan originators. The remaining 255 applications were either withdrawn by the applicant or denied by the Department.

According to NMLS Data Analytics, the Mortgage Licensing section processed 13,275 license amendments, 1,041 credit report reviews, 2,404 sponsorship removals, and 2,986 sponsorship requests from September 1, 2024, to October 31, 2024.

Mortgage Examination Activity Report

From September 1, 2024, to October 31, 2024, the Mortgage Examination section issued 50 mortgage origination examinations covering 628 individual licensees. Compared to the same reporting period in FY2023, the overall number of examinations issued (50 versus 57) decreased by 12.28%; however, the number of individual licensees examined (628 versus 622) increased by approximately 1%. In addition to the mortgage origination examinations, the Mortgage Examination section accepted two multi-state mortgage committee (MMC) servicing examinations.

The Department expects the number of issued examinations to be below target for the first quarter because of in-person examiner training and the holidays.

The examinations revealed violations related to unlicensed independent loan processors, unlicensed residential mortgage loan originators, inadequate recordkeeping, failure to maintain adequate policies and procedures (e.g. Anti-Money Laundering Programs, Identity Theft Prevention Programs, Information Security Programs, and Remote Work Policies), non-compliant

social media advertisements, and non-compliant Conditional Pre-Qualification and Conditional Approval Letters.

Outreach and Training

License and Permit Specialists Maricruz Royder and La'Shondra Houston received their Certified Application Specialist Level II designations from the Conference of State Bank Supervisors (CSBS) for company and branch licensing.

On September 17-19, 2024, Senior Review Examiner Justin Accola attended an in-person National Test Maintenance Committee meeting held in Washington, D.C. The National Test Maintenance Committee is responsible for maintaining the National Test with Uniform State Content that is administrated to applicants for a residential mortgage originator loan license.

On October 7-9, 2024, Director of Mortgage Regulation William Purce attended an in-person NMLS Policy Committee meeting, held in Washington, D.C. The NMLS Policy Committee addresses the following types of issues:

- regulatory policies governing the NMLS Program;
- system policies governing the use of the NMLS;
- suppression requests concerning NMLS Consumer Access;
- Business to Business Subscriptions; and
- Regulator and Public Comment Periods related to NMLS and the State Examination System (SES).

On November 4, 2024, the Department held its 12th Annual Mortgage Industry Day, during which the staff presented topics of interest to the industry. Below is the agenda for the event.

12th Annual Mortgage Industry Seminar

Monday, November 4, 2024
Hilton Dallas – Lincoln Centre
5410 LBJ Freeway, Dallas, Texas 75240
1:30 pm – 3:30 pm

1:30 pm – 1:35 pm	<u>Welcome and Opening Comments</u> Hector Retta, <i>Commissioner</i>
1:35 pm – 2:00 pm	<u>Common Examination Findings</u> Ellena Meier, <i>Chief Mortgage Examiner</i>
2:00 pm – 2:25 pm	<u>Licensing Update and Issues</u> Chris Osuna, <i>Manager of Licensing</i>
2:25 pm – 3:15 pm	<u>New Rules Update</u> William Purce, <i>Director of Mortgage Regulation</i>
3:15 pm – 3:25 pm	<u>Open Forum Discussion</u>
3:25 pm – 3:30 pm	<u>Closing Comments</u> Hector Retta, <i>Commissioner</i>

On November 4-6, 2024, the Mortgage Examination section held its annual Mortgage Examiner training school to (1) discuss the new mortgage regulations, (2) discuss changes to the examination procedures for the State Examination System (SES), (3) discuss ways to review mortgage loan files for fraudulent income documentation, and (4) hold a team-building exercise.

c) Operations Division Activities

Risk Management

The Department's staff prepared and submitted the annual report on the Department's FY2022 expenditures for risk management activities to the State Office of Risk Management (SORM). The report, also known as SORM 200, is used by SORM to capture costs associated with agency risk management programs and compile the administrative costs of risk management, in accordance with Section 412.053 of the Texas Labor Code.

Accounting, Budget, and Financial Reporting

Staff is working on closing the first quarter of fiscal 2025.

As a self-directed semi-independent agency, the Department of Savings and Mortgage Lending submitted annual financial information required under Finance Code, Section 16.005(c), for fiscal year 2022, and biennial agency activities information required under Finance Code, Section 16.005(b), for fiscal years 2021 and 2022, to oversight agencies and members of the legislature.

Legislative Activity – Staff has begun to review and analyze pre-filed bills for fiscal impact on the agency and the regulated industries.

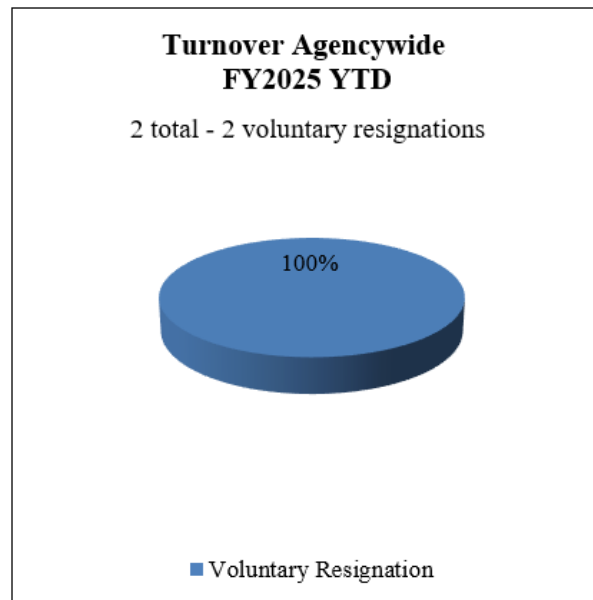
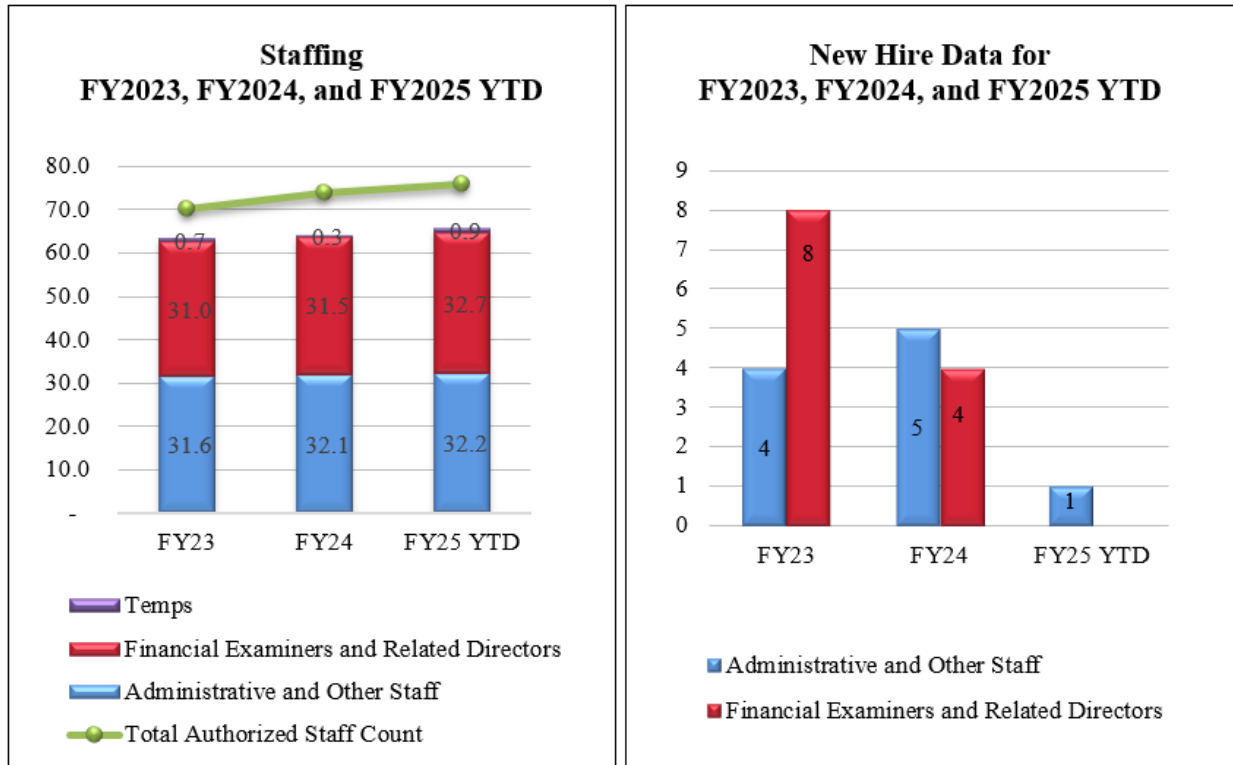
Audit

The Department is undergoing a Post-Payment and Procurement Audit, conducted by the Comptroller of Public Accounts.

The annual risk assessment conducted by Garza/Gonzales and Associates has been completed and the report is elsewhere in the packet.

Human Resources

Staffing Charts as of October 31, 2024



As of November 30, 2024, the Department was staffed at 63 regular full-time employees and one temporary worker. Since last reported, there were no new hires or separations.

Below is the status of the Department's vacancies:

Vacancy Status	
Financial Examiner I – Thrift Examinations - 2	Collecting and reviewing applications Interviewing applicants
Financial Examiner I-II -Thrift Examinations (Information Technology)	
Financial Examiner VI/VII– Thrift Examinations - 3	
Financial Examiner V – Thrift Examinations (Loan Review) - 2	
Program Specialist II – Executive	
Investigator II-IV – Mortgage Licensing	
Administrative Assistant III/V	
Accountant VI/VII	
Executive Assistant II/III – Executive	

Activities and Projects

The Department is undergoing a Texas Workforce Commission Review of policies, procedures, and practices. Human Resources staff has assembled and submitted the requested materials to the reviewer.

CAPPS Recruit implementation is progressing with a planned go-live in mid-January. The Fit/Gap Analysis was completed, and user testing will be conducted in December.

Outreach and Training

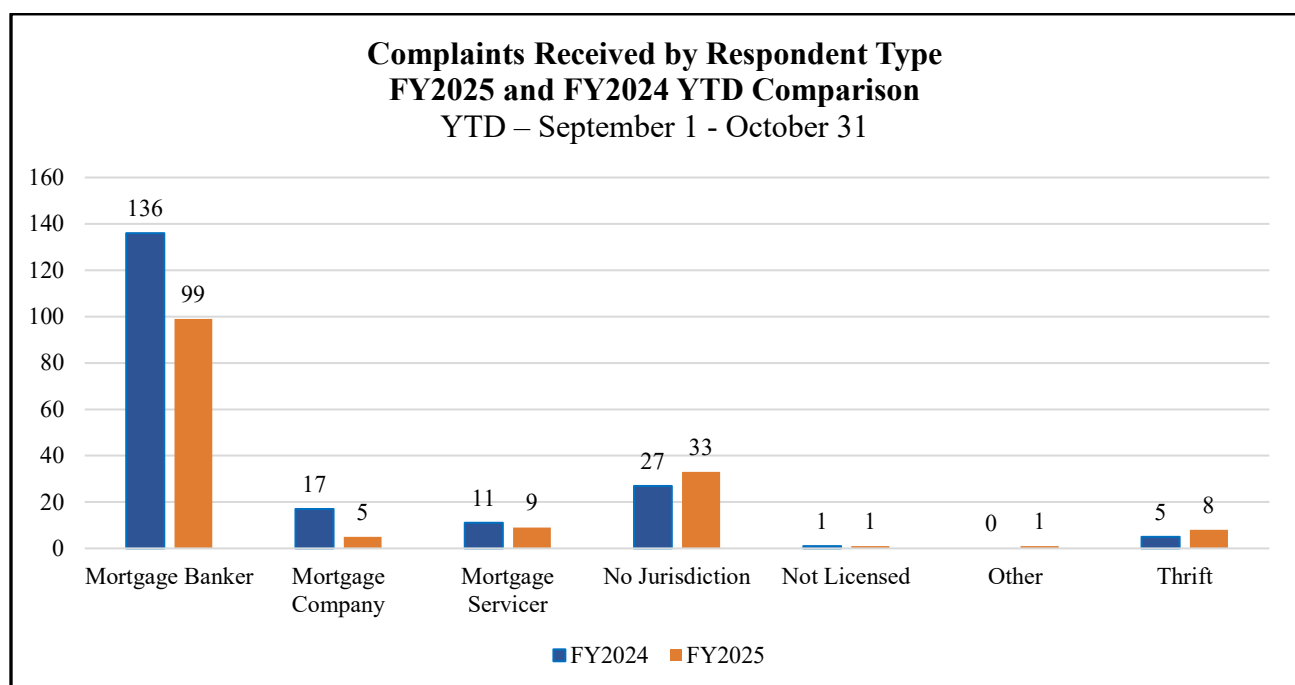
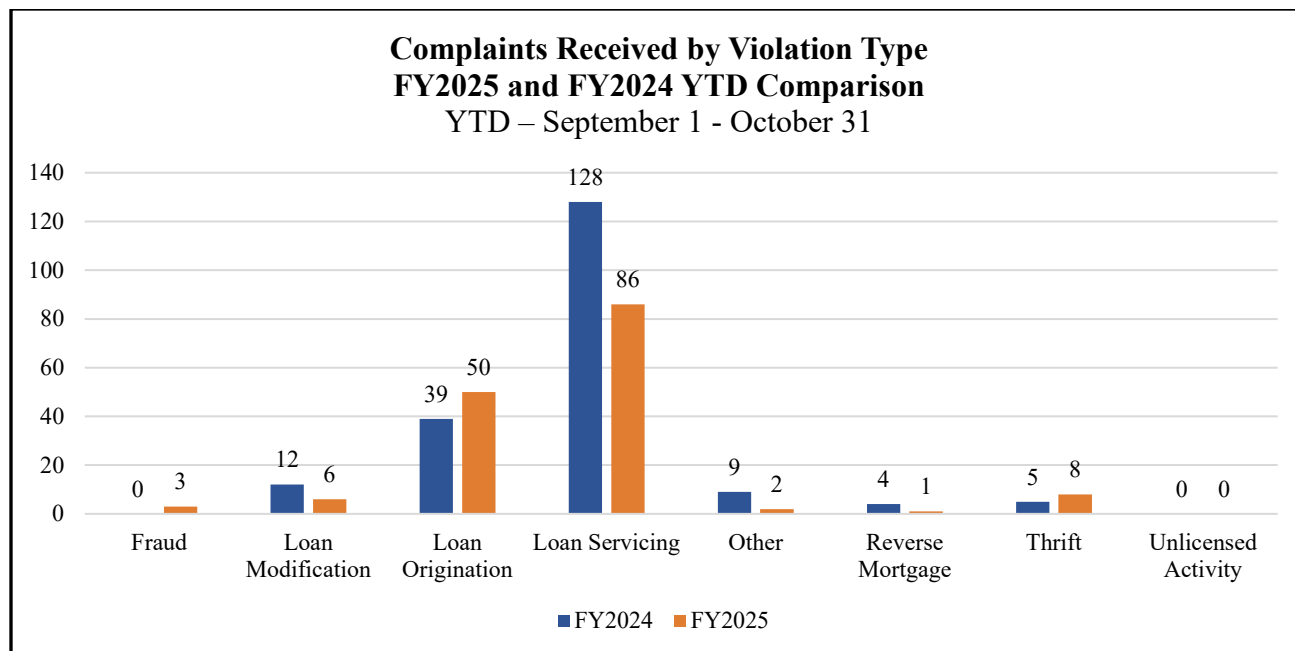
The quarterly agencywide meeting and training was held on November 21, 2024. Employees received information on the upcoming legislative session; internal projects, policies and procedures; benefits, calendar year-end processes, and information technology topics.

The next quarterly agencywide meeting and training is scheduled for February 13, 2025.

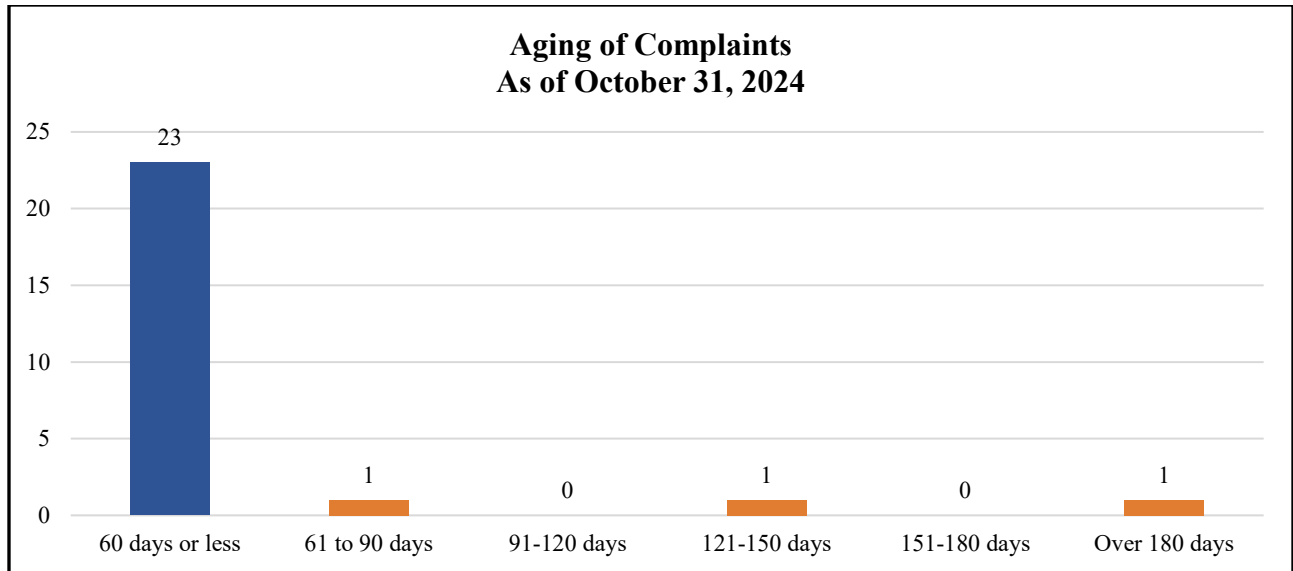
d) Legal Division Activities, including Consumer Complaints and Gift Reporting

Consumer Complaints Activity Report

Complaints Received – In September and October 2024 (FY2025), SML received 156 complaints, compared to 197 received in FY2024 - a 20.81% decrease.



Aging of Open Complaints – As of October 31, 2024, there were 26 open complaint files. Complaint aging is acceptable with 92% of complaints aged 120 days or less.



Closed Complaints

In September and October 2024, 192 complaints were closed. Data for the first quarter of FY2025 will be provided at the February 2025 meeting of the Finance Commission.

Legal and Enforcement Activity Report

In September and October 2024, 11 mortgage enforcement actions were taken. Data for the first quarter of FY2025 will be provided at the February 2025 meeting of the Finance Commission.

Recovery Claims

In September and October 2024, SML received one recovery claim application. Data for the first quarter of FY2025 will be provided at the February 2025 meeting of the Finance Commission.

Status of Pending Recovery Claim Applications as of October 31, 2024	
Pending Investigation	1
Pending Preliminary Determination Letter	9
Preliminary Determination Letter Issued, Pending Opportunity to Appeal	0
On Appeal	0
Open to Facilitate Resolution by the Parties	0
Total	10

Contested Cases at the State Office of Administrative Hearings (SOAH)

SML does not have any cases pending at SOAH.

Public Information Requests

During September and October 2024, SML received 22 public information requests. Data for the first quarter of FY2025 will be provided at the February 2025 meeting of the Finance Commission.

SML Future Rule Activity		
Rule	Rulemaking Action	Projected Date for Presentation
Chapter 51, Department Administration	Rule Review	April 2025

Gift Reporting

During September 17-19, 2024, Senior Mortgage Examiner Justin Accola attended the Conference of State Bank Supervisors (CSBS) 2024 National Test Maintenance Committee Meeting. Travel expenses totaling \$1,027.80 were paid or reimbursed by CSBS.

During October 7-9, 2024, Director of Mortgage Regulation William Purce attended the CSBS 2024 NMLS Policy Committee Meeting. Travel expenses totaling \$1,562.28 were paid or reimbursed by CSBS.

e) Legislative Activities

The 89th Legislature will convene on January 14, 2025. On November 11, 2024, legislators began filing bills. As of November 20, 2024, 1,709 bills and joint resolutions were filed, compared to 1,051 filed during the same period last session – a 62.6% increase.

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

Anticipated Litigation

None

Pending Litigation

None

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C.

Texas Department of Banking

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Charles G. Cooper
Commissioner


TEXAS DEPARTMENT OF BANKING

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To: Finance Commission Members

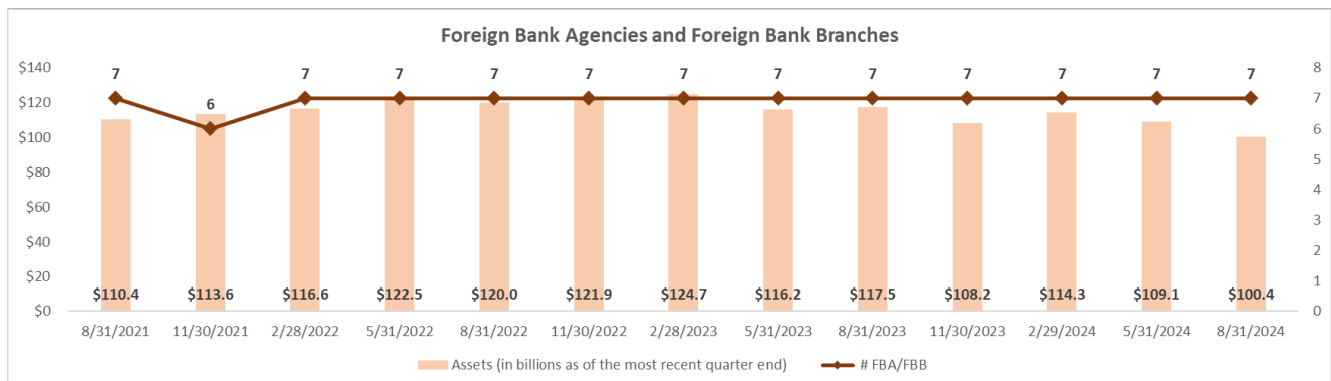
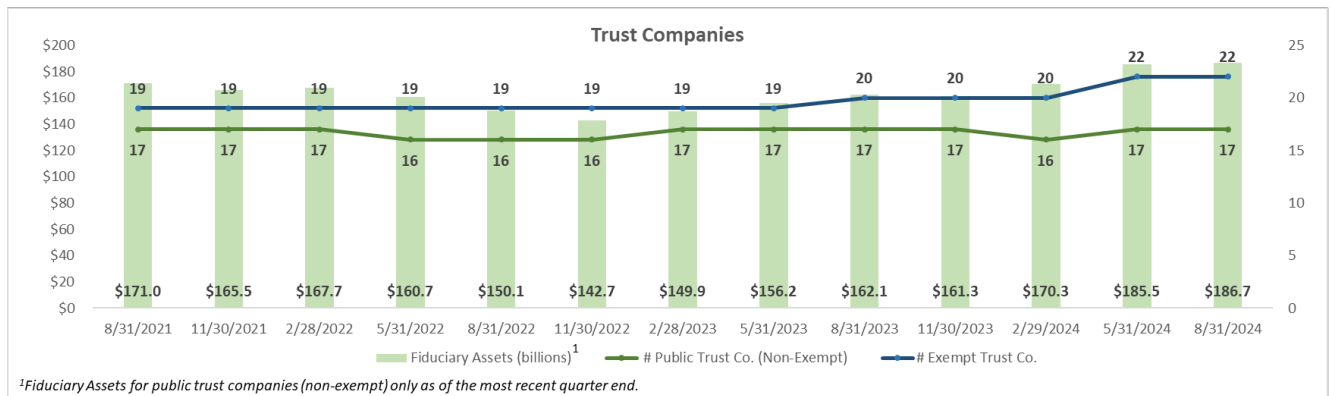
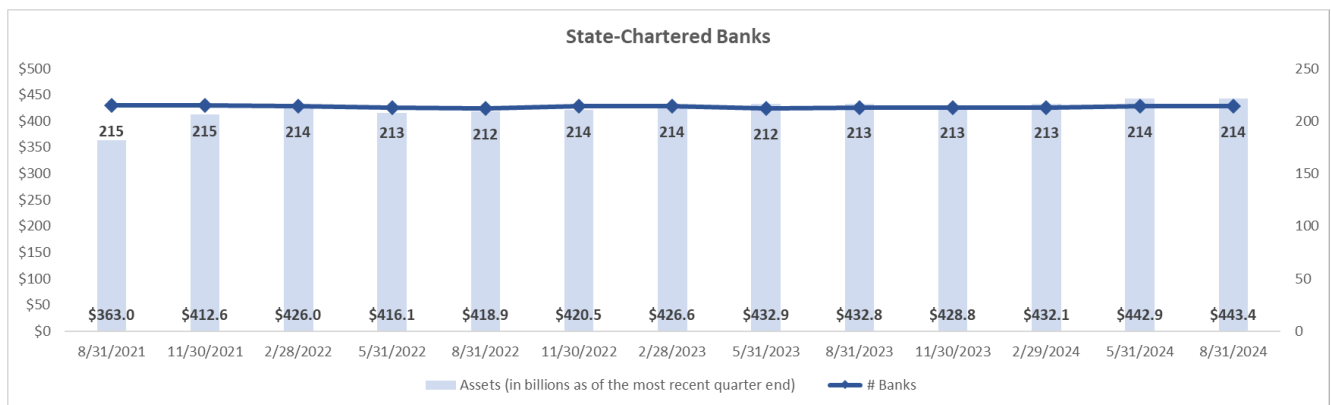
From: Jared Whitson, Director of Bank & Trust Supervision 

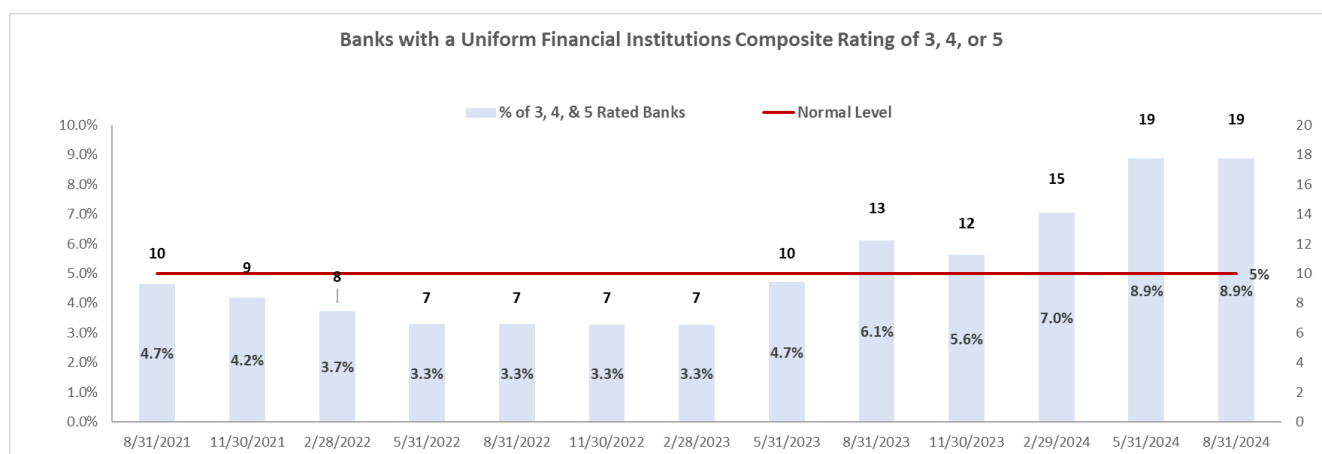
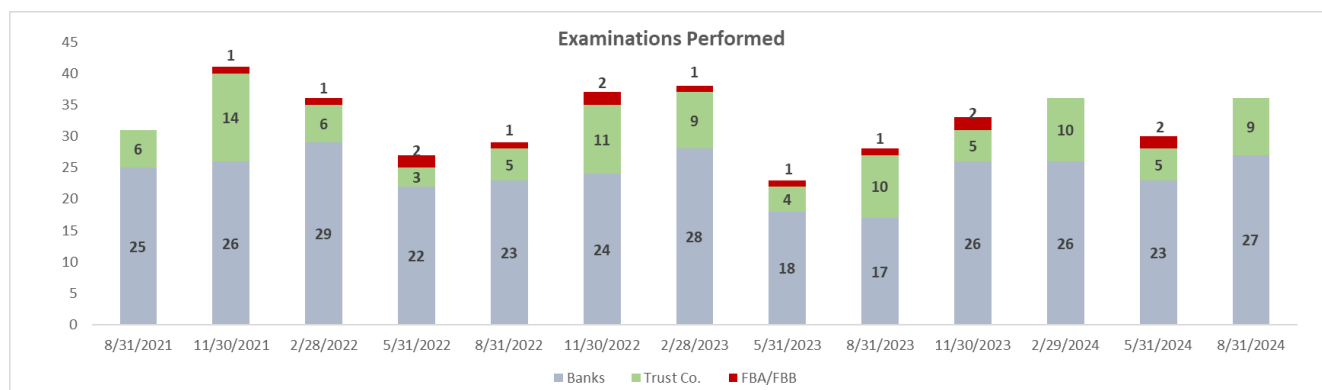
Date: November 27, 2024

Subject: Summary of the Bank & Trust Supervision Division Activities

Bank and Trust Supervision – Industry Profiles

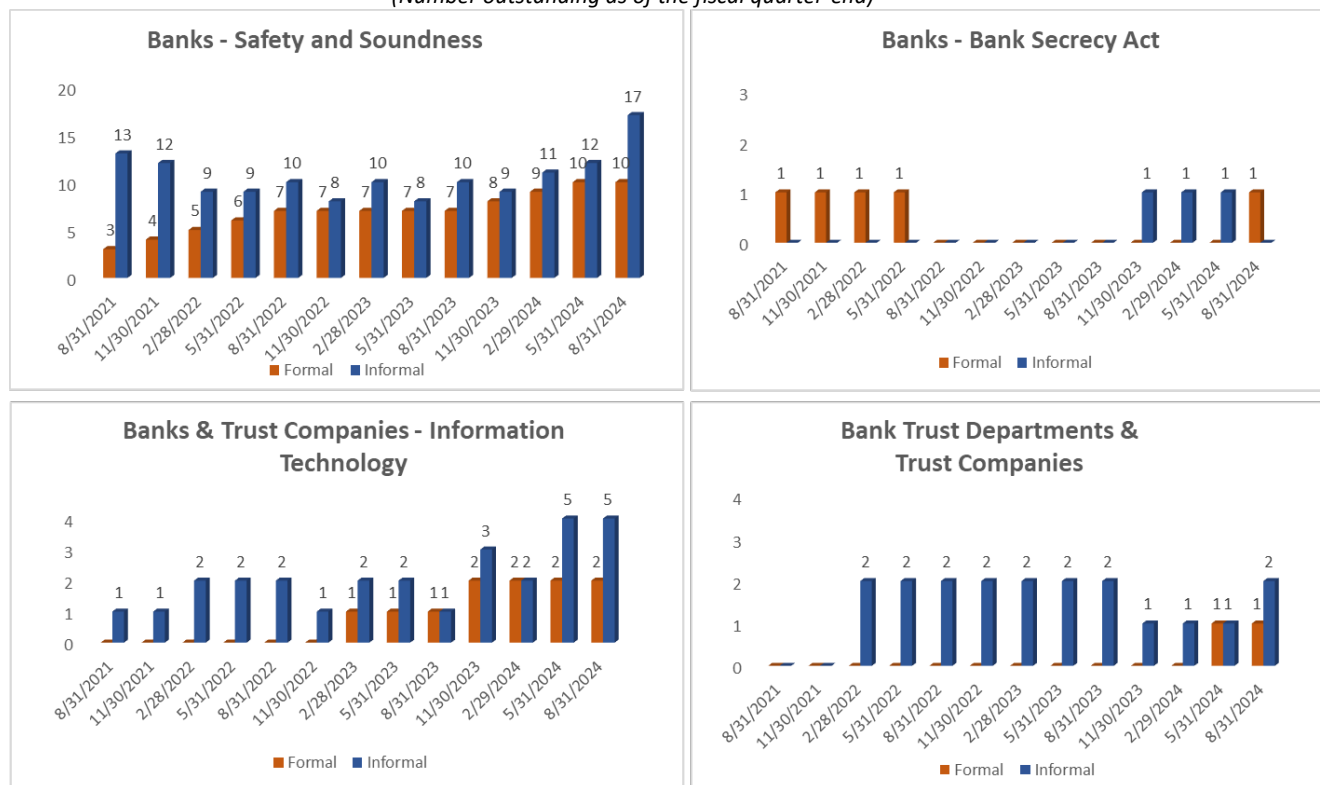
As of fiscal quarter-end (assets as of the preceding calendar quarter)





The Department considers any bank with a Uniform Financial Institutions Composite Rating of 3, 4, or 5, to be a problem bank. As illustrated above, the number of problem banks increased to 19 in May 2024 and above the normal range of 5% of the total number of institutions. As shown, the number of problem banks has been on an upward trend over the past year. The rapid increase in interest rates since March 2022 coupled with poor corporate governance and/or inadequate risk management practices have negatively impacted some institutions. In addition, liquidity pressures within the industry and increased competition for deposits is compressing net interest margins (NIM).

Enforcement Actions Outstanding by Type (Number outstanding as of the fiscal quarter-end)



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

Compliance with Examination Priorities

Percent of examinations conducted within Department guidelines.

Entity Type	FY 2024	FY 2025 (YTD – October 2024)
Commercial Banks	83%	87%
IT	87%	74%
Trust Departments	97%	100%
Foreign Banks (FRB)	100%	100%
Trust Companies (DOB)	97%	100%
IT	75%	50%

Examination categories with less than 95% of examinations conducted within guidelines for FY 2025 include:

- Bank Examinations – 3 exams past due by an average of 22 days.
- IT Examinations of Banks – 6 exams past due by an average of 20 days.
- IT Examinations of Trust Companies – 1 exam past due by an average of 24 days.

Compliance with commercial bank and IT examination priorities for FY 2025 will be challenging due to an increase in problem bank and IT examinations being performed, conversion examinations, insufficient staffing, and less experienced examiners.

Division Highlights

- **Interest Rate and Liquidity Risks:** The Department continues monitoring interest rates and its effects on banks' financial condition. The reduction in interest rates in September 2024 should promote loan growth and ease net interest margin pressures over time. In addition, banks with a sizeable portion of their assets in long-term, fixed rate securities should experience improvement in depreciation levels and reduce pressure on capital formation.
- **Special Operations and Conferences:**
 - Commissioner Charles G. Cooper, Regional Director (RD) Kenneth Kuntschik, and Regional Review Examiner (RRE) Allen Millsap represented the Department at the Independent Bankers Association of Texas (IBAT) Annual Convention held in San Antonio, Texas, on October 5, 2024. Commissioner Cooper participated on a regulatory panel.
 - Commissioner Cooper represented the Department on a regulatory panel at the National Certified Community Bank Director's (NCCBD) Program, Southwest Graduate School of Banking (SWGSB) at Southern Methodist University, Cox School of Business in Dallas, Texas, on October 23, 2024.
 - Director of Information Technology Security Examinations Ruth Norris attended (virtually) the CoNetrix Cyber Security Trends Webinar, on October 30, 2024.
 - Financial Examiner Emmanuel Salinas represented the Department (virtually) as a regulatory panelist at the Texas Society of Certified Public Accountants Financial Institution Conference, on November 12, 2024. The discussion centered around regulatory updates and emerging accounting topics.
 - Commissioner Cooper represented the Department (virtually) as a regulatory panelist at the Bank Operations Institute, on November 13, 2024.
 - RD David Reed and RRE Kenneth Reed attended the Economic Forecast Conference in Odessa, Texas, on November 20, 2024.



Charles G. Cooper
Commissioner

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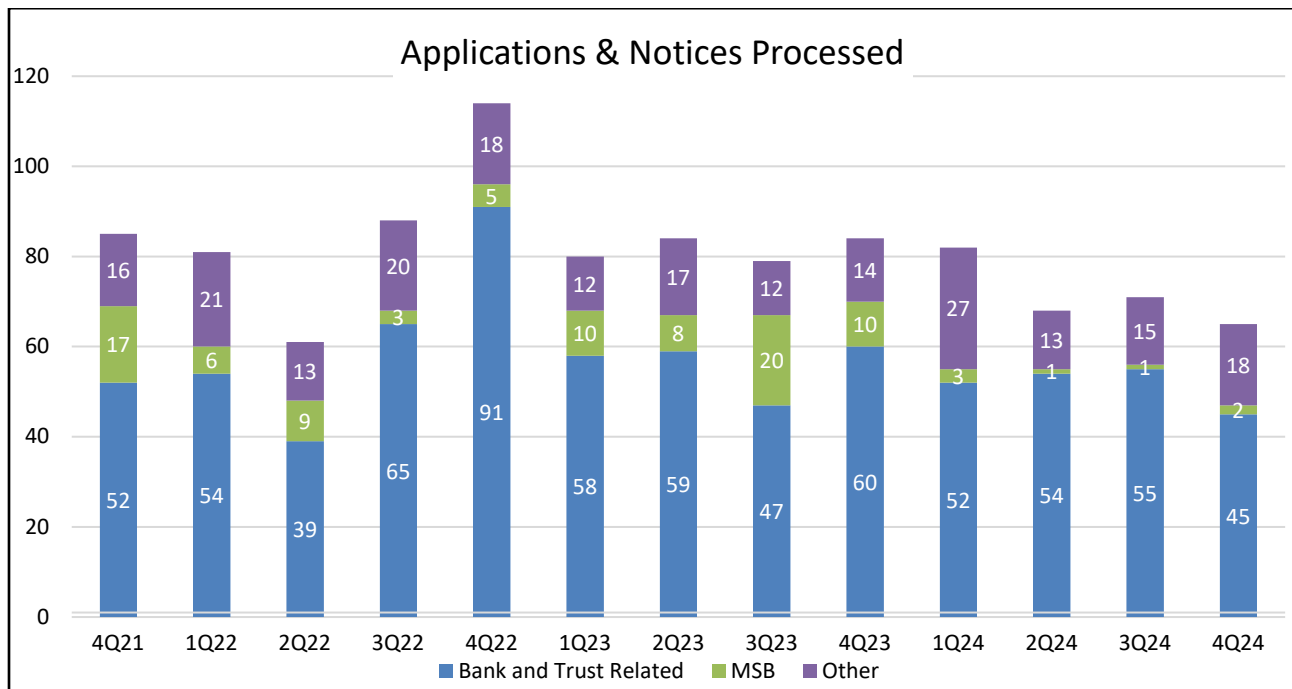
www.dob.texas.gov

To: Finance Commission Members

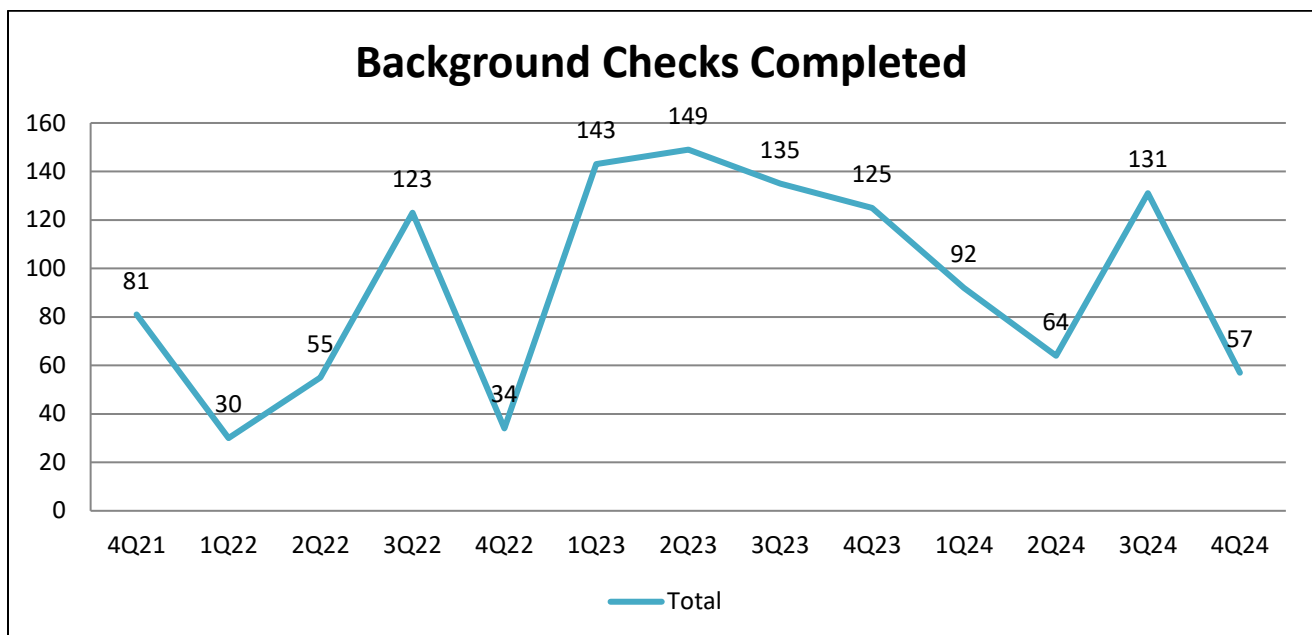
From: Dan Frasier, Director of Corporate Activities and Financial Innovation DBF

Date: December 2, 2024

Subject: Summary of Corporate Division Activities



Information on a Fiscal Quarter Basis.



Information on a Fiscal Quarter Basis.

Applications and Notices Under Review							
Entities	August 31, 2024	Received	*Returned	Processed	October 31, 2024	# Change	% Change
Bank	21	32	-	28	25	4	19%
MSB	38	8	4	7	35	-3	-8%
Other	1	15	-	15	1	0	0%
Trust	2	3	-	0	5	3	150%
Total	62	58	4	50	66	4	6%

*Incomplete MSB applications which were returned.

The number of open filings under review increased by 6% as compared to the level reported at the last Finance Commission meeting. The increase results from bank and trust related filings which have come in quicker over the two-month period than we could resolve outstanding filings. However, the number of outstanding MSB filings trended downward over the two-month period as Corporate recently gained momentum in resolving MSB applications.

Division Highlights

- **Significant Applications:** Since the last report, the following significant bank and trust applications have been received:
 - First Liberty Bank, Liberty, Texas, has applied to acquire both Pearland State Bank, Pearland, Texas, and First National Bank of Alvin, Alvin, Texas, via merger [estimated gain in state banking assets of \$151 million].
 - Columbus State Bank, Columbus, Texas, has applied to acquire affiliate Hill Bank & Trust, Weimer, Texas [no change in state banking assets].
 - The Chasewood Bank, Houston, Texas, has submitted notice to merge with and into Austin Bank, N.A., Jacksonville, Texas [estimated loss in state banking assets of \$83 million].
 - Sunflower Bank, N.A., Dallas, Texas, withdrew its application to convert to a Texas state bank and its application to merge HomeStreet Bank, Seattle, Washington, with and into Sunflower Bank following conversion to a Texas state bank.
- **Charter, Conversion, and Merger Activity:** Since the last report, the following transactions have consummated:
 - *Banks*
 - Oakwood Bank, Dallas, Texas, merged with and into b1Bank, Baton Rouge, Louisiana [estimated loss in state banking assets of \$838 million].
 - First Texas Bank, Killeen, Texas, merged with and into affiliate Texas First Bank, Georgetown, Texas [no change to state banking assets].
 - *Trust Companies*
 - None



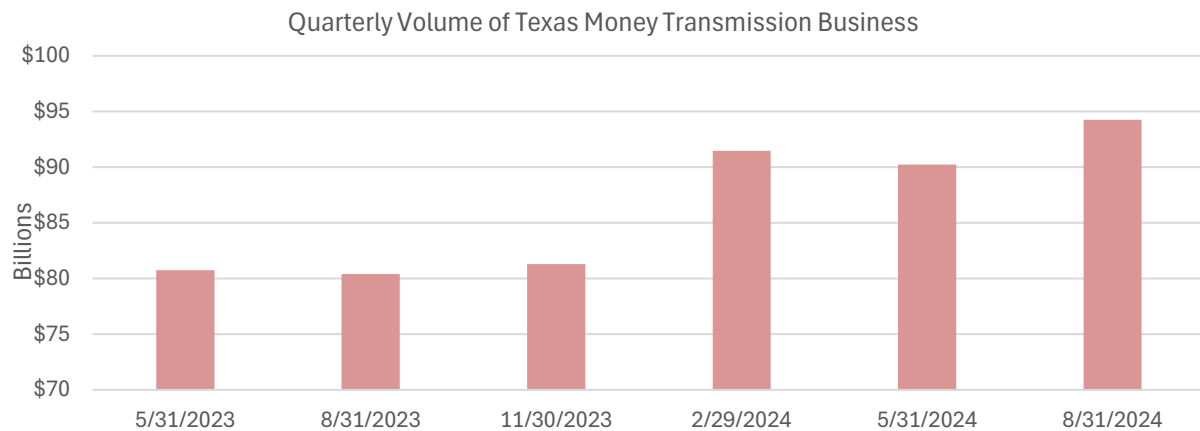
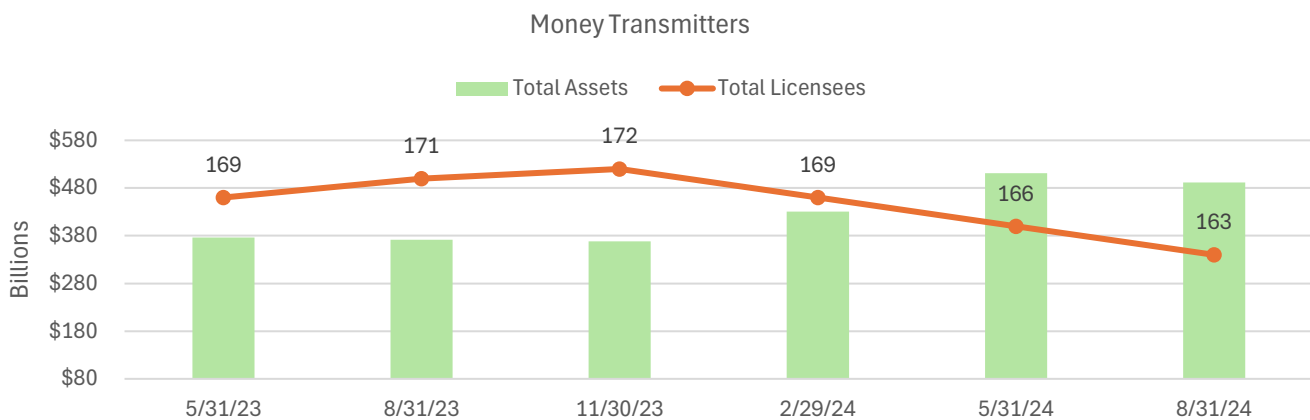
Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

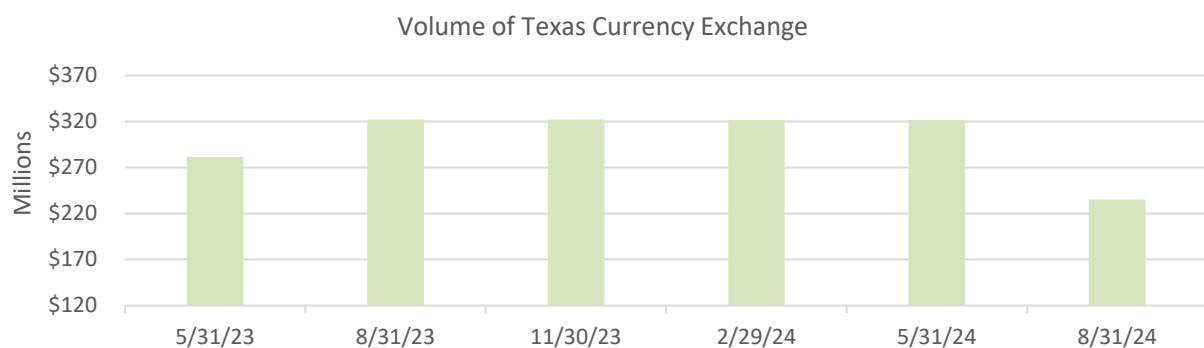
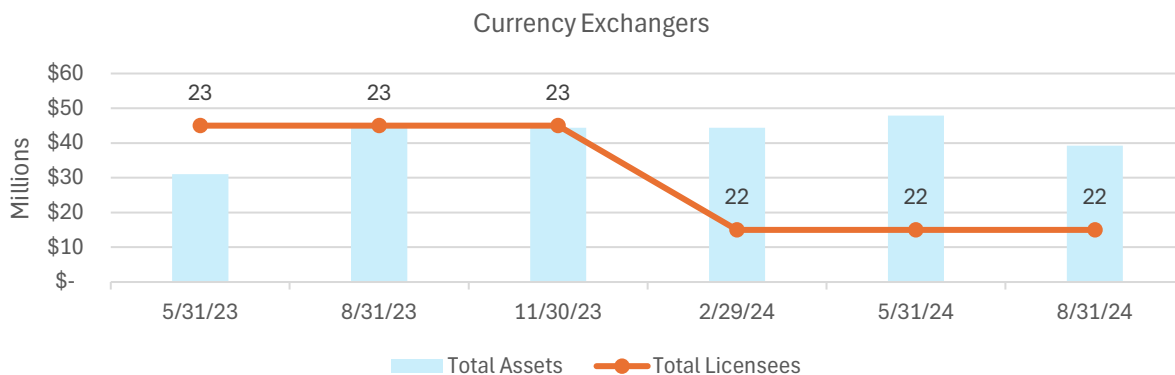
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To: Finance Commission Members
From: Jesus "Jesse" Saucillo, Director of Non-Depository Supervision
Date: December 2, 2024
Subject: Summary of Non-Depository Supervision (NDS) Activities

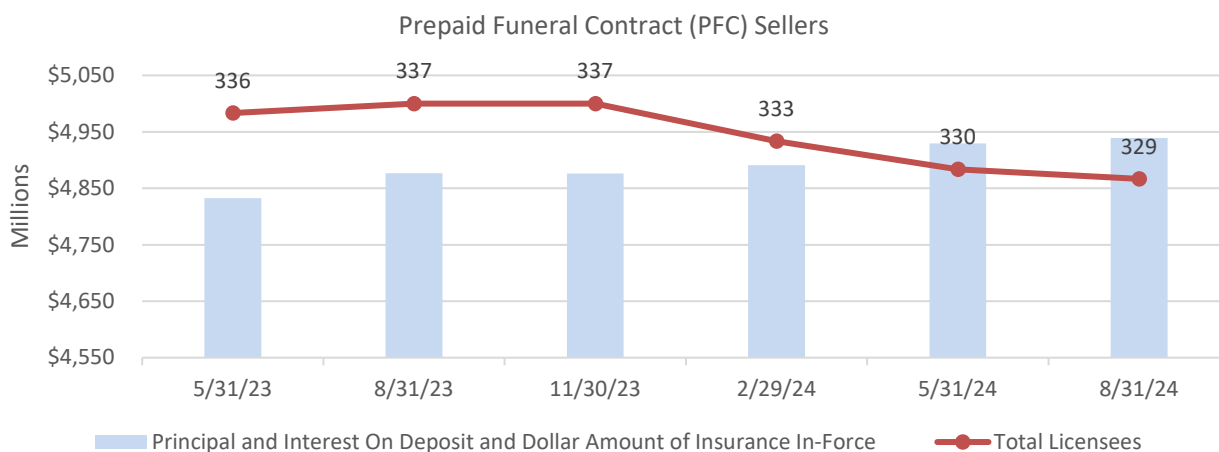
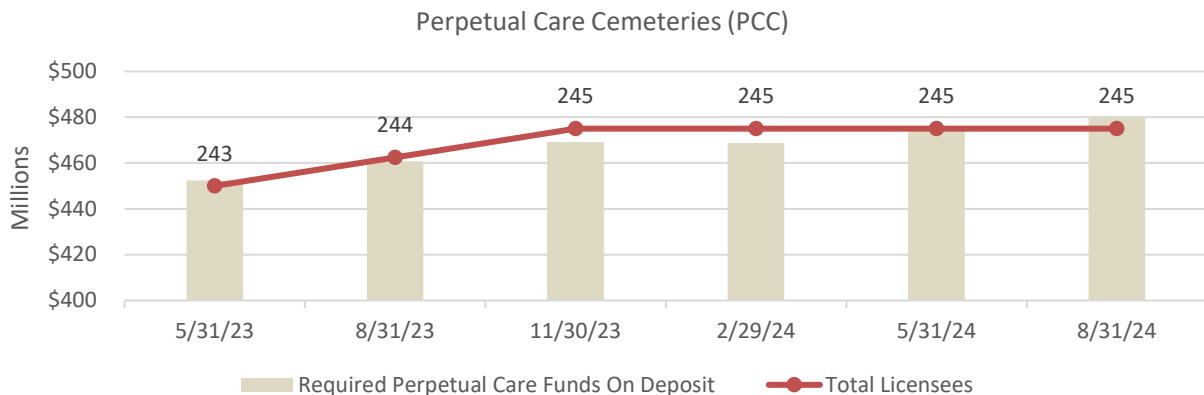
Non-Depository Supervision – Industry Profiles



Total assets and Texas money transmission volume noted above are based on the information provided by license holders on the Nationwide Multistate Licensing System (NMLS) Money Services Business (MSB) Call Reports as of the preceding calendar quarter.

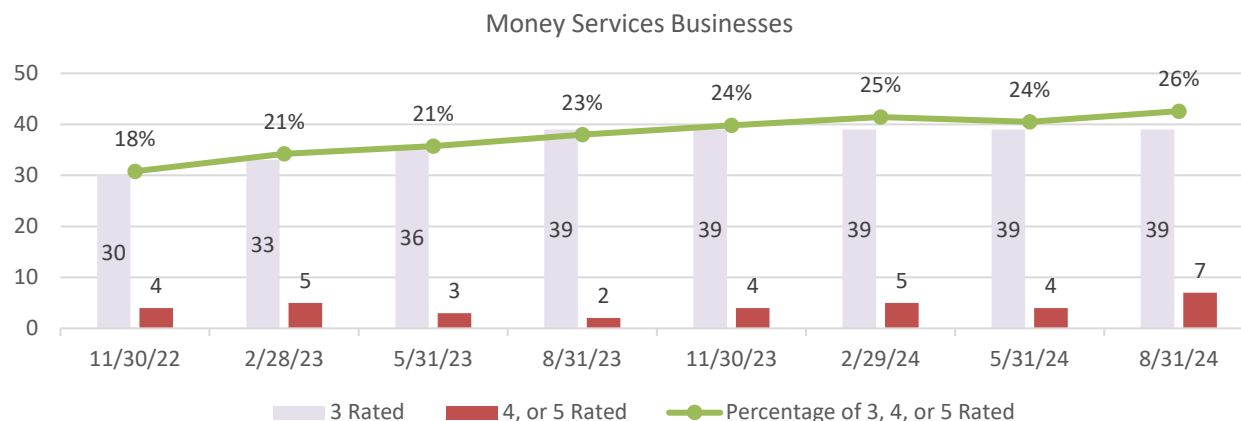


Total assets and Texas currency exchange volume noted above are based on annual reports provided by license holders.

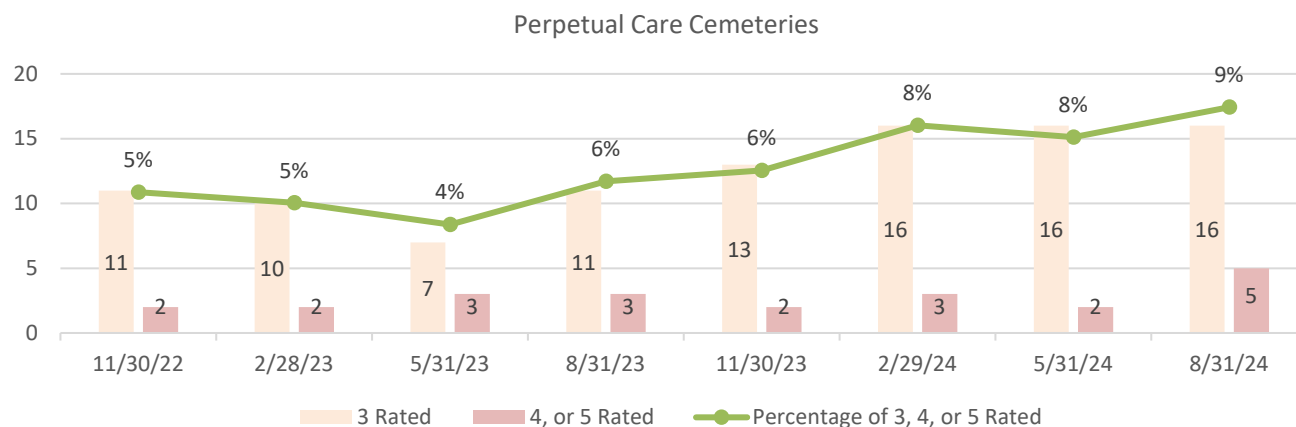
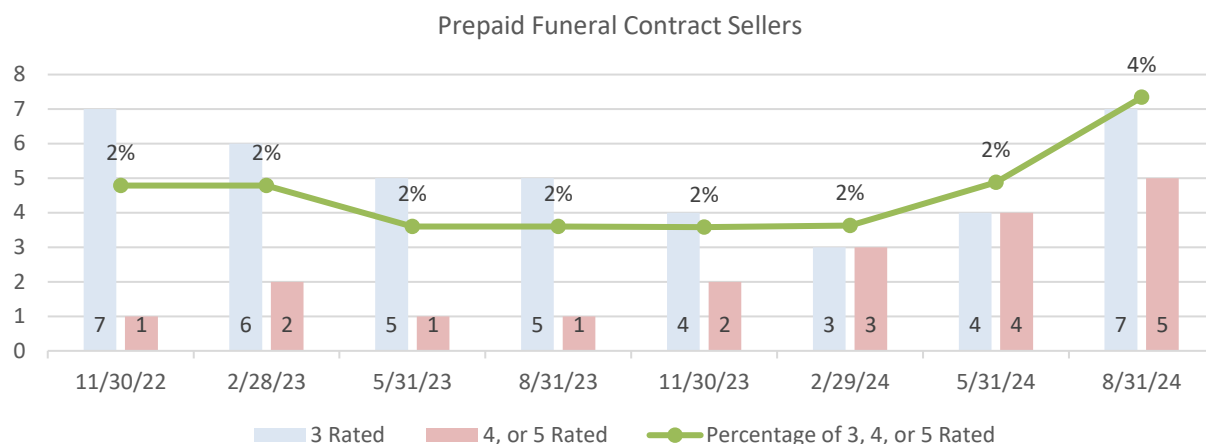


PFC and PCC fund balances noted above are based on the most current examination data.

Ratings Assigned to Regulated Entities



As noted above, the number of MSBs rated 3, 4, or 5 has been on an upward trend due to various factors including financial condition concerns, poor management oversight, and Bank Secrecy Act / Anti-Money Laundering compliance deficiencies. Not only are additional resources required to complete these examinations and prepare the corresponding Reports of Examinations, but most also require ongoing coordination with other state regulators as part of the nationwide state supervisory process. Most 4 and 5 rated license holders result in the initiation of administrative proceedings.



The number of 3, 4, and 5 rated PFC and PCC license holders has seen an increase. However, as a percentage to total license holders, these entities represent a much lower percentile for each industry.

Examinations Performed

ENTITY TYPE	FY 2024	FY 2025 (YTD – November 2024)
MSB	100	*
MSB Limited Scope	0	*
MSB Accepted other State	5	*
PFC	196	*
PFC Limited Scope	1	*
PCC	158	*
PCC Limited Scope	2	*

Noncompliance with Examination Priorities (Past Due)

ENTITY TYPE	FY 2024	FY 2025 (YTD – November 2024)
MSB	13	*
PFC	11	*
PCC	14	*

* First quarter Fiscal Year 2025 data has not been finalized and will be provided in the division's next summary.

Division Highlights

- **Collaboration:** The division continues to work in collaboration with other MSB state regulators on several legal administrative matters concerning MSB license holders in non-compliance with state and federal regulations. Regular meetings with state regulators and outside counsel representing the license holders are held to reach an agreement outlining the corrective actions required to address the noted deficiencies.
- **Personnel:** On November 4th, the division filled one of its MSB financial examiner vacancies. The division plans to have job opening postings in December with anticipated new hire start dates in January 2025 to fill the current MSB financial examiner vacancies.
- **Conference and Meetings**
 - On November 19th and 20th, Director Saucillo and a senior MSB financial examiner participated in a Conference of State Bank Supervisors (CSBS) event to discuss enhancements to an MSB examination system tool intended to improve the network examination process. Several other MSB state regulators also participated in this meeting and feedback on required improvements and enhancements were provided to system developers.



Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

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Memorandum

To: Finance Commission Members
From: Pam Pennington, Human Resources Manager
Date: December 1, 2024
Subject: Summary of the Human Resources Division Activities

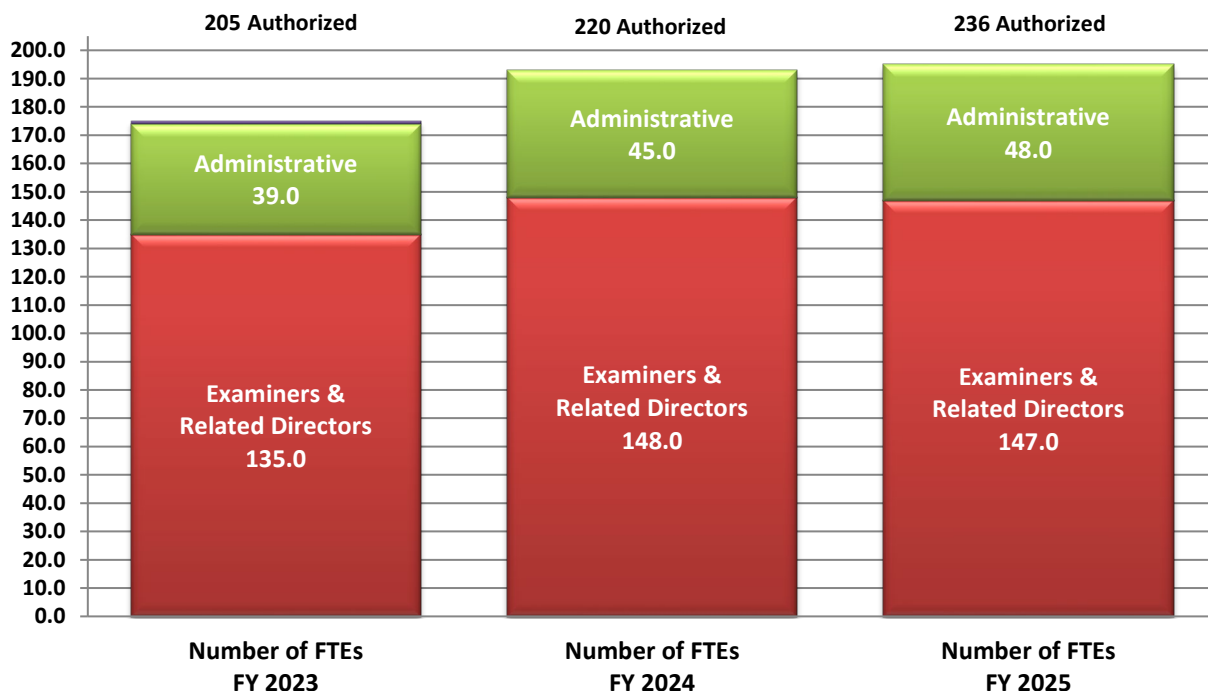
Active Postings				
<i>Number of Positions</i>	<i>Position</i>	<i>Division</i>	<i>Status</i>	<i>Activities</i>
2	Financial Examiner VI-VII: Large Bank Operations Specialist (Dallas)	Bank and Trust	Open Until Filled	Recruiting
2	Financial Examiner III: Assistant IT Examiner (All Regions)	Bank and Trust – IT	Open Until Filled	Recruiting
1	Payroll/Travel Accountant II-III	Admin. Services	Open Until Filled	Recruiting
1	Financial Examiner IV – V Commercial Bank Examiner (All Regions) (Reposted)	Bank and Trust	Open Until Filled	Recruiting
1	Financial Examiner VI – VII: Commercial Bank Examiner (All Regions) (Reposted)	Bank and Trust	Open Until Filled	Recruiting
1	Financial Examiner V – Credit Review Specialist (All Regions)(Reposted)	Bank and Trust	Open Until Filled	Recruiting
3	Financial Examiner IV -VII: Information Technology Specialist (All Regions) (Reposted)	Bank and Trust – IT	Open Until Filled	Recruiting
1	Financial Examiner VII – Review Examiner (Austin) (Reposted)	Bank and Trust	Open Until Filled	Recruiting

Status of Postings that Closed before December 1, 2024				
<i>Number of Positions</i>	<i>Position</i>	<i>Division</i>	<i>Status</i>	<i>Activities</i>
1	Director VI: Chief Information Officer	MIS	Closed November 1, 2024	Interviewing
1	Financial Examiner VII: Examination Procedure & Policy Liaison	DSS	Closed November 4, 2024	Hired
1	Financial Examiner IV-VI: Financial Analyst/Training Coordinator/Ombudsman	DSS	Closed November 8, 2024	Revising

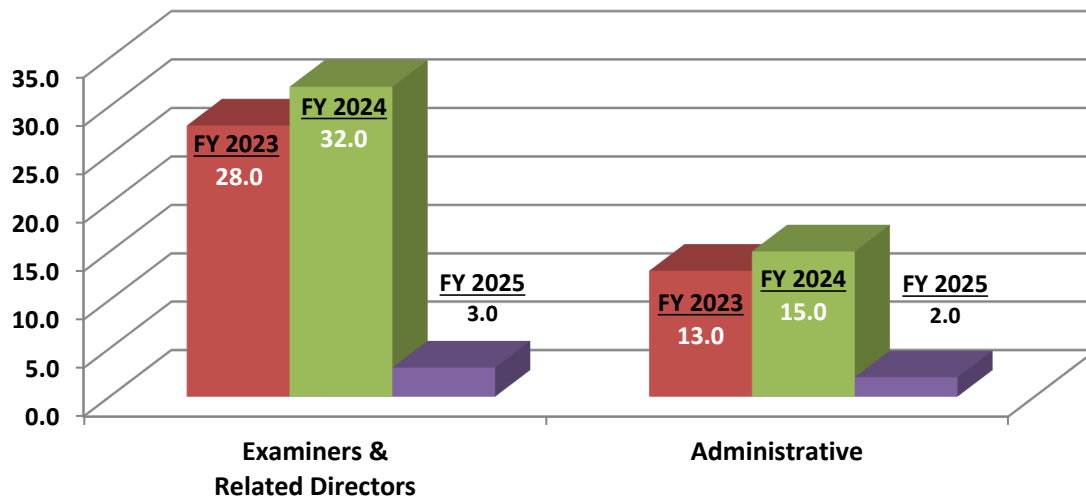
Division Activities:

- *New Employee Orientation:*
 - Held November 4, 2024: one MSB Financial Examiner I for the NDS Division and one Financial Examiner VII (Examination Procedure & Policy Liaison) for the Division of Strategic Support.
- *Performance Appraisals*
 - HR is reviewing and revising core competencies for all personnel. Performance appraisals for personnel will be released to management in December 2024.
- *Internal Employee Satisfaction Survey*
 - HR released the 2024 Internal Employee Satisfaction Survey on November 4, 2024. The survey closed on November 15, 2024, with 120 employee responses received. Comments and ratings are being reviewed.
- *Division Personnel*
 - HR Specialist, Karyn Couvillion, separated from the Department on December 5, 2024.
- *HR Townhall*
 - HR plans to host a Townhall Meeting for staff on December 9, 2024 covering division personnel changes and reassignment of duties, upcoming tax year updates, holiday timesheet coding, and some benefit reminders.

Texas Department of Banking Employee Data for Fiscal Years 2023, 2024 and 2025 as of 11/30/2024

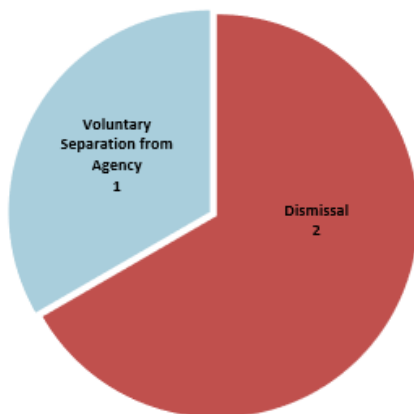


New Hire Data for Fiscal Years 2023, 2024 and 2025

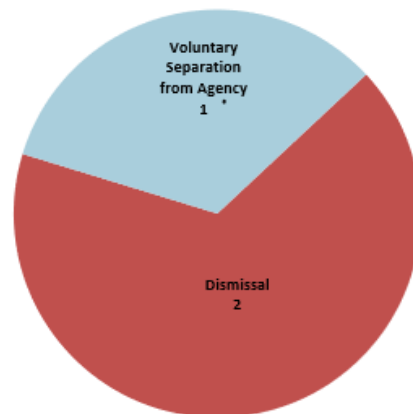


FY 2025 Employee Turnover Reasons

All Employees
3 Resignations



Financial Examiners Only
3 Resignations



As of 11/30/2024



Charles G. Cooper
Commissioner

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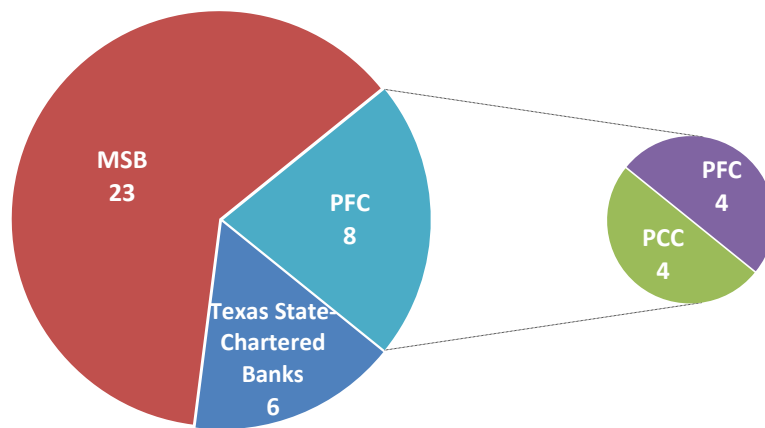
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To: Finance Commission Members
From: Phil Lena, Financial Analyst and Acting Director
Date: December 2, 2024
Subject: Summary of the Strategic Support Division Activities

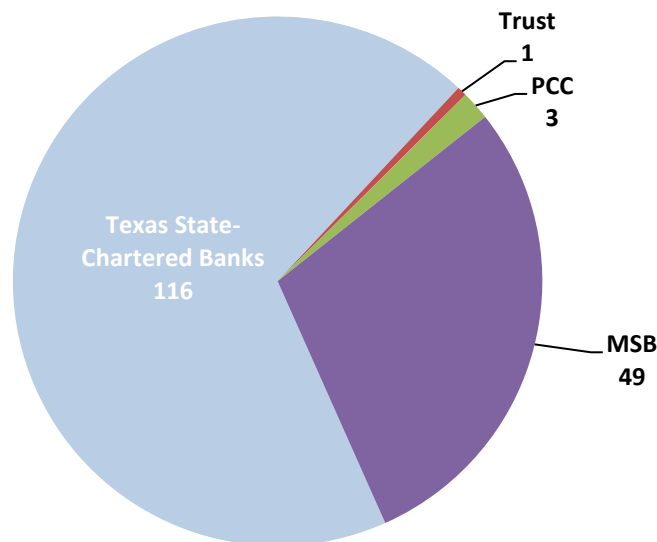
Jurisdictional Written Complaints September 2024-October 2024



Recoveries = \$12,580.47

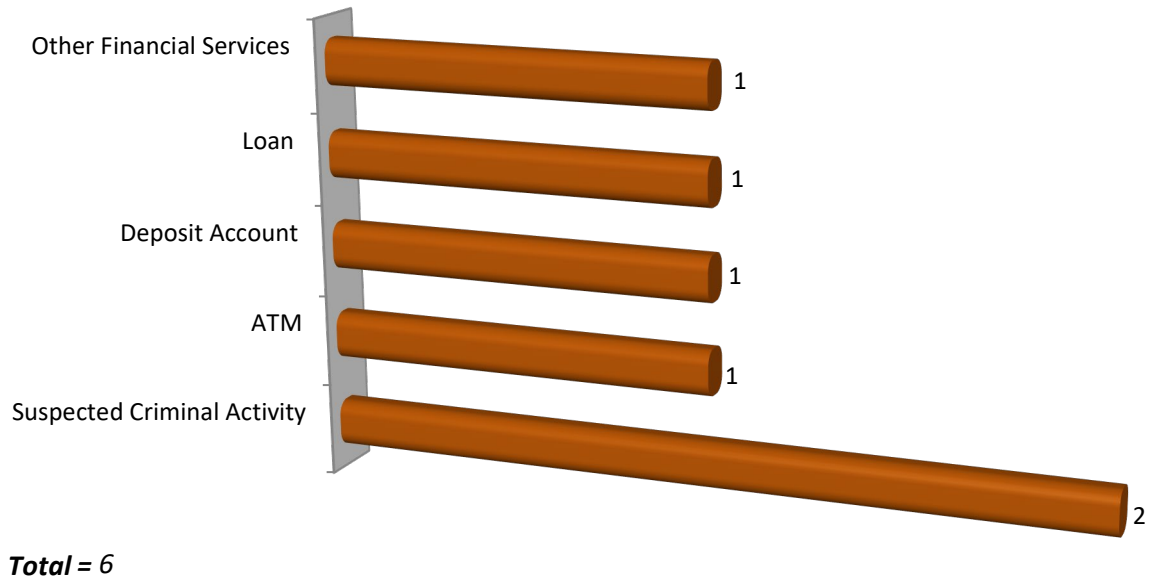
Total = 37

Inquiries on Jurisdictional Entities September 2024-October 2024

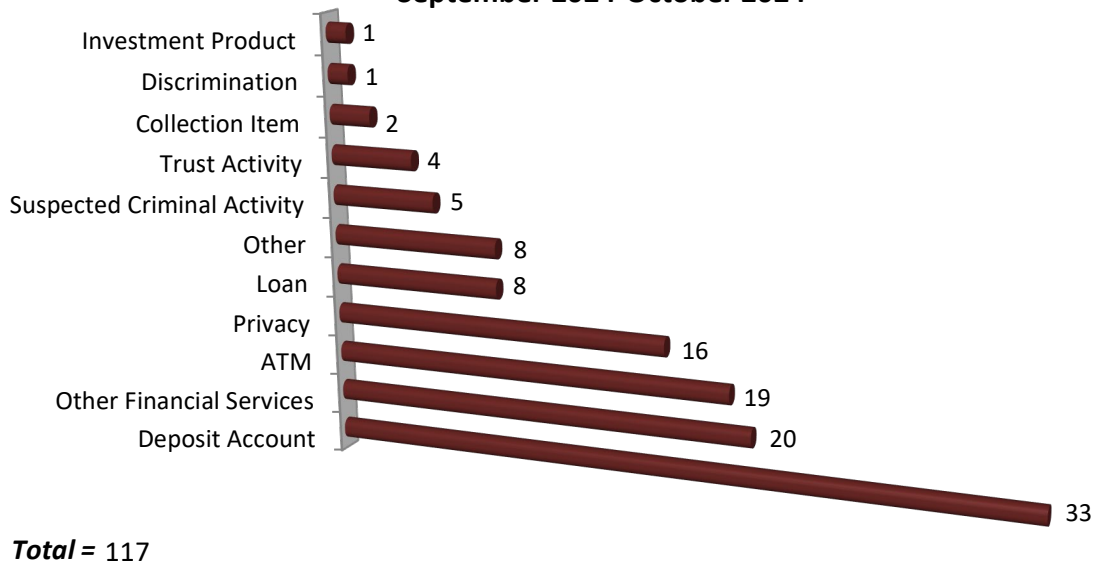


Total = 169

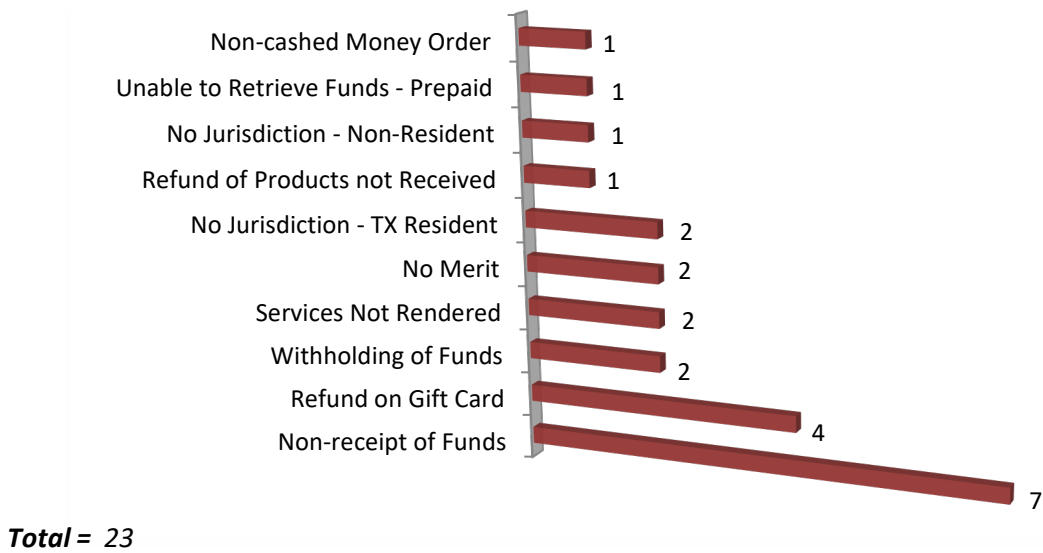
**State-Chartered Banks and Trust Companies
Written Complaints by Type
September 2024-October 2024**



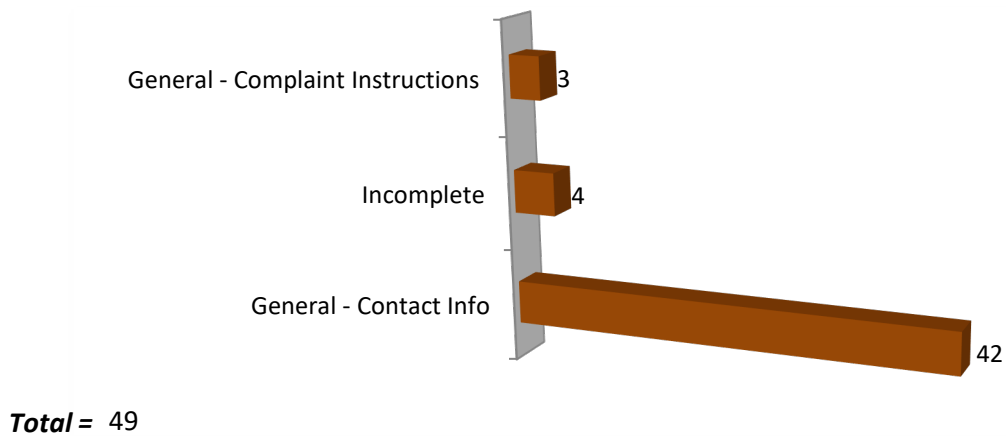
**State-Chartered Banks and Trust Companies
Inquiries by Type
September 2024-October 2024**



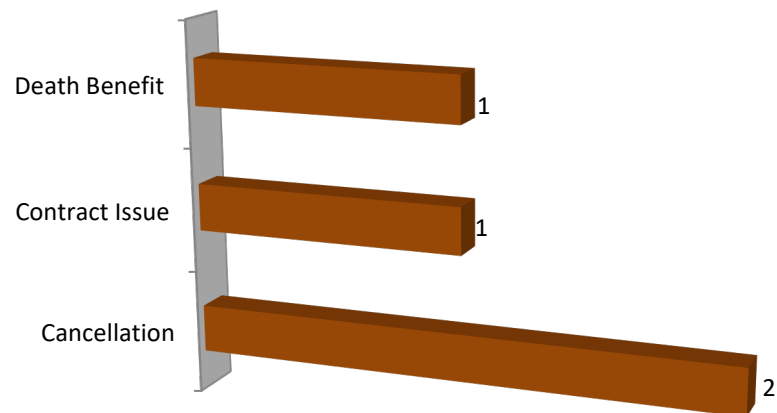
**Money Services Businesses
Written Complaints by Type
September 2024-October 2024**



**Money Services Businesses
Inquiries by Type
September 2024-October 2024**



**Prepaid Funeral Contract Sellers
Written Complaints by Type
September 2024-October 2024**

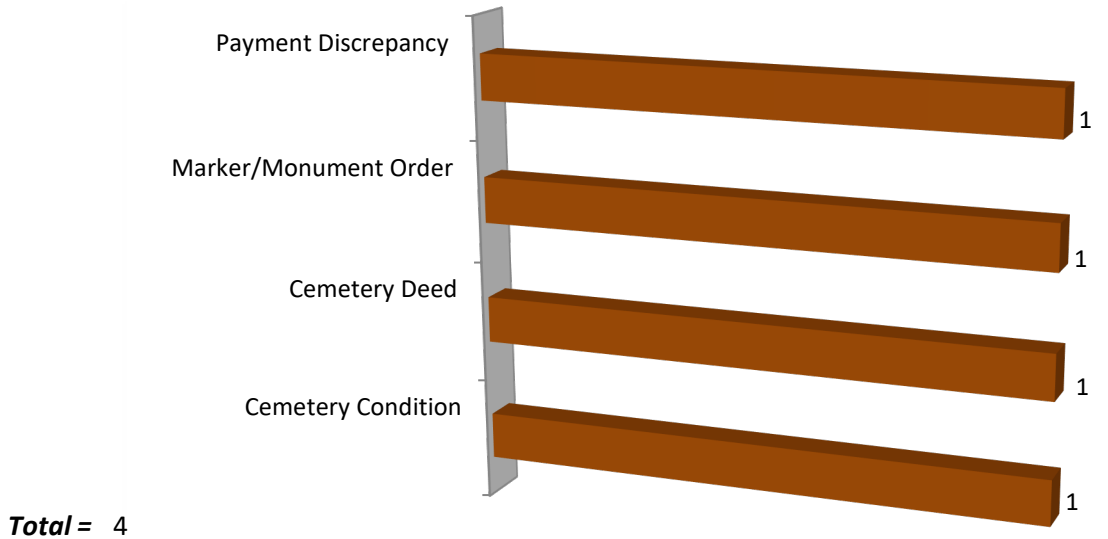


Total = 4

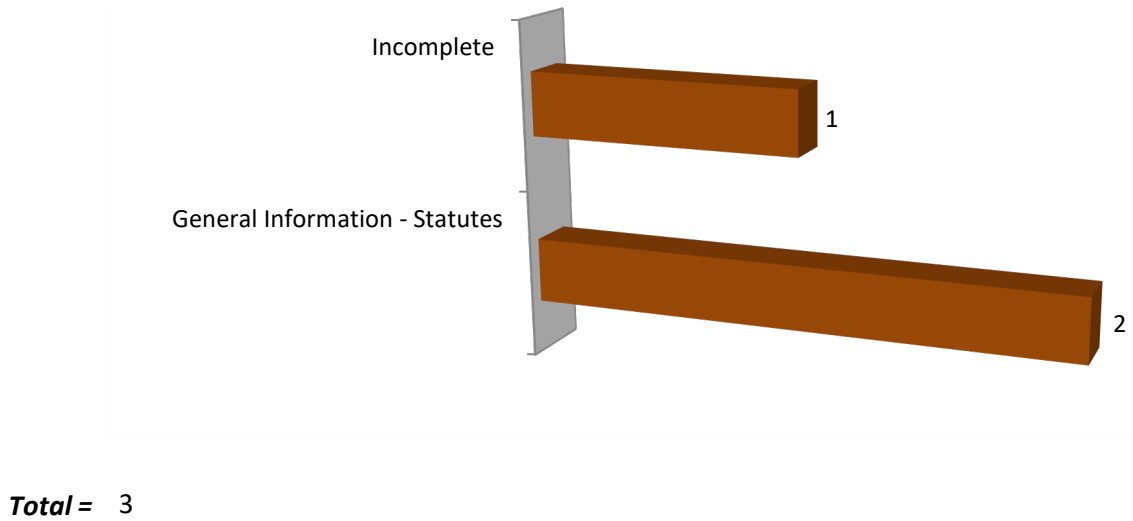
**Prepaid Funeral Contract Sellers
Inquiries by Type
September 2024-October 2024**

No inquiries were reported during this period.

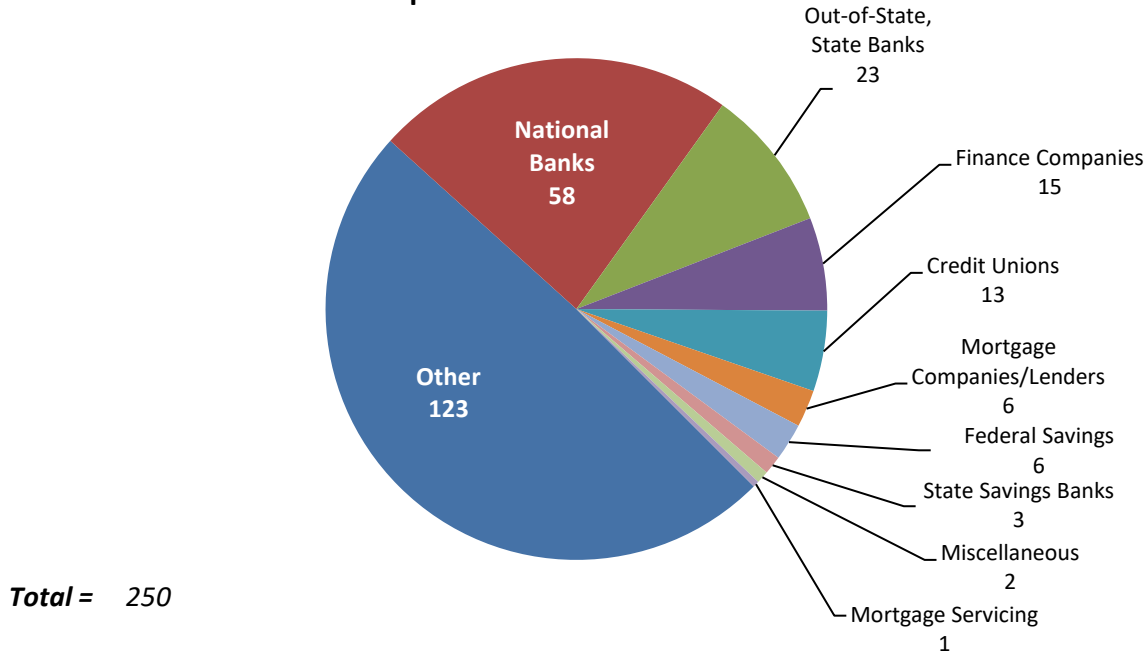
**Perpetual Care Cemeteries
Written Complaints by Type
September 2024-October 2024**



**Perpetual Care Cemeteries
Inquiries by Type
September 2024-October 2024**



Complaints and Inquiries Against Non-Jurisdictional Entities September 2024-October 2024



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

Complaint Activities Information by Quarter*

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
State-Chartered Banks				
Avg. Number of Days to Close a Written Complaint	N/A	N/A	N/A	N/A
Percentage of Written Complaints Resolved Within 90 days	N/A	N/A	N/A	N/A
Number of Written Complaints Resolved	N/A	N/A	N/A	N/A
Trust				
Avg. Number of Days to Close a Written Complaint	N/A	N/A	N/A	N/A
Percentage of Written Complaints Resolved Within 90 days	N/A	N/A	N/A	N/A
Number of Written Complaints Resolved	N/A	N/A	N/A	N/A
PFC/PCC				
Avg. Number of Days to Close a Written Complaint	N/A	N/A	N/A	N/A
Percentage of Written Complaints Resolved Within 90 days	N/A	N/A	N/A	N/A
Number of Written Complaints Resolved	N/A	N/A	N/A	N/A
MSB				
Avg. Number of Days to Close a Written Complaint	N/A	N/A	N/A	N/A
Percentage of Written Complaints Resolved Within 90 days	N/A	N/A	N/A	N/A
Number of Written Complaints Resolved	N/A	N/A	N/A	N/A

*First quarter Fiscal Year 2025 data is not available.

Closed Account Notification System (CANS) Activity
January 1, 2020 – November 15, 2024

Entity	Enrolled	Compromised Accounts Reported
Texas State-Chartered Banks	184	483
Texas State-Chartered Savings Banks	23	72
Federal Savings Banks	10	0
State Credit Unions	135	841
Federal Credit Unions	229	679
National Banks	171	106
Out-of-State State-Chartered Banks	12	74
Out-of-State National Banks	6	0
Total	770	2,255

Bank Examination Testing System (BETS) Activity
Number of Candidates Passing Each Phase

	FY 2022	FY 2023	FY 2024	FY 2024 As of 11/30/2024
I. General Knowledge	5	4	8	1
II. Loan Analysis	3	3	5	0
III. Panel	3	4	4	3
IV. Test Bank	3	6	3	1
Total FE3	13	14	14	14

Promotions

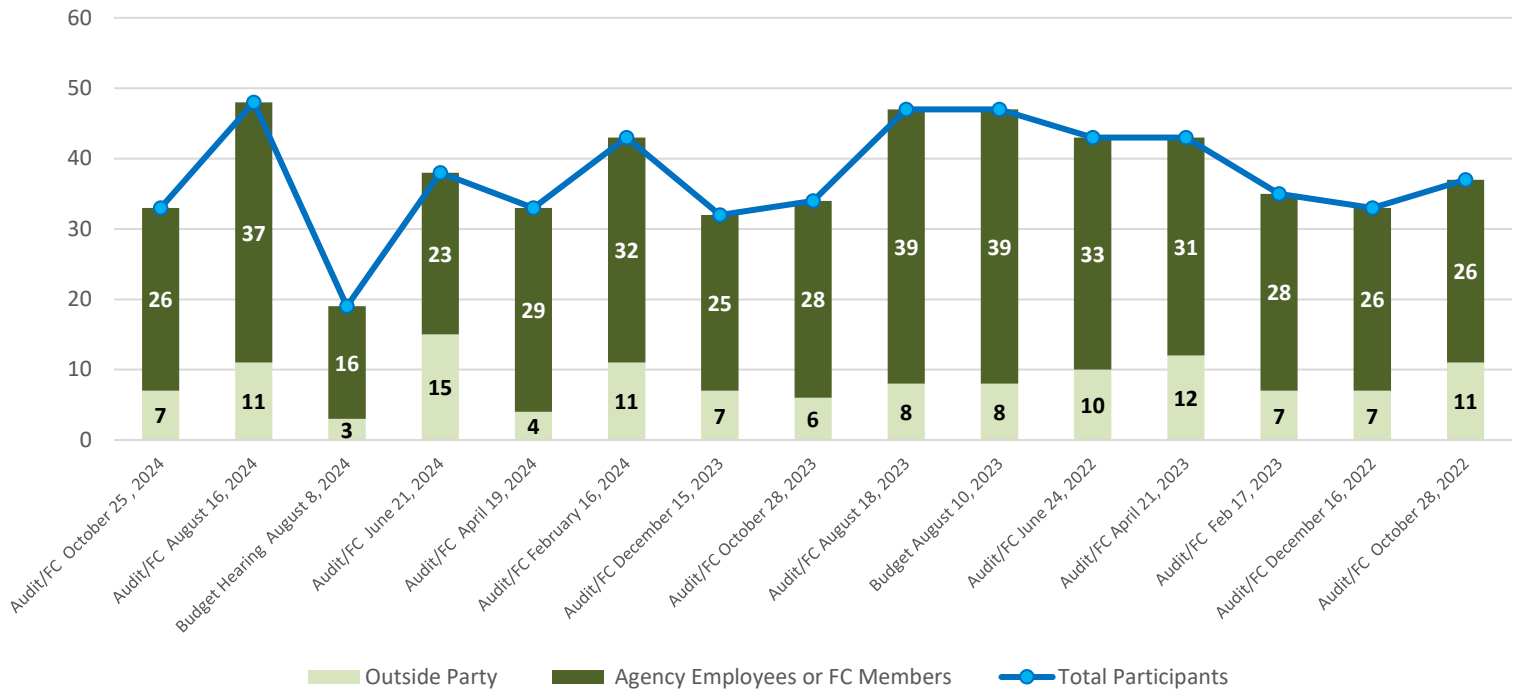
<i>Commissioned Examiners</i>	3	5	4	1
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Other Divisional Items:

- *89th Legislative Session*
 - The 89th Legislative session begins on January 14, 2025, at noon.
 - Prefiling for the 89th Legislative Session began on Tuesday, November 12, 2024. Over 1,500 bills were filed on the first day.
- *Financial Education:*
 - The [financial education brochure](#) was updated in October 2024.
 - The Texas Department of Banking and the Office of Consumer Credit Commissioner co-hosted the [Financial Foundations for Young Adults webinar](#) on November 20, 2024. The webinar focused on educating the public on banking fundamentals, basics for tracking expenses, and credit scores in relation to young adults. Forty-three consumers registered for the webinar and 19 consumers were in attendance.

- *Accreditation:*
 - The Department is awaiting its accreditation status from the Conference of State Bank Supervisors. We anticipate receiving notice by the end of the year.
- *Publications:*
 - Work has begun on the Winter Edition of the Texas Bank Report.
- *Training:*
 - The second financial examiner training class will conclude the week of December 4, 2024. Trainees will complete the course after participating in a simulated bank board presentation. Trainees have provided feedback along the way to help improve future training programs.
- *Policy Revisions/Updates:*
 - Administrative Memorandums (AM)
 - AM 2001 – Official Issuance and Communication System (October)
 - AM 2002 – Equal Employment Opportunity, Discrimination and Sexual Harassment Prevention Policy (October)
 - AM 2003 – Suspicious Activity Reports Filed by the Department (October)
 - AM 2007 – CAPPs Time Reporting (October)
 - AM 2019 – Employment and Promotion Qualifications for Financial Examiners (October)
 - Examiner Bulletins (XB)
 - XB 2024-09 – IT Related Examination Procedures for Bank & Trust Staff (November)
- *Examination Procedure Revisions/Updates:*
 - Information Technology Examination Updates:
 - Examination Scope Form (October)
 - Request List (October)
 - Task Critique (October)
 - Updated commercial Examination Assignment Worksheet (November)
 - Updated examination reference materials for commercial, trust, and IT procedures (October, November)
 - Released Allowance for Credit Losses examination modernization procedure for field testing. (November)

Finance Commission Webcast Historical Data





Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

2601 North Lamar Blvd., Austin, Texas 78705

512-475-1300 / 877-276-5554

www.dob.texas.gov

To: Finance Commission Members
From: Robert Nichols, General Counsel
Date: December 2, 2024
Subject: Legal Division Update

Orders Issued October 1, 2024 – November 30, 2024

The Commissioner issued eight enforcement orders during this period, and one at the end of the previous period:

Bank and Trust Supervision

- Cease and Desist Order dated August 29, 2024; United Texas Bank, Dallas, Texas
- Consent Order dated September 9, 2024; Industry State Bank, Industry, Texas
- Consent Order dated September 9, 2024; Fayetteville Bank, Fayetteville, Texas
- Consent Order dated September 9, 2024; Citizens State Bank, Buffalo, Texas
- Consent Order dated November 13, 2024; Industry Bancshares, Inc., Industry, Texas

Non-Depository Supervision

- Consent Order dated October 14, 2024; Morgan Funeral Home, Inc. D/B/A Meadow Brook Funeral, et al., Marshall, Texas
- Consent Order dated October 18, 2024; Kraken, et al., San Francisco, California
- Consent Order dated November 6, 2024; Alliance Payroll Services, LLC, The Woodlands, Texas
- Consent Order dated November 7, 2024; Quality Surplus, Inc. D/B/A Overnight Caskets, Lake Balboa, California

Public Information Requests

From October 1, 2024, through November 30, 2024, staff received and responded to 13 requests for public information addressed to the Department of Banking and received 4 inquiries through the “Ask a Question” feature. During the same period, we received no public information requests addressed to the Finance Commission.

Gifts

Commissioner Cooper attended and served as a panelist at the Independent Bankers Association of Texas (IBAT) Annual Convention in San Antonio, Texas, on October 5-8, 2024. IBAT waived

the Commissioner's registration fee for the event, valued at \$795. Department staff also attended the IBAT Annual Convention and IBAT provided a complimentary tabletop exhibit to the Department.

Director of Non-Depository Supervision Saucillo and Examiner Grissel Molina attended and participated in a CSBS meeting on November 18-20, 2024, in Washington, District of Columbia, to discuss developmental improvements to an examination tool. CSBS paid for their lodging in the amount of \$1,236.

FY 2025 Quarterly Order Activity

BANK				
Type of Action	1st	2nd	3rd	4th
Consent Order	4	0	0	0
Cease & Desist	1	0	0	0
Supervision	0	0	0	0
Prohibition	0	0	0	0
Total	0	0	0	0

TRUST COMPANY				
Consent Order	0	0	0	0
Cease & Desist	0	0	0	0
Supervision	0	0	0	0
Prohibition	0	0	0	0
Total	0	0	0	0

MONEY SERVICES BUSINESS				
Consent Order	3	0	0	0
Cease & Desist	0	0	0	0
Final Order after hearing	0	0	0	0
Total	3	0	0	0

PERPETUAL CARE CEMETERY				
Consent Order	0	0	0	0
Cease & Desist	0	0	0	0
Refusal to Renew Cert/Auth	0	0	0	0
Final Order after Hearing	0	0	0	0
Total	0	0	0	0

PREPAID FUNERAL CONTRACT				
Consent Order	2	0	0	0
Cease & Desist	0	0	0	0
Final Order	0	0	0	0
Total	2	0	0	0

BANKING DEPARTMENT LEGISLATIVE REPORT TO THE FINANCE COMMISSION (PRE-FILED BILLS)

11-26-2024

DOB-FC Report

[HB 151](#)

[Raymond, Richard\(D\)](#)

Relating to honesty in state taxation.

Companions: [HB 563](#) Raymond, Richard (Refiled from 88R Session)

Remarks: HB 151 amends the Tax Code by adding Chapter 102, "Honesty in State Taxation". The bill defines regulatory tax to include a fee, levy, surcharge, assessment, fine, penalty or any other charge imposed by the state for a primary purpose other than to raise revenue for general purposes. This includes (1) a charge imposed for the reasonable regulatory cost to this state related to the issuance of a license or permit, the performance of an investigation, inspection, or audit, or the enforcement of a state law or order; and (2) a fine, penalty or other monetary charge imposed by this state for or in connection with a violation of a state law or order. A state agency, in addition to the legislature, is prohibited from identifying a state tax, including a regulatory tax, as another type of state charge such as a fee, assessment, fine, or penalty when proposing or adopting the agency's rules, reference materials, publications, and electronic media. Reference to a state charge incorrectly identified as a state tax would be changed when amending the agency's rules, reference materials, publications, and electronic media. The statute changes would take effect after November 5, 2025, if the constitutional amendment proposed by HJR 77 is approved by voters.

Bill History: 11-12-24 H Filed

[HB 404](#)

[Harrison, Brian\(R\)](#)

Relating to state agency review of adopted rules.

Companions: [HB 791](#) Harrison, Brian (Refiled from 88R Session)
[SB 1320](#) Sparks, Kevin (F) (Refiled from 88R Session)

Remarks: HB 404 amends Chapter 2001 of the Government Code. The bill requires, as part of an agency's rule review, an agency assessment of any cost imposed on a regulated person. Such assessments must be published on the agency's website and must include a link to the materials used in the assessment. The bill also stipulates that if an agency fails to complete a rule review by the date required, the rule will expire, becoming void and unenforceable. The bill provides that any person injured by the continued enforcement of an expired rule, may file a civil action to bar the rule's enforcement.

Bill History: 11-12-24 H Filed

[HB 587](#)

[Harrison, Brian\(R\)](#)

Relating to a requirement that certain rules proposed by state agencies in the executive branch of state government be approved by certain elected state officials.

Companions: [HB 1948](#) Harrison, Brian (Refiled from 88R Session)

Remarks: HB 587 amends Chapter 2001 of the Government Code. The bill provides that the notice of a proposed rule by a state agency must include a certification that the rule has been reviewed and

BANKING DEPARTMENT LEGISLATIVE REPORT

approved by the governor or another elected state officer who governs the agency. The bill also provides that if a state agency adopts an emergency rule, the agency must submit the rule for approval by the governor or an elected state officer of that agency by the 10th day following adoption. If the emergency rule is not approved by the governor or an elected state officer of the agency, then the rule may not be renewed and another rule that is the substantially the same may not be later adopted.

Bill History: 11-12-24 H Filed

[HB 606](#)

[Harrison, Brian\(R\)](#)

Relating to de novo review and interpretation of state laws and state agency rules by reviewing court judges and administrative law judges.

Remarks: HB 606 amends Chapter 2003 of the Government Code. The bill enforces a standard of de novo review for interpretations of provisions of state law. Provisions of state law include state statutes, state agency rules, and guidance regarding statutes and rules. The bill states that when a court or administrative law judge interprets provisions of state law, they must do so without giving deference to agency interpretations. Judges are also required to resolve ambiguities in favor of limiting state agency authority.

Bill History: 11-12-24 H Filed

[HB 926](#)

[Harrison, Brian\(R\)](#)

Relating to the adoption and voidability of certain rules proposed by a state agency.

Remarks: HB 926 amends Section 2001.0045 of the Government Code which addresses the Requirement for Rule Increasing Costs to Regulated Persons. The bill removes several exceptions, including the exception for self-directed semi-independent (SDSI) agencies. SDSI agencies would be required to comply with the requirement that a state agency may not adopt a proposed rule that imposes a cost on regulated persons without either repealing or amending a rule to ensure no increase of cost to regulated persons.

Bill History: 11-12-24 H Filed

[HB 935](#)

[Harrison, Brian\(R\)](#)

Relating to the employment of certain executive heads of state agencies and employees reporting to those executive heads.

Companions: [HB 4248](#) Harrison, Brian (Refiled from 88R Session)

Remarks: HB 935 amends Chapter 669 of the Government Code. The bill would limit the years of employment for an executive head of an agency that is governed by a governing body, and an employee reporting directly to the head of the agency, to no more than 10 years. In addition, by the fifth-year anniversary of employment, the governing body shall review the performance of the executive head of the state agency and determine whether to terminate the executive's employment, and the executive head of the agency shall review any employees reporting directly to the executive and determine whether to terminate their employment. This

BANKING DEPARTMENT LEGISLATIVE REPORT

change in law would apply only to a contract entered on or after the effective date of this Act.

Bill History: 11-12-24 H Filed

[HB 940](#)

[Harrison, Brian\(R\)](#)

Relating to decisions of an administrative law judge of the State Office of Administrative Hearings in contested cases.

Companions: [HB 4254](#) Harrison, Brian (Refiled from 88R Session)

Remarks: HB 940 amends Section 2001 and 2003 of the Government Code. The bill establishes that an administrative law judge (ALJ) who conducts a contested case hearing will have the exclusive authority to render the final decision. It removes the state agency's ability to modify findings of fact or conclusions of law by the ALJ and prohibits a state agency from vacating or modifying any orders issued by the ALJ. The bill also provides clarifications on specific provisions that apply to contested cases decided by an ALJ.

Bill History: 11-12-24 H Filed

[HB 944](#)

[Harrison, Brian\(R\)](#)

Relating to the establishment of the Legislative Economic Analysis Unit and the expiration of certain state agency rules.

Companions: [HB 4260](#) Harrison, Brian (Refiled from 88R Session)

Remarks: HB 944 amends Chapter 330 of the Government Code. The bill would establish the Legislative Economic Analysis Unit Board (Board) consisting of the lieutenant governor and the speaker of the house of representatives, six state senators, and six state representatives, and a Legislative Economic Analysis Unit (LEAU) as an independent agency of the legislature led by a chief economist jointly appointed by the lieutenant governor and speaker of the house. The LEAU would analyze all state agency rules to determine whether the rules should be considered 'major rules', defined as having an economic effect on the state of \$10 million or more, or having significant adverse effects on competition, employment, investment, industries or regions, or social relations. Major rules would sunset on July 1 of every odd-numbered year following the LEAU's determination unless first validated by the legislature. The bill would also restrict a state agency from adopting a rule that is the same or substantially the same as a major rule that has expired. State agencies would be required to submit rules adopted on or after September 1, 2025, the effective date of the act, for consideration.

Bill History: 11-12-24 H Filed

[HB 957](#)

[Toth, Steve\(R\)](#)

Relating to requirements for the physical presence of a borrower for signing certain documents related to a home equity loan.

Companions: [HB 264](#) Toth, Steve (Refiled from 88R Session)

Remarks: HB 957 amends Chapter 343 of the Finance Code and Chapters 751 and 752 of the Estates Code. Currently, a home equity loan must be closed at the office of the lender, an attorney at law, or

BANKING DEPARTMENT LEGISLATIVE REPORT

a title company. This bill allows for virtual closings for a limited number of individuals who cannot attend an in-person closing due to military or federal deployment outside of the state, verified disability or quarantine needs, or incarceration. The bill also makes conforming changes to the Durable Power of Attorney form. These statute changes would take effect on January 1, 2026, if the constitutional amendment proposed by HJR 75 is approved by voters.

Bill History: 11-12-24 H Filed

[HB 988](#)

[Harrison, Brian\(R\)](#)

Relating to the duty of the board of directors of a corporation to maximize the value of the corporation's shares.

Companions: [HB 4802](#) Harrison, Brian (Refiled from 88R Session)

Remarks: HB 988 amends Chapter 21 of the Business Organizations Code. The bill provides that notwithstanding any other law, a director shall act to maximize the value of the corporation's shares. It would be considered a breach of the director's fiduciary duty if the director prioritizes another consideration over the maximization of the value of the corporation's shares.

Bill History: 11-12-24 H Filed

[HB 1231](#)

[Turner, Chris\(D\)](#)

Relating to public access to personal financial statements filed by public officials and candidates.

Companions: [HB 1828](#) Turner, Chris (Refiled from 88R Session)

Remarks: HB 1231 amends Section 572.032 of the Government Code and provides that the Ethics Commission may make the financial statements filed by public officials available on their website. The bill repeals Govt Code Section 572.032(b) which requires the Ethics Commission to obtain and retain information on a person requesting to see a financial statement within the first year the statement was filed.

This bill would apply to members of the Finance Commission and the three agency commissioners.

Bill History: 11-12-24 H Filed

[HB 1259](#)

[Tepper, Carl\(R\)](#)

Relating to the establishment of the State Agency Rules Review Commission and the procedures by which state agencies adopt rules.

Remarks: HB 1259 amends Chapters 2001 and 551, adds Chapter 330, and repeals Section 2001.032 of the Government Code. The bill establishes the State Agency Rules Review Commission (commission), which serves as an agency of the legislative branch tasked with oversight and review of the rule-making process of state agencies. The commission will be composed of four state senators, four state representatives, and three public appointees, all designated by the governor, lieutenant governor, and speaker of the house of representatives. State agencies would be required to submit final rules to the commission for

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approval, which must occur within set timeframes. The bill includes provisions for resolution if the commission does not approve a rule, and the commission is required to review rules within 30 days, ensuring they comply with existing legal mandates and are clear and necessary. The commission would make a determination on an agency rule in an open meeting. The commission would be required to post materials online and broadcast meetings, ensuring public accessibility to its proceedings. The bill repeals Section 2001.032 of the Govt Code which addresses a state agency order adopting a rule. The act takes effect on January 1, 2026, with certain initial appointments starting September 1, 2025.

Bill History: 11-12-24 H Filed

[HB 1442](#)

[Howard, Donna\(D\)](#)

Relating to the Internet broadcast or recording of certain open meetings.

Remarks: HB 1442 amends Chapter 551 of the Government Code. The bill adds Section 551.024 which would be applicable to state agencies with general appropriations of greater than \$10 million and 100 or more full-time employees. The bill also adds Section 551.025 requiring state agencies (that do not meet the requirements in section 551.024) to post an audio or a video and audio, recording of an open meeting on the agency's website or social media account no later than the 7th day after it is held. The agency would also be required to post notice of an open meeting on its website or associated social media account within required time frames. Agencies are exempt from these requirements in the event of a catastrophe or a technical breakdown which prevents the agency from complying. Following a catastrophe or technical breakdown, the governmental body shall make all reasonable efforts to make the required recording of the open meeting available in a timely manner. This would only apply to open meetings held on or after September 1, 2027.

Bill History: 11-21-24 H Filed

[HJR 40](#)

[Swanson, Valoree\(R\)](#)

Proposing a constitutional amendment to remove the requirement that a home equity loan be closed only at the office of the lender, an attorney at law, or a title company.

Companions: [HJR 124](#) Swanson, Valoree (Refiled from 88R Session)

Remarks: HJR 40 amends Article XVI Section 50, Texas Constitution. Removes the provision requiring a home equity loan to be closed at the office of the lender, an attorney at law, or a title company. Makes a conforming change to the required 12-day consumer disclosure for home equity loans.

Bill History: 11-12-24 H Filed

[HJR 75](#)

[Toth, Steve\(R\)](#)

Proposing a constitutional amendment authorizing the legislature to provide for exceptions to the requirement that a home equity loan be closed only at the office of the lender, an attorney at law, or a title company.

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Remarks: HJR 75 amends Article XVI, Section 50 ,Texas Constitution. Currently, the Texas Constitution provides that a home equity loan must be closed at the office of a lender, an attorney at law, or a title company. This resolution allows the legislature to enact exceptions to this requirement by statute. The resolution makes conforming changes to the consumer disclosure provided in connection with a home equity loan. HB 957 is the enabling legislation which would amend the statutes.

Bill History: 11-12-24 H Filed

[HJR 77](#)

[Raymond, Richard\(D\)](#)

Proposing a constitutional amendment providing honesty in state taxation.

Companions: [HJR 40](#) Raymond, Richard (Refiled from 88R Session)

Remarks: HJR 77 amends Article VIII of the Texas Constitution. The amendment adds the definition of a "regulatory tax" as a fee, levy, surcharge, assessment, fine, penalty, or other charge of any kind imposed by the state, regardless of when the law imposing the charge was enacted or whether the revenue from the charge is dedicated for a primary purpose other than to raise revenue for general purposes. This would include, among other charges, (1) a charge imposed for the reasonable regulatory cost to this state related to the issuance of a license or permit, the performance of an investigation, inspection, or audit, or the enforcement of a state law or order; and (2) a fine, penalty, or other monetary charge imposed by this state for or in connection with a violation of a state law or order. After November 5, 2025, the legislature may not enact a general law that imposes a state tax, including a regulatory tax, or amends the provisions relating to a state tax, including a regulatory tax, if the enacted or amended provisions relating to the tax identify the tax as another type of charge such as a "fee," "levy," "surcharge," "assessment," "fine," or "penalty."

Not later than January 1, 2026, the legislature shall revise every reference in state statute to a fee, levy, surcharge, assessment, fine, penalty, or other charge of any kind imposed by this state for a primary purpose other than to raise revenue for general purposes to refer to the charge as a "regulatory tax." Beginning January 1, 2026, a regulatory tax identified in statute as another type of charge such as a "fee," "levy," "surcharge," "assessment," "fine," or "penalty" is void and may not be collected.

This proposed constitutional amendment would be submitted to the voters at an election to be held November 5, 2025. HB 151 is the enabling legislation which would amend the statutes.

Bill History: 11-12-24 H Filed

[SB 440](#)

[Hinojosa, Chuy\(D\)](#)

Relating to audits of and reports by self-directed and semi-independent financial regulatory agencies.

Remarks: SB 440 amends Chapter 16 of the Finance Code. The bill would require the state auditor to conduct a financial audit, an

BANKING DEPARTMENT LEGISLATIVE REPORT

effectiveness audit, and a performance audit at least once every six years for each financial regulatory agency, unless an independent audit is relied upon. The state auditor may conduct a risk-based audit at any time. The bill also expands reporting requirements for each financial regulatory agency related to fees, enforcement actions, and rules. In addition, the agencies would be required to submit an annual report by November 1 that details the agency's salary and expense trends, operating plan and budget, performance data, administrative action and regulatory metrics, and litigation costs, among other things.

Bill History: 11-21-24 S Filed

Total Bills: 17

J. Kyle Williams

J. Kyle Williams born in Garland, Texas, graduated from Garland High School in 1980. He earned a BBA in Finance from Southern Methodist University in 1985 and began his career at Williams Funeral Directors shortly after. In 1986 he was put in charge of all prepaid funded operations and regulatory compliance for Williams Funeral Directors and still maintains this role. Mr. Williams has attended two compliance seminars put on by the Texas Department of Banking and consider himself fully knowledgeable of Texas prepaid funeral law. Mr. Williams also served on the Texas Prepaid Funeral Advisory board which streamlined compliance issues as well as produced the content of the “Information about Prepaid Funeral Planning” brochure.

D.

**Office of Consumer Credit
Commissioner**

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Consumer Protection and Consumer Assistance Report

The OCCC has commenced its FY 2025 Examination Program. As of the end of the first quarter, the agency lagged behind the FY 2025 pro rata examination production goal by more than 5% due to specific training commitments and dedicated project work.

During this quarter the OCCC has purposefully focused on mortgage examinations in the State Exam System (SES). Fourteen examinations in SES began with participation from twelve different examiners. These mortgage team exams are a vital component of on-the-job training and train-the-trainer experiences necessary for the broader adoption of SES onward through 2025. Completion of all fourteen mortgage examinations is anticipated by the end of December 2024.

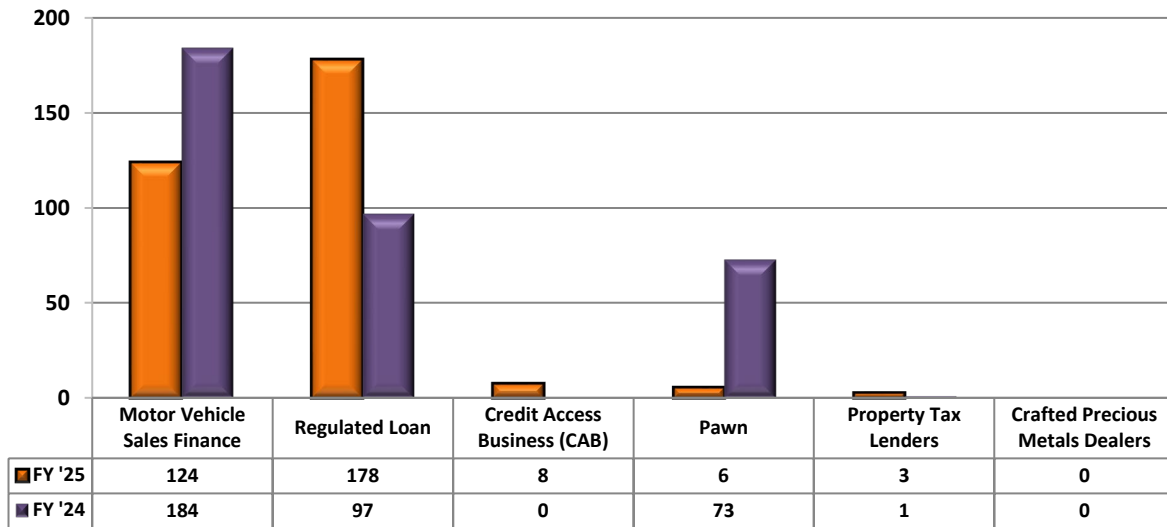
In addition, the OCCC has purposely focused on scheduling regulated lender examinations using the ALECS System during the first quarter to bulk up production in this category earlier in the fiscal year. A slowdown in regulated lender exam production is anticipated after these licenses migrate to the National Multi-License System (NMLS) later in FY 2025. After the migration of regulated lender licenses, all examinations of regulated lender licenses will be conducted in SES.

The OCCC will be returning to normal examination scheduling of all types of licenses for qualified examiners beginning January 2025. Exam production is expected to be on target by the end of the second quarter FY 2025.

The OCCC has committed to participate in and lead two multi-state auto finance (MSAF) examinations in FY 2025. These examinations will be conducted using SES. The OCCC will lead these examinations providing both the Examiner-in-Charge (EIC) and Single Point of Contact (SPOC). These EIC and SPOC roles will be performed by two Senior Examiners. The participating Senior Examiners will alternate roles (EIC-SPOC) on these two MSAF exams.

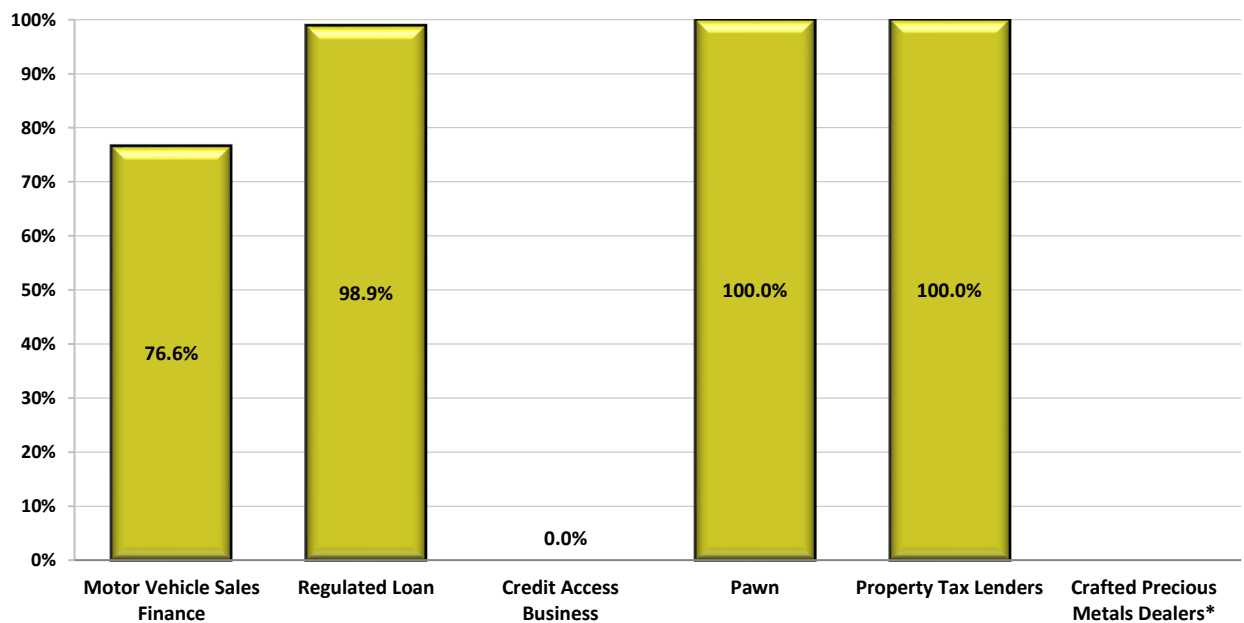
The examination department continues to prioritize examiner training and development. As noted above, the first quarter mortgage scheduling seeks to provide the experience in SES necessary to deliver SES training to the larger exam staff in FY 2025. Additionally, the June 2024 financial examiner class (four examiners) will begin field training and certification in Texas Finance Code 342-F (small loans) and Texas Finance Code Chapter 371 (pawnshop) exams beginning in January. The OCCC plans to deliver classroom training for Credit Access Business Exams and 342-E Large Loan exams in the Spring of 2025. Finally, recruiting for a new examiner class will begin in the Spring of 2025 with the goal of filling a class of five examiners for a June 2025 training class.

Examinations Conducted: Sept - Oct Fiscal Year Comparison



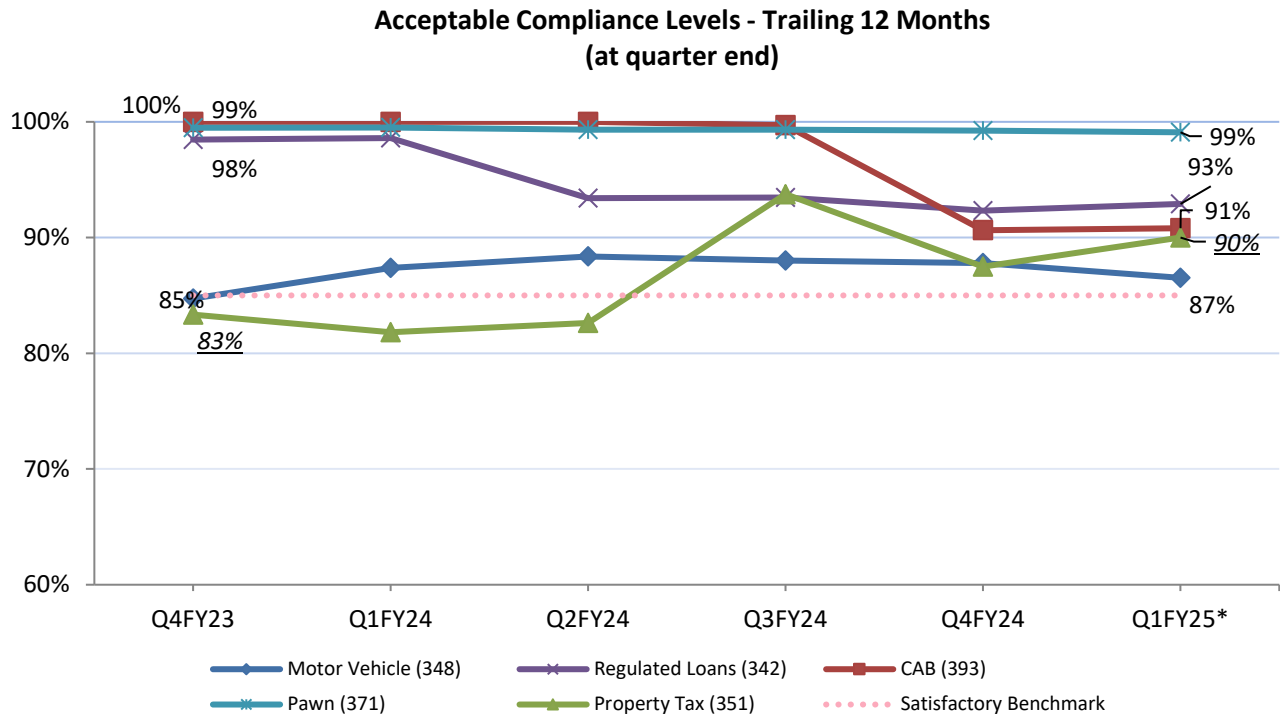
The following chart denotes the acceptable level of compliance for exams completed in FY 2025. The percentage for Credit Access Businesses is due to a low number of completed examinations with non-acceptable ratings

Acceptable Level of Compliance FY '25 (Sept 2024 - Oct 2024)



*No examinations performed.

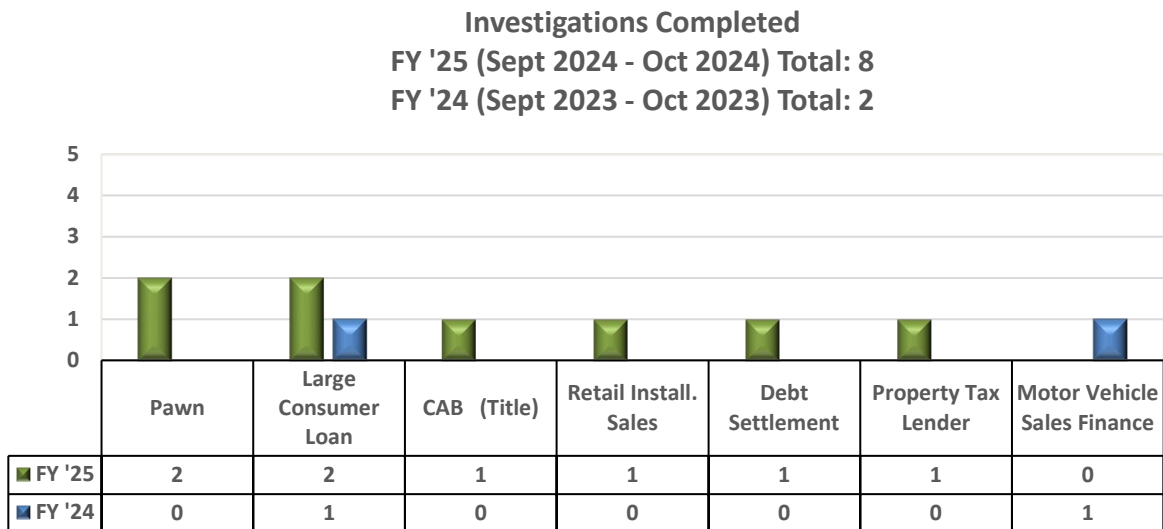
The following chart denotes the acceptable level of compliance on a trailing 12-month basis through the end of October 2024.



*As of 10/31/2024

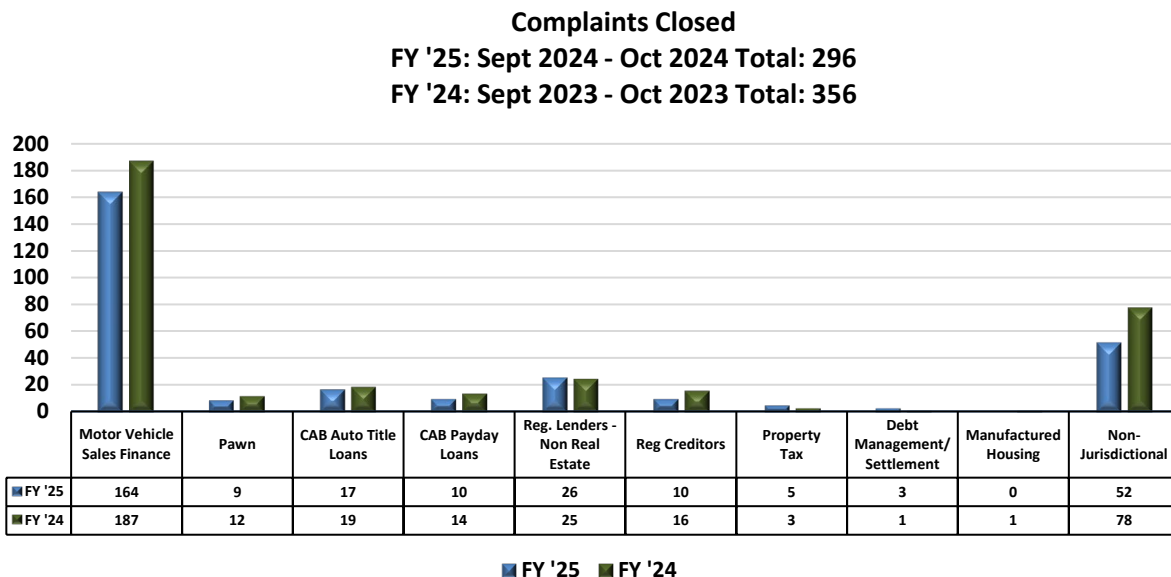
Investigations

For FY 2025, the OCC completed 8 investigations out of the annual goal of 75.

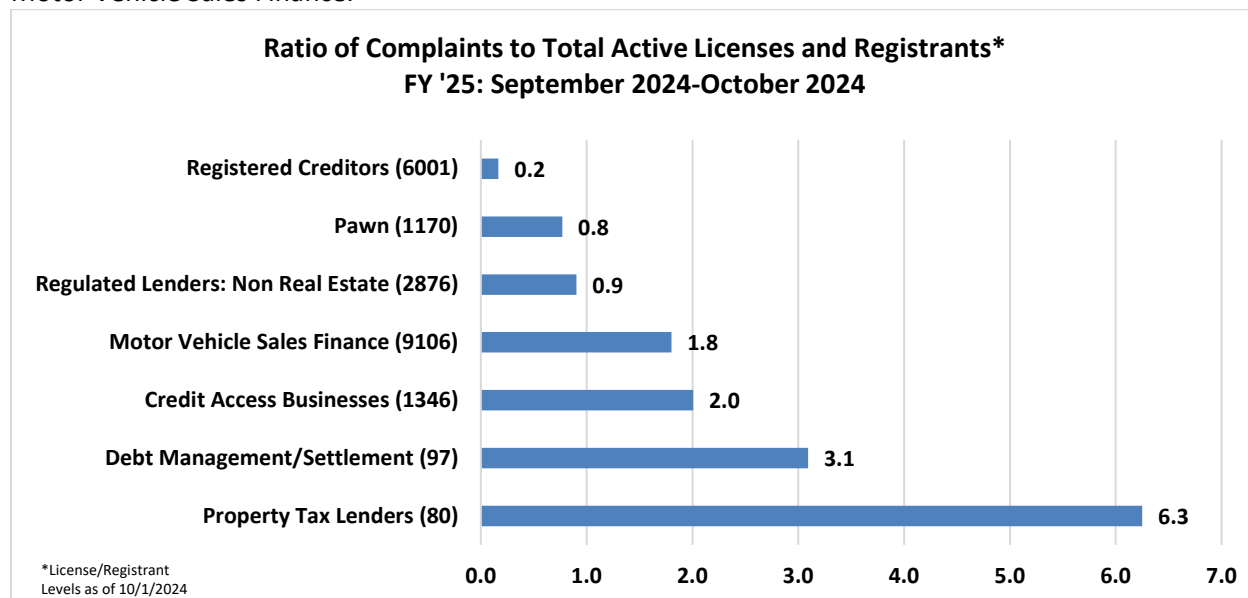


Consumer Assistance

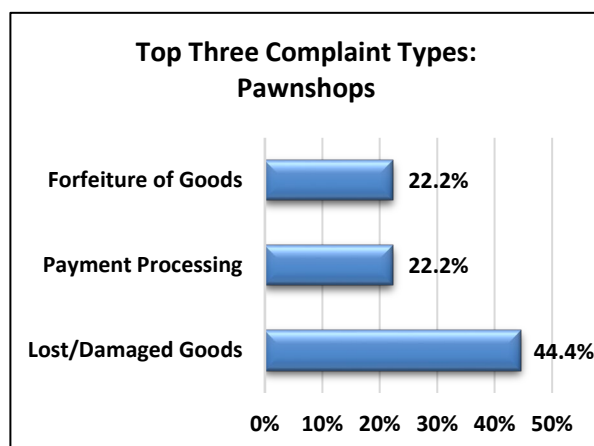
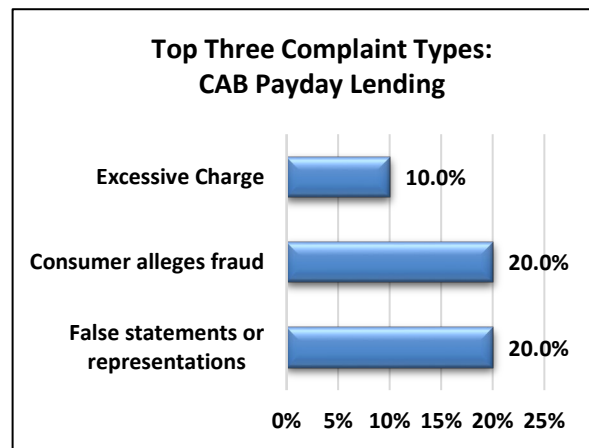
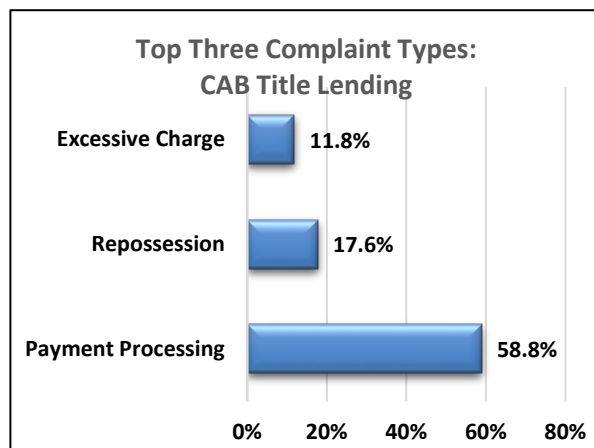
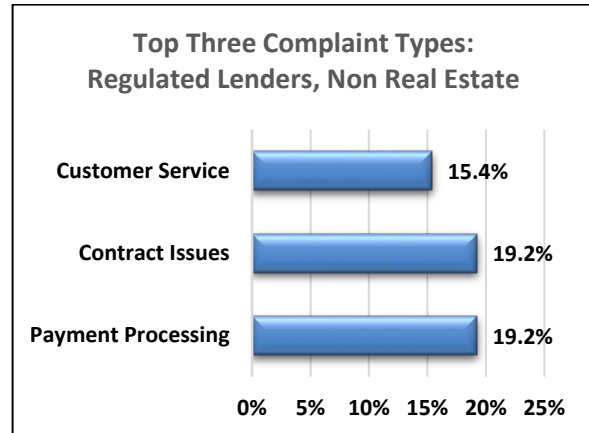
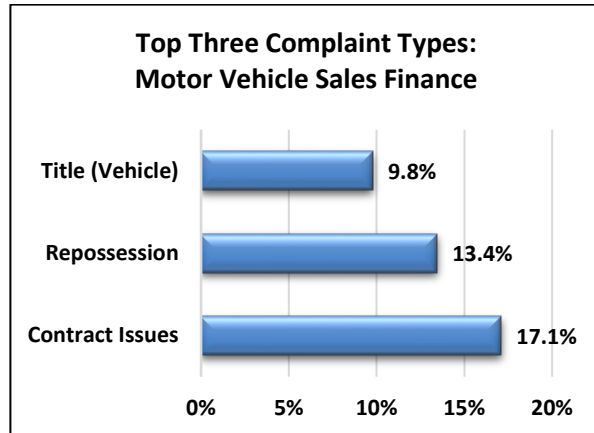
During this reporting period, 296 complaints were closed, of which 52 were non-jurisdictional. The top area of jurisdictional complaints was Motor Vehicle Sales Finance, followed by Credit Access Businesses, Regulated Lenders – Non-Real Estate, and Pawnshops. Motor Vehicle Sales Finance complaints accounted for 55.4% of all complaints. The second largest category was Credit Access Business complaints, which were 9.1% collectively, separately this was 3.4% for payday loans and 5.7% for title loans. Regulated Lenders – Non-Real Estate were the third largest complaint category at 8.8% and the fourth largest complaint category was Pawnshops at 3%.



Comparison of complaints processed to the number of active license or registrant population is noted on the chart below. For this reporting period, the highest ratio of complaints to active license/registrants is Property Tax Lenders, followed by Debt Management/Debt Settlement, Credit Access Businesses, and Motor Vehicle Sales Finance.



The following charts represent the top three complaint areas per license type.





Licensing Department Report

Mirand Diamond, Director of Licensing, Finance & HR

December 2024

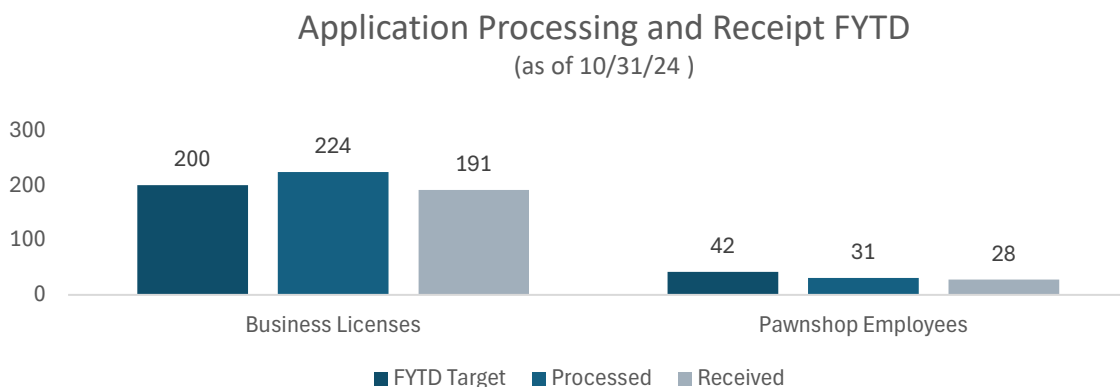
Renewals Report

The department has successfully concluded the renewal process for both motor vehicle and commercial motor vehicle sales finance licenses with 89% of this industry group completing renewal. Projections were that 90% would renew.

The renewal period for property tax lenders, credit access businesses, and regulated lenders is now open. Based on historical trends, management estimates that 90% of property tax lenders, 94% of credit access businesses, and 92% of regulated lenders will renew.

Application Processing

As of October 31, 2024, 224 business applications were processed this fiscal year; the pro rata projections for the first two months are 200 for business applications and 42 for pawnshop employee applications. The FY25 year-end target is 1,200 for business applications and 250 for pawnshop employee applications.



Other Updates

Transition to NMLS

The department is engaged in preliminary planning to transition property tax lender licenses and regulated lender licenses to NMLS later in this fiscal year.



Financial Education

During this reporting period, the OCCC collaborated with Austin Community College to host a workshop on Financial Fitness, presented a webinar entitled Financial Foundations for Young Adults with the Department of Banking, and spoke on holiday shopping and budgeting at the Employee Advisory Board (EAB) for the Texas Comptroller of Public Accounts' Team Talk. The agency has been actively conducting outreach to community organizations and is currently planning a collaboration with the Fussell Senior Center in Houston for a presentation in January.

TTEE's second reporting period for the 2024-2025 grant cycle will end on December 31, 2024. All grant reimbursement requests are due by the end of January 2025. To date, the 2024-2025 TTEE grant cycle has reimbursed \$113,897.06 to ten organizations delivering financial education across Texas.

Communication

The OCCC participated in the State Employee Charitable Campaign throughout the month of October. This initiative allowed the OCCC team to engage in various fundraising activities. Employee collective efforts raised \$1,879 for charities across the state, and also fostered a sense of unity and purpose within the agency. The OCCC is currently developing the Winter Newsletter.

During this reporting period, the following agency policies were ratified or updated:

Policy	Department	Date Ratified or Updated
Prohibited Technology and Covered Applications	IT; Security Policy Compliance Committee (SPCC)	October 13, 2024
Personnel Security (PS family)	IT; SPCC	October 13, 2024
Media Protection (MP)	IT; SPCC	October 13, 2024
Confidential and Sensitive Information Encryption Policy	IT; SPCC	November 12, 2024
Configuration Management Policy (CM family)	IT; SPCC	November 12, 2024
Data Classification	IT; SPCC	November 12, 2024
Maintenance (MA family)	IT; SPCC	November 12, 2024
Personally Identifiable Information Processing and Transparency (PT family)	IT; SPCC	November 12, 2024
Software Currency	IT; SPCC	November 12, 2024
Travel	Administration	November 21, 2024

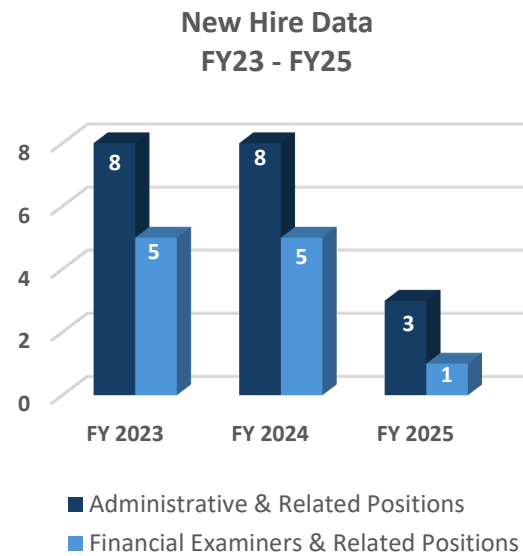
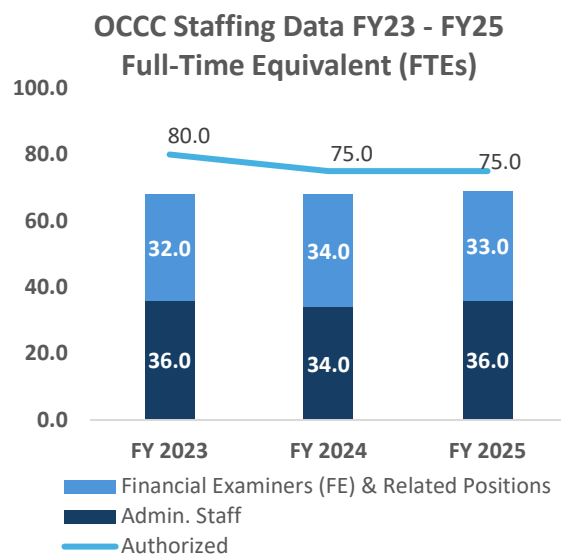
The OCCC continues to communicate with stakeholders, and staff have provided presentations to regulated entities and other groups as follows:

- On October 7, 2024, Director Lewis and Financial Examiner Morales presented at the Texas Independent Automobile Dealers Association (TIADA) San Antonio Retail Summit.
- October 21, 2024, Financial Examiner Fancher presented at the Texas Independent Automobile Dealers Association (TIADA) Arlington Compliance Summit.
- On November 7, 2024, Financial Examiner Fancher provided a presentation to automobile dealers at a webinar sponsored by the Texas Department of Motor Vehicles (DMV).

Human Resources

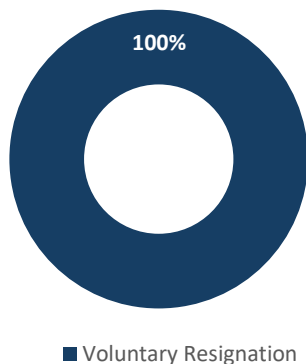
As of November 30, 2024, the OCCC was staffed with a total of 69 FTEs. The agency has worked to fill four vacancies in FY 2025. As of November 30, 2024, the OCCC does not have any vacant positions.

The following charts represent staffing data for fiscal years 2023-2025.

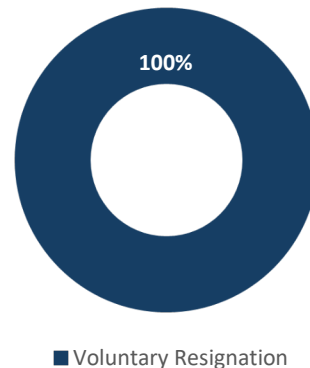


The turnover ratio as of 11/30/2024, is 4%. The charts below represent FY25 data.

OCCC Turnover Categories
FY 25 - All Employees
(09/01/2024 - 11/30/2024)
3 total: 3 - Voluntary Resignations



OCCC Turnover Categories
FY25 - FE Series
(09/01/2024-11/30/2024)
3 total - 3 Voluntary Resignation



Information Technology

Technology modernization and deployment

OCCC staff, under IT guidance, successfully upgraded all deployed endpoint computers to Microsoft Windows 11.

Work is ongoing to meet the requirements and spring timeline for the new Texas Payment Engine administrator and the significant coincident changes required in ALECS to utilize the new process for receiving electronic payments.

Cybersecurity

IT policies and procedures restructuring is approaching its conclusion. Policies and policy families are 100% complete. Procedures are above 75% complete.



Accounting Report- December 2024

Mirand Diamond, Director of Licensing, Finance & HR

Financial Reporting

The accounting staff concluded work on the Annual Financial Report in November and completed fiscal year end close for FY 24 in CAPPs. Staff is currently working on closing the first quarter of fiscal year 25.

Other Items

In compliance with Government Code, Section 2101.0115, the required Annual Non-Financial Report is being prepared and is due to the Office of the Governor and the Legislative Budget Board by 12/31.

In compliance with Finance Code Section 16.005(c), pertaining to self-directed, semi-independent agencies, the OCCC submitted the required annual report due 11/1, which included annual financial information. The OCCC is finalizing the required biennial SDSI report in compliance with Finance Code Section 16.005(b) which is due before the beginning of the legislative session.



Legal Department Report

Matthew Nance, General Counsel

December 2024

Enforcement Report

Contested Cases

As of October 31, 2024, the OCCC does not have any contested cases pending before the State Office of Administrative Hearings (SOAH).

Enforcement Case Highlights

Orders on reporting violations

The Texas Finance Code and its implementing rules require pawnshops to file periodic reports with the OCCC describing transaction activity. If a licensee violates this requirement, the OCCC's typical practice is to send an injunction for the first violation, followed by administrative penalties for subsequent violations. In October 2024, the OCCC issued 16 enforcement orders against pawnshops for failing to file 2023 annual reports by the deadline of July 31, 2024.

Orders on motor vehicle dealer service fees

Under Chapter 348 of the Texas Finance Code, if a motor vehicle dealer includes a fee for dealer services in a retail installment contract, the fee must be included in the cash price. Dealers are not authorized to include dealer service fees in the itemized charges of a retail installment contract. In October 2024, the OCCC closed three cases following agreed orders with three affiliated motor vehicle dealers that violated Chapter 348 by including dealer service fees in the itemized charges of retail installment contracts. The businesses agreed to pay administrative penalties and to cease this practice.

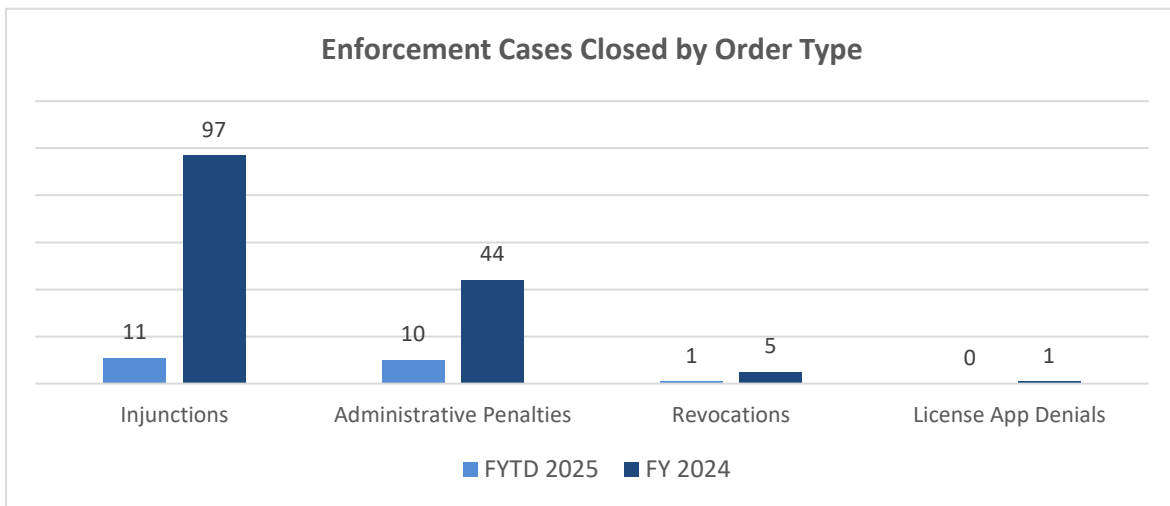
Orders to furnish information and allow investigation

Under Chapter 348 of the Texas Finance Code, the OCCC is authorized to examine and investigate motor vehicle sales finance licensees. Licensees are required to allow the OCCC to access their records and to respond to the OCCC's requests for information. If a licensee fails to provide requested information in an investigation, the OCCC's typical practice is to send an order to the licensee to provide the requested information and to allow an investigation. Failure to comply with an order may result in administrative penalties and license revocation. In October 2024, the OCCC closed two cases with final orders against motor vehicle dealers that failed to furnish requested information in investigations.

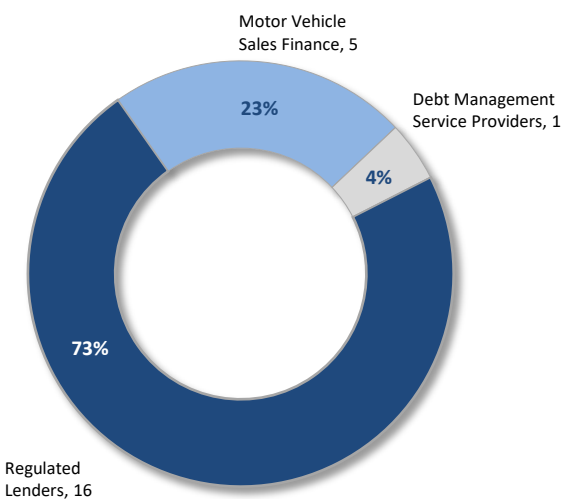
Enforcement Case Tracking

The following table includes enforcement case tracking information for FY 2025 to date (September 1, 2024, through October 31, 2024) and FY 2024.

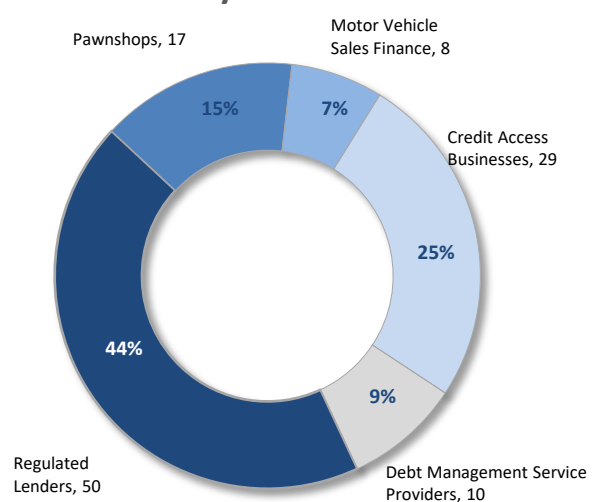
Enforcement Case Tracking Information	FYTD 2025	FY 2024
Enforcement Cases Opened	35	117
Enforcement Cases Closed	22	147
Enforcement Cases Closed by Final Order	22	140
Average Number of Days to Close an Enforcement Action	98	79
Contested Cases Docketed at SOAH	0	1



Cases Closed by Industry FYTD 2025



Cases Closed by Industry FY 2024



Litigation

Ernest Polk v. Texas Office of Consumer Credit Commissioner

This is an employment discrimination lawsuit pending before the First Court of Appeals in Houston (case no. 01-22-00712-CV). The district court dismissed the plaintiff's case, and the plaintiff appealed the case. On September 17, 2024, the court of appeals issued a decision in the OCCC's favor, affirming the district court's decision to dismiss the plaintiff's case. The plaintiff did not request a rehearing at the court of appeals by the deadline of October 2, 2024. The plaintiff did not file a petition for review with the Texas Supreme Court by the deadline of November 1, 2024.

Rulemaking

At the December meeting, the OCCC is presenting the following rule actions:

- Adoption of amendments to 7 TAC Chapter 7 (relating to the Texas Financial Education Endowment Fund), resulting from rule review.
- Proposed amendments to 7 TAC Chapter 2 (relating to residential mortgage loan originators).

At the February 2025 meeting, the OCCC intends to present the following rule action:

- Adoption of amendments to 7 TAC Chapter 2 (relating to residential mortgage loan originators).

Federal Rulemaking and Litigation

CFPB Payday Lending Rule Litigation

The Consumer Financial Protection Bureau's Payday Lending Rule contains payment-withdrawal requirements for certain short-term and long-term consumer loans. A lawsuit challenging the Payday Lending Rule's constitutionality, *Community Financial Services Association v. Consumer Financial Protection Bureau*, is currently pending in the federal Fifth Circuit Court of Appeals (case no. 21-50826). In May 2024, the U.S. Supreme Court issued a decision finding that the CFPB's funding structure is constitutional and remanded the case to the Fifth Circuit. On June 14, the CFPB issued a statement that it expects the Payday Lending Rule to go into effect on March 30, 2025. On June 19, the Fifth Circuit issued a decision rendering judgment in the CFPB's favor and declared that the Payday Lending Rule is constitutional. On July 3, the plaintiffs filed a petition for the Fifth Circuit to rehear the case *en banc*. On November 12, the Fifth Circuit denied the plaintiffs' motion for rehearing.

CFPB Buy Now Pay Later Interpretive Rule Litigation

On May 22, 2024, the CFPB issued an interpretive rule determining that buy-now-pay-later providers are credit card issuers under federal Regulation Z. The CFPB determined that these providers must comply with Regulation Z's requirements to disclose the cost of credit, provide periodic billing statements, and resolve billing disputes. On October 18, the Financial Technology Association filed a lawsuit against the CFPB in the U.S. District Court for the District of Columbia (case no. 1:24-cv-02966). The plaintiff alleges that the rule violates the federal Administrative Procedure Act. The case is currently pending in the district court.

CFPB Personal Financial Data Rights Rule Litigation

On October 22, 2024 the CFPB issued a final rule governing consumers’ rights over personal financial data. The rule applies to financial institutions and data providers for deposit accounts, credit cards, and certain payment transfer services. The rule requires certain providers to transfer consumer data to another provider at a consumer’s request, and requires providers to provide certain information to a consumer, including account balance information and upcoming bill information. Also on October 22, the Bank Policy Institute and Kentucky Bankers Association filed a lawsuit against the CFPB in the U.S. District Court for the Eastern District of Kentucky (case no. 5:24-cv-00304). The plaintiffs allege that the rule violates the federal Administrative Procedure Act. The case is currently pending in the district court.

Advisory Guidance

From October 1, 2024, to October 31, 2024, the OCCC did not issue any advisory bulletins.

From October 1, 2024, to October 31, 2024, the OCCC did not receive any requests for official interpretations of the Texas Finance Code. As of October 31, 2024, there were no pending requests for official interpretations of the Texas Finance Code.

Public Information Requests

Public Information Tracking Information	FYTD 2025	FY 2024
Public Information Requests Received	28	144
Public Information Requests Closed	26	134
Public Information Requests Withdrawn	1	8
Public Information Requests Referred to Office of Attorney General	0	0
Average Number of Days to Address a Public Information Request	3.3	2.5

On September 26, 2024, the OCCC received a third-party notice from the Texas Department of Information Resources. The notice explains that a person sent a public information request to DIR for “All automated decision system inventories submitted to DIR by Texas state agencies, as required by Section 2054.623 of the Government Code.” DIR requested a ruling from the Office of the Attorney General on whether some responsive information is confidential and may be withheld from the requestor (request R003874-082724). On October 8, the OCCC filed a brief with the Office of the Attorney General (OAG) arguing that certain OCCC information should be withheld from the requestor, because the information relates to network security. The OCCC anticipates a letter ruling from the OAG by early December 2024.

Gifts Received by the OCCC

From October 1 to October 31, 2024, the OCCC received no gifts.



Legislative Issues for 2025

December 2024

In its 2025-2029 Strategic Plan, the OCCC identified the following two potential legislative issues for the 2025 legislative session.

Data security

Data security is a crucial emerging issue for maintaining the integrity of the financial system in Texas. The Texas Finance Code does not currently contain explicit requirements for OCCC licensees and registrants to maintain data security for personal information of Texas consumers, and does not specifically authorize the OCCC to enforce data security requirements. In addition, Texas law requires businesses to notify the Texas attorney general of a data breach affecting consumers' personal information (see Tex. Bus. & Comm. Code § 521.053) but does not explicitly require OCCC licensees to notify the OCCC of a data breach.

The OCCC has identified potential statutory changes that would better enable the OCCC to ensure that regulated businesses work appropriately to mitigate data security risks. Some of these changes correspond to existing requirements under federal law and to the Conference of State Bank Supervisors (CSBS) Nonbank Model Data Security Law.

- **Information security program:** These changes would amend Chapter 14 of the Texas Finance Code to include enforceable requirements for an information security program. The changes would require regulated businesses to develop a written information security program, require businesses to perform risk assessments, and require businesses to train their staff on data security. These changes would help ensure that regulated businesses take appropriate actions to protect consumers against evolving data security risks
- **Data breach notification:** This change would require regulated businesses to notify the OCCC of a data breach, enabling the OCCC to ensure that businesses remedy the harms resulting from breaches.

Use of NMLS system

The Nationwide Multistate Licensing System (NMLS) is an online platform used by state financial regulatory agencies to manage licenses, including license applications and renewals. All 50 states currently use NMLS for licensing residential mortgage loan originators, and the system is also

increasingly used for licensing consumer finance companies. Under Section 14.109 of the Texas Finance Code, the OCCC is authorized to require use of NMLS for some, but not all, license and registration types.

During calendar year 2025, the OCCC intends to begin a phased process of migrating license groups from the OCCC's current licensing platform to NMLS. The OCCC believes that moving to NMLS will improve the user experience of the licensing system and promote efficiency for multistate entities.

The potential statutory change would amend Section 14.109 to specify that the OCCC may license and register each type of regulated entity through NMLS. This would enable the OCCC to use a standardized, efficient licensing and registration process that is the same system used in other states.

D. OFFICE OF CONSUMER CREDIT COMMISSIONER

2. Discussion of and Possible Vote to Take Action on the Adoption of Amendments to 7 TAC, Part 1, Chapter 7, Concerning Texas Financial Education Endowment Fund, Resulting from Rule Review

PURPOSE: The purpose of the amendments to 7 TAC Chapter 7 is to implement changes resulting from the commission's review of the chapter under Texas Government Code, §2001.039.

RECOMMENDED ACTION: The OCCC requests that the Finance Commission approve the adoption of the amendments to 7 TAC Chapter 7.

RECOMMENDED MOTION: I move that the Finance Commission approve the adoption of the amendments to 7 TAC Chapter 7.

Title 7, Texas Administrative Code
Part 1. Finance Commission of Texas
Chapter 7. Texas Financial Education Endowment Fund

The Finance Commission of Texas (commission) adopts amendments to §7.101 (relating to Applicability and Purpose), §7.103 (relating to TFEE Grant Program), §7.104 (relating to TFEE Gifts and Donations), and §7.105 (relating to TFEE Fund Management) in 7 TAC Chapter 7, concerning Texas Financial Education Endowment Fund.

The commission adopts the amendments to §7.101, §7.103, §7.104, and §7.105 without changes to the proposed text as published in the November 8, 2024, issue of the *Texas Register* (49 TexReg 8812). The amended rules will not be republished.

The commission received no official comments on the proposed amendments.

The rules in 7 TAC Chapter 7 govern the Texas Financial Education Endowment (TFEE). The Texas Legislature established TFEE in 2011, in order to support statewide financial education and consumer credit building activities and programs. The commission and the OCCC have established a grant program to promote the purposes of TFEE.

In general, the purpose of the rule changes to 7 TAC Chapter 7 is to implement changes resulting from the commission's review of the chapter under Texas Government Code, §2001.039. Notice of the review of 7 TAC Chapter 7 was published in the *Texas Register* on August 2, 2024 (49 TexReg 5783). The commission received no comments in response to that notice.

The OCCC distributed an early precomment draft of proposed changes to interested stakeholders for review. The OCCC received no informal precomments on the rule text draft.

The Texas Legislature passed SB 1371 in the 2023 regular legislative session. SB 1371 modernized, clarified, and corrected provisions of the Texas Finance Code administered by the OCCC. In particular, SB 1371 relocated and amended the statutory provision that establishes TFEE. SB 1371 relocated this section from previous Texas Finance Code, §393.628 to current Texas Finance Code, §14.113. SB 1371 also amended Texas Finance Code, §14.113(b) to specify that funds in TFEE will be invested under the prudent business person standard described by the Texas Constitution, replacing previous language that referred to investing funds in the same manner as funds of the Employees Retirement System of Texas (ERS).

An amendment to §7.101(a) replaces a reference to Texas Finance Code, §393.628 with an updated reference to Texas Finance Code, §14.113. This amendment corrects the statutory reference and implements SB 1371's relocation of the section, as described earlier in this preamble.

Amendments to §7.103(g) specify requirements for the longitudinal report that grantees file after the end of a two-year grant cycle. The amendments specify that the longitudinal report is comprehensive, that the report must describe activity performed under the grant agreement, and that the report is due on June 30 following the end of the

grant cycle. The amendments are intended to clarify requirements for grantees and to provide a more specific deadline for the report.

Amendments throughout §7.104(a) replace references to Texas Finance Code, §393.628 with updated references to Texas Finance Code, §14.113. These amendments correct statutory references and implement SB 1371's relocation of the section, as described earlier in this preamble.

An amendment to §7.105 replaces a reference to Texas Finance Code, §393.628(b) with an updated reference to Texas Finance Code, §14.113(b). Another amendment to §7.105 replaces the current reference to the ERS investment standard with a reference to the prudent person standard described by the Texas Constitution. These amendments implement the changes contained in SB 1371, as described earlier in this preamble.

The rule changes are adopted under Texas Finance Code, §14.113, which authorizes the commission to adopt rules to administer the Texas Financial Education Endowment. In addition, Texas Finance Code, §11.304 authorizes the commission to adopt rules necessary to supervise the OCCC and ensure compliance with Texas Finance Code, Chapter 14 and Title 4.

The statutory provisions affected by the adoption are contained in Texas Finance Code, Chapter 14.

§7.101. Applicability and Purpose

(a) Applicability. This chapter governs the administration of the Texas Financial Education Endowment (TFEE) fund as

provided by Texas Finance Code, §14.113. [§393.628.]

(b) - (c) (No change.)

§7.103. TFEE Grant Program

(a) - (f) (No change.)

(g) Reporting and monitoring.

(1) General reporting requirements. To receive reimbursement of TFEE grant expenses, a grantee must:

(A) submit grant reports in a timely manner;

(B) maintain satisfactory compliance with the grant agreement and proposed grant activities;

(C) report performance measures; and

(D) track and report participant demographic information.

(2) Semi-annual reports. A grantee must submit semi-annual reports that demonstrate performance outcomes and financial information over the term of the grant in accordance with and by the deadlines set forth in the grant agreement.

(3) Six-month longitudinal report. A grantee must submit a comprehensive six-month longitudinal report after program completion to demonstrate program objectives and describe activity performed under the grant agreement. The longitudinal report is due on June 30 following the end of the grant programming cycle.

(4) Monitoring. The grant coordinator or GAC may use the following methods to monitor a grantee's performance and expenditures:

(A) Desk review. The grant coordinator or GAC may conduct a desk review of a grantee to review and compare individual source documentation and materials to summary data provided during the reporting process.

(B) Site visits and inspection reviews. The grant coordinator or GAC may conduct a scheduled site visit to a grantee's place of business to review compliance and performance issues. Site visits may be comprehensive or limited in scope.

(h) (No change.)

§7.104. TFEE Gifts and Donations

(a) Authorized gifts and donations.

(1) TFEE purpose. Under Texas Finance Code, §14.113(d), [~~§393.628(d)~~], the finance commission may solicit gifts, grants, and donations that fulfill the purpose of TFEE to support statewide financial education and consumer credit building activities and programs in this state, including the specific purposes provided by Texas Finance Code, §14.113(c), [~~§393.628(e)~~].

(2) Consumer credit educational purpose. Under Texas Finance Code, §14.105(a), the commissioner may accept gifts, grants, and donations on behalf of the state for a purpose related to a consumer credit educational opportunity, unless prohibited by Texas Finance Code, §14.105(b) or other law. A consumer credit educational opportunity is also considered to

be a consumer credit building activity under TFEE.

(3) From state agencies. Under Texas Finance Code, §14.113(e), [~~§393.628(e)~~], the finance commission may partner with other state agencies to administer the TFEE fund, including the acceptance of gifts and donations from other state agencies, for the purposes outlined in paragraphs (1) and (2) of this subsection.

(4) From other parties. Gifts and donations from parties other than state agencies must meet the same criteria required for grantees eligible under §7.103(b) of this title (relating to TFEE Grant Program).

(b) (No change.)

§7.105. TFEE Fund Management

In accordance with Texas Finance Code, §14.113(b), [~~§393.628(b)~~], TFEE funds will be remitted to the comptroller for deposit in the Texas Treasury Safekeeping Trust Company. TFEE funds may be invested and reinvested under the prudent person standard described by Texas Constitution, Article VII, Section 11b [~~in the same manner as funds of the Employees Retirement System of Texas under Texas Government Code, Chapter 815, Subchapter D~~].

Certification

The agency certifies that legal counsel has reviewed the adoption and found it to be a valid exercise of the agency's legal authority.

Issued in Austin, Texas on December 18,
2024.

Matthew J. Nance
General Counsel
Office of Consumer Credit Commissioner

D. OFFICE OF CONSUMER CREDIT COMMISSIONER

3. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of Amendments in 7 TAC, Part 1, Chapter 2, Concerning Residential Mortgage Loan Originators Regulated by the Office of Consumer Credit Commissioner

PURPOSE: The purpose of the proposed rule changes to 7 TAC Chapter 2 is to remove language providing that certain entities are not required to register with the NMLS system, in order to support the OCCC's efforts to migrate license groups to NMLS.

RECOMMENDED ACTION: The OCCC requests that the Finance Commission approve the amendments to 7 TAC Chapter 2 for publication in the *Texas Register*.

RECOMMENDED MOTION: I move that the Finance Commission approve for publication and comment the amendments to 7 TAC Chapter 2.

Title 7, Texas Administrative Code
Part 1. Finance Commission of Texas
Chapter 2. Residential Mortgage Loan Originators Regulated by the Office of Consumer Credit Commissioner
Subchapter A. Application Procedures

The Finance Commission of Texas (commission) proposes amendments to §2.102 (relating to Registration with Nationwide Mortgage Licensing System and Registry) in 7 TAC Chapter 2, concerning Residential Mortgage Loan Originators Regulated by the Office of Consumer Credit Commissioner.

The rule at §2.102 relates to procedures for an individual to register with the NMLS system as a residential mortgage loan originator (RMLO). In general, the purpose of the proposed rule changes to 7 TAC §2.102 is to remove language providing that certain entities are not required to register with NMLS, in order to support efforts to migrate license groups to NMLS.

The Office of Consumer Credit Commissioner (OCCC) distributed an early precomment draft of proposed changes to interested stakeholders for review, and then held a stakeholder webinar regarding the rule changes. During the webinar, the OCCC answered questions from stakeholders about the rule proposal. The OCCC appreciates the input provided by stakeholders. The OCCC did not receive any written precomments on the rule text draft.

The Nationwide Multistate Licensing System (NMLS) is an online platform used by state financial regulatory agencies to manage licenses, including license applications and renewals. State agencies created NMLS in 2008. The federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 explains that the

purposes of NMLS include increasing uniformity and reducing regulatory burden. Federal SAFE Act, 12 USC §5101. Each state currently uses NMLS for licensing individual RMLOs, and 59 state agencies use the system for licensing mortgage companies. See NMLS, Q1 2024 Mortgage Industry Report (June 2024). NMLS is managed by the Conference of State Bank Supervisors and is subject to ongoing modernization efforts and enhancements.

Under Texas Finance Code, §14.109, the OCCC is authorized to require use of NMLS for certain license and registration types. During calendar year 2025, the OCCC intends to begin a phased process of migrating license groups from ALECS (the OCCC's current licensing platform) to NMLS. The OCCC believes that moving to NMLS will improve the user experience of the licensing system and promote efficiency. This is particularly true for entities that hold licenses with the OCCC and with another state agency, because these entities will be able to manage multiple licenses through NMLS.

Currently, the rule at §2.102 describes procedures for an individual to register with NMLS as an RMLO. Current §2.102(b) states: "Entities licensed or applying for a license with the OCCC to make, transact, or negotiate residential mortgage loans are not required to register with NMLS."

Proposed amendments to §2.102 would remove current subsection (b). This change would support the OCCC's efforts to begin

migrating license groups to NMLS. This change is consistent with the OCCC's authority under Texas Finance Code, §14.109, to require use of the NMLS system for certain license and registration types. Other proposed amendments throughout §2.102 would renumber other subsections accordingly.

Mirand Diamond, Director of Licensing, Finance and Human Resources, has determined that for the first five-year period the proposed rule changes are in effect, there will be no fiscal implications for state or local government as a result of administering the rule changes.

Mirand Diamond, Director of Licensing, Finance and Human Resources, has determined that for each year of the first five years the proposed rule changes are in effect, the public benefits anticipated as a result of the changes will be that the commission's rules will be more easily understood by licensees required to comply with the rules, and that the OCCC will be better enabled to use its existing authority under Texas Finance Code, §14.109, to use NMLS as a licensing system, resulting in an improved user experience and efficiency for multistate entities.

In general, the OCCC anticipates that any economic costs for persons required to comply with the proposed rule changes will be minimal. The proposed rule change only affects companies licensed or applying for a license with the OCCC to make, transact, or negotiate residential mortgage loans. If a company is not already registered with NMLS, then the company would pay a \$100 initial setup fee and annual processing fee, with a pending proposal to adjust this amount to \$120. See NMLS, 2024 NMLS Processing Fee Review Frequently Asked Questions

(Oct. 2024). Certain entities with more than one RMLO or associated with other license types may also pay other nominal fees to NMLS. For regulated lender licensees, the OCCC typically attempts to minimize regulatory burden by discounting license renewal assessment fees, with a \$180 discount for active licenses in fiscal year 2025. Some labor costs may result from uploading information and documents to NMLS, but the OCCC anticipates that these costs will be minimal, because licensees should already have this information available in the OCCC's existing licensing system or in the licensee's own records.

The OCCC is not aware of any adverse economic effect on small businesses, micro-businesses, or rural communities resulting from this proposal. But in order to obtain more complete information concerning the economic effect of these rule changes, the OCCC invites comments from interested stakeholders and the public on any economic impacts on small businesses, as well as any alternative methods of achieving the purpose of the proposal while minimizing adverse impacts on small businesses, micro-businesses, and rural communities.

During the first five years the proposed rule changes will be in effect, the rules will not create or eliminate a government program. Implementation of the rule changes will not require the creation of new employee positions or the elimination of existing employee positions. Implementation of the rule changes will not require an increase or decrease in future legislative appropriations to the OCCC, because the OCCC is a self-directed, semi-independent agency that does not receive legislative appropriations. The proposal does not require an increase or decrease in fees paid to the OCCC. The proposal would not create a new regulation.

The proposal would limit current §2.102 by removing text indicating that certain entities are not required to register with NMLS. The proposal would not expand or repeal an existing regulation. The proposed rule changes do not increase or decrease the number of individuals subject to the rule's applicability (although entities that make, transact, or negotiate residential mortgage loans would not longer be subject to the exception in current §2.102(b)). The agency does not anticipate that the proposed rule changes will have an effect on the state's economy.

Comments on the proposal may be submitted in writing to Matthew Nance, General Counsel, Office of Consumer Credit Commissioner, 2601 North Lamar Boulevard, Austin, Texas 78705 or by email to rule.comments@occc.texas.gov. To be considered, a written comment must be received on or before the 30th day after the date the proposal is published in the *Texas Register*. After the 30th day after the proposal is published in the *Texas Register*, no further written comments will be considered or accepted by the commission.

The rule amendments are proposed under Texas Finance Code, §11.304, which authorizes the commission to adopt rules necessary to supervise the OCCC and ensure compliance with Texas Finance Code, Chapter 14 and Title 4. In addition, Texas Finance Code, §180.004, authorizes the commission to implement rules necessary to comply with Texas Finance Code, Chapter 180, and to carry out the intentions of the federal Secure and Fair Enforcement for Mortgage Licensing Act. Also, Texas Finance Code, §180.061, authorizes the commission to adopt rules establishing requirements for licensing through NMLS.

The statutory provisions affected by the proposal are contained in Texas Finance Code, Chapters 14 and 180.

§2.102. Registration with Nationwide Mortgage Licensing System and Registry

(a) Individuals. Individuals applying for a license with the OCCC and who, for actual or expected compensation or gain, take a residential mortgage loan application, or who offer or negotiate the terms of a residential mortgage loan, are required to register with NMLS, except for individuals engaged in authorized activity subject to the authority of a regulatory official under Texas Finance Code, §180.251(a).

~~[(b) Entities. Entities licensed or applying for a license with the OCCC to make, transact, or negotiate residential mortgage loans are not required to register with NMLS.]~~

(b) ~~[(e)]~~ Withdrawal of application. If an application is not completed within 30 calendar days after notice of deficiency has been sent to the applicant, the application may be considered abandoned and will be withdrawn.

(c) ~~[(d)]~~ Inactive status. The OCCC may issue a license in an inactive status if the applicant complies with all requirements of licensure and completes the required application except for the requirement of providing an employer. After the inactive RMLO has submitted an employer and the OCCC has verified that the employer is currently registered or licensed by the OCCC, the license may be changed to active status.

(d) ~~[(e)]~~ Conditional status. The OCCC may issue a license on a conditional basis.

Certification

The agency certifies that legal counsel has reviewed the proposal and found it to be within the agency's legal authority to adopt.

Issued in Austin, Texas on December 13, 2024.

Matthew J. Nance
General Counsel
Office of Consumer Credit Commissioner