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**Finance Commission**

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## FINANCE COMMISSION OF TEXAS

**MEETING DATE** .....April 25, 2025

**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](http://www.fc.texas.gov)

**FUTURE MEETING DATES** .....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. Finance Code §11.106*

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# FINANCE COMMISSION AGENDA

Friday, April 25, 2025

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

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

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

## A. FINANCE COMMISSION MATTERS

### ***1. Review and Approval of the Minutes of the February 21, 2025 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' 2025 Second Quarter Investment Officer Reports

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

B. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2025 Second Quarter Financial Statements

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

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

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

E. 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 on the Planning regarding the Finance Commission of Texas' New Facility

7. Discussion of and Possible Vote to Take Action on the Finance Commission Agencies' Fiscal Year 2025 Mid-Term Accomplishment Reports
8. Discussion of the Condition of the Texas State Banking System Report (*Note: Report provided separately*)
9. Discussion of and Possible Vote to Take Action Regarding Personnel Matters Pursuant to § 551.074, Texas Government Code, Deliberations with Respect to the Duties and Compensation of a Person Holding the Position of Executive Director of the Finance Commission, Deliberations with Respect to the Duties and Compensation of Persons Holding the Position of Agency Commissioner Positions, and Other Staff
10. Discussion of and Possible Vote to Take Action Regarding Facility Planning and Real Property Matters Pursuant to § 551.072, Texas Government Code, Deliberations Regarding the Purchase, Exchange, Lease or Value of Real Property
11. Discussion of and Consultation with Attorney and Possible Vote to Take Action Pursuant to § 551.071, Texas Government Code, for the Purpose of Seeking the Advice or Attorney-client Privileged Communications from our Attorneys, Including Matters Related to the Potential Financial Exposure of the Finance Commission Agencies and Their Officers and the Finance Commission and its Officers and Including Matters of Pending and Contemplated Litigation
12. Discussion of and Consultation on Security Audit, Possible Issue Related to Confidential or Sensitive Information, Security Breach Audit and Assessment, or Security Assessments or Deployment Related to Information Resources Technology as Authorized by §§ 551.076 and 551.089, Texas Government Code
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

**B. TEXAS DEPARTMENT OF BANKING**

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

*Anthony Hrcir v. Internal Revenue Service, the Texas Department of Banking, et al.; Cause No. 4:24-cv-00692-SDJ-AGD, United States District Court, Eastern District of Texas*

*Ifeoluwa Adeusi v. State of Texas, the Texas Department of Banking, et al.; Cause No. JP07-24-SC00011762, Small Claims Court, Tarrant County, Texas*

**C. OFFICE OF CONSUMER CREDIT COMMISSIONER**

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

**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) Strategic Projects, Initiatives, and Information Resources; e) Legal Division Activities, including Consumer Complaints and Gift Reporting; and f) Legislative Activities
2. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of Amendments, New Rules, and Repeals in 7 TAC, Part 4, Chapter 51, Department Administration, Resulting from Rule Review
3. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of New Rules in 7 TAC, Part 4, Chapter 52, Mortgage Grant Fund, Resulting from Rule Review
4. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of New Rules in 7 TAC, Part 4, Chapter 53, Recovery Claims, Resulting from Rule Review
5. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation

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**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.



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' 2025 First Quarter Financial Statements</p> <ol style="list-style-type: none"> <li>1. Office of Consumer Credit Commissioner</li> <li>2. Department of Savings and Mortgage Lending</li> <li>3. Texas Department of Banking</li> </ol>	<p>Coming upon the Recommendation from the Audit Committee, no second is required and the motion to Approve the Agencies' 2025 First Quarter Financial Statements passed.</p>	<p>9:42 Start of Discussion  9:49 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>D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Appointment of New Texas Financial Education Endowment Fund Grant Advisory Committee Member Stefanie Beecoff</p>	<p>Coming upon the Recommendation from the Audit Committee, no second is required and the motion to Approve the Appointment of New Texas Financial Education Endowment Fund Grant Advisory Committee Member Stefanie Beecoff passed.</p>	<p>10:09 Start of Discussion  10:21 Vote</p>
<p>6. Discussion of and Possible Vote to Take Action on Revisions and Updates to the Finance Commission's Policies and Procedures</p>	<p>Coming upon the Recommendation from the Study Committee, no second is required and the motion to Approve the Revisions and Updates to the Finance Commission's Policies and Procedures passed.</p>	<p>10:37 Start of Discussion  12:23 Vote</p>
<p>7. Discussion of and Possible Vote to Take Action Regarding Personnel Matters Pursuant to § 551.074, Texas Government Code: Deliberations with Respect to the Duties and Compensation of a Person Holding the Position of Executive Director of the Finance Commission, Deliberations with Respect to the Duties and Compensation of Persons Holding the Position of Agency Commissioner Positions, and Other Staff</p>	<p>No Discussion.</p>	<p>n/a</p>
<p>8. Discussion of and Possible Vote to Take Action Regarding Facility Planning and Real Property Matters Pursuant to § 551.072, Texas Government Code: Deliberations Regarding the Purchase, Exchange, Lease or Value of Real Property</p>	<p>No Action Required.</p>	<p>21:32 Start of Discussion</p>

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
9. Discussion of and Consultation with Attorney and Possible Vote to Take Action Pursuant to § 551.071, Texas Government Code, for the Purpose of Seeking the Advice or Attorney-client Privileged Communications from our Attorneys, Including Matters Related to the Potential Financial Exposure of the Finance Commission Agencies and Their Officers and the Finance Commission and its Officers and Including Matters of Pending and Contemplated Litigation	No Discussion.	n/a
10. Discussion of and Consultation on Security Audit, Possible Issue Related to Confidential or Sensitive Information, Security Breach Audit and Assessment, or Security Assessments or Deployment Related to Information Resources Technology as Authorized by §§ 551.076 and 551.089, Texas Government Code	No Discussion.	n/a
11. 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	No Discussion.	n/a
<b>B. Office of Consumer Credit Commissioner</b>		
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.	24:17 Start of Discussion
2. Discussion of and Possible Vote to Take Action on the Adoption of Amendments in 7 TAC, Part 1, Chapter 2, Concerning Residential Mortgage Loan Originators Regulated by the Office of Consumer Credit Commissioner	<b>On Consent Agenda – Item B2</b> This item Approved on the Consent Agenda.	n/a
3. 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

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
<b>C. Department of Savings and Mortgage Lending</b>		
1. Industry Status and Departmental Operations: a) Thrift Regulation Division Activities; b) Mortgage Regulation Division Activities; c) Operations Division Activities; d) Strategic Projects, Initiatives, and Information Resources e) Legal Division Activities, including Consumer Complaints and Gift Reporting; and f) Legislative Activities	No Action Required.	41:21 Start of Discussion
2. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation	No Discussion.	n/a
<b>D. Texas Department of Banking</b>		
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.	55:21 Start of Discussion
2. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation  <i>Anthony Hrcir v. Internal Revenue Service, the Texas Department of Banking, et al.; Cause No. 4-24-cv-00692-SDJ-AGD, United States District Court, Eastern District of Texas</i>  <i>Ifeoluwa Adeusi v. State of Texas, the Texas Department of Banking, et al.; Cause No. JP07-24-SC00011762, Small Claims Court, Tarrant County, Texas</i>	No Discussion.	n/a

There being no further business, Chairman Phillip Holt adjourned the meeting of the Finance Commission at 10:13 a.m. (1:13:30 on the audio file).

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Phillip Holt, Chairman  
Finance Commission of Texas

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Charles G. Cooper, Executive Director  
Finance Commission of Texas

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Ruth Wright, Executive Assistant  
Finance Commission of Texas

# Finance Commission of Texas

## **Consent Agenda**

April 25, 2025

### **A. Finance Commission Matters**

1. Review and Approval of the Minutes of the February 21, 2025 Finance Commission Meeting

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Charles G. Cooper  
Commissioner

## **TEXAS DEPARTMENT OF BANKING**

2601 North Lamar Blvd., Austin, Texas 78705

512-475-1300 / 877-276-5554

[www.dob.texas.gov](http://www.dob.texas.gov)

### **MEMORANDUM**

TO: Finance Commission of Texas

FROM: Charles G. Cooper, Commissioner

DATE: February 28, 2025

RE: Department of Banking Priorities for Fiscal Year 2025 Update

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#### **I. LEGISLATIVE – *State and National Legislative Issues***

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

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

**Update:**

- *Maintained contact with state and federal legislative committees.*
- *Responded to requests for information from state legislators relating to regulated financial service providers and testified as requested.*

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

**Measure:** Provide Finance Commission members with information on significant federal laws and policy statements and the effect on supervised entities, if any. Provide sufficient information and materials to give members an overall assessment of our regulated industries.

**Update:**

- *Beginning in January, weekly legislative reports were provided by email to Commission members.*
- *Commission members were provided an update on legislative matters at the December and February meetings.*
- *Finance Commission members received copies of Department press releases and industry notices.*

- I.3 **Objective:** Monitor the 89th legislative session and any legislation that may affect the Department or its regulated entities. Make recommendations for state legislative changes to address areas the law does not adequately address, correct technical errors, and modernize outdated statutes.

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

**Update:**

- *Commissioner Cooper testified on behalf of the Texas Department of Banking at the House Committee on Pensions, Investments & Financial Services organizational hearing on March 3, 2025.*
- *Commissioner Cooper, General Counsel Nichols, and Deputy General Counsel met with PIFS Committee members and their staff.*
- *Suggestions for statutory improvements were provided to Representative Lambert for consideration.*
- *In February, met with staff members of Senate Business and Commerce Committee to provide information regarding the banking system.*
- *In fall 2024, spoke with Senate and House staff members regarding their potential legislation.*
- *Resource information relating to bills affecting regulated entities has been provided to several legislative offices.*
- *The agency is currently tracking 562 bills and resolutions.*
- *The agency has completed 27 fiscal notes related to filed bills.*

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

- II.1 **Objective:** Strive to ensure the agency meets the highest standards for regulatory agencies in the country.

**Measure:** Successfully obtain reaccreditation from the Conference of State Bank Supervisors (CSBS) for the Bank and Trust and Non-Depository Supervision Divisions.

**Update:**

- *The Department successfully obtained CSBS reaccreditation in January 2025 for the bank and trust and money services businesses areas.*

- II.2 **Objective:** Strive to ensure performance measure goals are met while working through the labor market challenges. (See Attachment A for all performance measures).

**Measure:** Meet or exceed the strategic planning goals for key performance measures. Report performance measure results to the Finance Commission quarterly.

**Update:**

- *Through February 28, 2025, all Bank & Trust Supervision (B&T) and (Non-Depository Supervision (NDS) key performance measures were either met or exceeded.*
- *However, for B&T, an increase in problem institutions, conversion applications, and the lack of experienced examiners could make it challenging to meet all key performance measures in fiscal year 2025.*

II.3 **Objective:** Remain active and involved at the national level regarding supervisory issues affecting areas of supervisory oversight in Texas.

**Measure:** Maintain active contact with other states directly, and through regulatory associations (CSBS and MTRA) and trade associations (IBAT and TBA), as well as frequent contact with members of Congress and federal regulators to be aware of actions and decisions, and areas of actual or potential impact to the Department's regulatory functions or the industries to proactively respond as needed.

**Update:**

- *Commissioner Cooper represented the Department as a regulatory panelist at the Southwest Association of Bank Counsel, 2024 Annual Legal Conference in Austin, Texas, on September 11, 2024, discussing regulatory topics.*
- *On September 16, 2024, Department staff attended the 2024 MTRA Annual School & Conference in Philadelphia, Pennsylvania. The conference provided an opportunity for MTRA member states to discuss topics impacting MSB regulation. MSB license holders and industry stakeholders also attend the conference on an annual basis. Presentations impacting MSBs, such as Nationwide Multistate Licensing System (NMLS) updates, investments in licensed money transmitters, artificial intelligence, and virtual currency kiosks were provided and discussed.*
- *On September 17, 2024, Department staff attended the Federal Reserve Bank's (FRB), 11<sup>th</sup> District Banking Conference hosted by the Department and the FRB in Dallas, Texas. Commissioner Cooper provided the opening remarks and the Director of B&T Supervision Jared Whitson and several other staff members participated as panelists discussing liquidity risk and Cybersecurity and Artificial Intelligence.*
- *Commissioner Cooper, Chairman of the Federal Financial Institutions Council (FFIEC) State Liaison Committee, attended the FFIEC Second Quarter meeting in Washington, D.C., on September 26, 2024.*
- *Commissioner Cooper and select staff members represented the Department at the CSBS Districts II and IV Combined Fall Meeting at the FRB of St. Louis in St. Louis, Missouri, on October 1, 2024.*
- *Commissioner Cooper and select staff members represented the Department at IBAT Annual Convention held in San Antonio, Texas, on October 5, 2024. Commissioner Cooper participated on a regulatory panel.*
- *Beginning on November 19th, Director Saucillo and a senior MSB financial examiner participated in a CSBS event to discuss enhancements to SES, an*

*MSB examination system tool, intended to improve the network examination process.*

- *Commissioner Cooper and staff represented the Department at the CSBS Board Meetings and Supervisors Symposium in Scottsdale, Arizona, beginning December 9, 2024.*
- *Beginning on January 26, 2025, Director Whitson represented the Department on two regulatory panels at the IBAT 2025 Winter Summit in Avon, Colorado.*
- *Department staff attended the CSBS sponsored NMLS Annual Conference held in Atlanta, Georgia, beginning on February 11, 2025. Various MSB topics related to licensing, regulation and industry trends were discussed.*
- *Employees participate as members of CSBS and MTRA committees, and regularly discuss pertinent issues with other states' regulatory staff.*
- *NDS Director Saucillo continues to serve as a member of the MTRA Board of Directors and the State Coordinating Committee (SCC) member.*
- *NDS Director Saucillo leads the MSB Enforcement Action Taskforce*
- *The Department is an active member of the Multi-State MSB Examination Taskforce (MMET) and the MSB Supervisory Engagement Taskforce (MSET). NDS Director Saucillo services as the Vice Chair of MMET and Chair of MSET.*
- *NDS staff participates in periodic North American Death Care Regulators Association (DCRA) virtual meetings to discuss matters affecting the death care industry.*
- *Director Saucillo is a member of the CSBS Performance Standard Committee.*
- *Deputy Commissioner Rodriguez was a member of the CSBS Education Foundation Board of Trustees through January 2025.*
- *Commissioner Cooper is a member of the CSBS Board of Directors, the District IV Chair, and serves on the Legislative Committee.*

II.4 **Objective:** Maintain an ongoing awareness of the risk profiles of our regulated entities and the condition of the economy in which they operate. Monitor individual or systemic conditions, including economic pressures, cybersecurity threats, and other high-risk activities which present risks to their financial stability. Ensure that supervisory activities remain appropriate and take necessary actions against institutions exhibiting unacceptable risk profiles.

**Measure:** Perform research, maintain ongoing dialogue with regulatory counterparts, and attend training to maintain an understanding of conditions in which our entities operate. Maintain a leadership role in the effort to combat cybersecurity threats. Maintain an offsite monitoring program of the bank and trust industries while initiating appropriate regulatory responses and actions when appropriate. Research and take required actions against institutions with heightened or unacceptable risk profiles to minimize the adverse impact on depositors, shareholders, and the banking system in general.

**Update:**

- *On January 24, 2025, the Department issued Industry Notice 2025-01 Cybersecurity Threats: Actions to Take Today.*
- *October 18, 2024, announced the release of the updated nonbank financial service businesses ransomware self-assessment tool for money services businesses, prepaid funeral contract sellers and perpetual care cemeteries.*
- *Commissioner Cooper continues to represent the state banking supervisors of the Financial and Banking Information Infrastructure Committee (FBIIC). Director Hinkle also attends meetings related to cybersecurity.*
- *The B&T division actively monitors and responds to various risk factors, including risk posed by effects of inflationary pressures, and the higher interest rate environment and their impact to institutions' operations. The Department maintains communication with regulated entities between examinations and performs offsite monitoring of key financial metrics. These programs consist of quarterly reviews of call report data, the use of data analytic tools, and conducting calls to bank management. The division's watch list of intuitions, which exhibit heightened risk, is monitored and adjusted quarterly with appropriate actions taken against organizations when applicable.*
- *In coordination with other states and licensees, NDS division continues to perform off-site monitoring of licensed entities, including the quarterly reviews of MSB call reports, reviews of key financial metrics, consumer complaints, and current events.*
- *B&T and NDS divisions continue to monitor cybersecurity incidents and the impact on the regulated entities and consumers. Incidents are reviewed in coordination with an IT Specialist, as needed. Consideration for on-site reviews are also evaluated with Director Hinkle, and examinations and reviews are coordinated with other MSB state regulators, as needed.*
- *Based on available resources and certain risk factors, NDS continues to collaborate with the IT examination staff to coordinate risk-based reviews of MSB license holders' IT systems.*

II.5 **Objective:** Monitor emerging issues in our areas of regulation including technological advances. Determine and communicate the impact of these issues to the regulated entities.

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

**Update:**

- *Department staff participated in a total of 12 regulatory panel discussions and IT/Cybersecurity presentations with community bankers and industry representatives in the first six months of fiscal year 2025.*

- *NDS staff participates in various MMET, and MTRA committees, including the MTRA Examination Standards Committee and the MTRA Licensing/Emerging Issues calls. The Department participates in routine scheduling calls and meetings facilitated by the MMET to coordinate multistate examinations as part of the Networked Supervision of MSBs.*
- *NDS staff also monitors MSB-related issues nationally to identify and monitor troubled institutions and risky behavior, develop enforcement policies and procedures, and coordinate responses to negative news that indicates safety and soundness concerns.*

**II.6 Objective:** Monitor areas/industries we regulate for illegal activity.

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

**Update:**

- *Staff monitors open-source media to stay current and regularly engage in enforcement actions as necessary.*
- *Legal division refers appropriate matters to the Texas Office of the Attorney General and other law enforcement.*
- *Staff works in collaboration with other MSB state regulators on legal administrative matters concerning MSB license holders in noncompliance with state and federal regulations.*

**II.7 Objective:** Process consumer complaints/inquiries professionally, appropriately, and timely.

**Measure:** Maintain compliance with complaint processing, review, and reporting rules to meet or exceed the goals for consumer related performance measures. Report consumer assistance activity at each Finance Commission meeting.

**Update:**

- *Consumer Assistance Activities met their key performance measure for written jurisdictional complaints closed within 90 days in the first half of 2025.*

**II.8 Objective:** Continue to develop and refine examination procedures, reference materials, and internal guidance to enhance the examination process.

**Measure:** Monitor regulatory changes and new technologies, and update examination materials and guidance in a timely manner. Continue to perform internal reviews of examination procedures by seeking examiner feedback to ensure proper intent and applicability. Timely and regularly communicate updates/changes to examiners. Refine examination procedures and processes for better effectiveness and efficiency.

**Update:**

- *Revised and Issued Administrative Memorandums (AM):*
  - *AM 2012 - Policy on Utilization of Historically Underutilized Businesses (HUB) (September 2024)*
  - *AM 2048 - External Website Accessibility Standards (September 2024)*
  - *AM 2011 - Subpoenas (September 2024)*
  - *AM 2009 - Examination Report Submission and Processing (September 2024)*
  - *AM 2001 - Official Issuance and Communication System (October 2024)*
  - *AM 2002 - Equal Employment Opportunity, Discrimination and Sexual Harassment Prevention Policy (October 2024)*
  - *AM 2031 - Delegation of Authority (October 2024)*
  - *AM 2003 - Suspicious Activity Reports Filed by the Department (October 2024)*
  - *AM 2007 - CAPPS Time Reporting (October 2024)*
  - *AM 2019 - Employment and Promotion Qualifications for Financial Examiners (October 2024)*
  - *AM 2015 - Work Paper Organization, Retention, and Review (December 2024)*
  - *AM 2008 - Normal Work Hours and Schedules for Department Employees (December 2024)*
  - *AM 2028 - Background Checks Conducted in Accordance with Statutory Authority (January 2025)*
  - *AM 2018 - Confidentiality Statement Addressing Recordings of Meetings and Discussions (February 2025)*
- *Issued Examiner Bulletins (XB)*
  - *XB 2024-09 – IT Examination Procedures for Bank & Trust Staff (November 2024)*
  - *XB 2025-01 CML - Guidelines for Procedures and Work Paper Documentation for Commercial Examinations (March 2025)*
  - *XB 2025-02 TR - Guidelines for Procedures and Work Paper Documentation for Trust Examinations (March 2025)*
  - *XB 2025-03 IT - Guidelines for Procedures and Work Paper Documentation for Information Technology Examinations (March 2025)*
- *Reviewed and Revised Commercial Examination Procedures*
  - *Planning Procedure*
  - *Request List*
  - *Allowance for Credit Losses*
  - *Borrowings/Liquidity*
  - *Cash, Collections, and Deposit Operations*
  - *Bank Owned Life Insurance*
  - *Interbank Liabilities*

- *Other Assets and Other Liabilities*
- *Other Real Estate Owned*
- *Overdrafts, Kite Suspect, and Cuts*
- *Retail Sale of Nondeposit Investment Products*
- *Other Supervisory Issues*
- *Reviewed and Revised Trust Examination Procedure*
  - *Request List*
- *Reviewed and Revised Information Technology Examination Procedures*
  - *Request List*
  - *Scope Form*
- *Updated examination reference materials for commercial, trust, and IT procedures (Monthly)*
- *Reviewed and revised MSB examination procedures primarily to enhance the review of financial condition and digital assets.*
  - *Texas - Core*
  - *Texas - Virtual Currency*
  - *Examination Notice and Request List*

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

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

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

**Update:**

- *The Department regularly issues opinions to both Department staff and industry members regarding the applicability and interpretation of the Texas Finance Code and other applicable laws and regulations.*
- *On January 28, 2025, the Department republished revised Supervisory Memorandum 1037 relating to the Regulatory Treatment of Virtual Currencies Under the Money Services Modernization Act.*

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

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

**Update:**

- *The Department and the Finance Commission adopted amendments to five rules across multiple chapters of Title 7 of the Texas Administrative Code between September 2024 through February 2025, and new rules and amendments are constantly being assessed and formulated.*
- *The Legal Division continuously tracks the quadrennial rule review requirements for each rule.*

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

**Measure:** Periodically update the Department’s financial education web page and brochure. Periodically participate in financial education webinars throughout the fiscal year.

**Update:**

- *The Financial Education brochure was updated in October 2024.*
- *On November 20, 2024, the Texas Department of Banking and the Office of Consumer Credit Commissioner jointly presented a free financial education webinar focused on banking fundamentals, basics for tracking expenses, and credit scores in relation to young adults. There were 19 participants.*
- *On February 19, 2025, a free financial education webinar was presented jointly by the Office of Consumer Credit Commissioner and Texas Department of Banking providing information on the financial tools, knowledge and skills that help consumers make sound financial decisions. There were 43 participants.*

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

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

**Measure:** Actively recruit entry level positions at state universities and colleges by attending career fairs (if available) and support banking programs at Texas universities. Utilize recruiting platforms that reach a wide talent pool for all positions. Promptly post vacancies and review applications. Periodically review and update personnel policies and procedures with changes required due to legislation or judicial decisions as well as to reflect current agency practices.

**Update:**

- *Thirty-two vacancy notices were posted from September 1, 2024, through February 28, 2025.*
- *Hired one Financial Examiner VII, one Financial Examiner VI, and one Financial Examiner V in Bank and Trust.*
- *Hired one Financial Examiner VII in the Division of Strategic Support.*
- *Hired one part time Law Clerk and one Attorney I in the Legal Division.*

- *Hired one Financial Examiner II in the Non-Depository Supervisions Division.*
- *Utilized CAPPS Recruit and LinkedIn to post open positions and actively recruit qualified candidates.*
- *Agency representatives attended ten career fairs.*

IV.2 **Objective:** Strive to attain full staffing, with an emphasis on employee retention and staff diversity. Provide and promote opportunities for professional development for junior staff and offer opportunities in new responsibilities to minimize the loss of institutional knowledge as vacancies and retirements occur. Continue efforts to maintain a competitive salary structure. Obtain feedback from employees and implement changes where feasible.

**Measure:** Improve staff retention by addressing major issues that contribute to non-retirement resignations, with a goal to have the agency turnover rate (excluding retirements and intern separations) not exceed 10% for the fiscal year. Maintain a competitive examiner salary program comparable to the FDIC.

**Update:**

- *Agency fiscal year 2025 turnover rate through February 28, 2025, was 2.40% Financial Examiner turnover was 2.06%. There was one retirement during this period.*
- *Through February 28, 2025, the agency hired seven employees and incurred seven separations.*
- *Promoted 35 individuals to positions with increased responsibility and qualifications.*
- *In February 2025, published internal employee survey results and provided information to agency staff as well the Employee Advisory Council to review.*
- *Administered Annual Employee Performance Appraisals in December 2024 using the NEOGOV Performance System.*

IV.3 **Objective:** Ensuring that computer hardware and software is up-to-date to enhance the effectiveness, speed, and quality of agency work products. Provide timely technical support to staff.

**Measure:** Provide secure technology tools necessary for staff to perform their job functions efficiently and effectively. Provide technical support via the help desk. Maintain software in accordance with the Department of Information Resources guidelines. Ensure network, website, and databases function appropriately and with limited downtime.

**Update:**

- *Multiple applications were deployed or updated in fiscal year 2025 to date:*
  - *Annual Trust, PFC, and PCC applications were deployed in the first half of fiscal year 2025.*

- *Regular maintenance work was also performed on other internal programs, such as Authorized Contact and Email System (ACES), Employee Portal, and Closed Account Notification System (CANS).*
- *The new CHIPS application was delayed from calendar yearend to the latter half of fiscal year 2025.*
- *An upgraded version of the agency's portal exchange for documents with entities is in the final testing stages. Work continues on training materials.*
- *Purchased 50 new laptops in November of 2024. Deployment of laptops to employees with a laptop over four years old. All laptops will be deployed by the end of March 2025.*
- *Upgraded Domain Controller in HQ with new hardware and software.*
- *In January 2025, the agency replaced its Uninterrupted Power Supply (UPS) system in the HQ Datacenter.*

IV.4 **Objective:** Safeguard the integrity of data, information technology networks, and systems from unauthorized access or use, ensuring that access to critical systems is available during an emergency.

**Measure:** Perform a bi-annual external or internal information security risk assessment and initiate corrective actions to maintain data integrity and minimize the risk of unauthorized access or use. Perform annual intrusion testing by the Department of Information Resources and periodic vulnerability reviews for network and external facing web resources. Conduct an annual test of the Department's disaster recovery plan and initiate corrective actions to ensure operations will function appropriately. Periodically execute information security tabletop exercises to ensure staff are ready to respond to various incident types, when and if they occur.

**Update:**

- *The annual Information Security Training for the Department was launched in February 2025.*
- *Completed Disaster Recovery Test in September of 2024.*
- *Continue to receive monthly Cybersecurity and Infrastructure Security Agency (CISA) penetration tests for vulnerabilities.*
- *Network Detection Response (NDR) devices were added to four of the five offices in the first half of 2025.*

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

**Measure:** Provide core required training courses to financial examiners in the FE I – FE III series to progress in the financial examiner series. Adequately prepare assistant examiners to successfully complete the Bank and Trust Supervision commissioning process.

**Update:**

- *Thirty-six examiners in the Financial Examiner I–III series attended 11 different training courses in the first six months of fiscal year 2025.*

- *In the first half of fiscal year 2025, three examiners received their commission.*
- *The training program established in June 2023 for new financial examiners, concluded in December and a graduation in December 2024 for 19 financial examiners. The program was well received and is expected to be held again starting in June 2025 for the next group of financial examiners being hired in calendar 2025.*

IV.6 **Objective:** Host accelerated internal training program for newly hired examination staff to support and enhance their ability to perform their duties.

**Measure:** Provide the internal training course at least once in fiscal year 2025 to adequately prepare assistant examiners to successfully participate in an examination.

**Update:**

- *Nineteen students completed the accelerated internal training program in December 2024.*
- *Next session will be held in late June 2025.*

IV.7 **Objective:** Ensure agency expenditures are necessary and prudent, and within budgetary constraints; revenues collected are adequate to cover expenditures; and provide a cash reserve or fund balance that complies with Finance Commission policies.

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

**Update:**

- *Monthly financial statements are provided to all divisions for review and to the Finance Commission each quarter.*
- *Budget variances are analyzed quarterly.*
- *For the first six months of fiscal year 2025, actual revenues were at 110.4% of budget and actual expenditures were at 101.8% of budget.*
- *Cash reserves are not within policy guidelines of at least two months, but no more than six months. Unreserved cash is at 6.47 months due to the collection of a large unanticipated penalty.*

IV.8 **Objective:** Periodically review internal controls and processes to improve the efficiency and effectiveness of the agency. Coordinate with the Finance Commission Agencies, when possible, to minimize duplication of duties and processes.

**Measure:** Report on improvements identified and implemented.

**Update:**

- *Worked with each Finance Commission Agencies (FCA) to enter into an agreement to apportion costs for the project planning, acquisition, and*

*preparation of the future site of the Austin Headquarters. This includes the construction of a new building and supporting facilities.*

IV.9 **Objective:** Work with the Office of the Governor on relocation of the Finance Commission Agencies.

**Measure:** Report on activities related to the relocation of the Finance Commission Agencies periodically.

**Update:**

- *The FCA purchased the property at 3500 Jackson Ave, Austin, Texas in January 2025.*
- *The FCAs have begun the space planning process with a contracted architect.*
- *A contractor was hired to assist the agency with the necessary procurements to begin the construction process.*

IV.10 **Objective:** Comply with the directives of the State Office of Risk Management (SORM) regarding the Continuity of Operations Plan.

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

**Update:**

- *The Plan was updated and submitted to SORM in January 2025. SORM reviewed the Plan and provided positive feedback.*

The Department of Banking is considered to be one of the top financial regulators in the country by our regulatory peers. The staff has worked hard to achieve this posture and we will continue to improve our processes and techniques to properly supervise the industries under our jurisdiction and serve the citizens of Texas.

# Office of Consumer Credit Commissioner

## Agency Priorities

FY 2025

### 1. LEGISLATIVE

#### 1.1. 89th Legislative Session.

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

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

**Status:** In November 2024, the OCCC began monitoring legislation filed in the 2025 89th Regular Session. Since the beginning of the legislative session in January 2025, the OCCC has been providing regular weekly updates to the Finance Commission. The OCCC's high-priority legislation report includes 49 bills that directly affect the OCCC and its regulated industries. OCCC staff has met with legislative members and provided resource support and resource witness testimony availability related to legislation.

### 2. REGULATORY ACTIVITIES

#### 2.1. Regulated Entities - Supervision.

**2.1.1. Objective:** Examine, investigate, and monitor the jurisdictionally appropriate industry segments for compliance with state and federal law. Investigate illegal activity. Achieve overall weighted average acceptable level of compliance of 85% through examinations and industry education efforts. Monitor restitution instructions for licensees with outstanding examination issues.

**Measure:** Reporting on compliance by regulated industry segment. Number of examinations completed. Report the rate of satisfactory compliance. Report the amount of restitution returned to consumers as a result of examinations.

**Status:** As of the end of the second quarter, the OCCC completed 1,124 examinations. The acceptable level of compliance was as follows: Motor Vehicle Sales Finance: 86.5%, Regulated Lending: 98%, Credit Access Businesses: 80%, Pawn: 100%, Property Tax Lenders: 88.9%, and Crafted Precious Metals: 100%. Credit Access Businesses were below the acceptable level of compliance due to very limited exam activity in the first half of the year. The agency anticipates this industry's level of compliance will climb above 85% as additional exams are completed. As of 2/28/25, the total amount of restitution returned to consumers because of examinations was \$3.46 M.

**2.1.2. Objective:** Actively participate in regulatory activities, conferences, and scheduled meetings relating to consumer finance, auto finance, and payday lending. Engage in and respond as appropriate to developing issues that impact the OCCC or its regulated entities.

**Measure:** Maintain active contact with other state and federal regulators, independently and through regulatory associations to keep abreast of trends and emerging issues that may impact the OCCC's regulatory responsibilities or the regulated industries. Report on participation and attendance at regulatory conferences.

**Status:** OCCC examination, legal, and executive staff actively participate in the following committees of the National Association of Consumer Credit Administrators (NACCA): Executive Committee (on which the OCCC's general counsel serves as NACCA's second vice president), Multistate Consumer Finance Examinations Committee, Consumer Finance Exams Standards Committee, Emerging Issues Committee, Legislation Committee, Membership Committee, and Nominations Committee (chaired by the OCCC's commissioner). These committees, along with regular monthly member calls and other association events, provide a forum for the OCCC and other state agencies to collaborate and develop solutions to emerging issues, and provide a framework for states to coordinate examinations of multistate companies. Agency staff provided presentations for several DMV webinars, two TIADA summits, and the TPTLA Annual Meeting. The agency also hosted a RMLO NMLS Registration rule webinar and an NMLS transition webinar for Property Tax Lenders. Several staff members attended the NACCA Consumer Services and Examiner School, as well as the NMLS Conference.

**2.1.3. Objective:** Utilize the State Examination System (SES) for all mortgage exams. Continue to expand usage of SES for other types of examinations.

**Measure:** Report on the number of exams and exam types completed in SES.

**Status:** The OCCC has completed fourteen exams in SES. This includes thirteen mortgage exams and one motor vehicle sales finance exam. Fifteen more exams are in process and an additional 10 are in planning or are scheduled to be conducted in SES this fiscal year.

**2.1.4. Objective:** Take appropriate enforcement actions to ensure compliance with state and federal law.

**Measure:** Report number of enforcement actions for each regulated industry.

**Status:** The OCCC closed 60 enforcement cases: 25 cases related to regulated lenders; 16 cases related to pawnshops; 11 cases related to motor vehicle sales finance; 7 cases related to credit access businesses; and 1 case related to debt management service providers. OCCC legal staff regularly reports information about enforcement actions to the Finance Commission.

## 2.2. Licensing.

**2.2.1. Objective:** Maintain a focus on ensuring compliance of regulatory and agency standards. Process 80% of license applications within 60 days from received date to completion date.

**Measure:** Report on license activities, benchmarks and application processing status.

**Status:** At the mid-point, 54% of business license applications were processed within the target timeframe of 60 days. In addition to processing efforts, the department has been dedicating resources to NMLS training as the migration of license groups to NMLS has already begun with property tax lenders and will continue with regulated lenders later this fiscal year. The department strives for continued progress toward efficiency and compliance goals.

**2.2.2 Objective:** Provide quality customer service to licensees and registrants. Ensure timely and responsive customer inquiry processing. Provide professional development and training opportunities to licensing staff once a quarter.

**Measure:** Report on call abandonment rate and professional development training provided to staff.

**Status:** The abandonment rate has decreased since the beginning of the year, dropping from 8% to 4%. Queue times have also been reduced by half, both continuing to trend downward. These metrics indicate that customer inquiries are being resolved more efficiently and effectively. Licensing staff are delivering prompt and high-quality customer service.

## 3. POLICY AND RULE DEVELOPMENT

### 3.1. Rulemaking.

**3.1.1. Objective:** Complete the rule review for 7 TAC Chapter 7 (relating to the Texas Financial Education Endowment Fund).

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

**Status:** The Finance Commission completed the rule review of 7 TAC Chapter 7. Based on the rule review, amendments to 7 TAC Chapter 7 were proposed and adopted in a separate rule action. Before presenting this rule action to the Finance Commission, the OCCC issued an advance notice of rule review and a precomment draft to seek input from stakeholders.

**3.1.2. Objective:** Prepare any rule proposals necessary to implement 2025 legislation. Work with stakeholders to seek feedback on proposed rules.

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

**Status:** If any rules are necessary to implement 2025 legislation, the OCCC intends to work with stakeholders and prepare rule proposals during summer 2025.

#### 4. CONSUMER ISSUES / COMMUNICATION & OUTREACH STRATEGIES

##### 4.1 Texas Financial Education Endowment Fund (TFEE).

**4.1.1. Objective:** Administer the 2024-2025 TFEE grant cycle, including monitoring and reporting on the progress and impact of grant award recipient performance. Review reimbursement submissions, reports, and publish semi-annual reports. Launch the application process for the 2026-2027 TFEE grant cycle, including expanding outreach, reviewing forms, manuals, and reimbursement procedures to ensure best practices.

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

**Status:** The 2024-2025 grant cycle is just over halfway completed. To date, about \$296,000 in grant reimbursements have been processed. Staff are reviewing TFEE materials and best practices in anticipation of the 2026-2027 grant cycle. Grant cycle to date, TFEE funds have provided over 6,000 participants with nearly 3,500 hours of financial education and capability building programs, including one-on-one coaching, group classes, and K-12 programs.

##### 4.2 Financial Education

**4.2.1. Objective:** Provide and support financial education by conducting events to empower Texans to improve their financial health through sound financial decisions. Conduct outreach to community organizations, state agencies, non-profit organizations, and consumer advocacy groups that may benefit from financial education events. Identify traditionally underserved populations and locations in need of financial education. Offer financial education content via remote and in person learning opportunities.

**Measure:** Report on number of people and programs reached.

**Status:** As of the end of the second quarter, the OCCC participated in nine events that provided 205 individuals with financial education services.

##### 4.3. Industry and Stakeholder Outreach

**4.3.1. Objective:** Communicate and build relationships with industry and interested stakeholders on matters of supervisory and industry interest. Monitor emerging issues in the agency's areas of regulation and communicate the impact to regulated and licensed

entities. Develop publications that address topics of interest and share with regulated and licensed entities. Participate in or attend industry meetings or seminars.

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

**Status:** At the midpoint, the OCCC has participated in 24 events, including industry meetings, seminars, presentations, and financial education events. Additionally, the agency has published 14 compliance aids, 11 advisory letters and 2 advisory bulletins. The OCCC's general counsel serves as a public member of the Customer Service and Protection Advisory Committee (CSPAC) of the Texas Department of Motor Vehicles.

## 5. AGENCY MANAGEMENT

### 5.1. Performance Measures.

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

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

**Status:** At mid-point of the fiscal year, the OCCC has met or exceeded 9 of 11 key performance targets. The measure related to number of examinations completed has not been met currently but is expected to meet end of year targets. Measures related to business application processing and participation goal for TFEE award recipients are not within range. Staff continue to evaluate opportunities to improve performance and efficiency.

### 5.2. Human Resources.

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

**Measure:** Report on turnover ratio, training initiatives and retention efforts. Maintain competitive financial examiners career development and progression path.

**Status:** At the second quarter of 2025, the OCCC had a turnover ratio of 8%, which is roughly in line with the goal of 15% or less. Three of the separations were retirements, not all of which were anticipated during this fiscal year. The HR department initiated a campaign to promote awareness of employee benefits in support of staff retention and

is prioritizing connecting with and engaging team members across the agency. The HR department organized and scheduled training development and growth opportunities. HR collaborates with managers to ensure accurate job descriptions that support the recruiting of qualified candidates with appropriate skill sets.

- 5.2.2. Objective:** Ensure that Financial Examiners receive a minimum of 40 hours of continuing education and training. Build examiner professional development through progressive certifications through the career ladder within the Financial Examiner series. Develop an examiner enrollment and training plan for SES.

**Measure:** Report on the Financial Examiner training opportunities, attainment of minimum training hours, examiner certification progression, and SES training events.

**Status:** The OCCC held its annual Examiner Conference and Training School in the fall, ensuring financial examiners received 40 hours of continuing education. In September, three Consumer Protection staff attended the NACCA Consumer Services and Examiner Training School. In February, eight employees participated in the NMLS annual conference. The OCCC worked with CSBS staff to coordinate group training classes in anticipation of the NMLS and SES transition. Additionally, FYTD, five examiners have been certified in motor vehicle sales finance exams, four have been certified in pawn, four have been certified in subchapter F exams, four in property tax lending exams, and one in mortgage exams.

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

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

**Status:** TWC conducted a review of HR policies and procedures and certified the policies and procedures as in compliance. HR routinely reviews procedures and policies and suggests appropriate revisions with updates to several policies in process currently.

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

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

**Measure:** Review internal financial statements and variances on a monthly basis. Submit quarterly financial data relating to the agency's financial position and fund balance for review by the Finance Commission.

**Status:** Monthly financial statements are prepared for and reviewed by management. At the end of Q2 revenues are at 99% of the budgeted amount, and expenditures are at 94% of the budgeted amount, indicating efficient budget analysis and spending. Budget variances are analyzed quarterly. Operating cash reserves resulted in 6.5 months of cash

reserves at the end of the 2<sup>nd</sup> quarter, which slightly exceeds the liquidity guidelines but within expected performance for seasonal revenue collection.

**5.3.2 Objective:** Continue to work towards permanent relocation, in collaboration with the other Commission agencies and the Office of the Governor.

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

**Status:** The Finance Commission Agencies (FCAs) purchased the property at 3500 Jackson Ave, Austin, Texas in January 2025. The FCAs have begun the space planning process with a contracted architect. A contractor was hired to assist the agency with the necessary procurements to begin the construction process.

**5.3.3. Objective:** Periodically review internal controls and processes to improve the efficiency and effectiveness of the agency. Coordinate with the Department of Banking and Savings and Mortgage Lending Department, when possible, to minimize duplication of duties and processes.

**Measure:** Report on improvements identified and implemented.

**Status:** Efforts to strength internal controls, mitigate weaknesses in conflicting functions, and further segregate duties, were implemented as a response to the CPA Desk Audit on Controls over Expenditure Processing. Staff coordinate with the Department of Banking and Savings and Mortgage Lending on relevant tasks to minimize duplication of duties.

#### **5.4. Information Technology.**

**5.4.1 Objective: ALECS Maintenance, NMLS Migration and Functionality Development.** Maintain the ALECS platform, upgrade structural components as needed and mitigate vulnerabilities in the aging application. Develop and implement a strategy to begin a phased process of migrating industry groups to the Nationwide Multistate Licensing System & Registry (NMLS). Using gap analysis, identify unmet functionality needs and develop applications to manage functions not supported in NMLS or SES.

**Measure:** Reporting on ALECS activities, NMLS migration activities, and development of additional applications or features.

**Status:** The significant project to upgrade the operating system for ALECS was completed during the period. Efforts continue, on schedule, to integrate the new Texas Payment Engine interface mandated by DIR and the new vendor. NMLS migration activities are in progress, including the development of a new database, for use in scheduling, monitoring, and performance measurement of examination activities.

**5.4.2 Objective: Technology Modernization and Security Enhancements.** Continuously evaluate OCCC's technology posture, keeping resources up-to-date and deploying modern technology improvements and security enhancements. Migrate the agency to

Microsoft Windows 11 as exclusive endpoint operating system in CY'25. Update the OCCC internal network stack, which is reliable yet but aging. Finalize the comprehensive overhaul of IT policies, procedures, and other operational documentation, capturing and codifying established and emerging knowledge. Deploy other projects and enhancements as appropriate.

**Measure:** Reporting on the update of endpoint computer fleet to Windows 11. Successful integration of new network component units with no loss of operations or communications. Reporting on other technology modernization efforts and security enhancements.

**Status:** OCCC's endpoint fleet concluded its migration to Windows 11. The firewall and stack switches have been updated to newer units, providing increased security, data capacity, and updatable modernity. The internal share drive system has been restructured and consolidated. The overhaul of IT policies and procedures was completed and has moved to a regular maintenance review schedule. A new helpdesk ticketing system was launched for staff use.

## Agency Priorities for Fiscal Year 2025

### Mid-year Accomplishment Report

#### I. Legislative

**I.1 Objective:** Monitor the activities of the Texas Legislature during the 89th Legislative Session. Track legislation that may affect SML or its regulated industries.

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

**Status:** *SML is tracking 871 bills and resolutions pending in the 89<sup>th</sup> Legislative Session. The status of bills and resolutions having a significant impact on SML and its regulated industries is reported weekly to the Finance Commission.*

**I.2 Objective:** Serve as a resource for the Texas Legislature and other members of state leadership by responding promptly and accurately to any information requests and providing comprehensive resource materials.

**Measure:** Report any testimony given by SML to the Finance Commission.

**Status:** *SML has not been asked to provide testimony thus far during the 89th Legislative Session. SML has responded promptly to requests for information from the Texas Legislature and completed all fiscal notes assigned to it.*

#### II. Regulatory Activities

**II.1 Objective:** Monitor and analyze the agency's actual performance against the performance measures targets to assess the agency's regulatory and administrative efforts to effectively and efficiently meet SML's goals.

**Measure:** Meet or exceed performance measures. Report performance measures quarterly to the Finance Commission.

**Status:** *SML provides quarterly reports to the Finance Commission concerning its performance and did so during the first half of FY2025. As of the end of the second quarter, FY2025, SML met or exceeded 3 out of 4 performance measures. Deviation from one measure is outlined in the Performance Measures Report.*

*Performance measure targets for FY2025 were established in August 2024. Actual performance is reported to the Finance Commission quarterly.*

**II.2 Objective:** Monitor the savings banks' risk profile to understand how economic environment changes may impact overall conditions. Take supervisory action when necessary and ensure supervisory action is appropriate to address risk within the portfolio.

**Measure:** Complete off-site monitoring of savings banks on a quarterly basis to identify changes in the risk profile of savings banks. Report the overall condition of the portfolio and supervisory actions taken to the Finance Commission.

# DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

**Status:** *Off-site monitoring was completed for the fiscal quarters at the end of September and December 2024. The portfolio's overall condition was reported to the Finance Commission after the close of each quarter.*

**II.3 Objective:** Monitor emerging issues in the financial services industry and bring awareness to the thrift industry as appropriate.

**Measure:** Participate in meetings, webinars, and other training events to stay apprised of topics of interest. Report on emerging issues to the Finance Commission and the thrift industry.

**Status:** *The Thrift Division hosted the annual Thrift Industry Day on September 19, 2024, to present current and emerging topics in the banking industry. The Thrift Division hosts an Emerging Issues Call monthly to keep the industry apprised of examination topics and regulatory developments. Thrift staff engages in ongoing training to stay informed on topics of interest and risk within the industry.*

**II.4 Objective:** Evaluate processes, procedures, and new technologies for added efficiencies in thrift supervision and examination.

**Measure:** Continue assessing, documenting, and communicating updates to Thrift Supervision and Examination staff.

**Status:** *In the first half of the year, the Thrift Division completed various policy and procedure amendments and modifications to improve operations.*

**II.5 Objective:** Continue compliance examinations of mortgage companies and residential mortgage loan originators to ensure licensees comply with applicable laws and regulations when conducting business with Texas consumers. Analyze recurring examination findings and take steps to communicate best practices to the mortgage industry.

**Measure:** Prioritize the examination schedule to focus on non-compliant, multi-state, and complaint-driven examinations and initiate appropriate regulatory enforcement actions for violations, as necessary.

**Status:** *As of February 28, 2025, SML has issued 180 examinations of mortgage entities covering 2,865 mortgage loan originators. SML has initiated 57% of the examinations timely in accordance with the mortgage examination schedule, as set by agency policy. Several factors, including participation in several multistate mortgage origination examinations and training of the examination staff, have impacted the timeliness of the examinations. In addition to the mortgage origination examinations, the Mortgage Examination section accepted two multi-state committee (MMC) servicing examinations. When deemed appropriate, formal and informal enforcement actions have been taken. SML has provided information on the industry's most common violations on its website, during Emerging Issues webinars, and at various presentations to industry stakeholders.*

**II.6 Objective:** Take enforcement action against mortgage companies and residential mortgage loan originators when appropriate to ensure compliance with applicable law for which SML is charged with administration and enforcement.

**Measure:** Report enforcement actions taken by SML to the Finance Commission.

**Status:** *SML provides reports enforcement actions taken at each regular meeting of the Finance Commission and did so during the first half of FY2025. As of the end of the second quarter, FY2025, SML had taken 31 enforcement actions.*

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**II.7 Objective:** Resolve consumer complaints timely.

**Measure:**

- a. Report the aging of complaints to the Finance Commission.
- b. Conduct a management review of any complaint open over 120 days to identify issues preventing closure.
- c. Conduct customer satisfaction surveys of complainants regularly.

**Status:**

- a. *SML provides reports at each meeting of the Finance Commission concerning the aging of complaints and did so during the first half of FY2025.*
- b. *SML regularly reviews complaint aging to close complaints on a timely basis, with an emphasis on resolving complaints open over 120 days as expeditiously as possible while not compromising investigation rigor. As of February 28, 2024, SML had one complaint open for more than 120 days. Management has reviewed the complaint and determined that good cause exists for the complaint to remain open.*
- c. *SML conducts monthly consumer complaint surveys and did so in the first half of FY2025. SML regularly reviews survey data to identify any trends and potential areas for improvement, including opportunities for staff training and potential adjustments to processes and procedures concerning the analysis and investigation of consumer complaints.*

**II.8 Objective:** Process complete licensing applications and registrations timely.

**Measure:**

- a. Monitor the timeliness of the licensing process.
- b. Conduct customer satisfaction surveys of license applicants regularly.

**Status:**

- a. *For the first two quarters of the fiscal year, SML processed 5,360 applications and made a final decision on 84.94% of the processed applications within 60 days of the date of the application.*
- b. *SML conducted and reviewed quarterly surveys of license applicants to identify trends and potential areas for improvement, including opportunities for staff training and potential adjustments to processes and procedures to reduce processing times and improve overall satisfaction with the Mortgage Licensing section.*

**II.9 Objective:** Remain active and involved at the national level on supervisory issues affecting savings banks and the mortgage industry.

**Measure:**

- a. Maintain contact with state regulators from other states, regulatory associations (e.g., ACSSS, CSBS, and AARMR), trade associations, (e.g., TBA, IBAT, TMBA, ATMP, TLTA, and TAR), and federal regulators (e.g., CFPB, FDIC, FRB), to stay current on events, decisions, other state and federal policies and other areas of the actual and potential impact on SML's regulatory functions or the industries. Take proactive steps to respond to issues affecting the industries or supervisory duties.
- b. Continue working with the FDIC, FRB, and other federal agencies, as appropriate, on examinations, supervision, and consumer complaint resolution issues.
- c. Report interactions concerning the above-listed activities to the Finance Commission.

**Status:**

- a. *The Mortgage Regulation Division actively engaged in various webinar meetings with AARMR, CFPB, CSBS, NMLS, and other state regulators to stay abreast of issues affecting the mortgage industry. Several members of the Mortgage Regulation Division also served roles with the AARMR*

# DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

*Board of Directors, NMLS Policy Committee, Mortgage Call Report Subcommittee, and Performance Standards Committee of the CSBS Education Foundation. SML's General Counsel is a member of the SRR Lawyers Committee.*

- b. SML maintained contact with regulatory agencies, including FDIC, FRB, CFPB, and the various trade associations, to coordinate supervisory oversight of the state savings banks and the mortgage industry.*
- c. SML reported participation in the above activities to the Finance Commission regularly.*

**II.10 Objective:** Participate in two multi-state mortgage committee (MMC) origination examinations in the CSBS State Examination System (SES).

**Measure:**

- a. Develop knowledge and understanding of the multi-state examination process to recommend updates to policies, processes, and procedures as necessary.
- b. Report participation in MMC origination examinations to the Finance Commission.

**Status:**

- a. SML is developing its staff to accept larger roles in the One-Company, One-Examination (OCOE) process, including the roles of the Examiner-in-Charge (EIC) or Single Point of Contact (SPOC). One examiner has completed the Conference of State Bank Supervisors (CSBS) course on the Introduction to Becoming an MMC EIC. SML is developing the final procedures to accept and leverage multi-state examinations.*
- b. Regarding Multistate Mortgage Committee (MMC) origination examinations, SML completed and issued two OCOEs of large mortgage bankers for FY2025YTD and is in the drafting stage for the final issued examination report on a large reverse mortgage lender. SML has been selected and agreed to participate in three OCOE examinations of large mortgage bankers later this calendar year.*

## III. Policy and Rule Development

**III.1 Objective:** Conduct rule review of 7 TAC Chapter 51 (Department Administration).

**Measure:** Complete the rule review process. Present rule changes identified during rule review to the Finance Commission.

**Status:** *On March 21, 25, SML published notice of the rule review in the Texas Register. The deadline for public comment is April 20, 2025. Rule changes resulting from the rule review are being presented to the Finance Commission during this meeting and are included elsewhere in these materials.*

**III.2 Objective:** Adopt rule changes necessary to implement legislation enacted by the 89<sup>th</sup> Legislature.

**Measure:** Present rule changes to the Finance Commission.

**Status:** *The 89th Legislature, Regular Session, ends on June 2, 2025. The deadline for the governor to sign or veto bills is June 22, 2025. SML will pursue any rule changes necessary to implement enacted bills during the second half of FY2025.*

## IV. Outreach and Communications

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

# DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

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

**Status:** See Objective II.3, above, for the Thrift Regulation Division update. The Mortgage Regulation Division has participated in numerous events with the mortgage industry, including:

- On November 4, 2024, the Mortgage Regulation Division staff made several presentations during the 12<sup>th</sup> Annual Mortgage Industry Seminar, including a presentation on the newly adopted rules.
- During the week of February 10, 2025, ten members of the Mortgage Regulation Division attended the 2025 NMLS Annual Conference & Training in Atlanta, Georgia. As part of the conference, Director of Mortgage Regulation William Purce and License and Permit Specialist Alexis Gonzales participated in an NMLS Licensing Review Regulator Panel attended by over 120 attendees.
- The Mortgage Regulation Division held monthly emerging issues webinars with interested stakeholders to address issues affecting the licensing and examination of mortgage-related entities or individuals.

**IV.2 Objective:** Administer the Mortgage Grant Fund (MGF) grant program. Conclude the MGF 2023-2024 grant cycle, including processing reimbursement requests, tracking grantee performance, and monitoring compliance with program requirements. Prepare for and initiate the MGF 2025-2026 grant cycle, including revising program materials, initiating the grant application process, selecting grantees, processing reimbursement requests, tracking grantee performance, and monitoring compliance with program requirements.

**Measure:** Provide periodic reports to the Finance Commission Audit Committee concerning the activities of the MGF.

**Status:** The 2023-2024 grant cycle concluded, reimbursement requests were processed, and grantee performance was monitored for program compliance. All materials and processes for the 2025-2026 grant cycle were revised, a more robust risk assessment process was implemented, and grantees were selected. The Grant Coordinator continually assesses grantee risk and monitors program compliance. Reimbursements will be made as each reporting cycle closes, and grantees submit semi-annual reports containing their reimbursement request information.

## V. Agency Operations

**V.1 Objective:** Recruit well-qualified personnel, and maintain a competent, engaged, and effective workforce. Train and cross-train employees as needed to minimize knowledge loss due to employee departure and to prepare for business needs due to changes in regulated industries and/or technology. Provide and promote opportunities for professional development through individual training plans.

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

**Status:** During the first half of FY25, SML filled four positions and had two terminations. During the same period, 100% of the staff received job-related training.

**V.2 Objective:** Periodically review internal controls and processes to improve the agency's efficiency and effectiveness. When possible, coordinate with the Office of Consumer Credit Commissioner and the Department of Banking to minimize duplication of duties and processes.

**Measure:** Report on identified and implemented improvements.

# DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

**Status:** *During the first half of FY25, staff updated multiple processes of the Mortgage Grant Fund. SML implemented technology solutions changes to improve several business processes' efficiency and effectiveness, such as improving incident monitoring from an audit log capability standpoint, a learning management system for training request submission, approvals, tracking, and reporting, and CAPPs Recruit for the hiring process. The agency continues to review and improve business processes as necessary.*

*SML is currently undergoing audits conducted by State Auditor's Office and Comptroller of Public Accounts.*

**V.3 Objective:** Monitor SML's budgeted and actual revenues, expenditures, and reserve balances, as approved by the Finance Commission, to maximize the responsiveness and flexibility allowed by SML's Self-Directed, Semi-Independent status. Make decisions relating to finances in a fiscally prudent manner.

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

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

**V.4 Objective:** Ensure information technology is kept current to maintain SML's effectiveness and quality of work product. Safeguard the integrity of data and information technology networks and systems.

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

**Status:** *SML continues to update policies and procedures to align with the Texas Cybersecurity Framework, monitor security information and events, deploy critical and non-critical patch updates and upgrades to the network and employee computers, provide continuous training to all employees on the use of and updates to the agency's information resources, and is collaborating with appropriate stakeholders to transition some functions and services based on changes to Texas Department of Information Resources' contract awards. SML implemented a more robust email security platform. SML conducted a tabletop continuity exercise and is undergoing a Texas Cybersecurity Framework Assessment.*

**V.5 Objective:** Work with TxDOT and the Office of the Governor on relocation of the Finance Commission agencies.

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

**Status:**

- *The Finance Commission agencies purchased the property at 3500 Jackson Ave, Austin, Texas, in January 2025.*
- *The Finance Commission agencies have begun the space planning process with a contracted architect.*
- *A contractor was hired to assist the agencies with the necessary procurements to begin the construction process.*

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**B.**

**Texas Department of Banking**

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Charles G. Cooper  
Commissioner

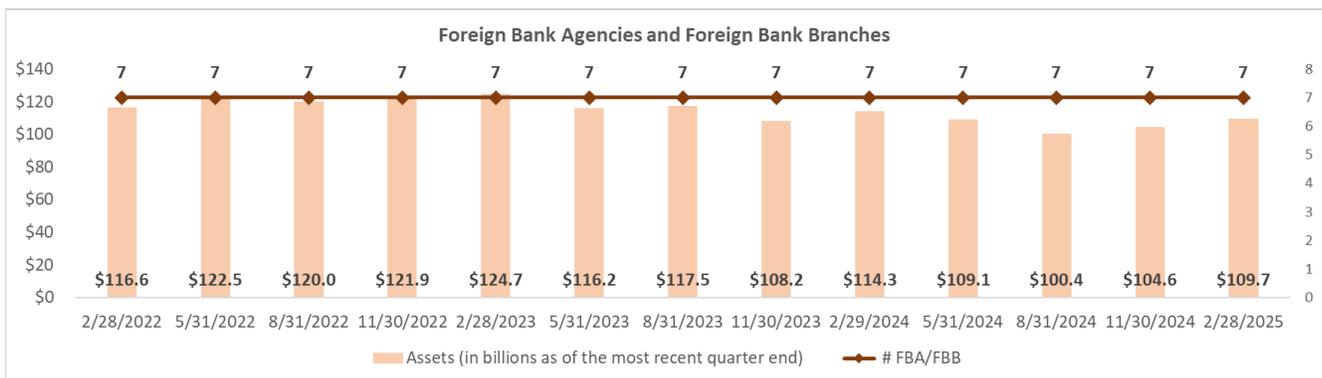
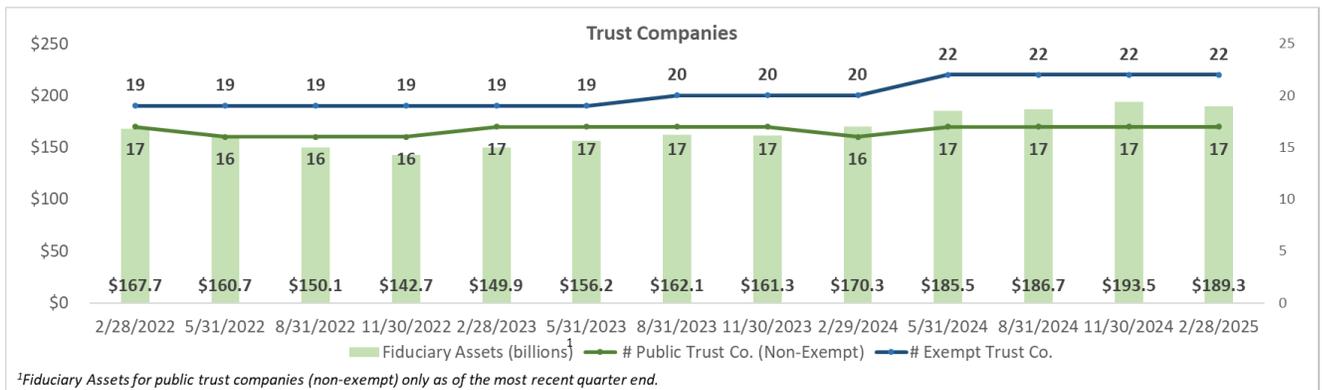
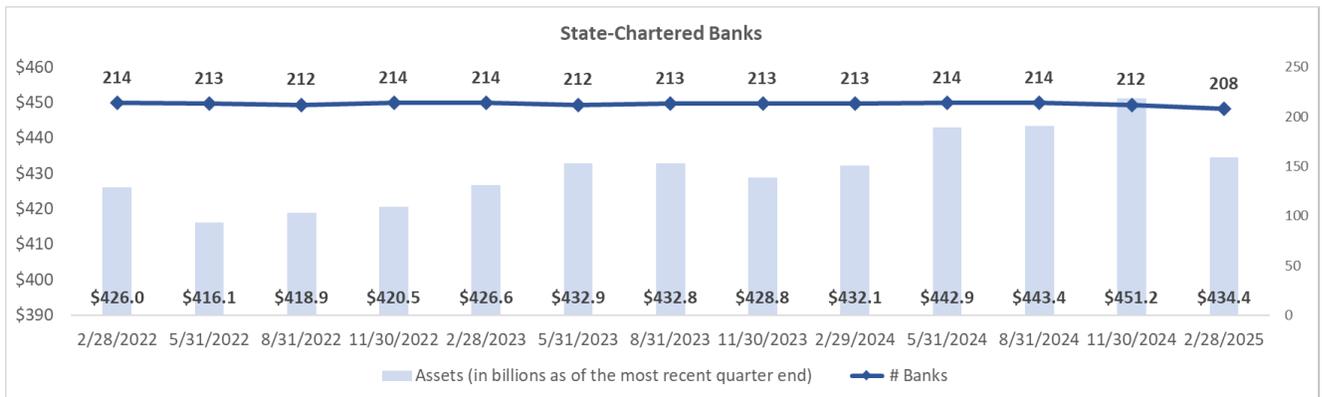
# TEXAS DEPARTMENT OF BANKING

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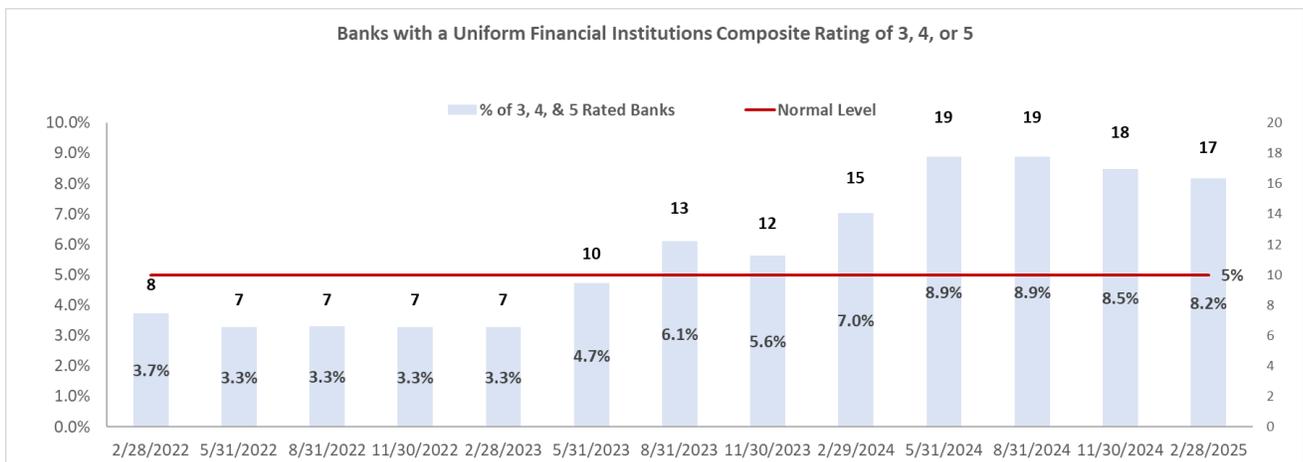
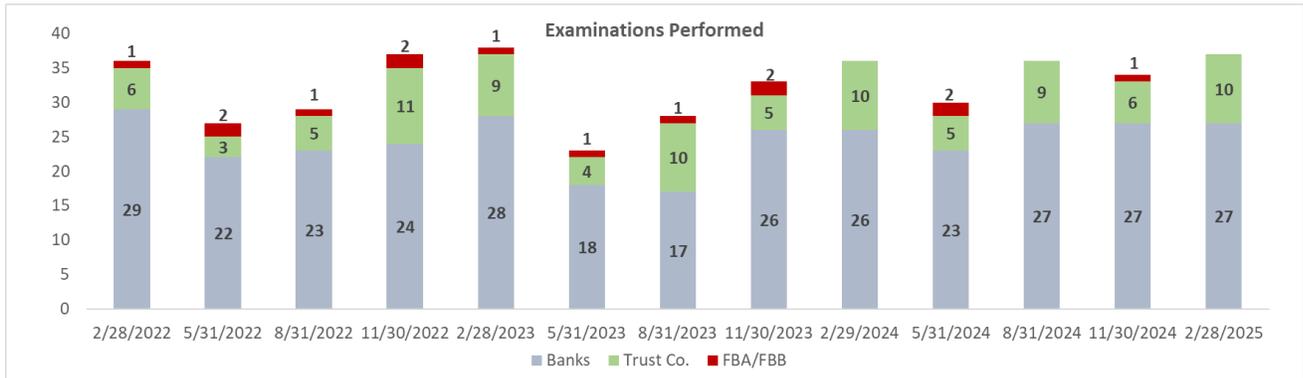
To: Finance Commission Members  
From: Jared Whitson, Director of Bank & Trust Supervision *JLW*  
Date: April 9, 2025  
Subject: Summary of the Bank & Trust Supervision Division Activities

## Bank and Trust Supervision – Industry Profiles

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

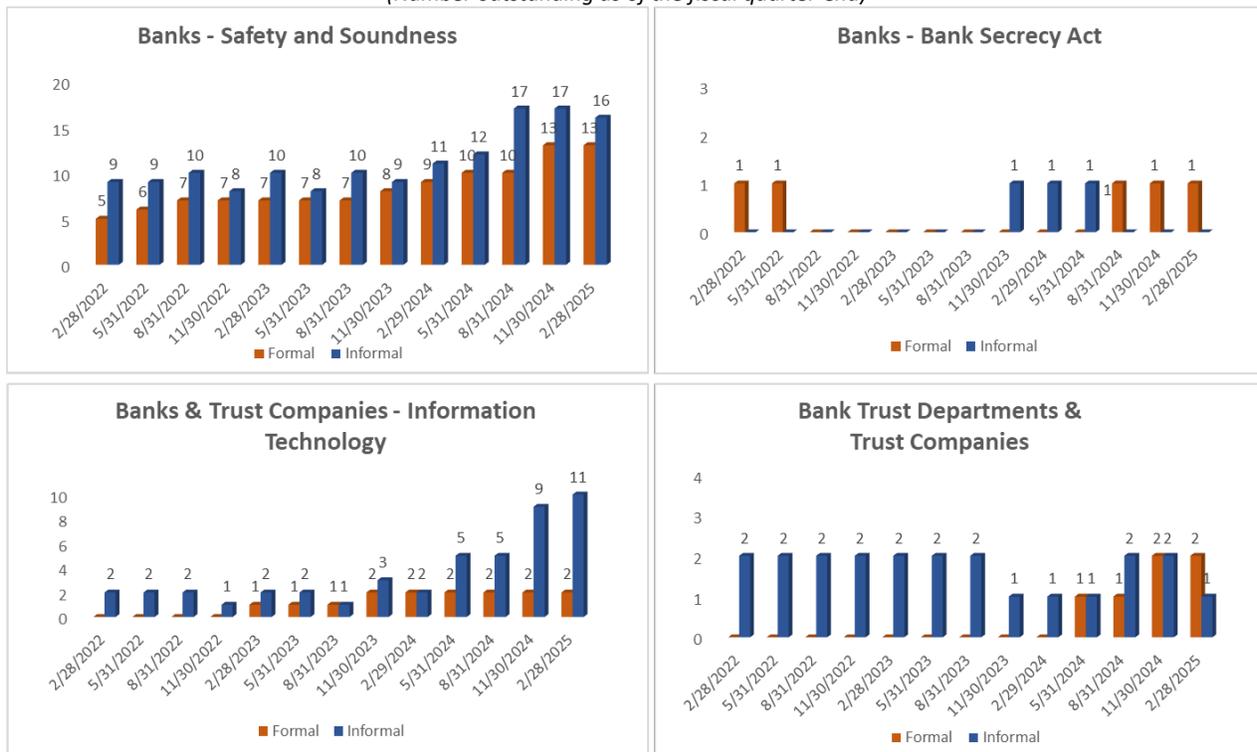


The reduction in banks and assets is due to M&A activity. Two banks were purchased by existing Texas state-chartered banks and two were purchased by national-chartered banks.



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 as of August 2024 and above the normal range of 5% of the total number of institutions. Elevated interest rates 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 – March 2025)
Commercial Banks	83%	89%
IT	87%	81%
Trust Departments	97%	92%
Foreign Banks (FRB)	100%	100%
Trust Companies (DOB)	97%	100%
IT	75%	43%

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

- Bank Examinations – 9 exams past due by an average of 22 days.
- IT Examinations of Banks – 15 exams past due by an average of 15 days.
- Trust Department Examinations of Banks – 1 exam past due by an average of 7 days.
- IT Examinations of Trust Companies – 4 exams past due by an average of 30 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

- **General Areas of Focus:**

- The Department continues monitoring interest rates and its effects on banks' financial condition.
- Deposit competition is heightened as elevated rates have driven depositors to seek better returns, placing noticeable pressure on banks' NIM.
- Credit quality remains relatively stable despite modest weakening in asset quality metrics.
- Examiners continue to stress that banks with commercial real estate concentrations warrant robust risk management practices, including market monitoring and analysis, credit underwriting and administration, and portfolio stress testing.
- The Department is monitoring the impact of staff reductions at the federal banking agencies.
- The Department is also monitoring proposed government tariffs and its potential impact on the banking sector.

- **Special Operations and Conferences:**

- Examiners Dustin Bradford and Kaden Sikes represented the Department at the Texas Tech Excellence in Banking Program in Lubbock, Texas, on January 30, 2025. They presented an overview of the agency's organization and responsibilities.
- Director of IT Security Examinations Ruth Norris represented the Department at the Texas Bankers Association (TBA) Cyber Tech Conference 2025 held in The Woodlands, Texas, on January 31, 2025.
- Commissioner Charles G. Cooper and staff represented the Department at the TBA Legislative Briefing held in Austin, on February 2, 2025. Commissioner Cooper provided a presentation on legislative issues impacting banks.
- Commissioner Cooper, who is a Board of Trustees member, attended the Southwestern Graduate School of Banking (SWGSB) Foundation, Winter Board Meeting and 159<sup>th</sup> Assembly for Bank Directors in Palm Springs, California, on February 13, 2025.
- Commissioner Cooper and Director of Bank and Trust Supervision Jared Whitson represented the Department as speakers at the Texas Tech School of Banking, held at the TBA Headquarters in Austin, Texas, on March 4, 2025. The topic of discussion was on current regulatory matters.
- Commissioner Cooper, who is the Conference of State Bank Supervisors (CSBS) District IV Chair, and staff represented the Department at District IV Meeting in Sante Fe, New Mexico, on March 19, 2025.
- Houston Regional Director Greg Wisian participated in the advisory board meeting, on behalf of Commissioner Cooper, who is an advisory board member, at the Sam Houston State University, Smith-Houston Banking Program held by the Federal Reserve Bank of Dallas in Houston, Texas, on March 19, 2025.
- General Counsel Robert Nichols and Director Whitson represented the Department at the CSBS Board Meeting and Governmental Relations Fly-In held in Washington, D.C., beginning March 31, 2025.



# TEXAS DEPARTMENT OF BANKING

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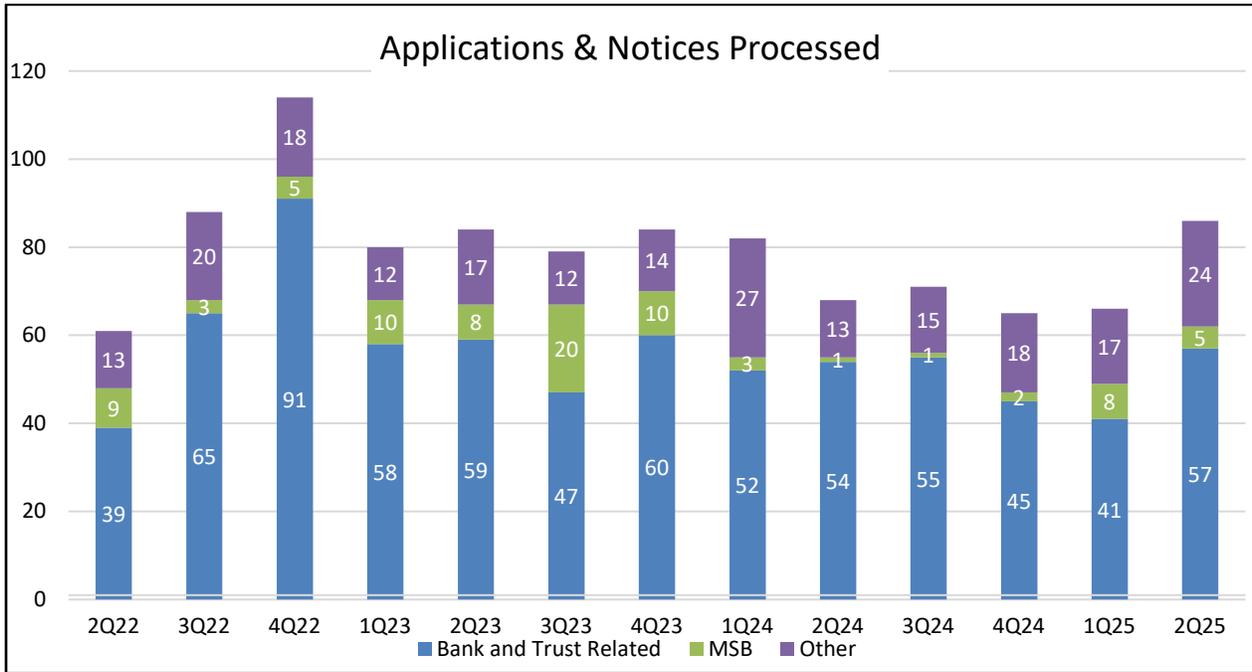
Charles G. Cooper  
Commissioner

To: Finance Commission Members

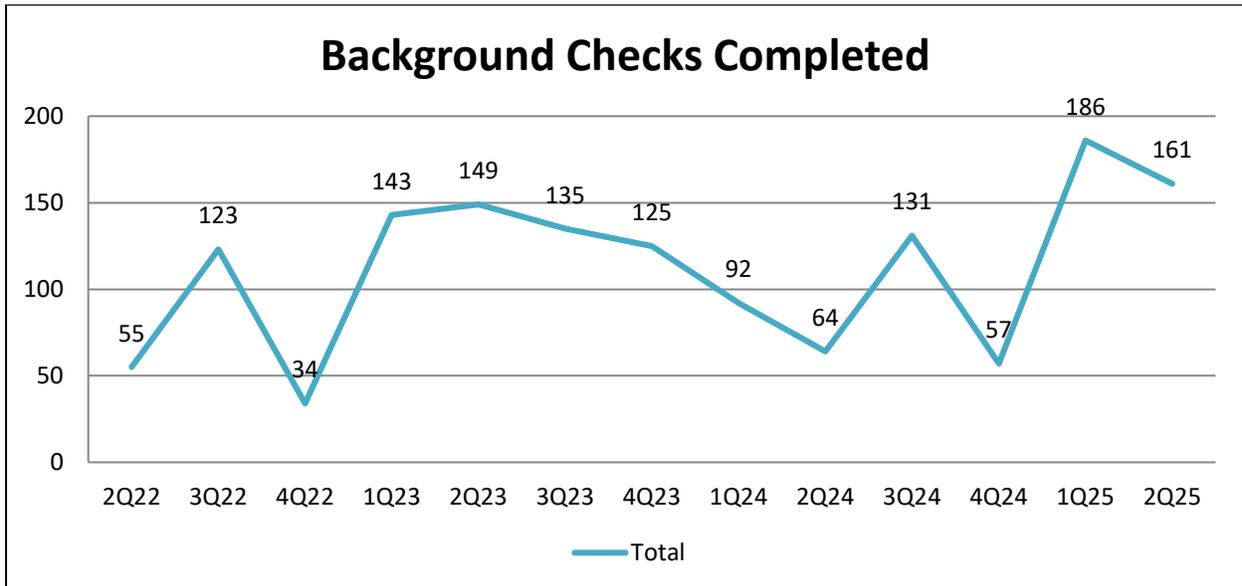
From: Dan Frasier, Director of Corporate Activities and Financial Innovation *DBF*

Date: April 9, 2025

Subject: Summary of Corporate Division Activities



Information on a Fiscal Quarter Basis.



Information on a Fiscal Quarter Basis.

Applications and Notices Under Review							
Entities	December 31, 2024	Received	*Returned	Processed	February 28, 2025	# Change	% Change
Bank	23	33	-	38	18	-5	-22%
MSB	33	9	2	4	36	3	9%
Other	6	15	-	20	1	-5	-83%
Trust	2	0	-	1	1	-1	-50%
<b>Total</b>	<b>64</b>	<b>57</b>	<b>2</b>	<b>63</b>	<b>56</b>	<b>-8</b>	<b>-13%</b>

\*Incomplete MSB applications which were returned.

The number of open filings under review decreased by 13% as compared to the level reported at the last Finance Commission meeting. The division made good strides in resolving the steady flow of bank related filings coming in over the two-month period. Despite completing processing for four MSB filings over this reporting period, a surge in MSB applications received in February resulted in a bump in outstanding MSB applications under review at the end of February.

### Division Highlights

- **Personnel:** The division reposted for hiring an additional analyst with an anticipated start date in June 2025.
- **Significant Applications:** Since the last report, the following significant bank application has been received:
  - Rio Bank, McAllen, Texas, applied to acquire Lone Star Capital Bank N.A., San Antonio, Texas, via merger [estimated gain in state banking assets of \$498 million].
- **Charter, Conversion, and Merger Activity:** Since the last report, the following transactions have consummated:
  - *Banks*
    - The Chasewood Bank, Houston, Texas, merged with and into Austin Bank, N.A., Jacksonville, Texas, [estimated loss in state banking assets of \$83 million].
    - First Liberty Bank, Liberty, Texas, consummated its applications to acquire both Pearland State Bank, Pearland, Texas, and First National Bank of Alvin, Alvin, Texas, via mergers [estimated gain in state banking assets of \$151 million].
    - Farmers and Merchants Bank, De Leon, Texas, consummated its application to acquire Farmers State Bank of Newcastle, Newcastle, Texas, via merger [no change to state banking assets].
  - *Trust Companies*
    - None
- **Conferences, Conventions, and Committee Meetings:**
  - Beginning on February 11, 2025, Corporate Analysts Lea Saunders and Marco Naranjo participated in the Conference of State Bank Supervisors (CSBS) NMLS Annual Conference held in Atlanta, Georgia.



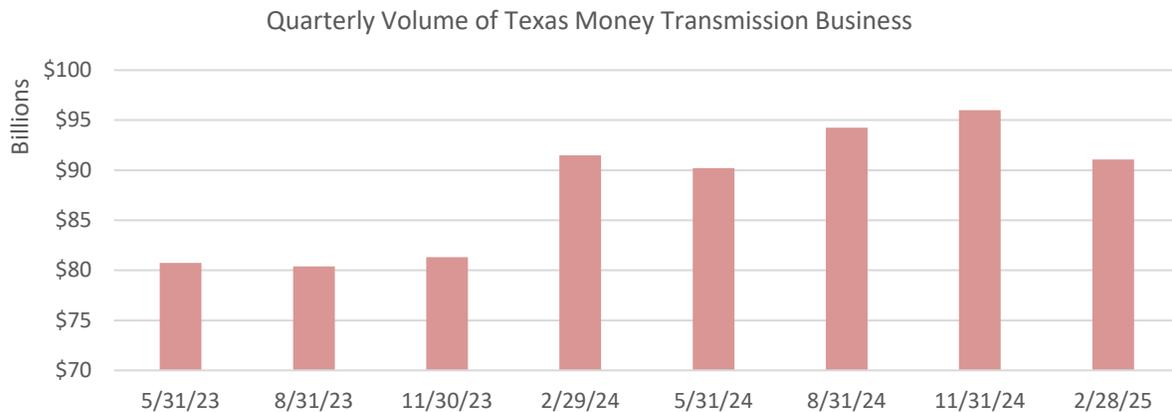
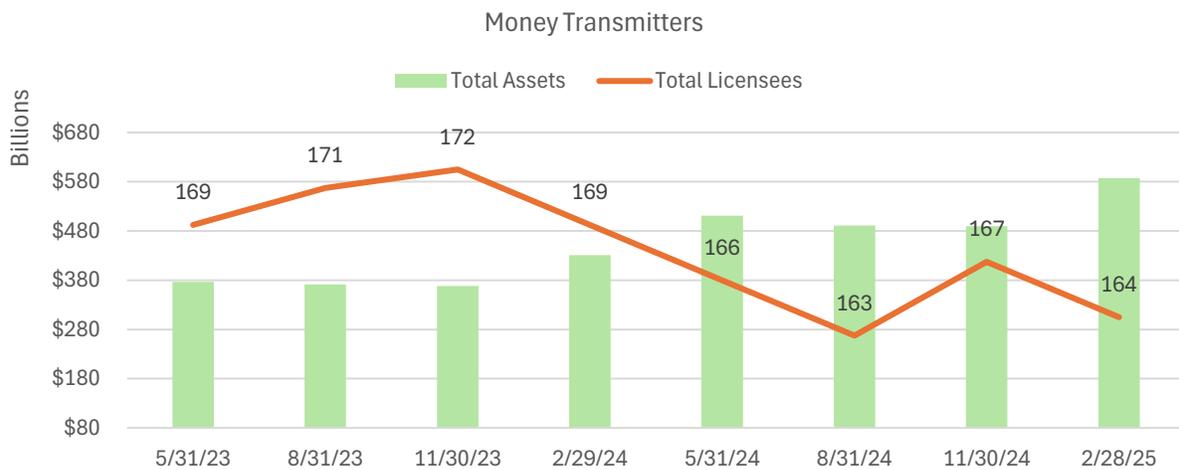
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Commissioner

# TEXAS DEPARTMENT OF BANKING

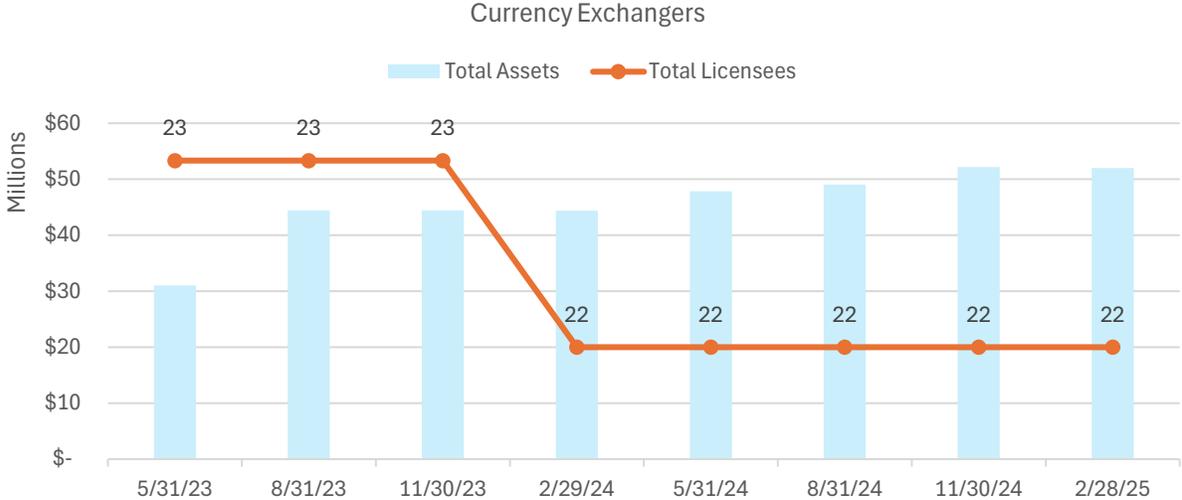
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To: Finance Commission Members  
From: Jesus “Jesse” Saucillo, Director of Non-Depository Supervision  
Date: April 9, 2025  
Subject: Summary of Non-Depository Supervision (NDS) Activities

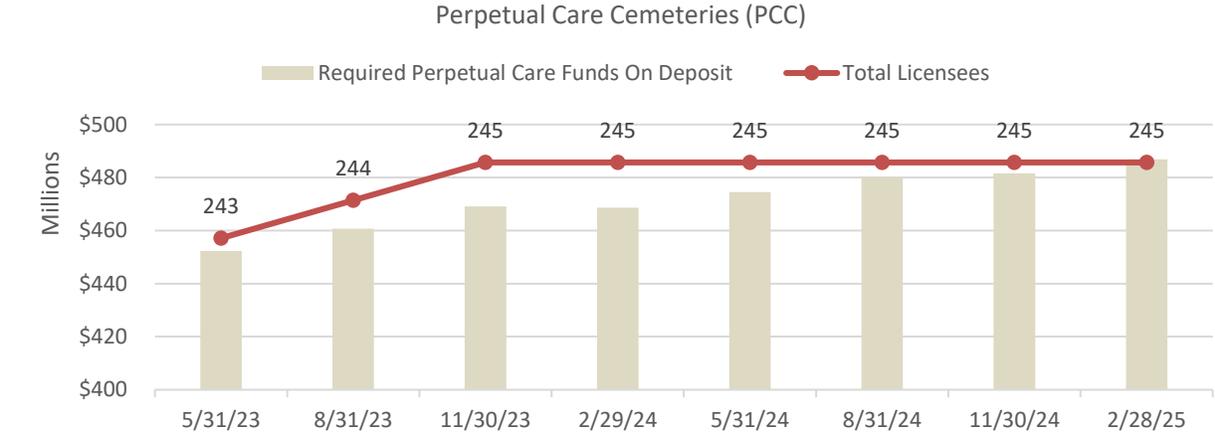
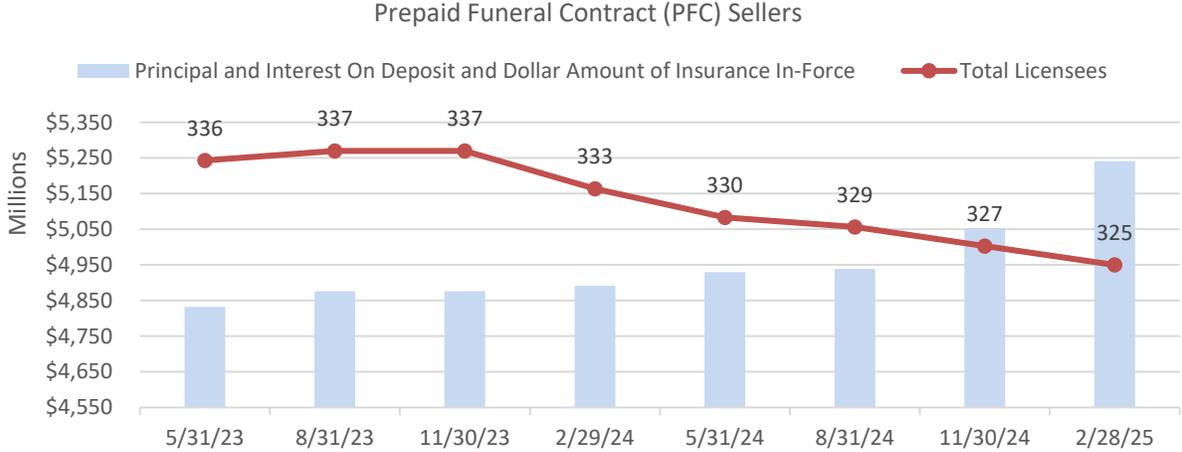
## Non-Depository Supervision – Industry Profiles



Total assets and Texas money transmission volume noted above are primarily based on the information reported by license holders on the Nationwide Multistate Licensing System (NMLS) Money Services Business (MSB) Call Reports as of the preceding calendar quarter. During the second quarter of fiscal year 2025, three new MSB licenses, all offering cryptocurrency-related products, were issued and six licenses were closed. Of the six closed MSB licenses, three were due to changes in business plans no longer requiring licenses, and the other three were surrenders due to compliance issues. Despite the reduction in the quarter-over-quarter total number of licensees and the Texas money transmission volume, the increase in total assets was primarily attributed to existing MSBs that experienced market value increases in company-wide virtual currency reported on balance sheets. As an example, the price of bitcoin increased around 48% from quarters ending September 2024 to December 2024.

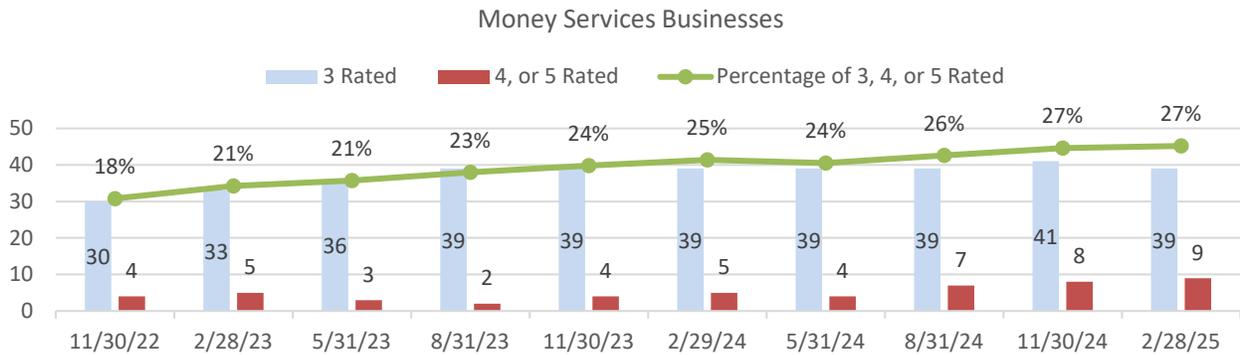


Total assets noted above are based on annual reports and quarterly reports provided by currency exchange licensees.

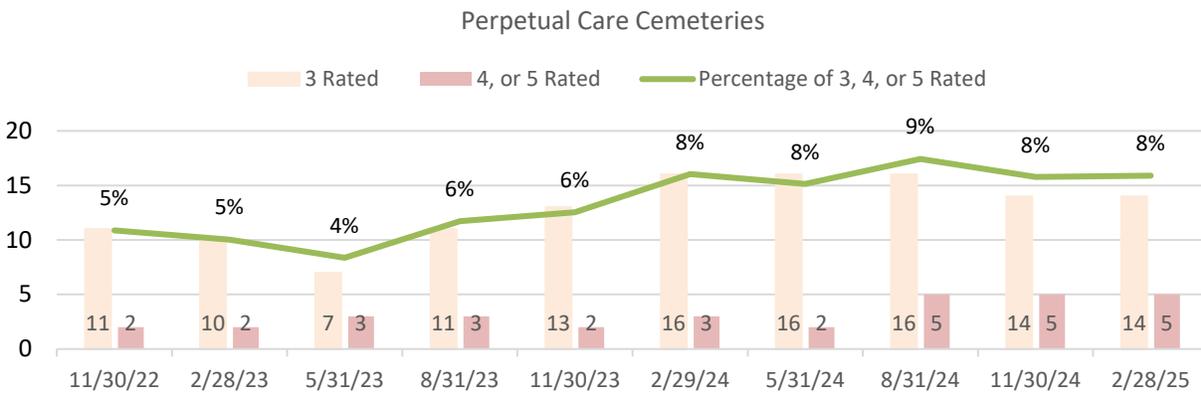
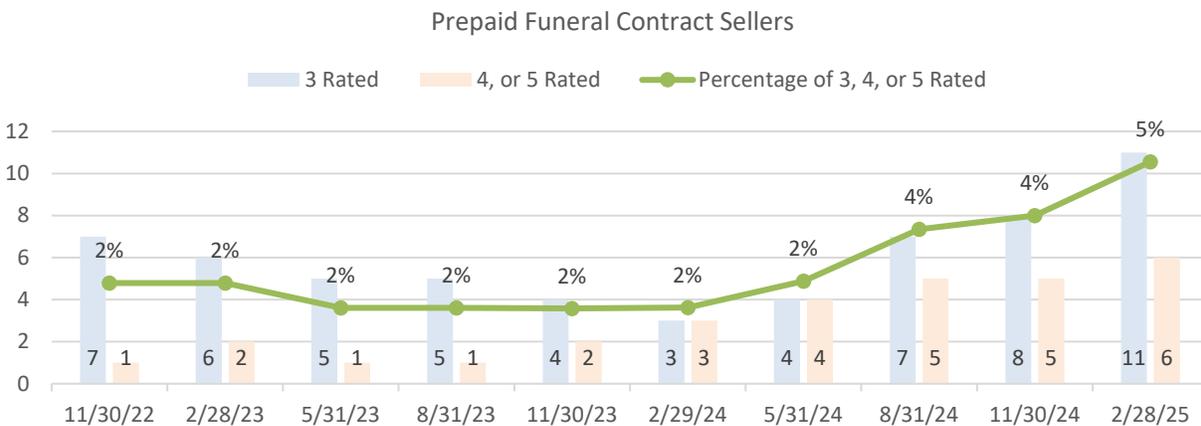


PFC and PCC fund balances noted above are based on the most current examination data. In general, the reduction of PFC permit holders is primarily related to conversion of trust-funded PFCs to insurance-funded PFCs under an existing permit holder, and/or closure of the permit due to no outstanding PFCs (zero balance). The increase in the total PFC funds on deposit and policies in-force is attributed to growth from standard operational sales.

### Ratings (3, 4 or 5) Assigned to NDS Regulated Entities



*As noted above, the percentage of MSBs rated 3, 4, or 5 remains relatively high due to various factors including financial condition concerns, poor management oversight, and Bank Secrecy Act / Anti-Money Laundering compliance deficiencies. Additional monitoring resources, and ongoing coordination with the legal division and other state regulators (as part of the nationwide state supervisory process) are necessary to ensure corrective actions are implemented and/or administrative proceedings are initiated.*



*The number of 3, 4, and 5 rated PFC and PCC license holders has increased slightly in recent quarters. However, as a percentage to total license holders, these entities represent a much lower percentile for each industry and no systemic issues are noted in the increases.*

**Examinations Performed**

ENTITY TYPE	FY 2024	FY 2025 (YTD – February 2025)
<b>MSB</b>	100	<b>38</b>
<b>MSB Limited Scope</b>	0	<b>0</b>
<b>MSB Accepted other State</b>	5	<b>2</b>
<b>PFC</b>	196	<b>117</b>
<b>PFC Limited Scope</b>	1	<b>3</b>
<b>PCC</b>	158	<b>59</b>
<b>PCC Limited Scope</b>	2	<b>4</b>
<b>Total</b>	462	<b>223</b>

**Noncompliance with Examination Priorities (Past Due)**

ENTITY TYPE	FY 2024	FY 2025 (As of February 2025)
<b>MSB</b>	13	16
<b>PFC</b>	11	6
<b>PCC</b>	14	<b>16</b>

**Division Highlights**

- **Examination Activities:** The division met the Quarterly Output Measure – Number of Licensees examined as of the second quarter of FY 2025. The year-to-date total number of examinations conducted is reflected in the table above.
  - Of the 16 past due MSB examinations, representing less than 9% of licensees:
    - Six were conducted in March 2025; six will be conducted in April 2025; and the remaining four were delayed to participate in the coordination of examinations with other state MSB regulators.
  - Of the six past due PFC examinations, representing less than 3% of licensees:
    - Four were conducted in March 2025; one will be conducted in May 2025; and the remaining one is pending closure.
  - Of the 16 past due PCC examinations, representing less than 7% of licensees:
    - Nine were conducted in March 2025; five will be conducted in April 2025; and the remaining two will be conducted in May 2025.
- **Operations:**
  - The division extended offers to two MSB financial examiner candidates. Aside from the two offers, there remains three MSB and one PFC/PCC examiner vacancies. Despite meeting the Quarterly Output Measure – Number of Licensees examined as of the second quarter of FY 2025, the hiring and subsequent training of these vacant positions will continue to impact the division’s ability to timely perform examinations.

- **Events and Training:**
  - A divisional in-person staff meeting was held on February 18-20, 2025, in Round Rock, Texas. Various matters affecting the three non-depository industries were discussed to promote consistency in regulatory activities.
  - Director Saucillo and Department staff participated in the CSBS District IV Spring Meeting held on March 19-20, 2025, in Santa Fe, New Mexico. Topics regarding events impacting both banking and non-depository industries were discussed.
- **Enforcement Action and Collaboration:**
  - The division continues to work in collaboration with other MSB state regulators on several legal administrative matters concerning MSB licensees in non-compliance with state and federal regulations. For example, the Department is an active member of the Multi-state MSB Examination Taskforce (MMET), MSB Supervisory Engagement Taskforce (M-SET) and Money Transmitters Regulators Association (MTRA). Department personnel coordinate regulatory actions with MMET, M-SET and MTRA to address concerns, such as cybersecurity events, to ensure the safety and soundness of licensed MSBs.
  - During this reporting period, one enforcement action was finalized against an entity engaging in the business of money transmission in Texas without a license.



Charles G. Cooper  
Commissioner

**TEXAS DEPARTMENT OF BANKING**

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**Memorandum**

**To:** Finance Commission Members  
**From:** Pam Pennington, Human Resources Manager  
**Date:** April 1, 2025  
**Subject:** Summary of the Human Resources Division Activities

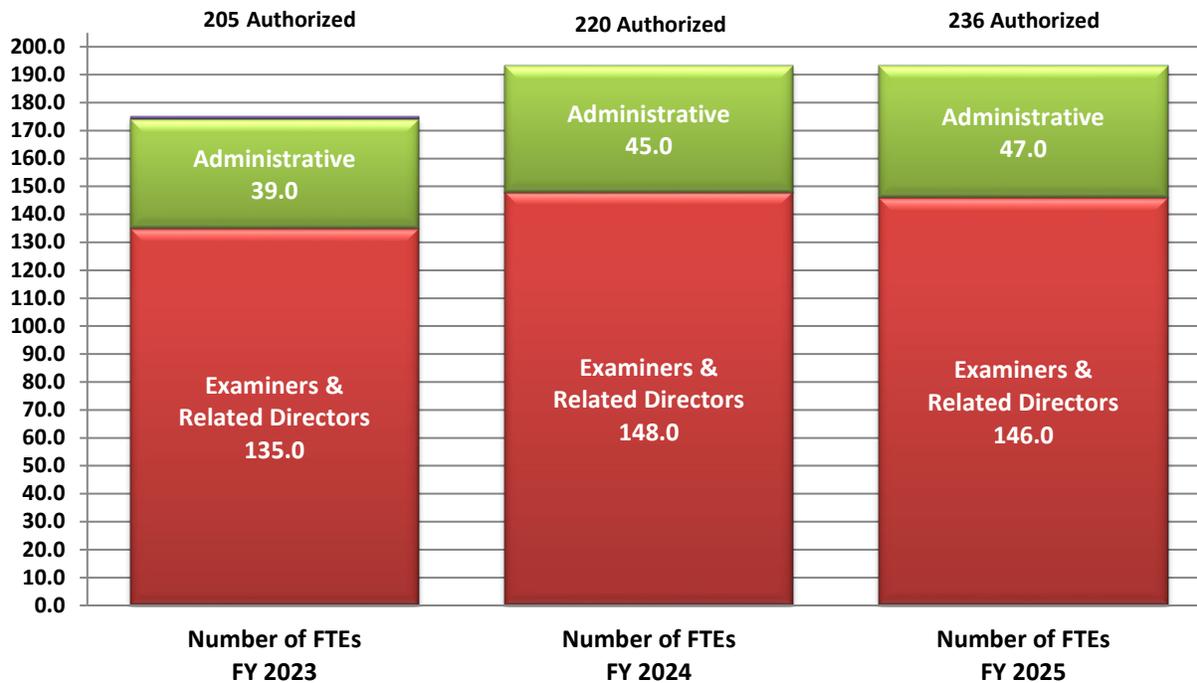
<b>Active Postings</b>				
<i>Number of Positions</i>	<i>Position</i>	<i>Division</i>	<i>Status</i>	<i>Activities</i>
1	Financial Examiner III – VI: Corporate Analyst	Corporate	Open Until April 27, 2025	Recruiting
1	Director V – VI: Director of Strategic Support	DSS	Open Until April 3, 2025	Screening
4	Financial Examiner II – III: Commercial Bank Examiner	Bank and Trust	Open Until Filled	Recruiting
1	Financial Examiner IV – VII: IT Security Specialist	Bank and Trust – IT	Open Until Filled	Recruiting
1	Manager VI – VII: Assistant CFO	Admin. Svc.	Open Until Filled	Recruiting
1	Financial Examiner VII: Trust Specialist	Bank and Trust – Trust	Open Until Filled	Recruiting
1	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	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
1	Financial Examiner VII – Review Examiner (Austin) (Reposted)	Bank and Trust	Open Until Filled	Recruiting

<b>Status of Postings that Closed before April 1, 2025</b>				
<b>Number of Positions</b>	<b>Position</b>	<b>Division</b>	<b>Status</b>	<b>Activities</b>
1	Network Specialist IV	MIS	<i>Closed March 5, 2025</i>	Filled
2	Financial Examiner VIII: Regional Review Examiner (Houston)	Bank and Trust	<i>Closed March 5, 2025</i>	Filled
3	Financial Examiner IV -VII: IT Specialist (All Regions) (Reposted)	Bank and Trust – IT	<i>Closed February 21, 2025</i>	Reposted
2	Financial Examiner I – Commercial Bank Examiner (Dallas)	Bank and Trust	<i>Closed March 7, 2025</i>	Interviews
4	Financial Examiner I – Commercial Bank Examiner (Houston)	Bank and Trust	<i>Closed March 7, 2025</i>	Interviews
2	Financial Examiner I – Commercial Bank Examiner (San Antonio)	Bank and Trust	<i>Closed March 7, 2025</i>	Interviews
2	Financial Examiner I – Commercial Bank Examiner (Lubbock)	Bank and Trust	<i>Closed March 7, 2025</i>	Interviews
2	Financial Examiner I – Asst. IT Security Examiner (All Regions)	Bank and Trust – IT	<i>Closed March 7, 2025</i>	Interviews
2	Financial Examiner I – Trust Examiner (All Regions)	Bank and Trust - Trust	<i>Closed March 7, 2025</i>	Selection
2	IT Support Specialist III	MIS	<i>Closed March 10, 2025</i>	Selection
1	Financial Examiner VII – Central Point of Contact (Houston)	Bank and Trust	<i>Closed March 11, 2025</i>	Selection
1	Human Resources Assistant (Part Time)	HR	<i>Closed March 21, 2025</i>	Interviews
1	Financial Examiner VIII – Central Point of Contact (Dallas)	Bank and Trust	<i>Closed March 25, 2025</i>	Interviews

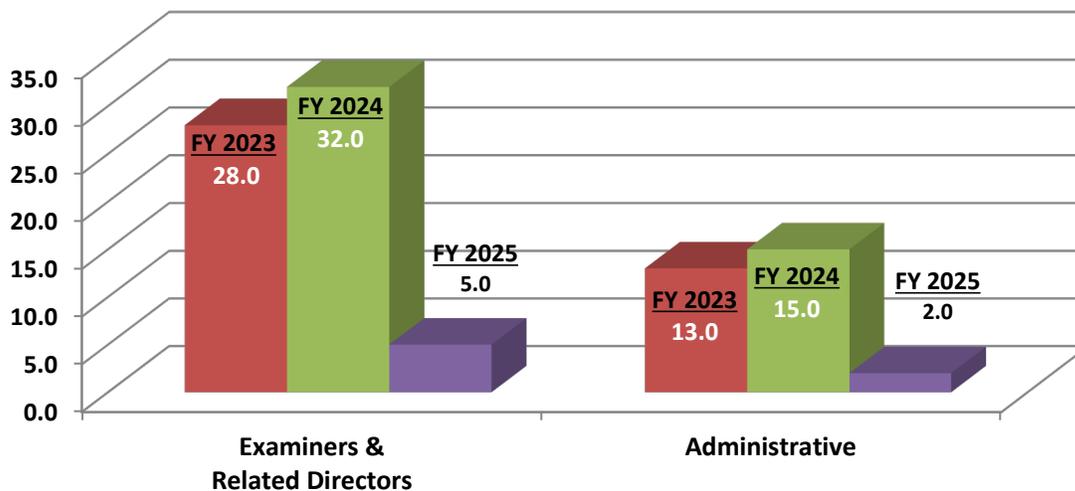
**Division Activities:**

- *Interview Skills Training*
  - Select staff from the Regional Offices and Austin Headquarters successfully completed interview skills training during the months of February and March.
- *Career Fairs*
  - Department staff attended 10 college career fairs during the month of February promoting the Department and seeking interest in open entry level Financial Examiner postings.

## Texas Department of Banking Employee Data for Fiscal Years 2023, 2024 and 2025 as of 03/31/2025

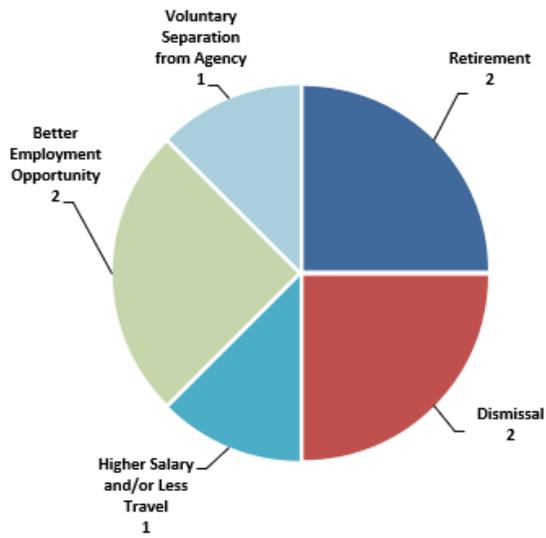


## New Hire Data for Fiscal Years 2023, 2024 and 2025

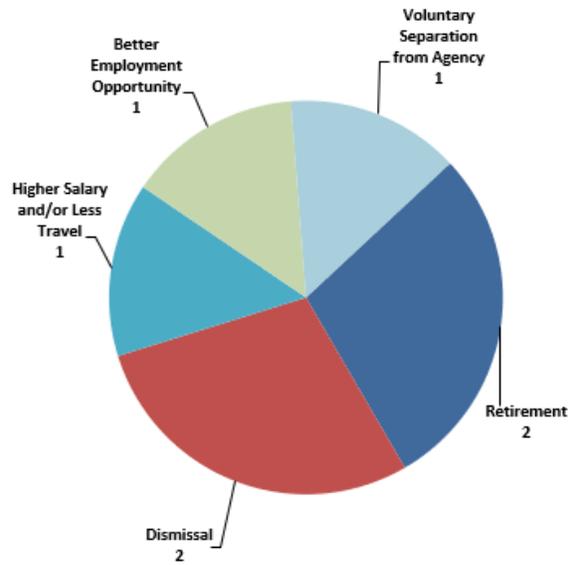


### FY 2025 Employee Turnover Reasons

**All Employees**  
**8 Resignations**



**Financial Examiners Only**  
**7 Resignations**



As of 03/31/2025

**Department of Banking  
Actual Performance for Output Measures  
Fiscal Year 2025**

Type/Strategy/Measure	2025 Target	2025 Actual	2025 YTD	Percent of Annual Target
<b>Output Measures-Key</b>				
<b>1-1-1 Bank Examination</b>				
<b>1. # Bank Examinations Performed</b>				
Quarter 1	101	27	27	26.73%
Quarter 2	101	27	54	53.47%
<b>2. # Foreign/Trust/IT Examinations Performed</b>				
Quarter 1	194	55	55	28.35%
Quarter 2	194	58	113	58.25% *
FY 2025, Quarter 2 - The measure is above the target due to performing more joint large bank examinations in this quarter.				
<b>1-2-1 Non-Bank Examination</b>				
<b>1. # NDS Licensees Examined</b>				
Quarter 1	490	114	114	23.27%
Quarter 2	490	109	223	45.51%
<b>1-3-1 Application Processing</b>				
<b>1. # License Applications Completed</b>				
Quarter 1	350	70	70	20.00%
Quarter 2	350	87	157	44.86%

\*Varies by 5% or more from target.



Charles G. Cooper  
Commissioner

# TEXAS DEPARTMENT OF BANKING

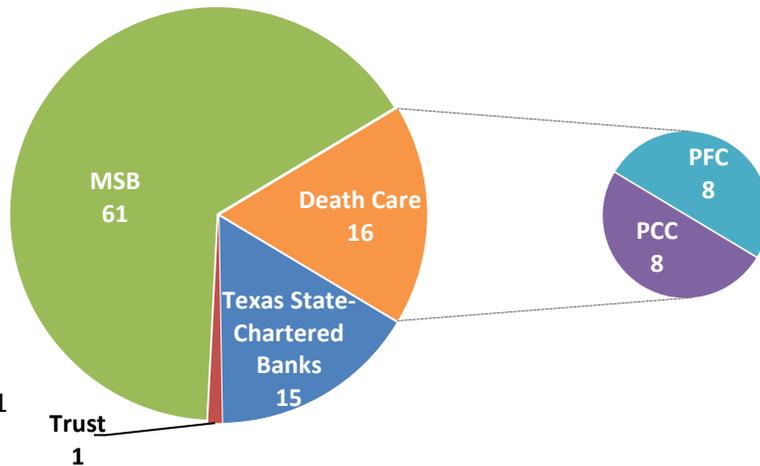
2601 North Lamar Blvd., Austin, Texas 78705

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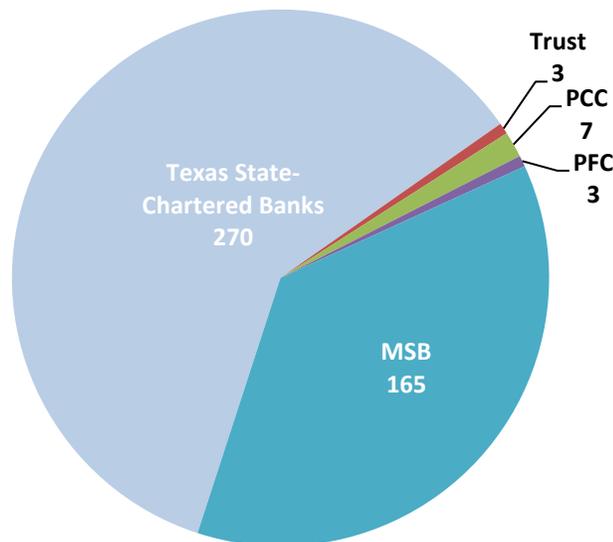
**To:** Finance Commission Members  
**From:** Phil Lena, Acting Director and Financial Analyst  
**Date:** April 7, 2025  
**Subject:** Summary of the Strategic Support Division Activities

## Jurisdictional Written Complaints September 2024-February 2025



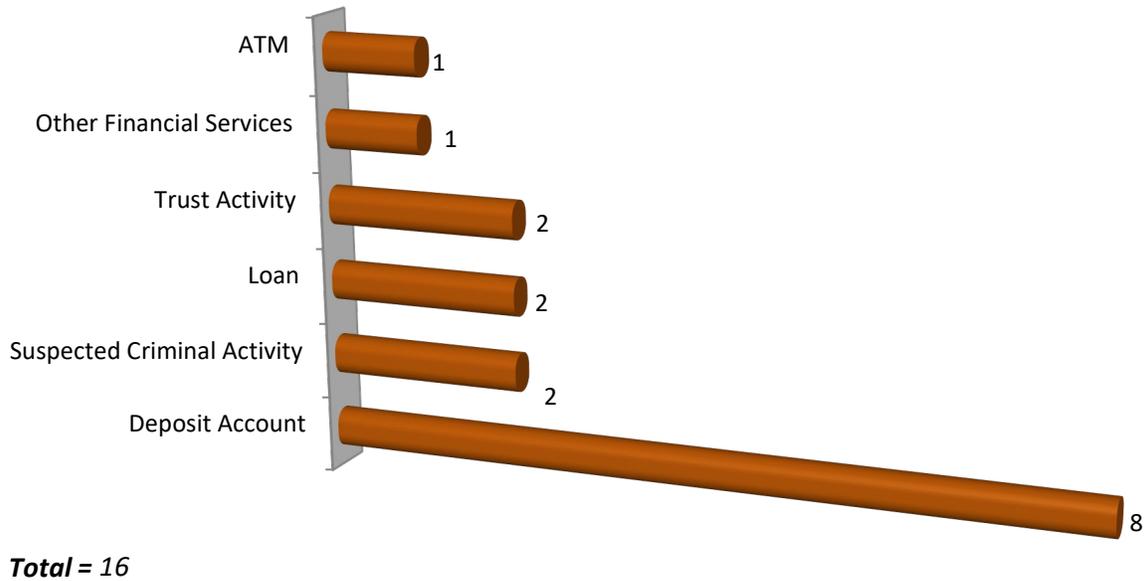
**Recoveries =** \$31,258.01  
**Total =** 93

## Inquiries on Jurisdictional Entities September 2024-February 2025

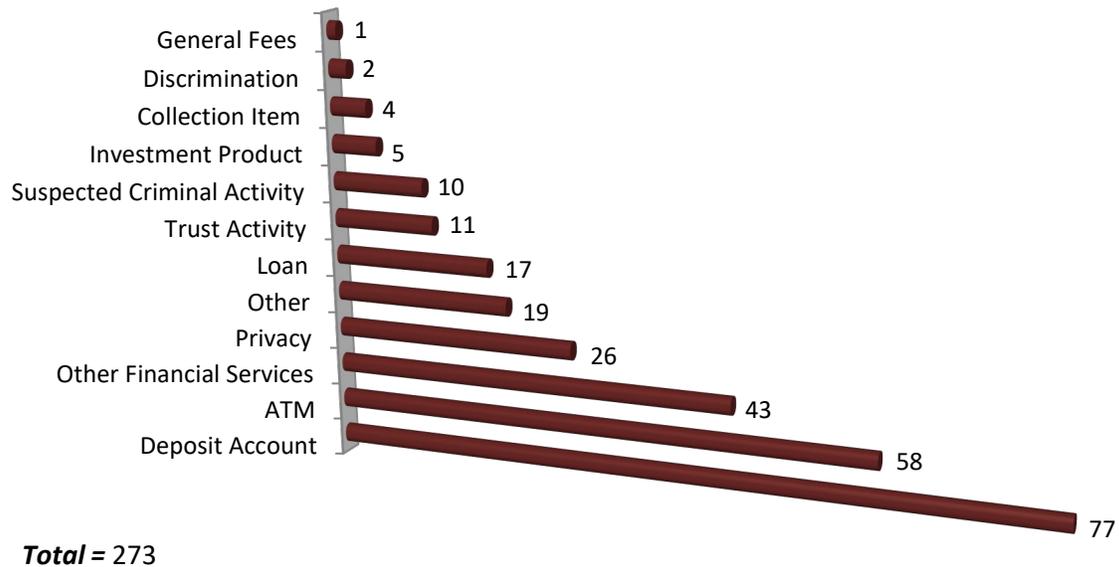


**Total =** 448

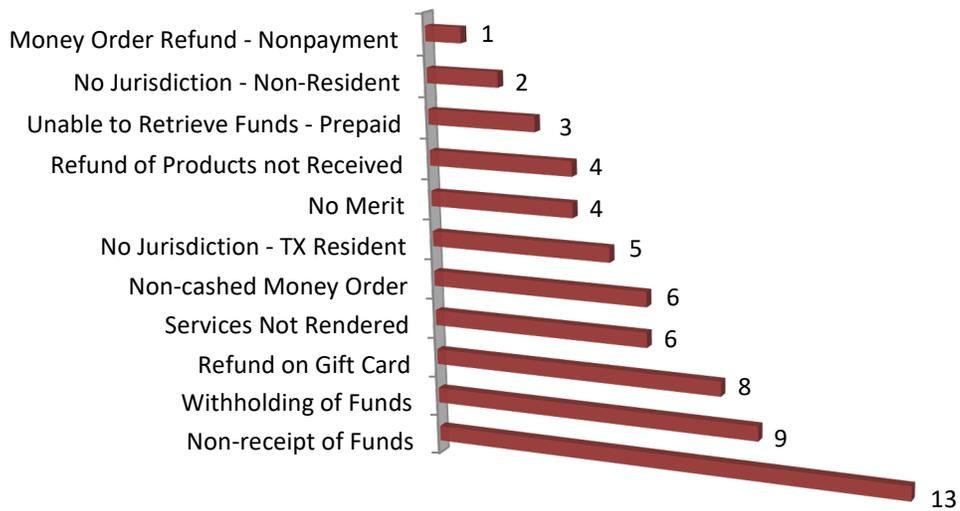
### State-Chartered Banks and Trust Companies Written Complaints by Type September 2024-February 2025



### State-Chartered Banks and Trust Companies Inquiries by Type September 2024-February 2025

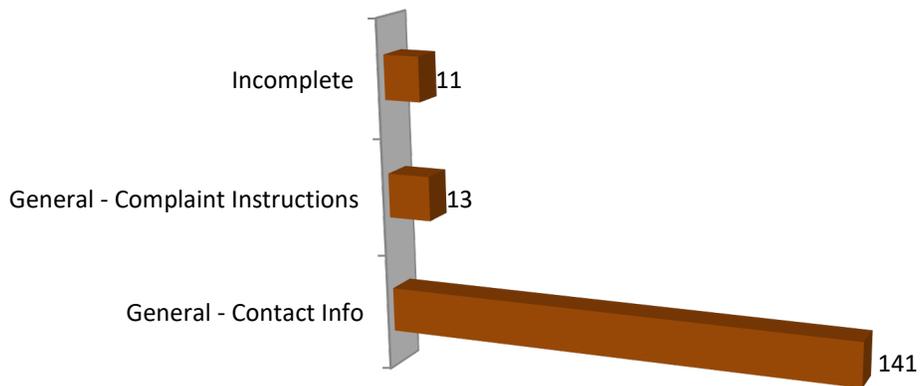


### Money Services Businesses Written Complaints by Type September 2024-February 2025



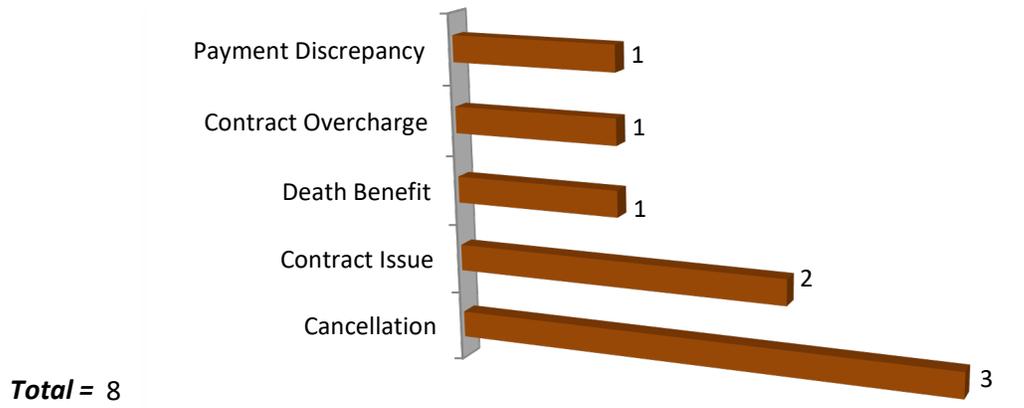
**Total = 61**

### Money Services Businesses Inquiries by Type September 2024-February 2025

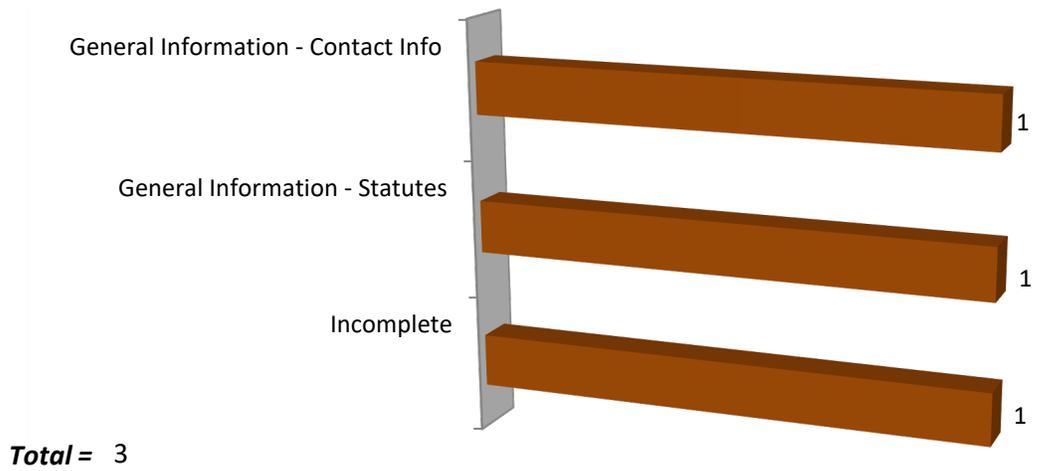


**Total = 165**

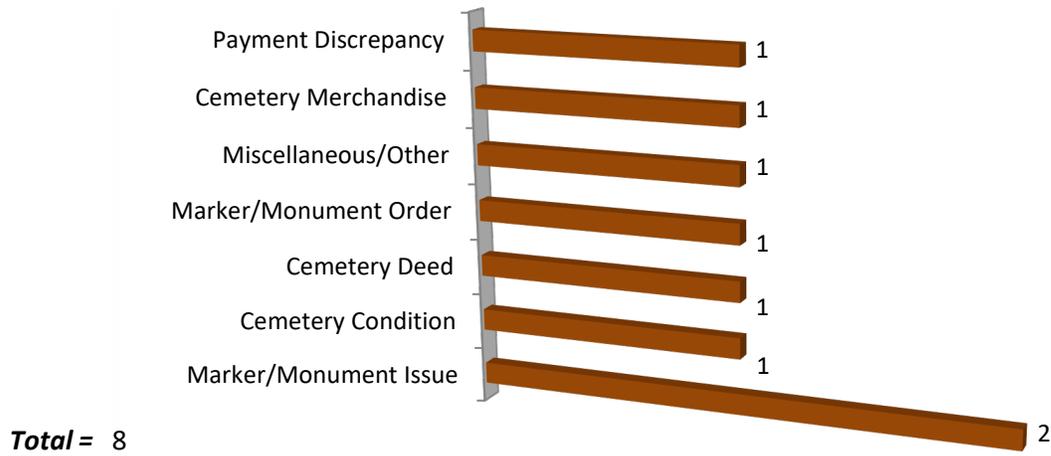
### Prepaid Funeral Contract Sellers Written Complaints by Type September 2024-February 2025



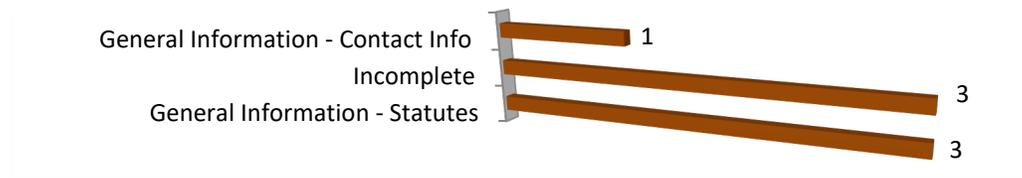
### Prepaid Funeral Contract Sellers Inquiries by Type September 2024-February 2025



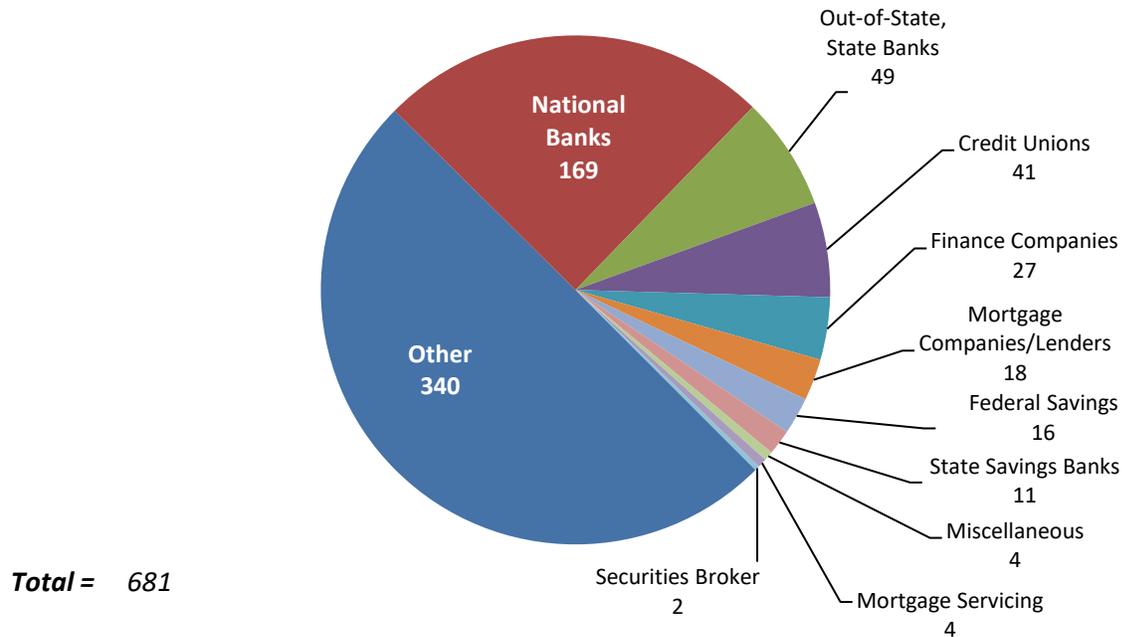
### Perpetual Care Cemeteries Written Complaints by Type September 2024-February 2025



### Perpetual Care Cemeteries Inquiries by Type September 2024-February 2025



### Complaints and Inquiries Against Non-Jurisdictional Entities September 2024-February 2025



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.
<b>State-Chartered Banks</b>				
Avg. Number of Days to Close a Written Complaint	18	19	N/A	N/A
Percentage of Written Complaints Resolved Within 90 days	100%	100%	N/A	N/A
Number of Written Complaints Resolved	8	5	N/A	N/A
<b>Trust</b>				
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
<b>PFC/PCC</b>			-	-
Avg. Number of Days to Close a Written Complaint	42	42	N/A	N/A
Percentage of Written Complaints Resolved Within 90 days	100%	100%	N/A	N/A
Number of Written Complaints Resolved	17	6	N/A	N/A
<b>MSB</b>			-	-
Avg. Number of Days to Close a Written Complaint	19	27	N/A	N/A
Percentage of Written Complaints Resolved Within 90 days	100%	100%	N/A	N/A
Number of Written Complaints Resolved	41	21	N/A	N/A

**Closed Account Notification System (CANS) Activity**  
January 1, 2020 – March 31, 2025

Entity	Enrolled	Compromised Accounts Reported
Texas State-Chartered Banks	179	501
Texas State-Chartered Savings Banks	24	73
Federal Savings Banks	10	0
State Credit Unions	135	891
Federal Credit Unions	229	720
National Banks	171	112
Out-of-State State-Chartered Banks	12	76
Out-of-State National Banks	6	0
<b>Total</b>	<b>766</b>	<b>2,373</b>

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

	FY 2022	FY 2023	FY 2024	FY 2025 As of 3/31/2025
I. General Knowledge	5	4	8	6
II. Loan Analysis	3	3	5	1
III. Panel	3	4	4	4
IV. Test Bank	3	6	3	5
<b>Total FE3</b>	<b>13</b>	<b>14</b>	<b>14</b>	<b>17</b>

**Promotions**

<b>Commissioned Examiners</b>	3	5	4	4*
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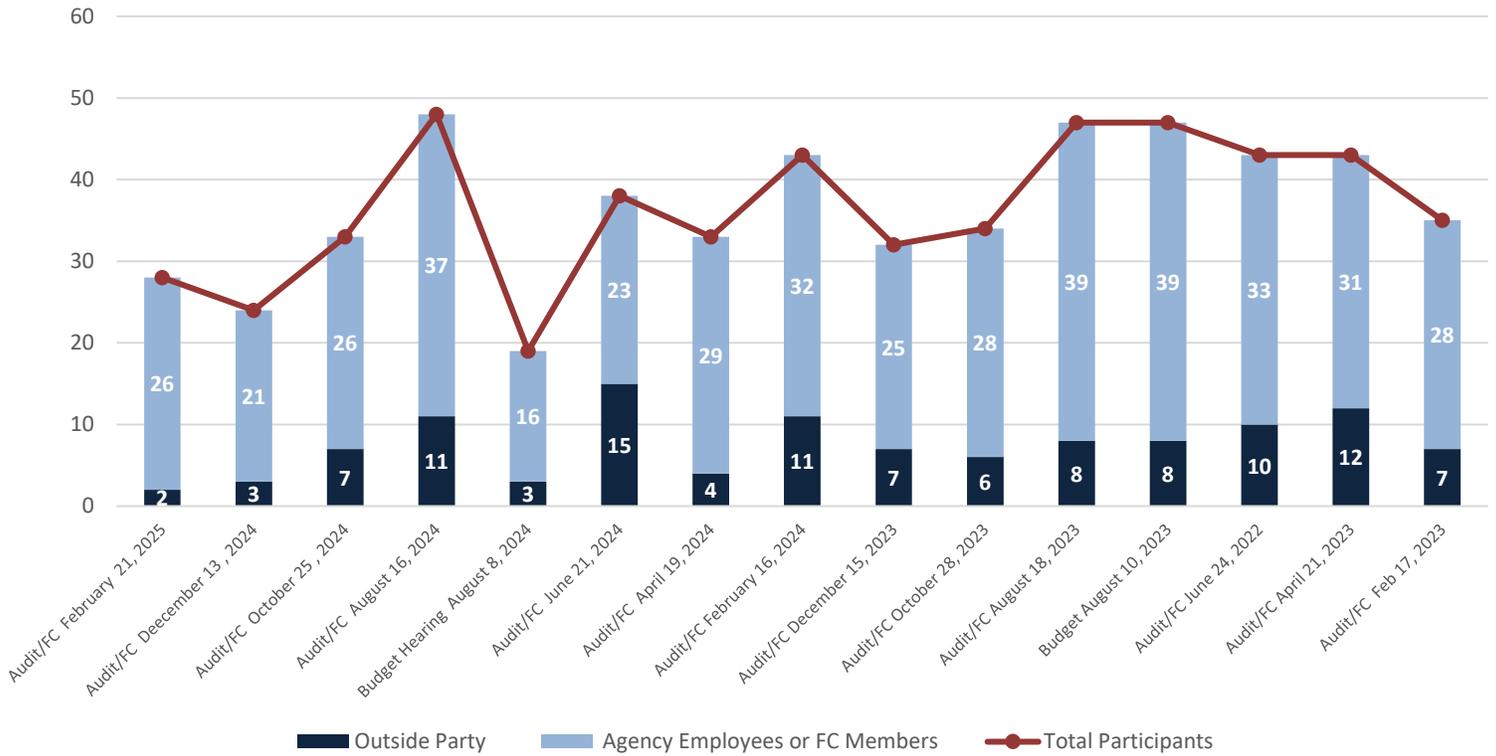
\*One credit specialist successfully completed the process in March.

**Other Divisional Items:**

- *89th Legislative Session*
  - The bill filing deadline was March 14, 2025. As of April 3, 2025, there have been 8,934 bills filed. The Department is tracking 562 bills. The Department provides weekly legislative updates to the Finance Commission. Bill tracking reports are updated weekly and posted to the Department’s intranet to help keep agency staff informed of legislative activities.
- *Financial Education:*
  - The Texas Department of Banking and the Office of Consumer Credit Commissioner hosted the Financial Fitness webinar on February 19, 2025. The webinar focused on the financial tools, knowledge and skills that help consumers make sound financial decisions. Sixty-eight consumers registered for the webinar and 43 consumers were in attendance.

- **Publications:**
  - The March 2025 edition of the [Condition of the Texas State Banking System](#) report is available with financial data as of December 31, 2024.
  - The [Top 100 Banks](#) and [Overall Texas Banking Activity](#) reports were updated with the December 31, 2024 data.
- **Policy Revisions/Updates:**
  - Administrative Memorandums (AM)
    - AM 2031 – Delegation of Authority (March)
    - AM 2018 – Confidentiality Statement Addressing Recordings of Meetings and Discussions (February)
  - Examiner Bulletins (XB)
    - XB 2025-01-CML Examiners’ Council Guidelines for Procedures and Work Paper Documentation for Commercial Examinations (March)
    - XB 2025-02-TR Examiners’ Council Guidelines for Procedures and Work Paper Documentation for Trust Examinations (March)
    - XB 2025-03-IT Examiners’ Council Guidelines for Procedures and Work Paper Documentation for Information Technology Examinations (March)
  - Personnel Policy and Procedures Manual
    - Section 2-07 Fraud Prevention Policy (March)
- **Examination Procedure Revisions/Updates:**
  - Commercial Examination Assignment Worksheet (February)
  - Commercial Procedures:
    - #4 Liquidity (March)
    - #27 Other Supervisory Issues (February)
  - Examination Modernization completed field testing of the following procedures:
    - #6 Cash, Collections, and Deposit Operations (March)
    - #11 Bank Owned Life Insurance (February)
    - #12 Interbank Liabilities (March)
    - #17 Other Assets and Other Liabilities (March)
    - #19 Other Real Estate Owned (February)
    - #21 Premises and Equipment (March)
  - Examination reference materials for commercial, trust, and IT procedures (February, March)

## Finance Commission Webcast Historical Data





Charles G. Cooper  
Commissioner

## **TEXAS DEPARTMENT OF BANKING**

2601 North Lamar Blvd., Austin, Texas 78705

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**To:** Finance Commission Members  
**From:** Robert Nichols, General Counsel  
**Date:** April 9, 2025  
**Subject:** Legal Division Update

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### **Litigation**

***Anthony Hrcir v. Internal Revenue Service, the Texas Department of Banking, et al.***, Cause No. 4:24-cv-00692-SDJ-AGD, United States District Court, Eastern District of Texas. This case was filed on August 1, 2024, alleges the Internal Revenue Service, the Department of the Treasury, the Department of Banking, and other agencies have monetized the intellectual property that the Plaintiff's name represents without his consent, and he seeks a declaratory judgment and relief under the Privacy Act. The Plaintiff is petitioning the Court to require the agencies to disclose information related to the financial transactions through which the Plaintiff's name was monetized. The Department of Banking filed its Motion to Dismiss on November 12, 2024, the Plaintiff replied, and the Department responded to the reply on December 23, 2024. The Plaintiff has also filed two motions for default judgment and other frivolous motions, and Department of Banking has responded in opposition. The matter remains pending.

***Ifeoluwa Adeusi v. State of Texas, the Texas Department of Banking, et al.***, Cause No. JP07-24-SC00011762, Small Claims Court, Tarrant County, Texas. This case originally filed July 9, 2024, and amended on October 10, 2024, alleges the State of Texas, the Texas Department of Banking, the Texas Department of Public Safety, and other agencies committed medical malpractice, law enforcement aggression, civil violations, government services negligence, nondescript employment tribunal offenses, legal aid abuse of discretion, and abuse of process toward the Plaintiff. The Plaintiff seeks \$20,000 in damages, plus court costs. The Department of Banking answered the complaint on November 11, 2024, and filed its Motion for Summary Disposition on December 12, 2024. The matter remains pending and is set for argument on summary disposition on April 29, 2025.

### **Orders Issued February 1, 2025 – March 31, 2025**

The Commissioner issued three enforcement orders during this period:

#### ***Bank and Trust Supervision***

- Prohibition Consent Order issued February 10, 2025; Vicki Lagean Grisham, Abernathy, Texas
- Prohibition Consent Order issued March 21, 2025; Andrea Renee Dodd, Hubbard, Texas

**Non-Depository Supervision**

- Consent Order issued February 28, 2025; Abra Trading, LLC, et al., Mountain View, California

**Public Information Requests**

From February 1, 2025, through March 31, 2025, staff received and responded to 35 requests for public information addressed to the Department of Banking and received 10 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, as a member of the Southwestern Graduate School of Banking (SWGSB) Foundation Board of Trustees, attended the board meeting and the 159<sup>th</sup> Assembly for Bank Directors from February 13-16, 2025, in Palm Springs, California. The Foundation paid for the Commissioner’s travel, lodging, and per diem in the amount of \$3,404.21.

**FY 2025 Quarterly Order Activity**

<b>BANK</b>				
<b>Type of Action</b>	<b>1st</b>	<b>2nd</b>	<b>3rd</b>	<b>4th</b>
Consent Order	4	0	0	0
Cease & Desist	1	0	0	0
Supervision	0	0	0	0
Prohibition	0	2	1	0
Total	5	2	1	0

<b>TRUST COMPANY</b>				
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

<b>MONEY SERVICES BUSINESS</b>				
Consent Order	3	3	0	0
Cease & Desist	0	0	0	0
Final Order after hearing	0	0	0	0
Total	3	3	0	0

<b>PERPETUAL CARE CEMETERY</b>				
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

**FY 2025 Quarterly Order Activity Continued**

<b>PREPAID FUNERAL CONTRACT</b>				
Consent Order	2	0	0	0
Cease & Desist	0	0	0	0
Final Order	0	0	0	0
Total	2	0	0	0

**C.**

**Office of Consumer Credit  
Commissioner**

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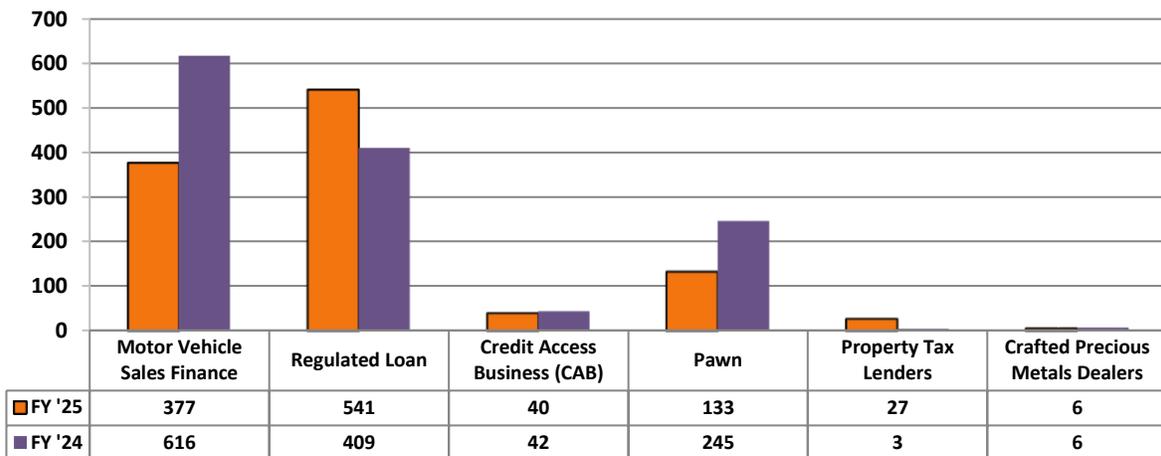
**Consumer Protection and Consumer Assistance Report**

The OCCC finalized 1,124 examinations as of the end of the second quarter. Examinations are behind target by roughly 8%. The department has strategically prioritized regulated lending exams, which are just over 75% of target, as well as property tax exams, which are at 108% of goal, in anticipation of the transition to the State Examination System (SES) later this year.

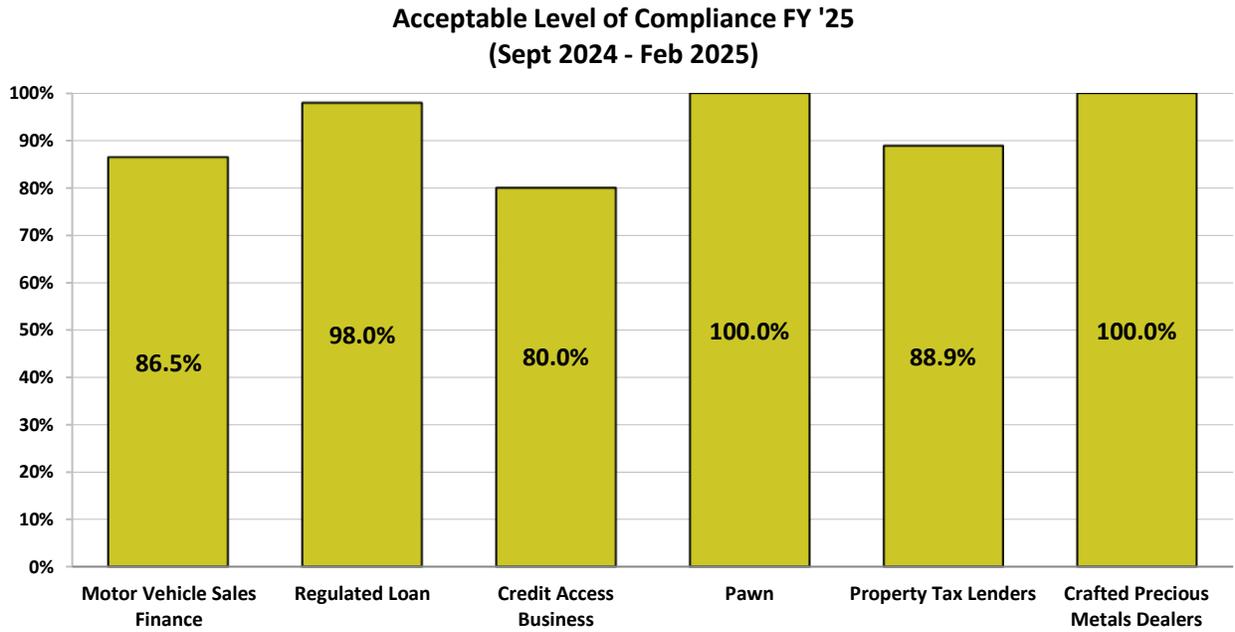
The department is on track to align with examination targets with current and planned projects. Two enterprise credit access business (CAB) exams will finalize later this spring. The multi-state auto finance exam is in the final stages. It is estimated that exam findings will be presented to the NACCA multi-state committee by the end of April. Finally, a large enterprise SES examination of a regulated lender will begin next month.

Examiner training and development remains a priority. The department is working with Conference of State Bank Supervisors (CSBS) staff to coordinate SES training classes for later this year. A group of eight staff members participated in CAB training earlier this month and will begin the certification process over the next few months. Additionally, recruiting trips were conducted at three universities and plans are on track to begin a new Financial Examiner training class in June.

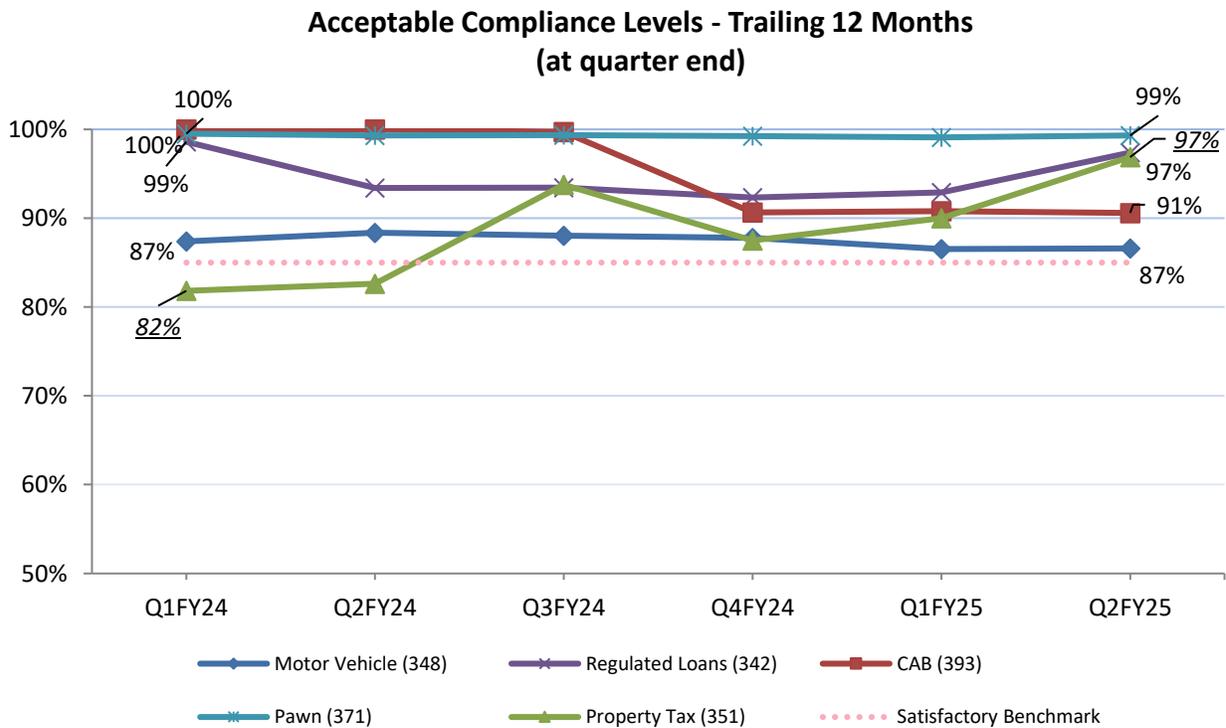
**Examinations Conducted: Sept - Feb  
Fiscal Year Comparison**



The following chart denotes the acceptable level of compliance for exams completed in FY 2025.



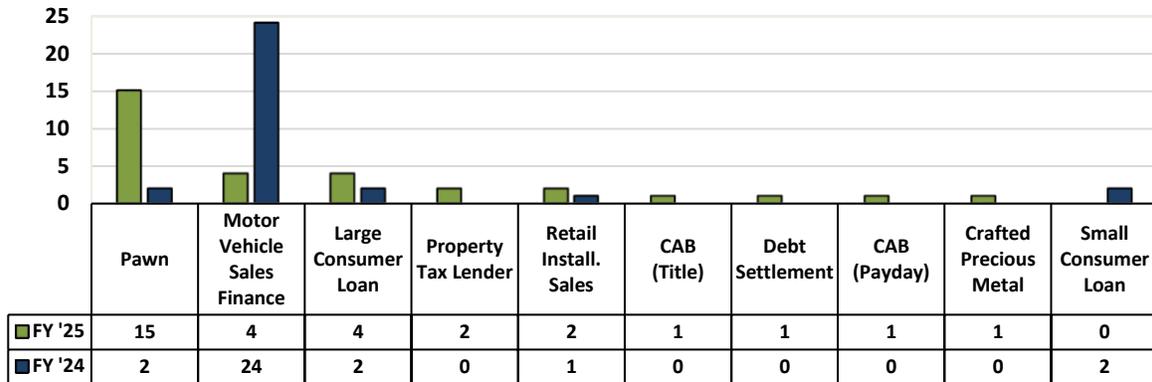
The following chart denotes the acceptable level of compliance on a trailing 12-month basis through the end of February 2025.



Investigations

For FY 2025, the OCCC completed 31 investigations out of the annual goal of 75. Pawn issues comprise 48.4% of the overall number of completed investigations.

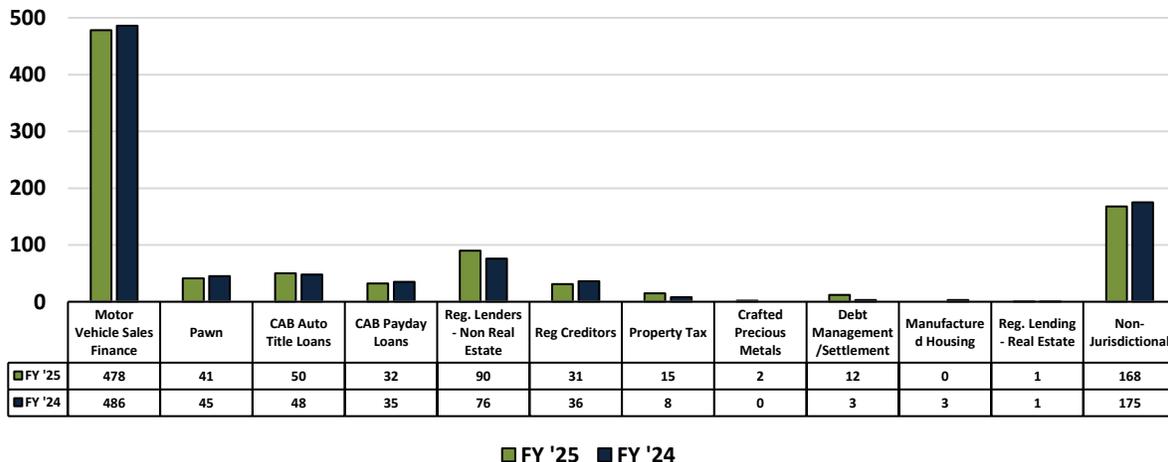
**Investigations Completed**  
**FY '25 (Sept 2024 - Feb 2025) Total: 31**  
**FY '24 (Sept 2023 - Feb 2024) Total: 31**



Consumer Assistance

From September 1, 2024, through February 28, 2025, 920 complaints were closed, of which 168 were classified as non-jurisdictional. The top four areas of jurisdictional complaints are (1) Motor Vehicle Sales Finance (MVSF), (2) Regulated Lenders Non-Real Estate, (3) Credit Access Businesses (CAB), and (4) Pawn. MVSF complaints were the largest complaint category at 52%. The second largest category was Regulated Lending – Non-Real Estate at 9.8%. The third largest category was Credit Access Business complaints at 8.9% collectively, separately these are 3.5% for payday loans and 5.4% for title loans. The fourth largest category was Pawnshops at 4.5%.

**Complaints Closed**  
**FY '25: Sept 2024 - Feb 2025**  
**FY '24: Sept 2023 - Feb 2024**



Fiscal Year 2025: Number of Complaints Closed by Source (Table 1), Subject (Table 2), and Disposition (Table 3)

**Table 1**

Source of Complaint	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Consumer	423	407		
Business	1	9		
Law Enforcement	0	1		
State or Federal Agency	39	24		
OCCC	3	5		
Whistleblower	1	5		
Other	0	2		
<b>Total</b>	<b>467</b>	<b>453</b>	<b>0</b>	<b>0</b>

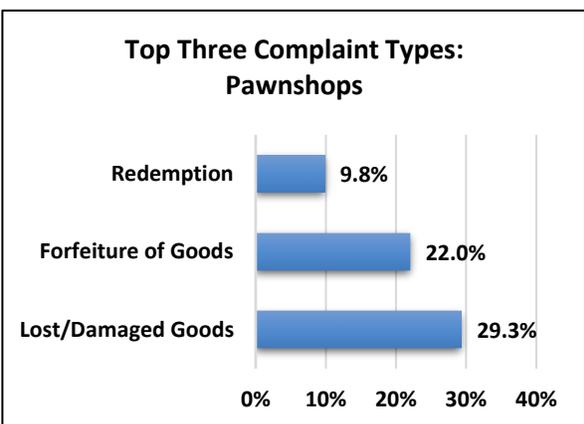
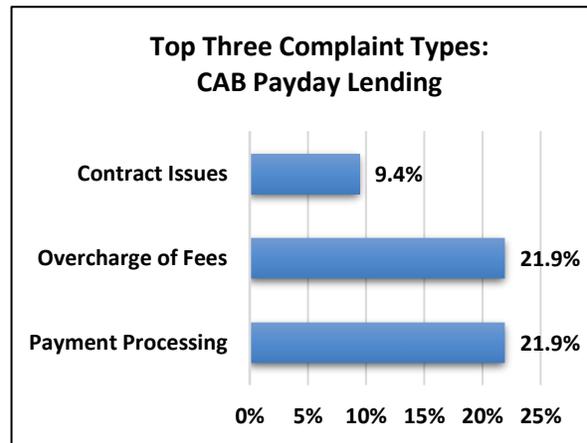
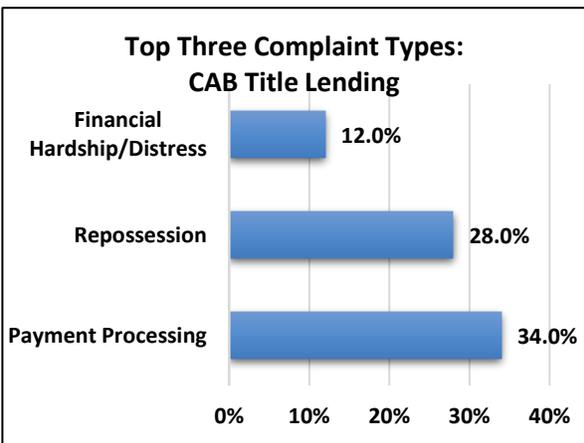
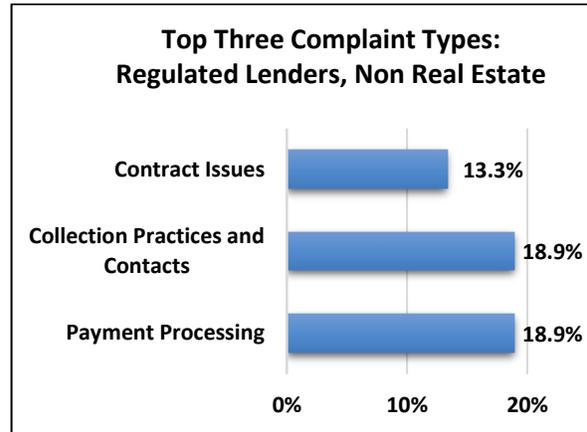
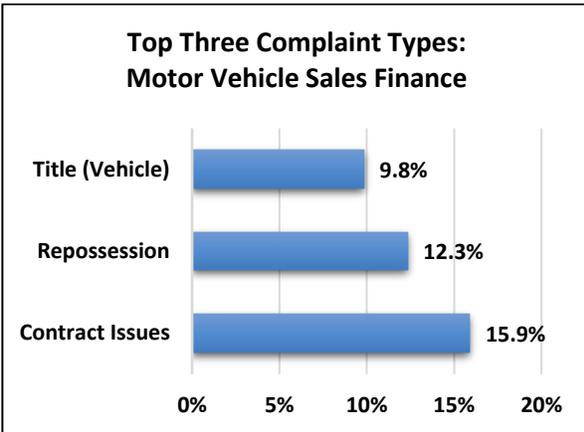
**Table 2**

Subjects	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Motor Vehicle Sales Finance	254	224		
CAB Payday Loans	17	15		
CAB Auto Title Loans	27	23		
Reg. Lenders - Non-Real Estate	45	45		
Pawn	17	24		
Registered Creditors	17	14		
Crafted Precious Metal Dealers	0	2		
Regulated Lenders - Real Estate	1	0		
Manufactured Housing	0	0		
Property Tax Lenders	8	7		
Debt Management/Settlement	4	8		
Refund Anticipation Loan	0	0		
Non-Jurisdictional	77	91		
Commercial Motor Vehicle Sales Finance	0	0		
<b>Total</b>	<b>467</b>	<b>453</b>	<b>0</b>	<b>0</b>

**Table 3**

Disposition	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Closed to Investigation	4	6		
Closed to Legal	0	0		
Closed -Action Taken	80	70		
Closed -No Violation	173	163		
Closed - Administratively	133	123		
Close - Non-Jurisdictional	77	91		
<b>Total</b>	<b>467</b>	<b>453</b>	<b>0</b>	<b>0</b>

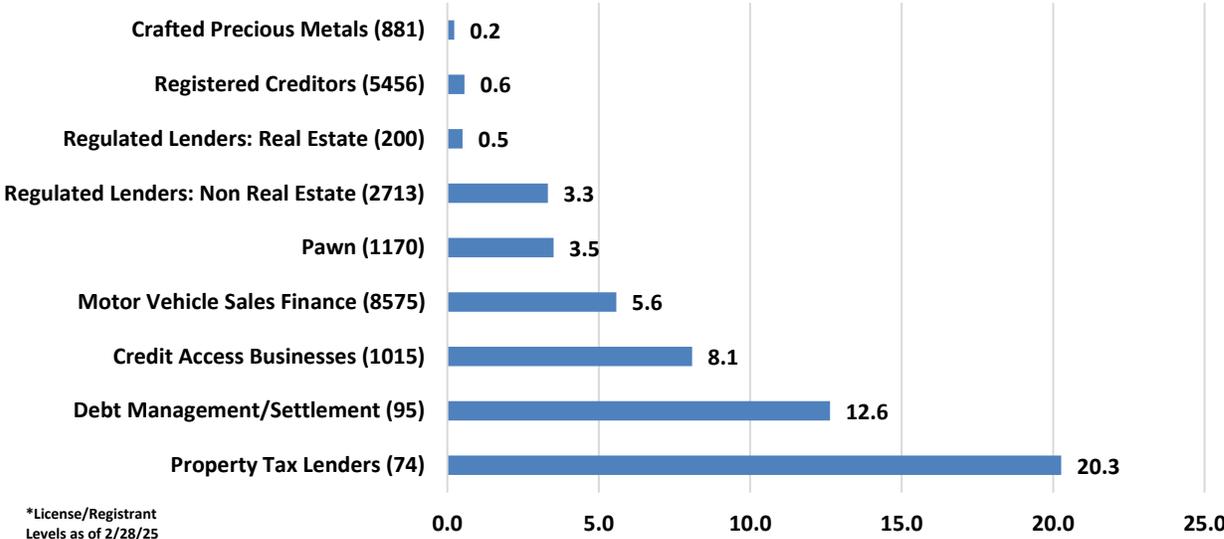
The following charts represent the top three complaint areas per license type.



Production Targets and Priorities	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Percentage of Written Complaints Closed within 90 days	91.6%	95.2%		
Average Number of Days to Close a Complaint	45.7	40.1		
Number of Complaints Closed	467	453		

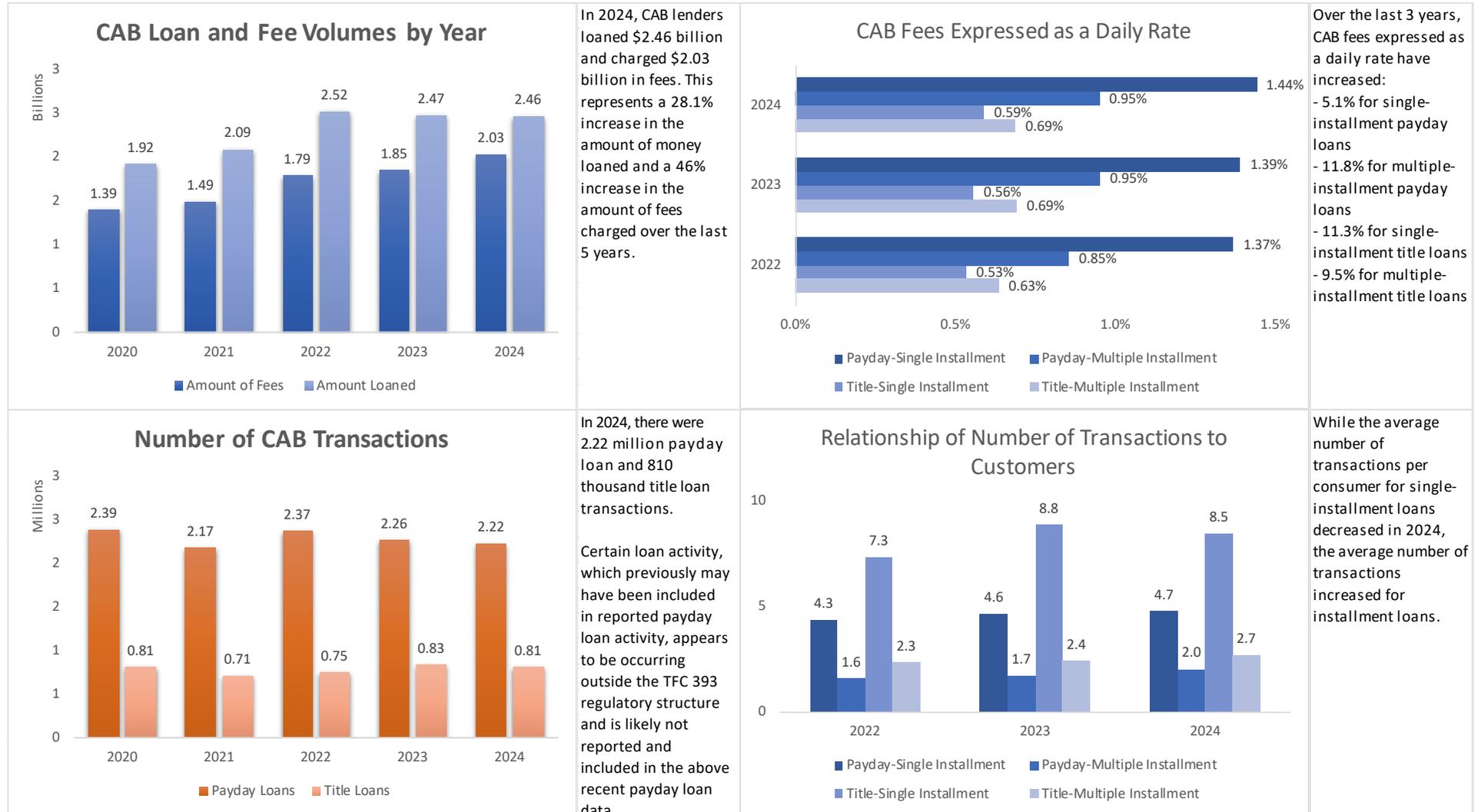
Comparison of complaints processed to the number of active license or registrant population is noted on the chart below. For this reporting period, the highest ratio of complaints to active license/registrants is Property Tax Lenders, followed by Debt Management/Settlement, Credit Access Businesses,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

**Ratio of Complaints to Total Active Licenses and Registrants\*  
FY '25: Sept 2024 - Feb 2025**



## CAB Reporting Update

Credit Access Businesses (CABs) have filed transactional volume reports through the end of 2024. Presented are selected statistics from both the Annual and Quarterly reports compared with previous years. In 2025, the reported totals remained similar to 2024. The following dashboard shows volume, fee, and refinancing frequency. More information on other key metrics and repossessions is provided in additional graphs.



Data Highlights (All Loan Types)						
Calendar Year	2024	2023	2022	2021	2020	2019
Number of Payday Loans and Refinances <sup>1</sup>	2,223,288	2,263,889	2,369,599	2,173,359	2,385,287	3,676,280
Number of Title Loans and Refinances <sup>1</sup>	805,504	834,335	747,797	706,806	805,739	1,074,630
Number of vehicles repossessed	42,353	42,428	42,905	39,569	34,629	42,878
Total Customers <sup>2</sup>	1,169,253	1,348,023	1,462,323	1,101,031	1,016,820	1,611,367
Total \$ fees accrued on all transactions	\$2.03 B	\$1.85 B	\$1.79 B	\$1.49 B	\$1.39 B	\$2.03 B
Total \$ Loaned by All Licensees (in billions)	\$2.46 B	\$2.47 B	\$2.52 B	\$2.09 B	\$1.92 B	\$3.14 B
Total \$ Loaned by Out of State Licensees (in millions)	\$645 M	\$763 M	\$833 M	\$524 M	\$664 M	\$1005 M

Payday Loans Calendar Year	Single Installment			Multiple Installment		
	2024	2023	2022	2024	2023	2022
Average loan amount	\$523	\$519	\$502	\$649	\$649	\$615
Average fee per \$100 borrowed	\$27.20	\$27.48	\$27.24	\$118.62	\$119.55	\$123.85
Average original term (in days)	19	20	20	125	126	145
Average Fee Converted to a Daily Rate <sup>3</sup>	1.44%	1.39%	1.37%	0.95%	0.95%	0.85%
Estimated transactions per borrower <sup>4</sup>	4.7	4.6	4.3	2.0	1.7	1.6

Title Loans Calendar Year	Single Installment			Multiple Installment		
	2024	2023	2022	2024	2023	2022
Average loan amount	\$1,517	\$1,553	\$1,718	\$1,606	\$1,673	\$1,678
Average fee per \$100 borrowed	\$17.74	\$16.78	\$16.32	\$104.81	\$106.19	\$103.03
Average original term (in days)	30	30	31	153	154	163
Average Fee Converted to a Daily Rate <sup>3</sup>	0.59%	0.56%	0.53%	0.69%	0.69%	0.63%
Estimated transactions per borrower <sup>4</sup>	8.5	8.8	7.3	2.7	2.4	2.3

<sup>1</sup>Number of loans and refinances are the sum of quarterly report #10F.

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

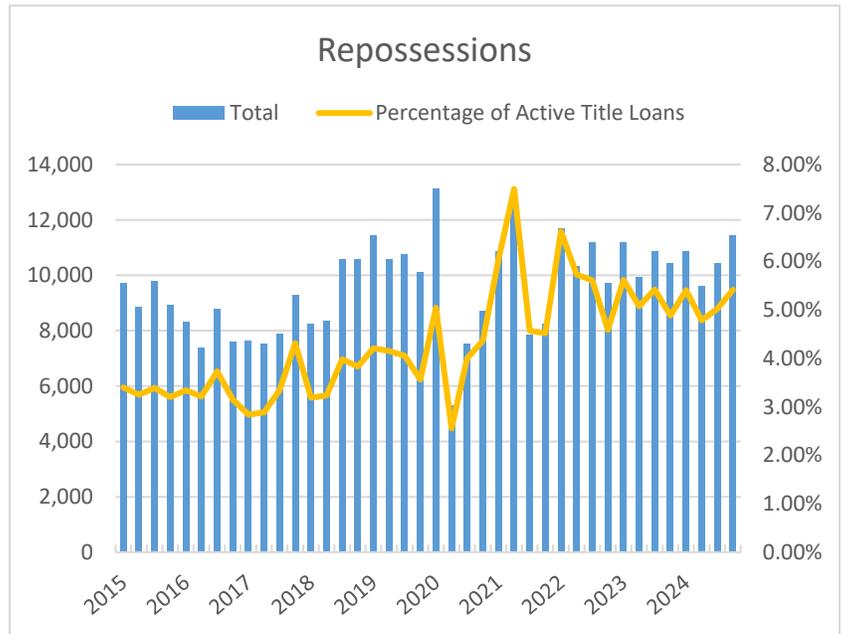
<sup>3</sup>Based on averages, per dollar borrowed a consumer would pay this percentage per day. The APR could be approximated by multiplying this rate by 365; however, it could be significantly higher if the multiple installment loans reduce principal with each payment and the total fees remain the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

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

### Additional Repossession Information

Repossessions during 2024 held around the 10,000 to 11,000 range each quarter, reaching a high of 11,443 in Q4 and a low of 9,604 in Q2. The 10-year average number of repossessions is 9,606 per quarter, with a repossession rate of 4.33% of accounts.

Q4 of 2024 saw a substantial increase in the number of repossessions for multiple-installment title loans, rising from 3,627 in Q3 to 5,800 in Q4. Multiple-Installment title loans have risen in popularity over the past decade, and as of Q4 their quarterly volume is nearly as much as Single-Installment title loans.





## Licensing Department Report- April 2025

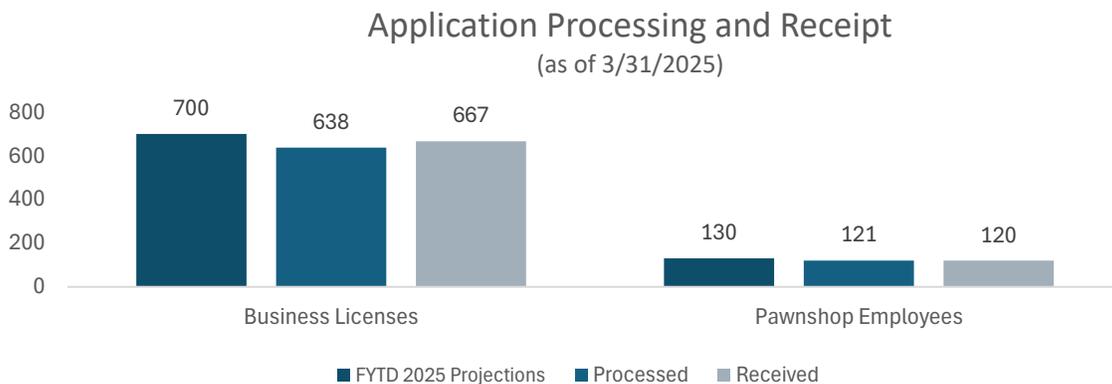
Mirand Diamond, Director of Licensing, Finance & HR  
 Ginger Harmon, Manager

### Renewal

The reinstatement period for Motor Vehicle Sales Finance Dealers and Commercial Motor Vehicle Sales Finance licenses is open until April 29, 2025. Regulated Lenders have until June 30, 2025, for license reinstatement. The reinstatement period for Crafted Precious Metal Dealers registration remains open until July 31, 2025.

Renewal for pawnshop and pawn employee licenses is scheduled to begin in May 2025.

### Application Processing



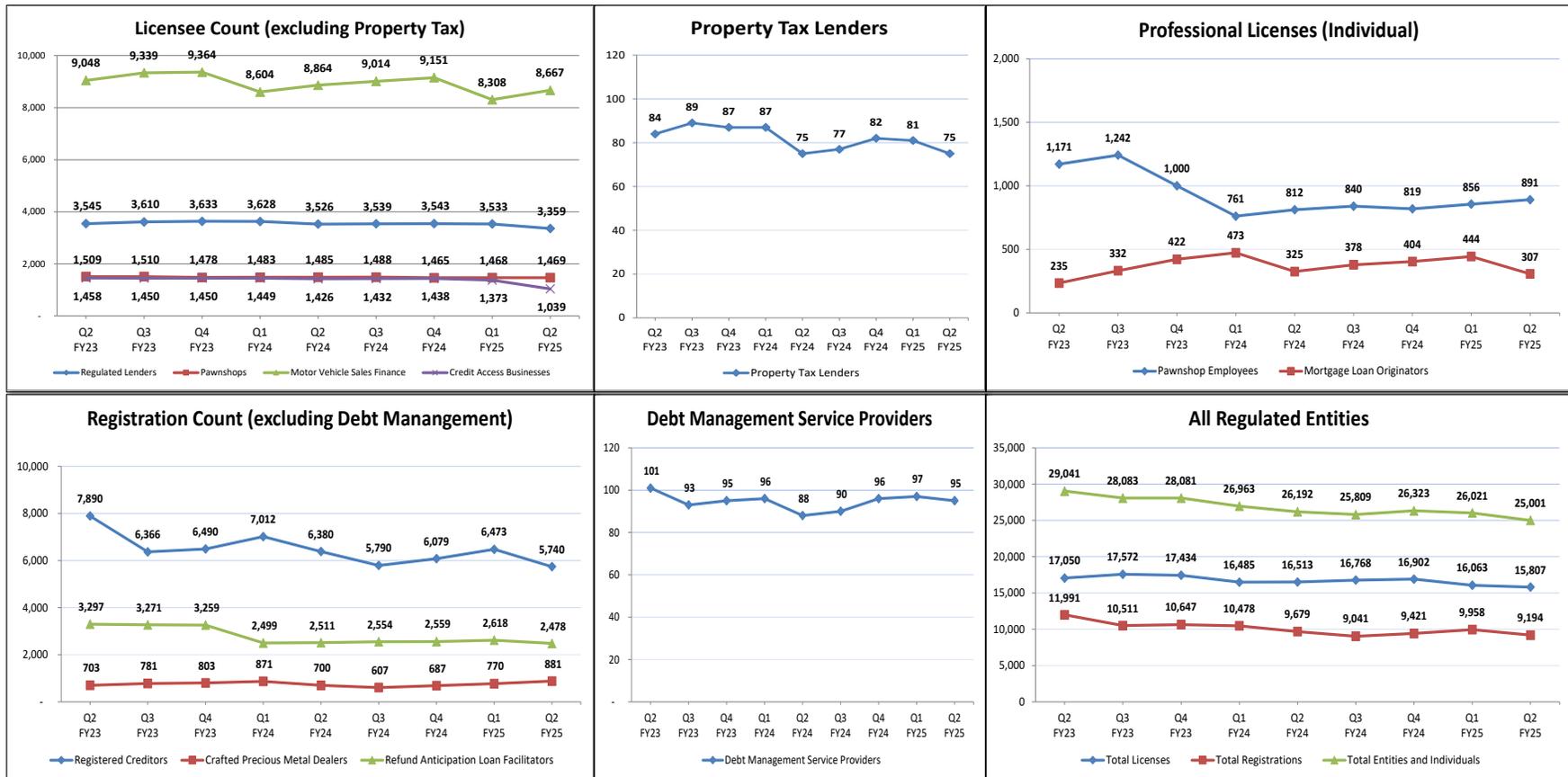
### Other Updates

#### **Transition to NMLS**

The department has begun transitioning property tax lender licenses to NMLS. Transition applications received and processed are being tracked and reported, along with other metrics.

The planning phase for the transition of regulated lender licenses is already in progress, with the transition period scheduled to commence in the summer of 2025.

## Number of OCCC Regulated Entities Quarterly Comparison of FY 23-25





### **Financial Education and TFEE**

Financial Education staff participated in Sun City's Anti-Fraud Expo and collaborated with Austin Community College to present a Financial Fitness webinar to a Career Pathways class. Additionally, through a mentorship opportunity with Junior Achievement - Finance Park, staff provided hands-on financial education, empowering high school students with practical skills for their future. The agency is sustaining its outreach initiatives and has scheduled a Financial Fitness webinar this month to promote Financial Literacy Month.

The second semi-annual report for the 2024-2025 cycle is available elsewhere in these materials and reimbursements have been completed. During this period, grantees served over 4,000 Texans, dedicating over 1,400 hours to financial education during this reporting timeframe. To date, TFEE has reimbursed \$295,852.16 to grantees, which is 40.2% of the 2024-2025 total award amount.

### **Communication**

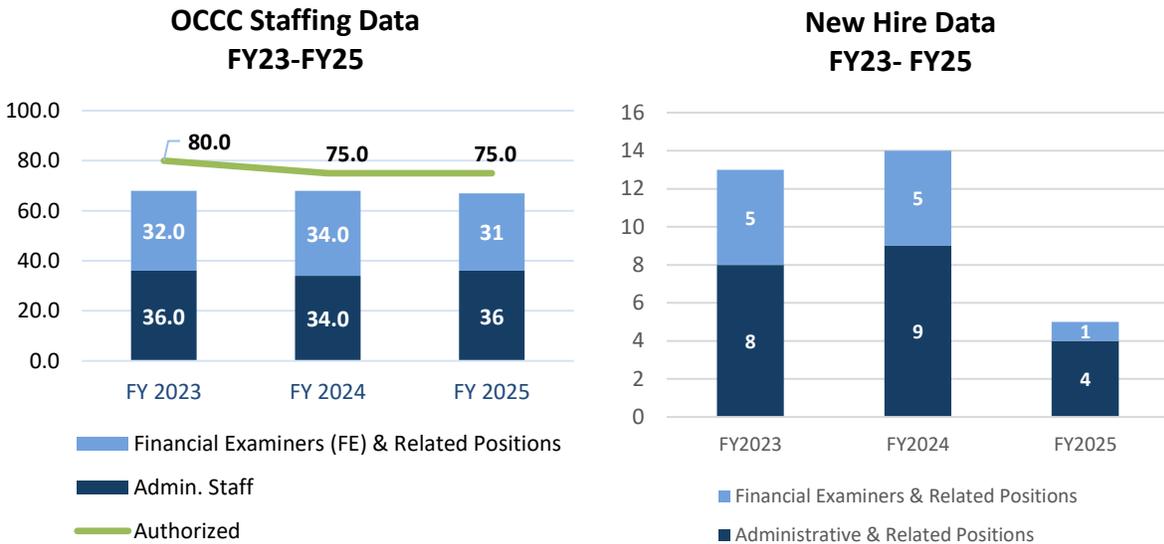
During this period, staff engagement strategies included the publication of the spring newsletter and the provision of weekly updates to OPUS, detailing the current legislative bills being tracked by the agency. Over the past two months, OCCC staff have attended multiple career fairs at state universities, successfully connecting with students interested in pursuing careers with the agency. The OCCC continues to communicate with stakeholders, and staff have provided presentations to regulated entities as follows:

- On February 6, 2025, Financial Examiners Traweck, Verrett, and Brooks presented to automobile dealers during a webinar sponsored by the Texas Department of Motor Vehicles (DMV).
- On March 6, 2025, Financial Examiners Traweck, Verrett, and Brooks presented to automobile dealers during a webinar sponsored by the Texas Department of Motor Vehicles (DMV).
- On March 31, 2025, Director Diamond and Licensing Manager Harmon held a NMLS Transition Webinar for Property Tax Lenders.
- On April 3, 2025, Financial Examiners Traweck, Verrett, and Brooks presented to automobile dealers during a webinar sponsored by the Texas Department of Motor Vehicles (DMV).

## Human Resources

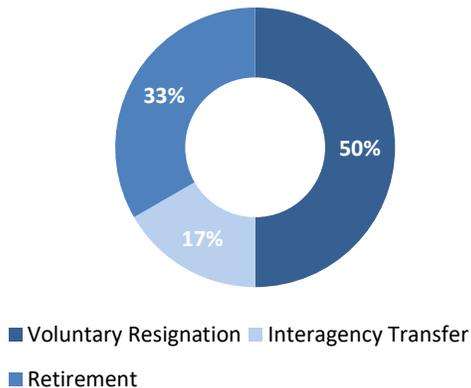
As of March 31, 2025, the OCCC is staffed with a total of 67 FTEs. The agency has filled a vacant position in the Accounting Department and is currently working on filling at least three financial examiner positions.

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

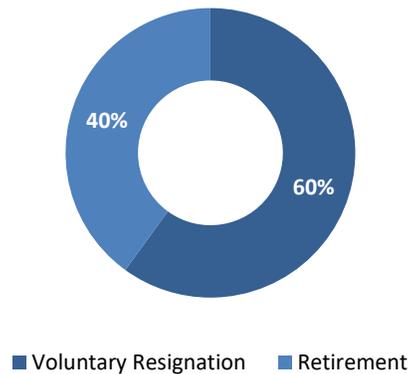


The turnover ratio as of 03/31/2025, is 9%. The charts below represent FY25 data.

**OCCC Turnover FY25- All Employees**  
(6 total- 3 Voluntary Resignation, 1 Interagency Transfer, & 2 Retirement)



**OCCC Turnover FY25 - FE Series**  
(5 total-3 Voluntary Resignation, 2 Retirement)



## **Accounting Report**

### Financial Reporting

The accounting staff closed out the second quarter of fiscal year 2025 and the second quarter financial statements are presented elsewhere in the meeting material.

### Legislative Activity

The Legislative Budget Board assigns bills to an agency for a review of potential fiscal impact and requires the submission of a fiscal note indicating whether and to what extent a fiscal impact is expected. Thus far, the OCCC has submitted 22 fiscal notes and continues to process pending and newly assigned requests.

## **Information Technology**

### Technology modernization and deployment

OCCC successfully migrated to its new firewall and restructured switching stack.

The work to modify ALECS for the operation of the new Texas Payment Engine is continuing and on schedule. Early stage user acceptance testing has begun. The OCCC's implementation date is currently scheduled for June 23, 2025.

### Cybersecurity

The Texas Cybersecurity Framework assessment completed the interview phase. Approximately 200 items of evidence were provided, with all policies and procedures counting as "one".

**OFFICE OF CONSUMER CREDIT COMMISSIONER**  
**EXECUTIVE SUMMARY**

*As of February 28, 2025*

	FY 2023	FY 2024	FISCAL YEAR 2025				
			1st QTR	2nd QTR	3rd QTR	4th QTR	FYTD
<b>CONSUMER PROTECTION</b>							
Monies Returned (000)	13,720	6,683	2,628	1,141			3,769
Regulated Lenders Examinations	830	821	276	265			541
Property Tax Lender Examinations	24	8	3	24			27
Pawnshop Examinations	398	399	9	124			133
Motor Vehicle Examinations	1,360	1,344	175	202			377
Credit Access Businesses Examinations	563	427	8	32			40
Crafted Precious Metal Dealers	10	10	0	6			6
<b>CONSUMER ASSISTANCE</b>							
Telephone Complaints Received	496	377	126	133			259
Written Complaints Received	1,310	922	335	313			648
Total Complaints Closed	1,797	1,263	467	453			920
% of Written Complaints Closed within 90 Calendar Days	92.5%	96.7%	91.6%	95.2%			91.6%
<b>ADMINISTRATIVE ENFORCEMENT ACTIONS</b>							
Originated	124	117	39	7			46
Finalized	133	147	42	18			60
<b>LICENSING AND REGISTRATION</b>							
<b>Licenses</b>							
Regulated Lender Licenses	3,633	3,543	3,533	3,349			3,349
Pawnshop Licenses	1,478	1,465	1,468	1,469			1,469
Pawnshop Employee Licenses	1,000	819	856	891			891
Commercial MV Sales Fin. Licenses	65	75	72	74			74
Motor Vehicle Sales Finance Licenses	9,364	9,076	8,236	8,593			8,593
Property Tax Lender Licenses	87	82	81	75			75
Mortgage Loan Originators	422	404	242	310			310
Credit Access Business Licenses	1,450	1,438	1,373	1,039			1,039
<b>Registrations</b>							
Registered Creditors	6,490	6,079	6,473	5,740			5,740
Crafted Precious Metal Dealers	803	687	770	881			881
Debt Management Service Providers	95	96	97	95			95
Refund Anticipation Loan Facilitators	3,259	2,559	2,618	2,478			2,478
<b>Applications</b>							
Business -- New	1,118	1,046	302	238			540
Business -- Change of Ownership	85	197	7	8			15
Pawnshop Employees -- New	286	231	52	47			99
<b>HUMAN RESOURCES DATA</b>							
Field Examiners Staffing	32	34	37	34			34
Total Staffing	68	68	69	67			67

**Office of Consumer Credit Commissioner  
Actual Performance for Output Measures  
Fiscal Year 2025**

Type/Strategy/Measure	2025 Target	2025 Actual	2025 YTD	Percent of Annual Target	
<b>Output Measures-Key</b>					
<b>CONSUMER PROTECTION</b>					
<b>1-1-1</b>	<b>Complaint Resolution</b>				
	<b>1. # Complaints Closed</b>				
<b>Quarter 1</b>	1,750	467	467	26.7%	
<b>Quarter 2</b>	1,750	453	920	52.6%	
<b>2-1-1</b>	<b>Examination and Enforcement</b>				
	<b>1. # Examinations Completed</b>				
<b>Quarter 1</b>	2,700	471	471	17.4%	*
	<i>During this quarter the OCCC purposefully focused on mortgage examinations in the State Exam System (SES), property tax examinations, and regulated lender examinations. Resources were devoted toward training and performance is expected to improve throughout the year.</i>				
<b>Quarter 2</b>	2,700	653	1,124	41.6%	*
	<i>The OCCC strategically prioritized regulated lending and mortgage exams during the first half of the year in anticipation of the agency's transition to SES. Examination production is expected to realign with targets throughout the remainder of the year.</i>				
<b>EFFECTIVE LICENSING &amp; REGISTRATION</b>					
<b>2-2-1</b>	<b>Licensing and Registration</b>				
	<b>1. # Business License Applications Processed</b>				
<b>Quarter 1</b>	1,200	309	309	25.8%	
<b>Quarter 2</b>	1,200	246	555	46.3%	
<b>FINANCIAL EDUCATION</b>					
<b>3-3-1</b>	<b>Financial Education</b>				
	<b>1. # People Receiving Direct Educational Services</b>				
<b>Quarter 1</b>	650	64	64	9.8%	*
	<i>The OCCC had fewer opportunities for financial education classes during the first quarter. Performance is expected to improve throughout the year.</i>				
<b>Quarter 2</b>	650	141	205	31.5%	*
	<i>The OCCC is behind target as a result of smaller than anticipated demand. The agency has several pending events and anticipates increasing numbers of participants.</i>				

\*Varies by 5% or more from target.



## **Legal Department Report**

*Matthew Nance, General Counsel*

April 2025

### **Enforcement Report**

#### **Contested Cases**

As of March 31, 2025, the OCCC has one contested case pending before the State Office of Administrative Hearings (SOAH).

##### ***Michael Barron (SOAH Docket No. 466-25-15633)***

This case is an appeal of the OCCC's denial of a pawnshop employee license application. The applicant failed to provide criminal history information necessary to file a complete license application and failed to respond to the OCCC's request for the information. Based on this, the OCCC notified the applicant of its intent to deny the license application. The applicant requested a hearing on the denial. The OCCC has docketed the case with SOAH, and the hearing date is set for June 18, 2025.

#### **Enforcement Case Highlights**

##### ***Orders on reporting violations***

Under Chapter 393 of the Texas Finance Code and its implementing rules, each credit access business is required to file quarterly and annual reports with the OCCC describing transaction activity. The reports are due January 31, April 30, July 31, and October 31 of each year. If a credit access business 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 March 2025, the OCCC issued two orders against credit access businesses for failing to file 2024 fourth quarter and annual reports by the deadline of January 31, 2025.

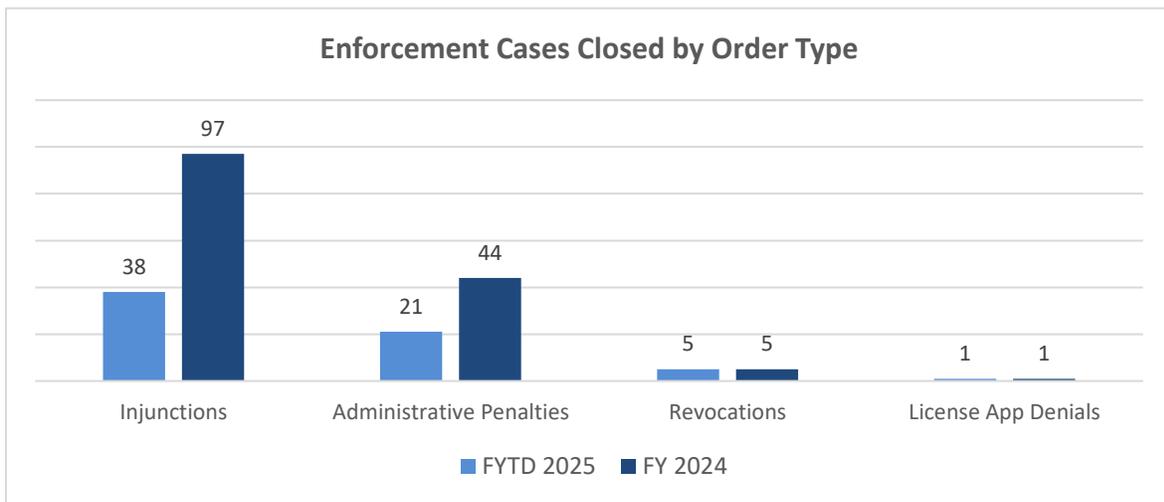
##### ***Orders disapproving plain language contract submissions***

Under Chapter 341 of the Texas Finance Code, regulated lenders and motor vehicle sales finance licensees are required to use contracts that are written in plain language. Licensees must use either a model contract adopted by rule of the Texas Finance Commission or a contract that has been submitted to the OCCC for plain language review. In March 2025, the OCCC issued two orders disapproving plain language contract submissions for failure to comply with Chapter 341 and its implementing rules.

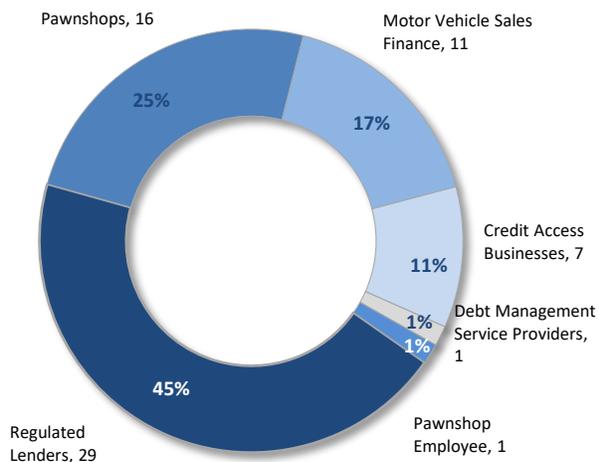
## Enforcement Case Tracking

The following table includes enforcement case tracking information for FY 2024 (September 1, 2023, through August 31, 2024) and FY 2025 to date (September 1, 2024, through March 31, 2025).

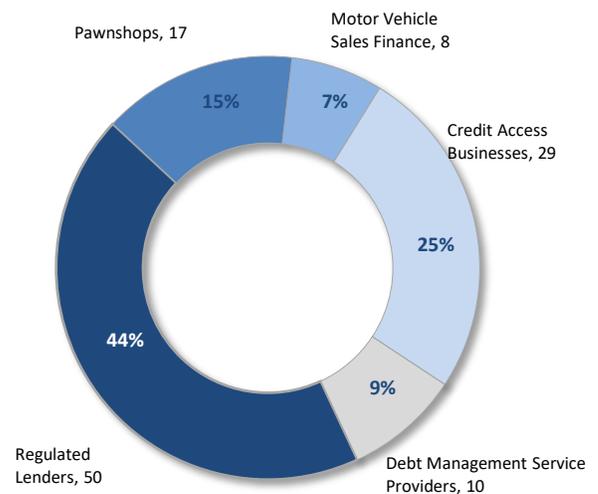
Enforcement Case Tracking Information	FYTD 2025	FY 2024
Enforcement Cases Opened	61	117
Enforcement Cases Closed	65	147
Enforcement Cases Closed by Final Order	64	140
Average Number of Days to Close an Enforcement Action	90	79
Contested Cases Docketed at SOAH	1	1



### Cases Closed by Industry FYTD 2025



### Cases Closed by Industry FY 2024



## **Rulemaking**

The OCCC is not presenting any rule actions at the April 2025 Finance Commission meeting.

### **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*, was brought by trade groups representing payday loan companies. 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. In June 2024, the Fifth Circuit issued a decision that rendered judgment in the CFPB’s favor and declared that the Payday Lending Rule is constitutional. On March 7, 2025, the plaintiffs filed a petition for certiorari with the U.S. Supreme Court to appeal the Fifth Circuit’s decision. On March 28, 2025, the CFPB issued a statement acknowledging that the Payday Lending Rule would become operative on March 30, but stating that the CFPB would not prioritize enforcement or supervision actions with regard to any penalties or fines associated with the rule.

### **Advisory Guidance**

From February 1, 2025, to March 31, 2025, the OCCC did not issue any advisory bulletins.

From February 1, 2025, to March 31, 2025, the OCCC did not receive any requests for official interpretations of the Texas Finance Code. As of March 31, 2025, there were no pending requests for official interpretations of the Texas Finance Code.

### **Public Information Requests**

<b>Public Information Tracking Information</b>	<b>FYTD 2025</b>	<b>FY 2024</b>
Public Information Requests Received	70	144
Public Information Requests Closed	64	134
Public Information Requests Withdrawn	1	8
Public Information Requests Referred to Office of Attorney General	1	0
Average Number of Days to Address a Public Information Request	2.9	2.5

### **Gifts Received by the OCCC**

From February 1, 2025, to March 31, 2025, the OCCC received three gifts, all of which were scholarships to attend the 2025 NMLS Annual Conference & Training. Of these scholarships, one was a full scholarship (for registration, lodging, and transportation) worth \$2,468.63, one was a full scholarship worth \$2,418.96, and one was a partial scholarship (for registration) worth \$995.

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**D.**

**Department of Savings and  
Mortgage Lending**

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## D. Department of Savings and Mortgage Lending

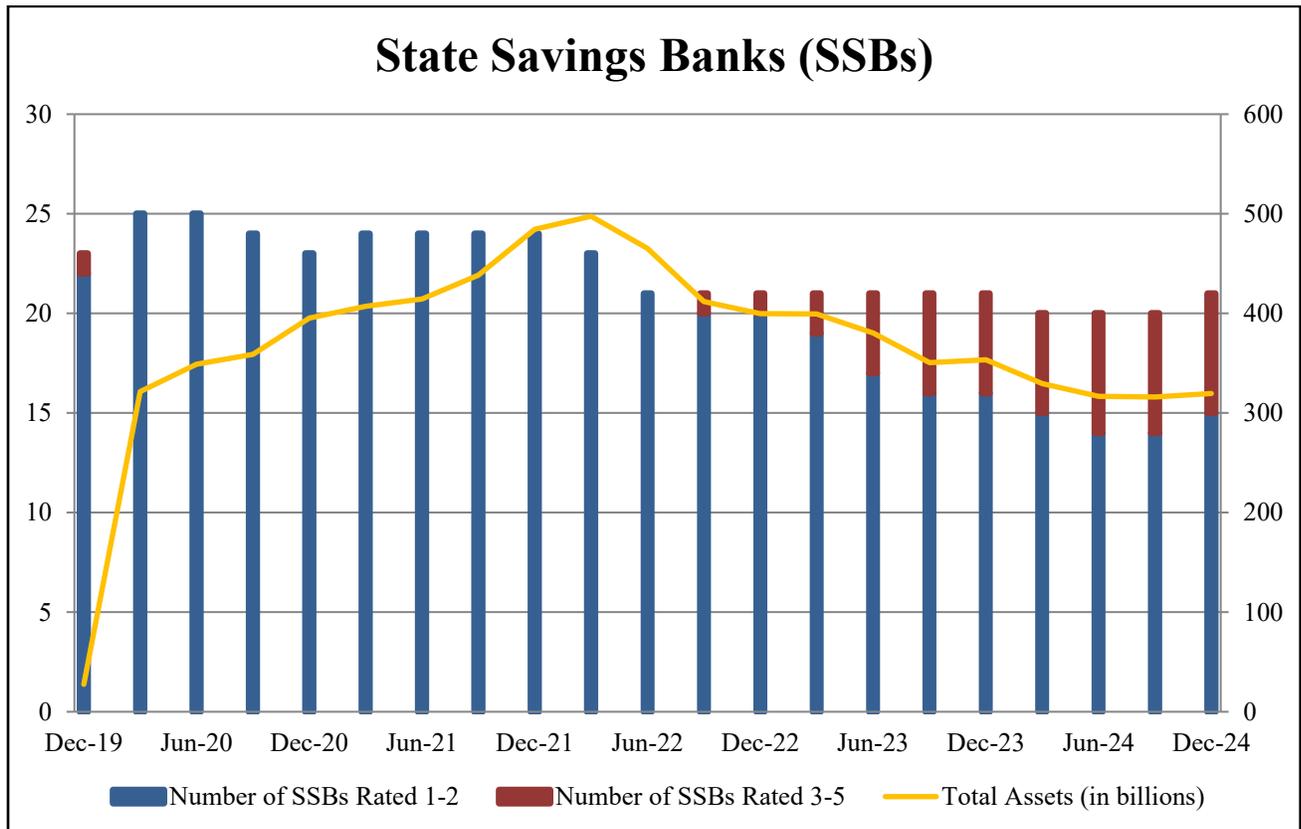
### 1. Industry Status and Departmental Operations

#### a) Thrift Regulation Division Activities

##### Industry Status

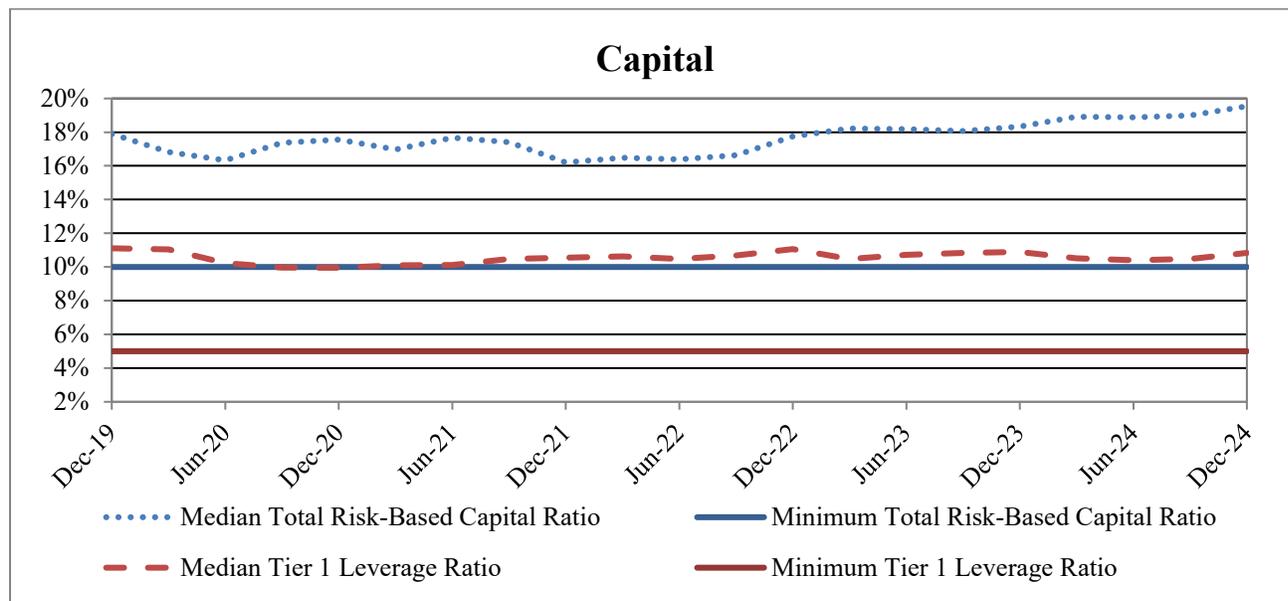
SML continues to monitor various local, state, and national data sources to understand the risks facing the industry and individual savings banks.

SML 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 21 state savings banks with assets totaling \$319.5 billion as of December 31, 2024. As of December 31, 2024, 71% of banks were well-rated, with four informal and two formal supervisory actions in place.

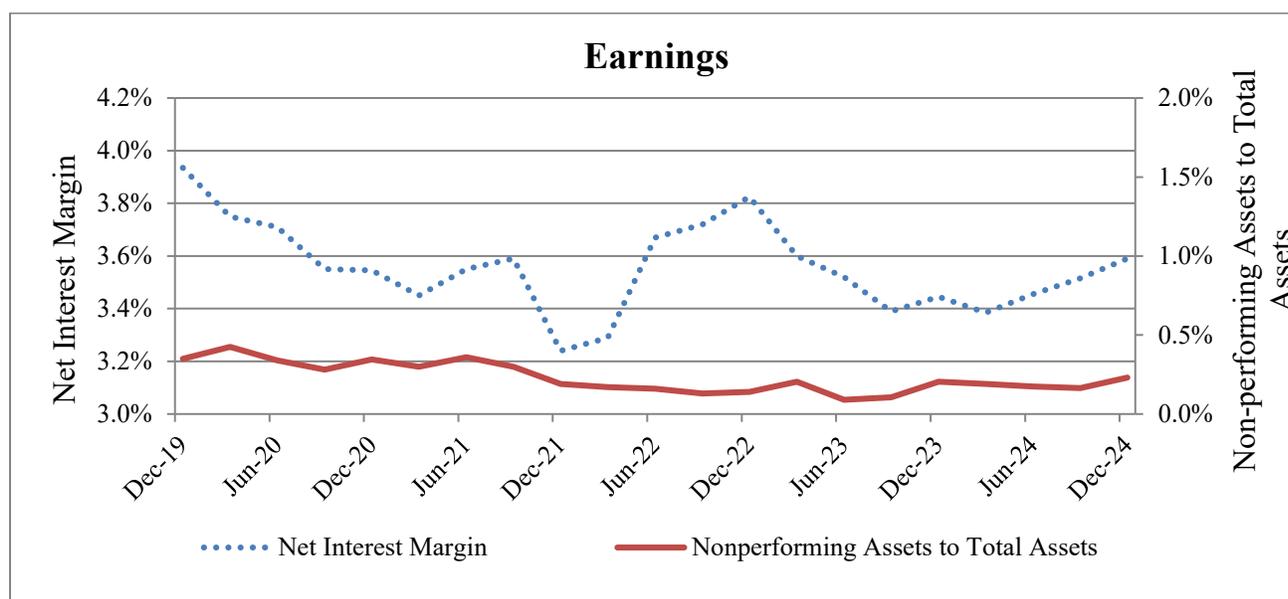


All SSBs are subject to quarterly offsite reviews. Those with the highest risk profiles receive enhanced scrutiny, as warranted, with targeted visitations, accelerated examinations, and/or corrective actions. Below are specific areas that SML monitors in relation to changes in the state and national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

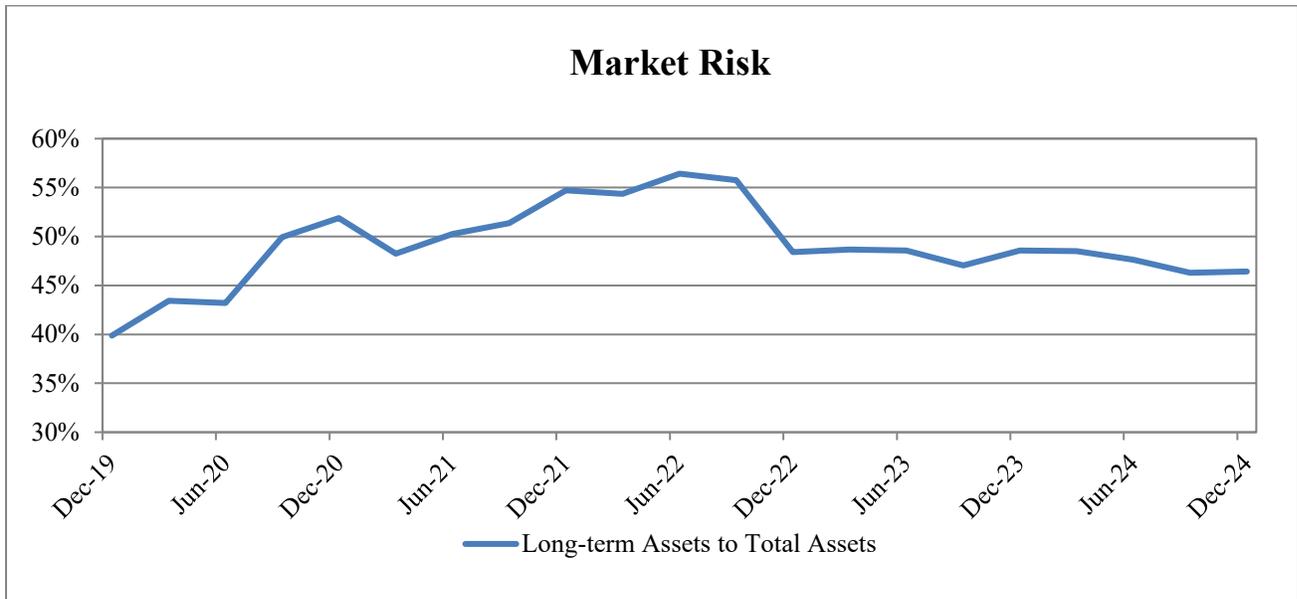
Bank capital performs several very important functions, including absorbing losses, promoting public confidence, helping to restrict excessive asset growth, and providing protection to depositors. Regulatory capital standards are designed to strengthen the quality and quantity of bank capital and promote a stronger financial industry that is more resilient to economic stress. As of December 31, 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 19.54% and 10.84%, respectively.



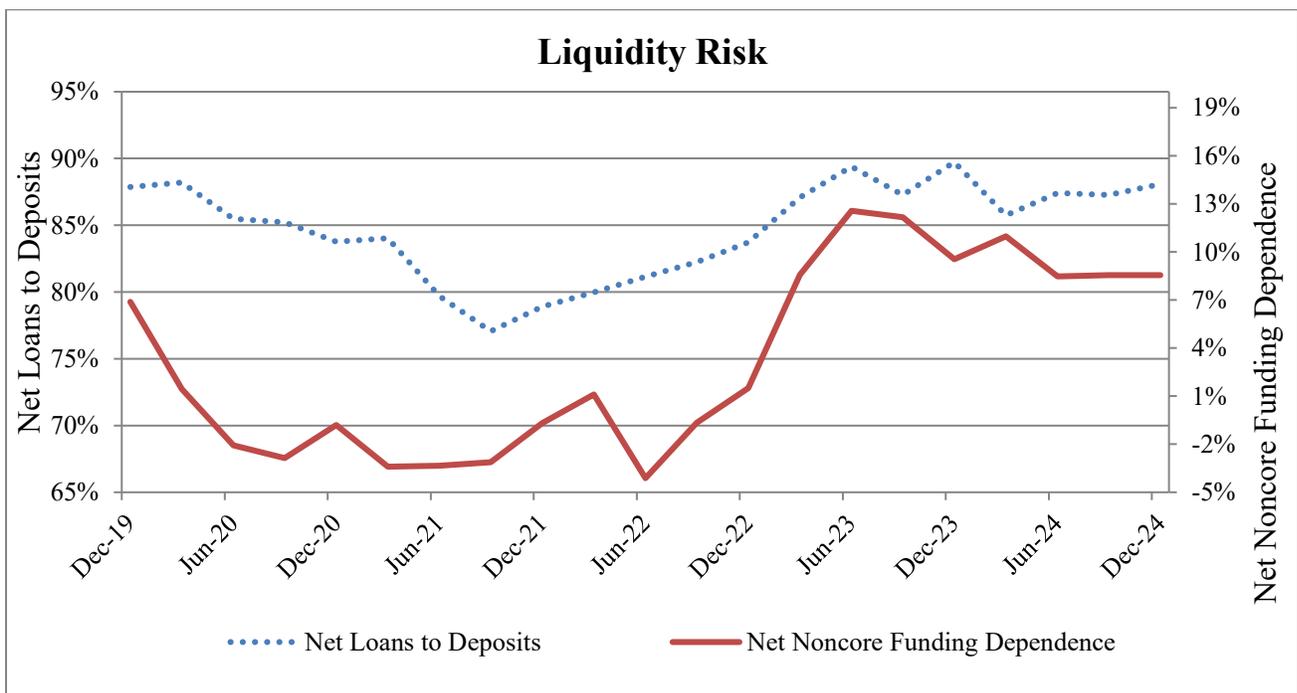
Earnings is the initial safeguard against the risk of engaging in the banking business and is the first line of defense against capital depletion resulting from shrinkage in asset value. Earnings performance should allow the bank to remain competitive by providing the resources required to implement management’s strategic initiatives. The net interest or profit margin is 3.59%. Non-performing asset levels remain low at 0.23% of total assets.



Market risk primarily reflects exposures to changing interest rates over time. Long-term asset exposure can be an indicator of the degree of market risk taken by a state savings bank. As of December 31, 2024, long-term assets to total assets ratio increased slightly to 46.41%.



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, remains flat at 8.55%. The loan-to-deposit ratio, a measure of the use of deposits to fund lending activities, is 88.08%.



**Thrift Examination Activity Report**

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

**Thrift Supervision Activity Report**

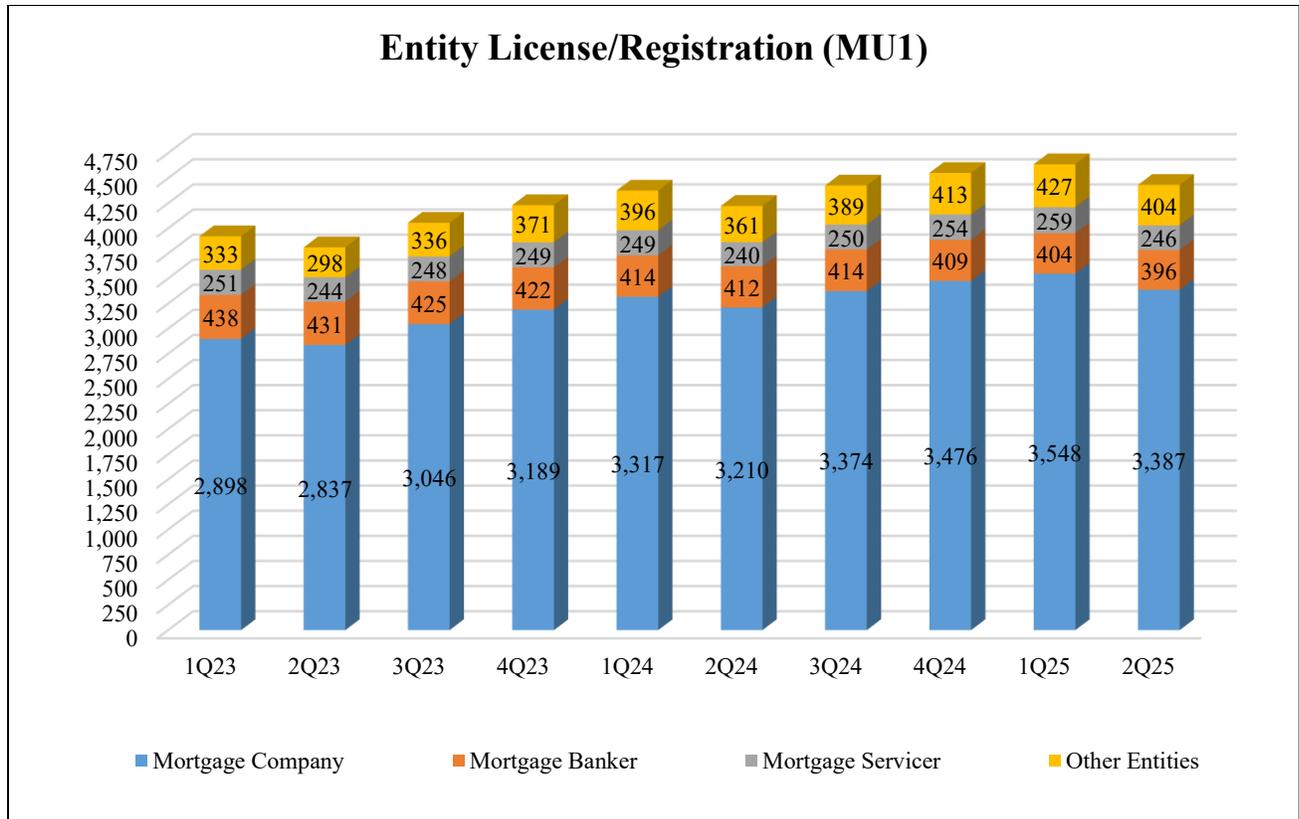
The Thrift Supervision section continues to receive and process various requests for approval, including branch, subsidiary, and holding company applications.

**b) Mortgage Regulation Division Activities**

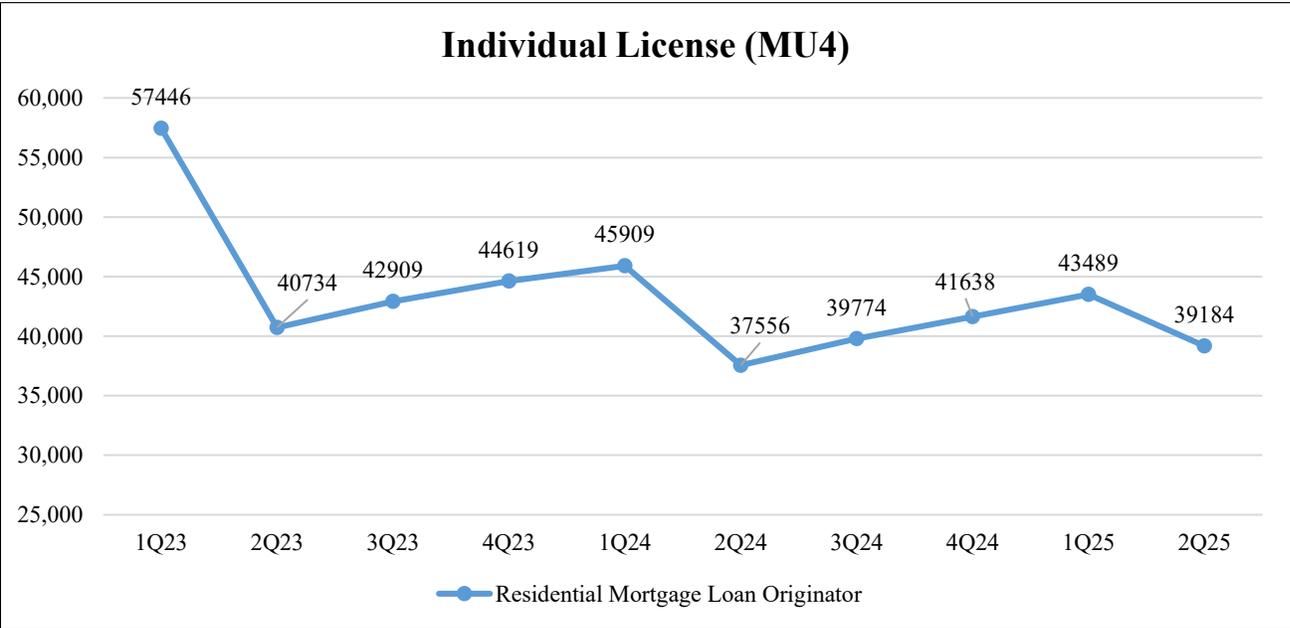
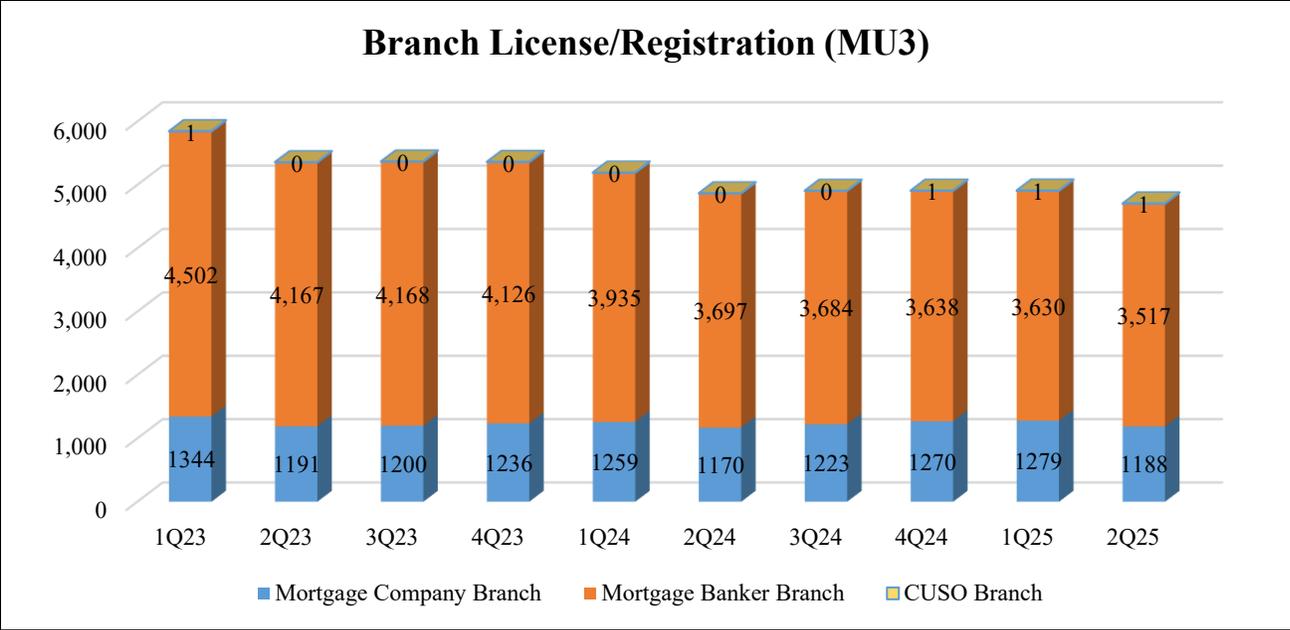
**Industry Status**

SML 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.



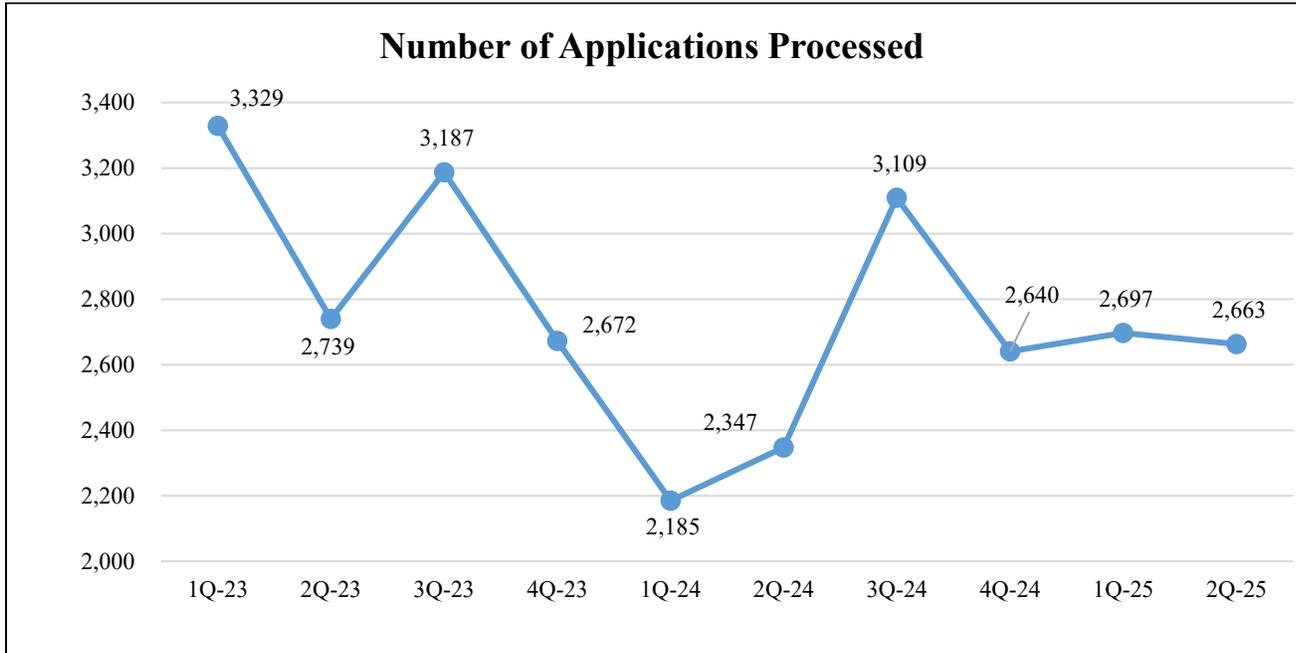
Other entities include Auxiliary Mortgage Loan Activity Companies, Credit Union Subsidiary Organizations (CUSO), Financial Services Companies, and Independent Contractor Processor/Underwriter Companies.



**Licensing Activity Report**

For the second quarter of FY2025, the Mortgage Licensing section processed 2,663 applications and approved 2,334 applications, including 185 mortgage entities, 305 branch offices, and 1,844 residential mortgage loan originators. The remaining 329 applications were either withdrawn by the applicant or denied by SML.

The chart below shows the historical information of the total number of applications processed by SML.



SML received 8.74% more new applications in the second quarter of FY2025, compared to the same reporting period in the previous year, which is more closely aligned with its historical averages.

According to NMLS Data Analytics, for the second quarter of FY2025, the Mortgage Licensing section processed 17,229 license amendments, 3,652 credit report reviews, 3,240 sponsorship removals, and 4,366 sponsorship requests.

Upon the conclusion of the renewal and reinstatement period, SML exceeded expectations and renewed 1,054 more licensees/registrants than the previous fiscal year. The table below reflects the number of licensees/registrants eligible for renewal and the percentage of the individuals or entities that requested renewal.

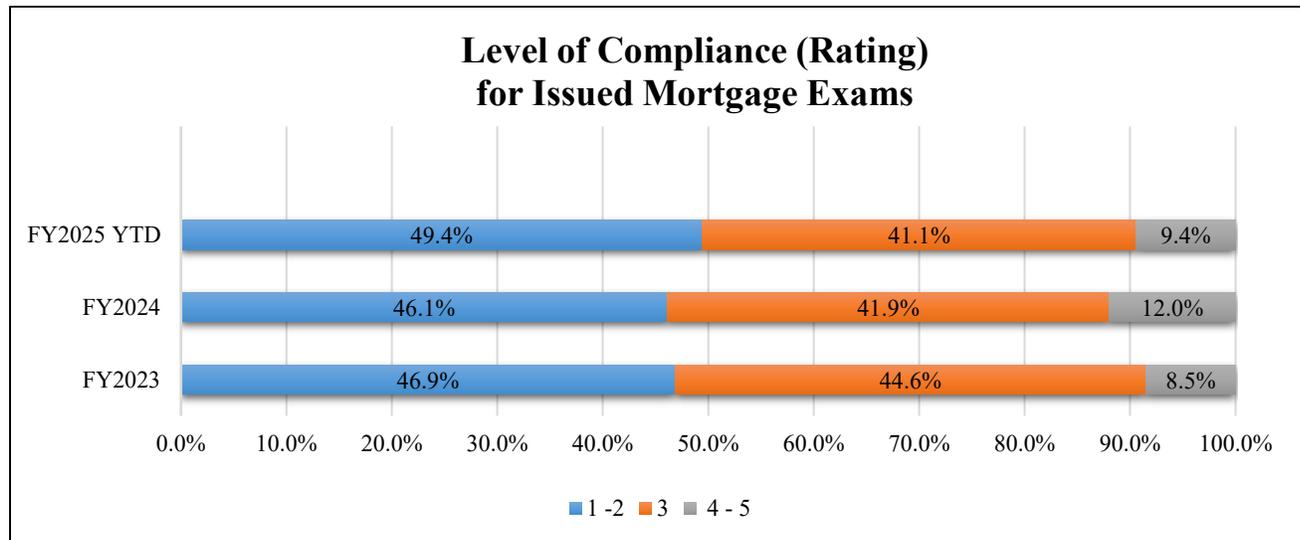
Type of License	Renewable Licenses	Requested Renewal	% Requested
Mortgage Loan Originator	42,743	36,805	86.1%
Mortgage Banker	406	397	97.8%
Mortgage Company	3,509	3,212	91.5%
Mortgage Loan Servicer	252	236	93.7%
Independent Contractor Processor/Underwriter Company	416	370	88.9%
Other	7	7	100%

## **Mortgage Examination Activity Report**

During the second quarter of FY2025, the Mortgage Examination section issued 99 examinations covering 1,321 individual licensees. Compared to the same reporting period in FY2024, the overall number of examinations issued (99 versus 93) is higher by 6.45%; however, the number of individual licensees examined (1,321 versus 2,346) decreased by 43.69%. The decrease in the number of individual licensees examined occurred because SML completed more examinations of newly licensed mortgage companies and smaller mortgage companies with fewer licensed mortgage loan originators sponsored by the company.

Regarding Multistate Mortgage Committee (MMC) origination examinations, SML completed and issued two One-Company, One-Examinations (OCOEs) of large mortgage bankers for FY2025YTD and is in the drafting stage for the final issued examination report on a large reverse mortgage lender. SML has been selected and agreed to participate in three OCOE examinations of large mortgage bankers later this calendar year.

Below is a breakdown of mortgage examination results by compliance rating for the first half of FY2025. The chart below shows that the stratification of examination ratings during the past six months improved from the previous fiscal year. As an examination rating of 1, 2, or 3 is considered an acceptable level of compliance, the mortgage examination ratings fall within the satisfactory range for SML (90% or more of the examinations within an acceptable level of compliance).



The most common violations for the other examinations included 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/Conditional Approval Letters.

## **Outreach and Training**

Licensing Investigator Terry Washington received his Certified Application Specialist Level II designation from the Conference of State Bank Supervisors (CSBS) for company and branch licensing.

Senior Review Examiner Justin Accola attended the CSBS Performance Standards Committee meeting held on January 27-29, 2025, in New Orleans, Louisiana.

Ten members of the Mortgage Regulation Division attended the 2025 NMLS Annual Conference & Training in Atlanta, Georgia, during the week of February 10, 2025. The Conference included training sessions on utilizing the NMLS and SES platforms, cybersecurity, data analytics, mortgage exam standards, identification of best licensing practices, and other topics. As part of the conference, Director of Mortgage Regulation William Purce and License and Permit Specialist Alexis Gonzales participated in an NMLS Licensing Review Regulator Panel attended by over 120 attendees.

**c) Operations Division Activities**

**Accounting, Budget, and Financial Reporting**

Staff closed out the second quarter of fiscal 2025.

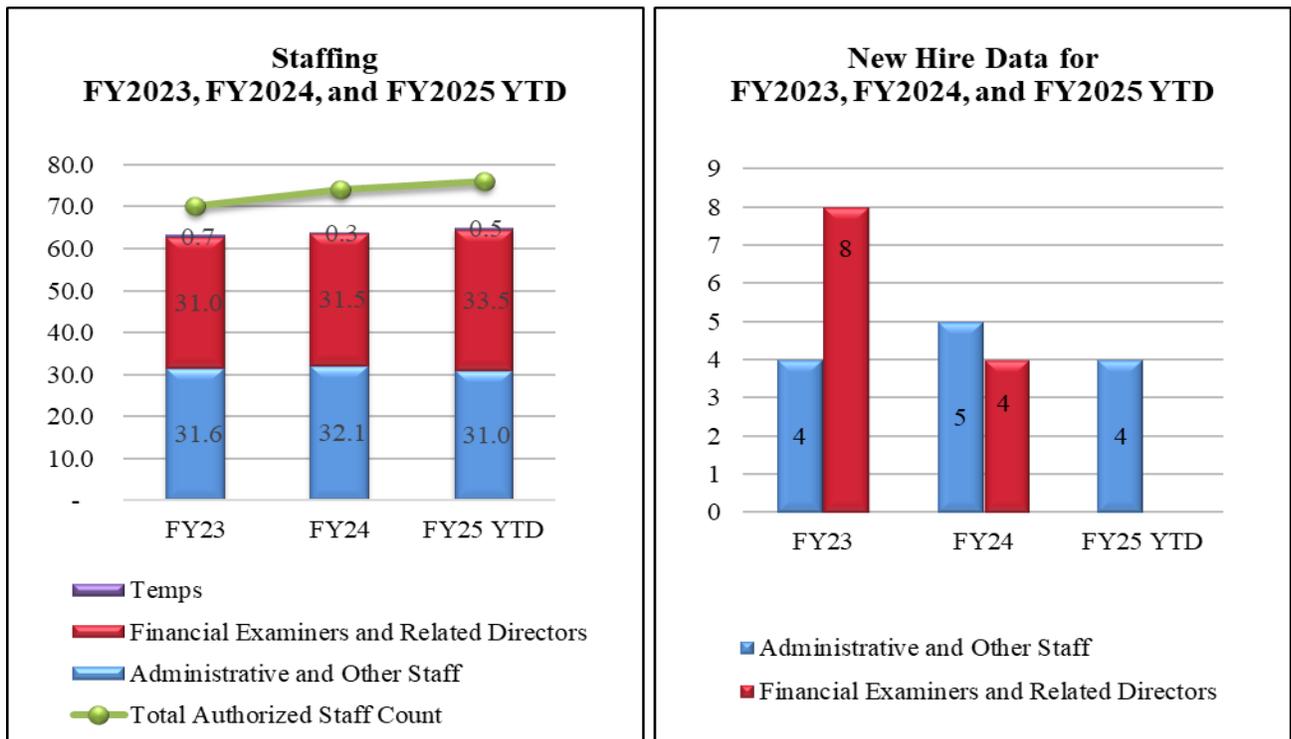
Legislative Activity—Staff is reviewing and analyzing filed bills for fiscal impact on the agency and the regulated industries. Fiscal notes are prepared and submitted to the Legislative Budget Board, as assigned.

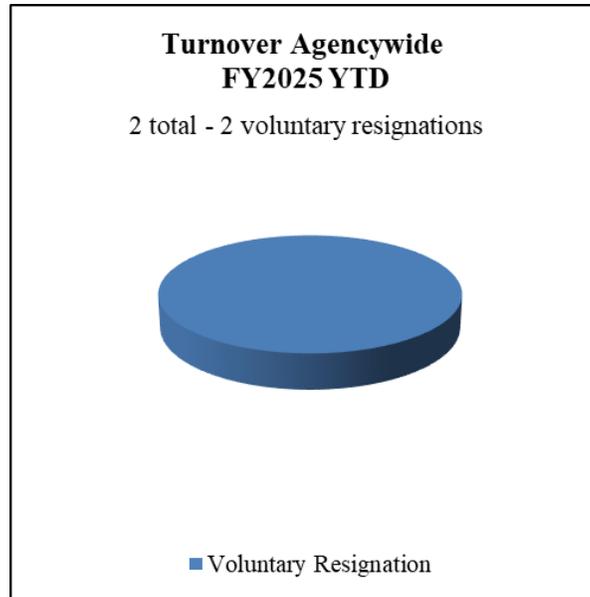
**Audit**

SML is undergoing a Post-Payment and Procurement Audit conducted by the Comptroller of Public Accounts and a Self-Directed Semi-Independent Audit by the State Auditor’s Office.

**Human Resources**

**Staffing Charts as of February 28, 2025**





As of March 31, 2025, SML had 66 regular full-time employees and one temporary worker. Since the last report, there have been no new hires or separations.

Below is the status of SML’s vacancies:

Vacancy Status	
Executive Assistant III	Recruit - Screening and reviewing applications
Financial Examiner V – Thrift Examinations (Loan Review) - 2	Recruit – Posted, collecting applications
Financial Examiner V – Thrift Examinations - 3	
Financial Examiner I – Mortgage Examinations	
Cybersecurity Analyst III	
Financial Examiner I – Thrift Examinations - 2	Evaluating needs, preparing job postings
Financial Examiner I-II -Thrift Examinations (Information Technology)	
Investigator II-IV – Mortgage Licensing	
Program Specialist I – Thrift Regulation	

**Activities and Projects**

On April 9, 2025, SML underwent a DPS Secure Site Audit conducted by the Texas Department of Public Safety.

**Outreach and Training**

The quarterly agencywide meeting and training were held on February 27, 2025. The next quarterly agencywide meeting and training will be held in person in Austin, Texas, May 13-15, 2025.

**Department of Savings and Mortgage Lending**  
**Output Measures**  
**Key: Quarterly Reporting**

Type/Strategy/Measure	2025 Target	2025 Actual	2025 YTD	Percent of Annual Target
<b>01-01 Thrift Safety and Soundness</b>				
<b>01-01-01 Number of State Chartered Savings Institution Examinations Performed</b>				
Quarter 1	17	6	6	35.29%
Quarter 2	17	8	14	82.35%
<i>*SML examines state-chartered savings banks jointly with the FDIC and FRB, based on a priority schedule. The results for this measure may fluctuate between quarters due to the timing of individual examinations.</i>				
<b>02-01 Mortgage Regulation</b>				
<b>02-01-01 Number of Applications Processed</b>				
Quarter 1	9,350	2,697	2,697	28.84%
Quarter 2	9,350	2,663	5,360	57.33%
<b>02-01-02 Number of Examination Reports Issued</b>				
Quarter 1	400	83	83	20.75%
Quarter 2	400	99	182	45.50%
<b>03-01 Consumer Responsiveness</b>				
<b>03-01-01 Number of Complaints Closed</b>				
Quarter 1	1,400	237	237	16.93%
Quarter 2	1,400	346	583	41.64%
<i>*The volume of complaints received was lower than anticipated, resulting in fewer complaints closed.</i>				

\* Varies by 5% or more from the target

## d) Strategic Projects, Initiatives, and Information Resources

### Strategic Projects and Initiatives

The 2023-2024 Mortgage Grant Fund cycle is complete, and final reimbursements have been processed. The 2025-2026 cycle is in progress. See the MGF Activities Report presented to the FC Audit Committee for more information.

SML has begun work on its Records Retention Recertification due to the Texas State Library and Archives Commission on the last working day of October 2025.

SML is planning SML Summit 2025 to bring all SML employees together for training and team-building activities in May.

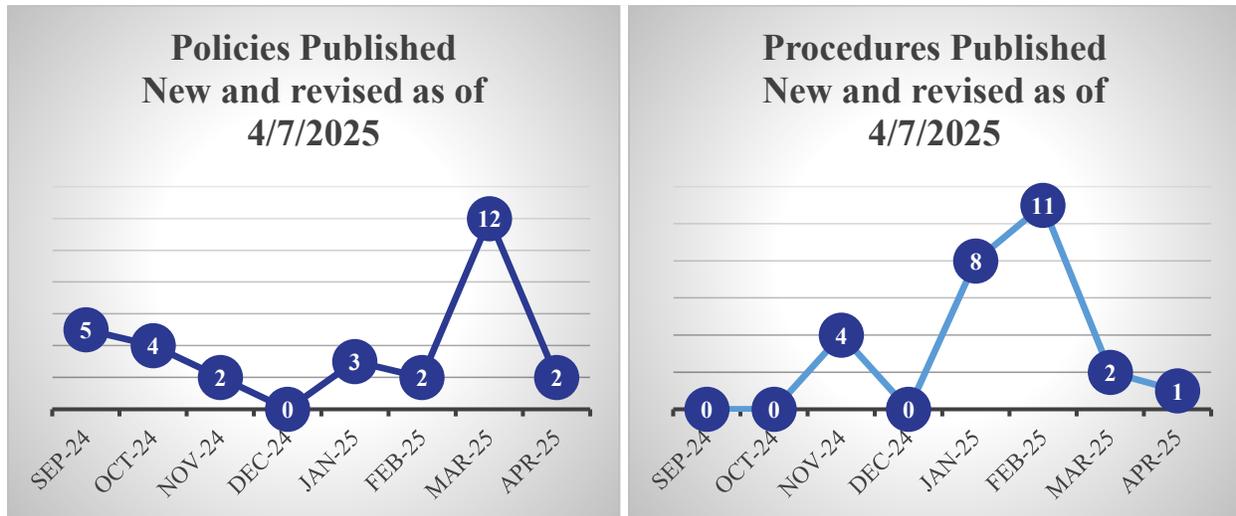
### Information Resources

SML continues the planning phase for an IT-related legacy modernization project and on readiness and legacy modernization.

SML is impacted by and working through the Texas.gov Payment Services Migration and DIR's MSS transition from AT&T to SAIC.

### Policy and Procedure Updates

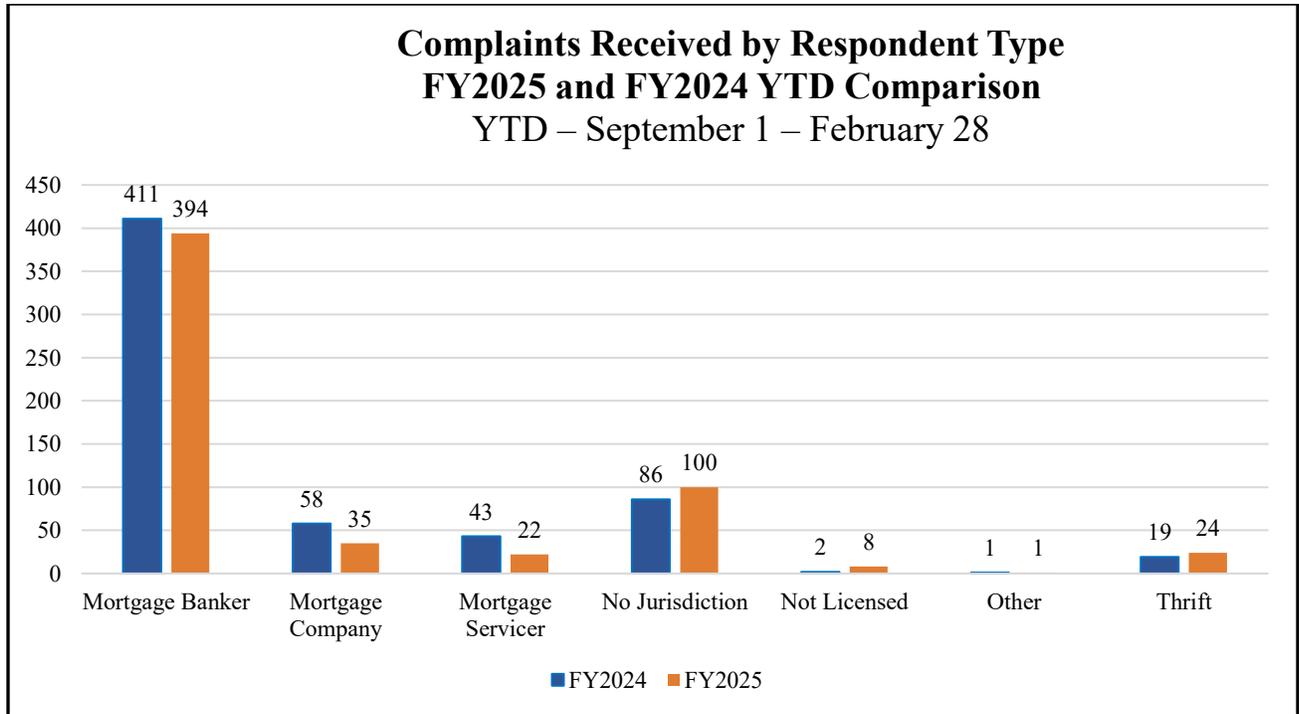
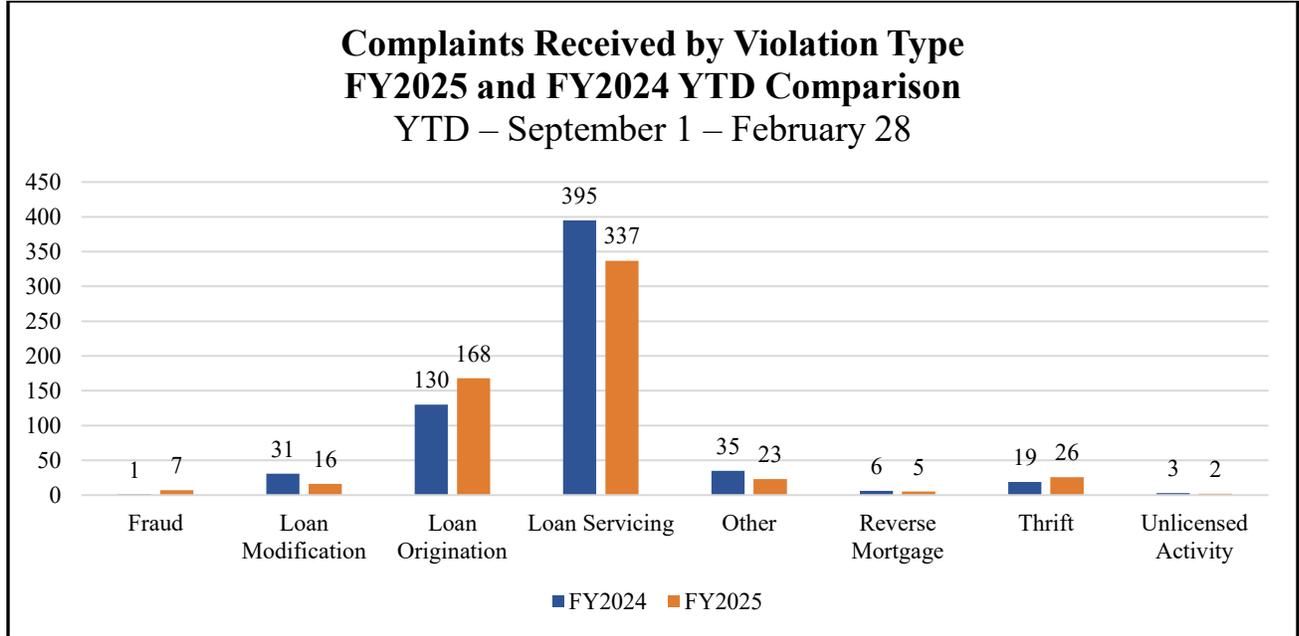
SML continues efforts to update all agency policies and procedures. The charts below depict the policies and procedures that were fully approved and published in the agency's policy management database by month for this FY.



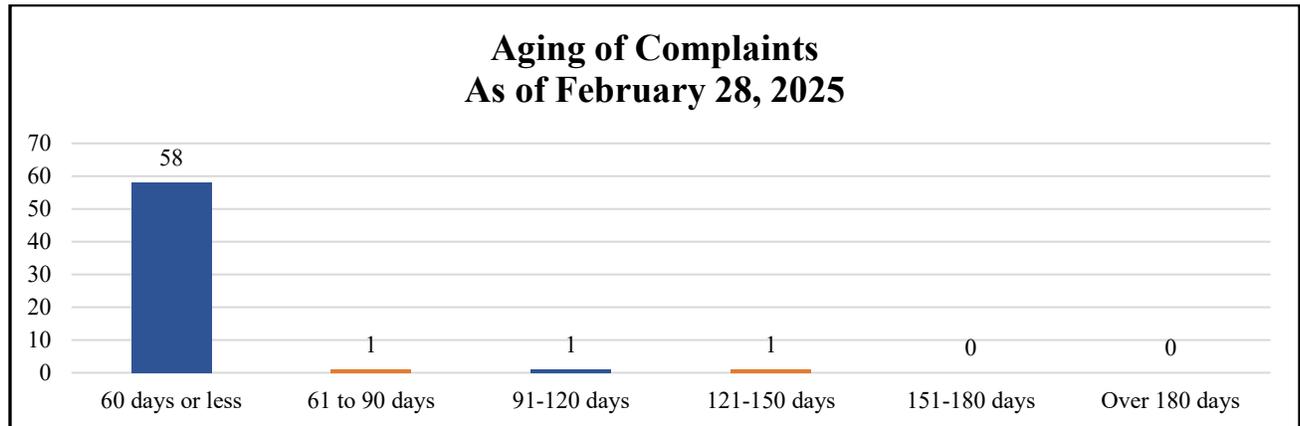
e) Legal Division Activities, including Consumer Complaints and Gift Reporting

**Consumer Complaints Activity Report**

**Complaints Received** – For the fiscal year to date (September 1 – February 28, 2025), SML received 584 complaints, compared to 620 received in FY2024 – a 5.8% decrease.



**Aging of Open Complaints** – As of February 28, 2025, there were 61 open complaint files. Complaint aging is acceptable, with 98% of complaints open 120 days or less.



**Closed Complaints**

Closed Complaints	FY2025			
	1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr	4 <sup>th</sup> Qtr
<b>Servicing Complaints</b>				
Number of Servicing Complaints Closed	125	200		
Average Number of Days to Close a Complaint	24	15		
Percentage of Complaints Closed Within 120 Days	98%	100%		
<b>Non-Servicing Complaints</b>				
Number of Non-Servicing Complaints Closed	112	146		
Average Number of Days to Close a Complaint	23	16		
Percentage of Complaints Closed Within 120 Days	94%	99%		
<b>Total</b>	<b>237</b>	<b>346</b>		

**Legal and Enforcement Activity Report**

Mortgage Enforcement Actions	FY2025			
	1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr	4 <sup>th</sup> Qtr
Advisory Letter	4	6		
Order of Suspension	0	3		
Order to Cease and Desist	1	2		
Order to Take Affirmative Action	9	3		
Proposed Suspension of License	0	3		
<b>Total</b>	<b>14</b>	<b>17</b>		

**Recovery Claims**

Recovery Claim Applications Received	FY2025			
	1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr	4 <sup>th</sup> Qtr
	4	3		

<b>Status of Pending Recovery Claim Applications as of February 28, 2025</b>	
Pending Investigation	2
Pending Preliminary Determination Letter	9
Preliminary Determination Letter Issued, Pending Opportunity to Appeal	1
On Appeal	0
Open to Facilitate Resolution by the Parties	0
<b>Total</b>	<b>12</b>

<b>Closed Recovery Claim Files</b>	<b>FY2025</b>			
	<b>1<sup>st</sup> Qtr</b>	<b>2<sup>nd</sup> Qtr</b>	<b>3<sup>rd</sup> Qtr</b>	<b>4<sup>th</sup> Qtr</b>
Granted	1	0		
Denied	0	1		
Resolved by the Parties	0	1		
Claim Withdrawn	1	0		
<b>Total</b>	<b>2</b>	<b>2</b>		

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

SML v. Sophia Perez (SOAH Docket No. 450-25-14578)

In this proceeding, SML seeks to revoke the residential mortgage loan originator license of Ms. Perez (NMLS ID 324884) for engaging in fraudulent, misleading, or deceptive practices. On March 24, 2025, the case was docketed at SOAH. The case is set for hearing on May 6, 2025.

**Public Information Requests**

<b>Public Information Requests</b>	<b>FY2025</b>			
	<b>1<sup>st</sup> Qtr</b>	<b>2<sup>nd</sup> Qtr</b>	<b>3<sup>rd</sup> Qtr</b>	<b>4<sup>th</sup> Qtr</b>
Requests Received	27	38		

<b>SML Future Rule Activity</b>		
<b>Rule</b>	<b>Rulemaking Action</b>	<b>Projected Date for Presentation</b>
Chapter 51, Department Administration	Adoption of Amendments, New Rules, and Repeals Resulting From Rule Review	June 2025
Chapter 52, Mortgage Grant Fund	Adoption of New Rules Resulting From Rule Review	June 2025
Chapter 53, Recovery Claims	Adoption of New Rules Resulting from Rule Review	June 2025

## **Gift Reporting**

During January 27-29, 2025, Senior Mortgage Examiner Justin Accola attended a CSBS Performance Standards Committee meeting in New Orleans, LA. CSBS reimbursed travel expenditures totaling \$1,136.44.

On February 10-14, 2025, Director of Mortgage Regulation William Purce, Manager of Licensing Chris Osuna, Chief Mortgage Examiner Ellena Meier, License & Permit Specialist Alexis Gonzales, and Senior Mortgage Examiner Julianna Schwab attended the 2025 NMLS Conference in Atlanta, GA. CSBS reimbursed or waived transportation expenses, hotel, and registration fees totaling \$10,457.24.

### **f) Legislative Activities**

The 89th Legislature convened on January 14, 2025. On January 21, 2025, SML began weekly reporting to the Finance Commission concerning bills that might significantly impact SML or its regulated industries. The deadline for the unrestricted filing of bills was March 14, 2025. The last day of the 89<sup>th</sup> Regular Session is June 2, 2025.

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

### **Anticipated Litigation**

None

### **Pending Litigation**

None

**2. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of Amendments, New Rules, and Repeals in 7 TAC, Part 4, Chapter 51, Concerning Department Administration, Resulting from Rule Review**

**PURPOSE:** The purpose of the amendments, new rules, and repeals in 7 TAC Chapter 51 is to implement changes resulting from SML's periodic review of its rules conducted pursuant to Government Code §2001.039. An explanation of and justification for the rules is contained in the preamble for the rule proposal.

**RECOMMENDED ACTION:** SML recommends that the Finance Commission approve publication of the amendments, new rules, and repeals in 7 TAC Chapter 51 for comment in the *Texas Register*.

**RECOMMENDED MOTION:** I move that the Finance Commission approve publication of the amendments, new rules, and repeals in 7 TAC Chapter 51 for comment in the *Texas Register*.

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**7 TAC CHAPTER 51**  
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**TITLE 7. BANKING AND SECURITIES**

**PART 4. DEPARTMENT OF SAVINGS AND MORTGAGE LENDING**

**CHAPTER 51. DEPARTMENT ADMINISTRATION**

The Finance Commission of Texas (commission), on behalf of the Department of Savings and Mortgage Lending (SML) proposes rule changes in Chapter 51: repeals in Subchapter A (§§51.1 - 51.4), Subchapter D (§§51.300 - 51.304), Subchapter E (§§51.400 - 51.405), and Subchapter F (§§51.500 - 51.506); amendments in Subchapter B (§51.100), and Subchapter C (§51.200); and new rules in Subchapter A (§§51.1 - 51.5) (proposed rules).

**Explanation of and Justification for the Rules**

The proposed rules are the product of SML's rule review of 7 TAC Chapter 51, Department Administration, conducted in accordance with Government Code §2001.039. The existing rules in Chapter 51 establish various requirements concerning SML's administrative processes and procedures.

*Changes Concerning the Reorganization of Chapter 51*

SML has determined it should reorganize its rules in 7 TAC Chapter 51 by relocating the existing rules in Subchapter C, Mortgage Grant Fund, to Chapter 52, a vacant chapter. SML has further determined it should relocate the existing rules in Subchapter D, Recovery Fund, and Subchapter F, Mortgage Grant Fund: Recovery Claims for Unlicensed Activity, to Chapter 53, a vacant chapter. The proposed rules, if adopted, would effectuate these changes.

*Changes Concerning Consumer Complaints (Subchapter A)*

The existing rules in Chapter 51, Subchapter A, Complaints, govern SML's administration of Finance Code §13.011, requiring SML to maintain a system to act on consumer complaints, and establish processes and procedures used by SML to process those complaints. The proposed rules: in §51.1, Purpose, clarify the purpose of the rules in Subchapter A; in §51.2, Definitions, adopt new definitions for "Consumer Responsiveness Unit," "respondent," and "SML," and eliminate the definition for "Department"; in §51.3, Computation of Time, clarify how time periods measured in calendar days are computed; in §51.4, Processing Inquiries and Complaints, clarify SML's processes and procedures for processing inquiries and complaints, reduce the time period during which a complainant is allowed to request reconsideration of the disposition of their complaint from 90 days to 60 days, establish a four-year limitations period to file a complaint, and clarify that SML will make reasonable efforts to resolve a complaint within 120 days after the date the complaint is received instead of within 90 days after the date the complaint investigation is complete.

*Changes Concerning Hearings and Appeals (Subchapter B)*

The existing rules in Chapter 51, Subchapter B, Hearings and Appeals, establish procedural requirements for contested cases and augment the commission's rules in 7 TAC Chapter 9, Rules of Procedure for Contested Case Hearings, Appeals, and Rulemakings. The proposed rules: in §51.100, Appeals, Hearings, and Informal Settlement Conferences, clarify that the rules of the State Office of Administrative Hearings (SOAH) apply to contested cases referred to SOAH, and clarify that an appeal for judicial review must be brought in a district court in Travis County, Texas.

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*Changes Concerning Advisory Committees (Subchapter C)*

The existing rules in Chapter 51, Subchapter C, Advisory Committees, govern advisory committees created by SML under Finance Code §13.018, allowing SML to appoint advisory committees to assist in discharging its duties. SML has one advisory committee created under Finance Code §13.018 - the Mortgage Grant Advisory Committee (MGAC) - to assist in administering the mortgage grant fund under Finance Code Chapter 156, Subchapter G. The proposed rules: in §51.200, Advisory Committees, change the date on which advisory committees created under Finance Code §13.018 are abolished from September 1, 2031 to September 1, 2030, to align more closely with SML's schedule for rule review, list the MGAC as an advisory committee subject to the rule and remove references to the mortgage industry advisory committee created under Finance Code §156.104 which is not subject to the rule since it is not an advisory committee created under Finance Code §13.018.

*Other Modernization and Update Changes*

The proposed rules, if adopted, would make changes to modernize and update the rules including: adding and replacing language for clarity and to improve readability; removing unnecessary or duplicative provisions; and updating terminology.

*Fiscal Impact on State and Local Government*

Antonia Antov, Director of Operations for SML, has determined that for the first five-year period the proposed rules are in effect there are no foreseeable increases or reductions in costs to local governments as a result of enforcing or administering the proposed rules. Antonia Antov has further determined that for the first five-year period the proposed rules are in effect there are

no foreseeable losses or increases in revenue to local governments as a result of enforcing or administering the proposed rules. Antonia Antov has further determined that for the first five-year period the proposed rules are in effect there are no foreseeable increases or reductions in costs or losses or increases in revenue to the state overall that would impact the state's general revenue fund as a result of enforcing or administering the proposed rules. Implementation of the proposed rules will not require an increase or decrease in future legislative appropriations to SML because SML is a self-directed, semi-independent agency that does not receive legislative appropriations. The proposed rules will not result in losses or increases in revenue to the state because SML does not contribute to the state's general revenue fund.

*Public Benefits*

Hector Retta, the SML Commissioner, has determined that for each of the first five years the proposed rules are in effect, the public benefit anticipated as a result of enforcing or administering the proposed rules will be for members of the public to better understand SML's administrative processes and procedures.

*Probable Economic Costs to Persons Required to Comply with the Proposed Rules*

Hector Retta has determined that for the first five years the proposed rules are in effect there are no probable economic costs to persons required to comply with the proposed rules that are directly attributable to the proposed rules for purposes of the cost note required by Government Code §2001.024(a)(5) (direct costs).

*One-for-One Rule Analysis*

Pursuant to Finance Code §16.002, SML is a self-directed semi-independent agency and thus not

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subject to the requirements of Government Code §2001.0045.

#### Government Growth Impact Statement

For each of the first five years the proposed rules are in effect, SML has determined the following: (1) the proposed rules do not create or eliminate a government program; (2) implementation of the proposed rules does not require the creation of new employee positions or the elimination of existing employee positions; (3) implementation of the proposed rules does not require an increase or decrease in legislative appropriations to the agency; (4) the proposed rules do not require an increase or decrease in fees paid to the agency; (5) the proposed rules do create a new regulation (rule requirement). The proposed rules related to Changes Concerning Consumer Complaints (Subchapter A), Changes Concerning Hearings and Appeals (Subchapter B), and Changes Concerning Advisory Committees (Subchapter C) establish various rule requirements, as discussed in such sections; (6) the proposed rules do expand, limit, or repeal an existing regulation (rule requirement). The proposed rules related to Changes Concerning Consumer Complaints (Subchapter A) expand or limit existing rule requirements, as discussed in such section; (7) the proposed rules do not increase or decrease the number of individuals subject to the rules' applicability; and (8) the proposed rules do not positively or adversely affect this state's economy.

#### Local Employment Impact Statement

No local economies are substantially affected by the proposed rules. As a result, preparation of a local employment impact statement pursuant to Government Code §2001.022 is not required.

#### Fiscal Impact on Small and Micro-Businesses and Rural Communities

The proposed rules will not have an adverse effect on small or micro-businesses or rural communities because there are no probable economic costs anticipated to persons required to comply with the proposed rules. As a result, preparation of an economic impact statement and a regulatory flexibility analysis as provided by Government Code §2006.002 are not required.

#### Takings Impact Assessment

There are no private real property interests affected by the proposed rules. As a result, preparation of a takings impact assessment as provided by Government Code §2007.043 is not required.

#### Public Comments

Written comments regarding the proposed rules may be submitted by mail to Iain A. Berry, General Counsel, at 2601 North Lamar Blvd., Suite 201, Austin, Texas 78705-4294, or by email to [rules.comments@sml.texas.gov](mailto:rules.comments@sml.texas.gov). Comments must be received within 30 days after publication of this notice.

#### SUBCHAPTER A. COMPLAINTS

#### 7 TAC §§51.1 - 51.4

#### Statutory Authority

This proposal is made under the authority of: Government Code §2001.004(1), requiring a state agency to adopt rules of practice stating the nature and requirements of all available formal and informal procedures; Finance Code §96.002(a), authorizing the commission to adopt rules necessary to supervise and regulate Texas-chartered savings banks and to protect public investment in Texas-chartered savings banks; Finance Code §156.102, authorizing the commission to adopt rules necessary for the

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intent of or to ensure compliance with Finance Code Chapter 156, the Residential Mortgage Loan Company Licensing and Registration Act; Finance Code §157.0023, authorizing the commission to adopt rules necessary to implement or fulfill the purposes of Finance Code Chapter 157, the Mortgage Banker Registration and Residential Mortgage Loan Originator License Act; Finance Code §158.003(b), authorizing the commission to adopt and enforce rules necessary for the purposes of or to ensure compliance with Finance Code Chapter 158, the Residential Mortgage Loan Servicer Registration Act; Finance Code §159.108, authorizing the commission to adopt and enforce rules necessary for the intent of or to ensure compliance with Finance Code Chapter 159, Subchapter C; Finance Code §180.004, authorizing the commission to implement rules necessary to comply with Finance Code Chapter 180, the Texas Secure and Fair Enforcement for Mortgage Licensing Act of 2009 (Texas SAFE Act); and Finance Code §180.061(5), authorizing the commission to adopt rules establishing requirements for investigation and examination authority for purposes of investigating a violation or complaint arising under the Texas SAFE Act. This proposal is also made under the authority of, and to implement, Finance Code §§11.307, 13.011, 156.301, 157.0022, 157.009, 157.021, 158.059, and 158.102.

This proposal affects the statutes in Finance Code: Title 3, Subtitles B and C; and Chapters 13, 156, 157, 158, 159, and 180.

*§51.1. Definitions.*

*§51.2. Complaint Processing.*

*§51.3. Complaint Resolution and Disposition.*

*§51.4. Complaint Review and Reporting.*

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

Iain A. Berry  
General Counsel  
Department of Savings and Mortgage Lending

◆       ◆       ◆

SUBCHAPTER       A.       CONSUMER  
COMPLAINTS

**7 TAC §§51.1 - 51.5**

Statutory Authority

This proposal is made under the authority of: Government Code §2001.004(1), requiring a state agency to adopt rules of practice stating the nature and requirements of all available formal and informal procedures; Finance Code §96.002(a), authorizing the commission to adopt rules necessary to supervise and regulate Texas-chartered savings banks and to protect public investment in Texas-chartered savings banks; Finance Code §156.102, authorizing the commission to adopt rules necessary for the intent of or to ensure compliance with Finance Code Chapter 156, the Residential Mortgage Loan Company Licensing and Registration Act; Finance Code §157.0023, authorizing the commission to adopt rules necessary to implement or fulfill the purposes of Finance Code Chapter 157, the Mortgage Banker Registration and Residential Mortgage Loan Originator License Act; Finance Code §158.003(b), authorizing the commission to adopt and enforce rules necessary for the purposes of or to ensure compliance with Finance Code Chapter 158, the Residential Mortgage Loan Servicer Registration Act; Finance Code §159.108, authorizing the commission to adopt and enforce rules necessary for the intent of or to ensure compliance with Finance Code Chapter 159, Subchapter C; Finance Code §180.004, authorizing the commission to implement rules necessary to comply with Finance Code Chapter 180, the Texas Secure and Fair Enforcement for

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Mortgage Licensing Act of 2009 (Texas SAFE Act); and Finance Code §180.061(5), authorizing the commission to adopt rules establishing requirements for investigation and examination authority for purposes of investigating a violation or complaint arising under the Texas SAFE Act. This proposal is also made under the authority of, and to implement, Finance Code §§11.307, 13.011, 156.301, 157.0022, 157.009, 157.021, 158.059, and 158.102.

This proposal affects the statutes in Finance Code: Title 3, Subtitles B and C; and Chapters 13, 156, 157, 158, 159, and 180.

§51.1. Purpose.

This subchapter governs SML's administration of Finance Code §13.011, requiring SML to maintain a system to act on consumer complaints. This subchapter establishes processes and procedures used by SML to process inquiries and complaints submitted by consumers.

§51.2. Definitions.

In this chapter, the following definitions apply, unless the context clearly indicates otherwise:

(1) "Commissioner" means the savings and mortgage lending commissioner appointed under Finance Code Chapter 13.

(2) "Complainant" means a person who submits a complaint to SML.

(3) "Complaint" means a signed, written communication received by the Consumer Responsiveness Unit that expresses dissatisfaction with a transaction or alleges wrongful conduct.

(4) "Consumer Responsiveness Unit" or "CRU" means the section or unit within SML that

receives inquiries and complaints from consumers and investigates complaints.

(5) "Inquiry" means a communication received by the Consumer Responsiveness Unit that expresses dissatisfaction with a transaction or alleges wrongful conduct but is not a complaint.

(6) "Respondent" means an entity or individual who is the subject of a complaint.

(7) "SML" means the Department of Savings and Mortgage Lending.

§51.3. Computation of Time.

In this subchapter, the calculation of any time period measured in days is made using calendar days, unless clearly stated otherwise. In computing a period of calendar days, the first day is excluded and the last day is included. If the last day of any period is a Saturday, Sunday, or legal holiday, the period is extended to include the next day that is not a Saturday, Sunday, or legal holiday, unless clearly stated otherwise.

§51.4. Processing Inquiries and Complaints.

(a) Processing Inquiries. When an inquiry is received, the CRU will determine whether SML has jurisdiction and regulates the entity and the issue that is the subject of the inquiry. If SML does not, the CRU will inform the person making the inquiry of the appropriate regulatory authority, if known. If SML regulates the entity and the issue that is the subject of the inquiry, the CRU will inform the person making the inquiry of the procedure for submitting a complaint.

(b) Submitting a Complaint. Complaints may be submitted on SML's website (sml.texas.gov), by mail (Attn: Consumer Responsiveness Unit, 2601 N. Lamar Blvd., Suite 201, Austin, Texas 78705) or by email

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(complaintsubmission@sml.texas.gov). SML will collect the following items and information, if available:

(1) the complainant's name and contact information;

(2) the respondent's name, Nationwide Multistate Licensing System ID, if applicable, and contact information;

(3) the date and place of the alleged misconduct, violation, or transaction;

(4) a description of the facts or conduct alleged to violate applicable statutes or rules; and

(5) any written documentation supporting the complaint.

(c) Processing Complaints.

(1) Jurisdiction review. When a complaint is received, the CRU will determine whether SML has jurisdiction and regulates the entity and the issue that is the subject of the complaint. If SML does not, the CRU will inform the person making the complaint of the appropriate regulatory authority, if known, and the complaint will be closed. The CRU may conduct a preliminary investigation that is limited in scope to determine if SML has jurisdiction and regulates the entity and the issue that is the subject of the complaint.

(2) Reasonable cause review. If SML has jurisdiction and regulates the entity and the issue that is the subject of the complaint, the CRU will determine if reasonable cause exists to conduct an investigation. Reasonable cause exists if the complaint presents facts and evidence indicating that a violation of law more likely than not occurred that is within SML's authority to take action to address. The CRU may conduct a preliminary investigation that is limited in scope to determine if reasonable cause exists. If reasonable cause does not exist, the complaint will be closed. SML may close a complaint for lack of reasonable cause if it involves facts and

evidence that are substantially similar to those investigated in a previous complaint submitted by the complainant.

(3) Respondent's response. If reasonable cause exists, SML will send a copy or a summary of the complaint and appropriate supporting documentation to the respondent to request a response unless SML determines that doing so would jeopardize investigation of the complaint or an enforcement action. A respondent must respond within 14 days after the date the request is sent, unless an extension is given. The respondent must respond by the new deadline if an extension is given. If the respondent fails to respond, the factual matters alleged in the complaint may be construed against the respondent and may constitute grounds for an enforcement action against the respondent. SML will provide a copy of the response to the complainant unless the respondent requests that the response be kept confidential from the complainant, or SML determines that providing the response would jeopardize investigation of the complaint or an enforcement action. The respondent may provide a copy of the response to the complainant at the time it sends its response to SML, and if so, the respondent must indicate as such in the response (i.e., by listing the complainant as a carbon copy recipient).

(4) Investigation. On receipt of the respondent's response, the CRU will conduct an investigation. Investigations will be conducted as SML considers appropriate based on the relevant facts and circumstances known or reasonably inferred. An investigation may include:

(A) review of documentary evidence;

(B) interviews with complainants, respondents, and third parties, and the taking of sworn written statements;

(C) obtaining information from other state or federal agencies, regulatory

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authorities, or self-regulatory organizations;

(D) requiring complainants or respondents to provide explanatory, clarifying, or supplemental information; and

(E) other lawful investigative methods SML considers appropriate.

(5) Closing the complaint after an investigation. When investigation and analysis of the complaint are complete, the complaint will be closed. SML will send written notice (closing notice) to the complainant and the respondent within 10 business days after the date the complaint is closed, except as provided by subparagraph (E) of this paragraph. The closing notice will include a general description of how the complaint was closed (disposition) but will not include the investigator's specific findings or other information obtained during the investigation that is made confidential by law. Common dispositions include:

(A) Litigation. The complaint involves facts and issues that are being litigated or arbitrated by the parties or have been determined by a judicial or arbitration decision.

(B) Resolution. The complaint is resolved by agreement of the parties or is resolved to the satisfaction of SML through corrective action taken by the respondent.

(C) No violation. SML has determined that no violation occurred.

(D) Insufficient evidence. SML has determined that there is insufficient evidence to establish that a violation occurred.

(E) Enforcement referral. SML has determined that there is sufficient evidence to establish that a violation occurred and the complaint is referred for an enforcement action. A respondent referred for an enforcement action will be notified through the enforcement action and does not receive a closing notice.

(6) Request for Reconsideration. A complainant who disagrees with the disposition

of a complaint (including a complaint closed for lack of jurisdiction under paragraph (1) of this subsection or for lack of reasonable cause under paragraph (2) of this subsection) may request reconsideration within 60 days after the date the closing notice is sent. On receipt of a timely request, a senior investigator from the CRU (other than the investigator who made the initial determination) or a staff attorney will review the file and determine the disposition. The individual assigned to review the file may investigate the complaint further to determine the disposition. SML will send written notice to the complainant within 10 business days after the date the disposition is determined. The disposition determined as a result of a request for reconsideration under this subparagraph is considered final and may not be challenged further by the complainant.

(d) Limitations Period. A complaint must be submitted within four years after the date the alleged act or omission giving rise to the complaint occurred or should reasonably have been discovered by the complainant. A complaint submitted outside this period for which SML has jurisdiction will be closed for lack of reasonable cause under subsection (c)(2) of this section.

(e) Public Information. Complaints and inquiries submitted to SML are generally considered public information unless a specific statutory exception applies.

(f) Protecting the Complainant's Identity. At the request of the complainant, SML will take reasonable measures to protect the complainant's identity to the extent possible. However, complainants are cautioned that, as provided by subsections (c)(3) and (e) of this section, complaints are generally considered public information, and the respondent is generally given notice of and the opportunity to respond to the complaint. The information provided to the respondent may show or indicate the

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complainant's identity. If the complaint results in SML taking enforcement action that requires an administrative hearing or judicial proceeding, SML may be required to prove the violation using evidence that shows or indicates the complainant's identity.

(g) Prioritizing Complaints. SML will prioritize complaints to determine the order in which complaints are investigated, considering the seriousness of the allegations and the length of time a complaint has been open.

(h) Complaint Monitoring. SML will monitor how long each complaint is open and will make reasonable efforts to resolve a complaint within 120 days after the date the complaint is received. SML will notify the complainant of the status of his or her complaint at least quarterly until the complaint is closed unless doing so would jeopardize investigation of the complaint or an enforcement action

§51.5. Complaint Information.

(a) SML will maintain records of complaints received in accordance with its records retention policy.

(b) SML will report complaint activity to the Finance Commission of Texas at each of its regular meetings.

(c) SML will make information available on its website describing the processes and procedures in §51.4 of this title (relating to Processing Inquiries and Complaints) and the procedure for submitting a complaint.

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

Iain A. Berry  
General Counsel

Department of Savings and Mortgage Lending



SUBCHAPTER B. HEARINGS AND APPEALS

**7 TAC §51.100**

Statutory Authority

This proposal is made under the authority of Government Code: §2001.004(1), requiring a state agency to adopt rules of practice stating the nature and requirements of all available formal and informal procedures; and §2009.051(c), authorizing a state agency to adopt alternative dispute resolution procedures by rule. This proposal is also made under the authority of, and to implement, Finance Code §13.017.

This proposal affects the statutes in Finance Code Title 3, Subtitles B and C; and Chapters 13, 156, 157, 158, 159, and 180.

*§51.100. Appeals, Hearings, and Informal Settlement Conferences.*

(a) Alternative Resolution of Appeal. If [~~legal or enforcement staff determines~~] an enforcement action is appealed, SML [~~that has been appealed~~] may resolve the matter [~~be resolved without a hearing, legal or enforcement staff may pursue settlement~~] through negotiation, mediation, agreed order, consent order, informal settlement conference, alternative dispute resolution, or other appropriate means.

(b) Informal Settlement Conferences. [~~The Department may conduct an informal settlement conference in order to resolve an enforcement action that has been appealed.~~] An individual or entity subject to an enforcement action may request an informal settlement conference. An

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informal settlement conference does not create any new rights or obligations. Informal settlement conferences:

(1) are conducted at the discretion of legal and ~~[or]~~ enforcement staff;

(2) may not be requested for purposes of delay ~~[used as a delay tactic]~~; and

(3) may be ~~[primarily]~~ conducted remotely, including by ~~[solely over the]~~ phone or videoconference ~~[videoconference, or by email]~~.

(c) Mediation. SML ~~[As applicable under Finance Code §13.017,]~~ may, at the discretion of the Commissioner or his or her designee, arrange for the services of a qualified mediator or subject matter expert to assist in resolving complaints or other matters.

(d) Hearings. Hearings are governed by the rules in ~~[may be conducted in accordance with]~~ Chapter 9 of this title (relating to Rules of Procedure for Contested Case Hearings, Appeals, and Rulemakings) ~~[Rulemakings], with Texas Government Code Chapter 2001, and may be conducted by the State Office of Administrative Hearings (SOAH)].~~ Cases referred to the State Office of Administrative Hearings (SOAH) are also governed by SOAH's rules in 1 TAC Chapter 155 (concerning Rules of Procedure). All hearings are held in Austin, Texas. An appeal for judicial review under Government Code §2001.171 must be brought in a district court in Travis County, Texas.

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

Iain A. Berry  
General Counsel

Department of Savings and Mortgage Lending



SUBCHAPTER C. ADVISORY  
COMMITTEES

**7 TAC §51.200**

Statutory Authority

This proposal is made under the authority of Government Code: §2001.004(1), requiring a state agency to adopt rules of practice stating the nature and requirements of all available formal and informal procedures; and §2110.008, authorizing a state agency that has established an advisory committee to designate, by rule, the date on which the committee will be automatically abolished. This proposal is also made under the authority of, and to implement, Finance Code §13.018.

This proposal affects Finance Code §13.018.

*§51.200. Advisory Committees ~~[and Informal Conferences]~~.*

The following advisory committees created under Finance Code §13.018 are continued ~~[(a) Advisory Committees. The mortgage industry advisory committee referenced in Finance Code §§156.104 and 157.0024, as well as any advisory committees which may be created under Finance Code §13.018, shall continue]~~ in existence, and unless continued further, are ~~[shall be]~~ automatically abolished on September 1, 2030: ~~[2031.]~~

(1) the mortgage grant advisory committee under §52.5 of this title (relating to Mortgage Grant Advisory Committee); and

**PROPOSED AMENDMENTS, NEW RULES, AND REPEALS**  
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(2) any other advisory committee created under Finance Code §13.018 that exists at the time this rule is adopted.

~~[(b) Informal Conferences. The Commissioner, in addition to obtaining evidence and guidance from an advisory committee, may use informal conferences and consultations with other interested persons to obtain advice and guidance, and assist the Commissioner in carrying out his or her duties.]~~

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

Iain A. Berry  
General Counsel  
Department of Savings and Mortgage Lending



**SUBCHAPTER D. RECOVERY FUND**

**7 TAC §§51.300 - 51.304**

Statutory Authority

This proposal is made under the authority of: Government Code §2001.004(1), requiring a state agency to adopt rules of practice stating the nature and requirements of all available formal and informal procedures; Finance Code §156.102(a), authorizing the commission to adopt and enforce rules necessary for the intent of or to ensure compliance with Finance Code Chapter 156, the Residential Mortgage Loan Company Licensing Act; and Finance Code §156.102(b-1), authorizing the commission to adopt rules to promote the fair and orderly administration of the recovery fund under Finance Code Chapter 156, Subchapter F.

This proposal affects the statutes in Finance Code Chapter 156, Subchapter F.

*§51.300. Purpose and Applicability.*

*§51.301. Definitions.*

*§51.302. Claims.*

*§51.303. Administrative Penalty Against Originator.*

*§51.304. Liability for Unpaid Claims.*

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

Iain A. Berry  
General Counsel  
Department of Savings and Mortgage Lending



**SUBCHAPTER E. MORTGAGE GRANT FUND**

**7 TAC §§51.400 - 51.405**

Statutory Authority

This proposal is made under the authority of: Government Code §2001.004(1), requiring a state agency to adopt rules of practice stating the nature and requirements of all available formal and informal procedures; Finance Code §156.102(a), authorizing the commission to adopt and enforce rules necessary for the intent of or to ensure compliance with Finance Code Chapter 156, the Residential Mortgage Loan Company Licensing Act; and Finance Code §156.556, authorizing the commission to adopt rules to administer Finance Code Chapter 156, Subchapter G, Mortgage Grant Fund, including rules to: (i) ensure that a grant awarded from the mortgage grant fund, administered by the department's commissioner under Finance Code Chapter G (mortgage grant fund), is used for a

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public purpose; and (ii) provide a means of recovering money awarded from the mortgage grant fund that is not used for a public purpose.

This proposal affects the statutes in Finance Code Chapter 156, Subchapter G.

*§51.400. Purpose and Applicability.*

*§51.401. Definitions.*

*§51.402. Commissioner as Manager.*

*§51.403. Grant Coordinator.*

*§51.404. Mortgage Grant Advisory Committee.*

*§51.405. Grant Program.*

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

Iain A. Berry  
General Counsel  
Department of Savings and Mortgage Lending



SUBCHAPTER F. MORTGAGE GRANT  
FUND: RECOVERY CLAIMS FOR  
UNLICENSED ACTIVITY

**7 TAC §§51.500 - 51.506**

Statutory Authority

This proposal is made under the authority of: Government Code §2001.004(1), requiring a state agency to adopt rules of practice stating the nature and requirements of all available formal and informal procedures; Finance Code §156.102(a), authorizing the commission to adopt and enforce rules necessary for the intent of or to ensure compliance with Finance Code Chapter 156, the Residential Mortgage Loan Company Licensing Act; and Finance Code §156.556, authorizing the commission to adopt rules to administer Finance Code Chapter 156, Subchapter G, Mortgage Grant Fund, including

rules to: (i) ensure that a grant awarded from the mortgage grant fund under Finance Code Chapter G (mortgage grant fund), is used for a public purpose; and (ii) provide a means of recovering money awarded from the mortgage grant fund that is not used for a public purpose.

This proposal affects the statutes in Finance Code Chapter 156, Subchapter G.

*§51.500. Purpose and Applicability.*

*§51.501. Definitions.*

*§51.502. Claims.*

*§51.503. Consequences for Unlicensed Individual.*

*§51.504. Liability for Unpaid Claims.*

*§51.505. Eligibility.*

*§51.506. Statute of Limitations at Inception.*

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

Iain A. Berry  
General Counsel  
Department of Savings and Mortgage Lending



**3. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of New Rules in 7 TAC, Part 4, Chapter 52, Concerning Mortgage Grant Fund, Resulting from Rule Review**

**PURPOSE:** The purpose of the new rules in 7 TAC Chapter 52 is to implement changes resulting from SML's periodic review of its rules conducted pursuant to Government Code §2001.039. An explanation of and justification for the rules is contained in the preamble for the rule proposal.

**RECOMMENDED ACTION:** SML recommends that the Finance Commission approve publication of the new rules in 7 TAC Chapter 52 for comment in the *Texas Register*.

**RECOMMENDED MOTION:** I move that the Finance Commission approve publication of the new rules in 7 TAC Chapter 52 for comment in the *Texas Register*.

**TITLE 7. BANKING AND SECURITIES**

**PART 4. DEPARTMENT OF SAVINGS AND MORTGAGE LENDING**

**CHAPTER 52. MORTGAGE GRANT FUND**

The Finance Commission of Texas (commission), on behalf of the Department of Savings and Mortgage Lending (SML) proposes new rules in Chapter 52: §§52.1 - 52.6 (proposed rules).

**Explanation of and Justification for the Rules**

The proposed rules are the product of SML's rule review of 7 TAC Chapter 51, Department Administration, conducted in accordance with Government Code §2001.039. The existing rules in Chapter 51 establish various requirements concerning SML's administrative processes and procedures.

*Changes Concerning the Reorganization of Chapter 51*

SML has determined it should reorganize its rules in 7 TAC Chapter 51 by relocating the existing rules in Subchapter C, Mortgage Grant Fund, to Chapter 52, a vacant chapter. The proposed rules, if adopted, would effectuate this change.

*Changes Concerning the Mortgage Grant Fund*

The existing rules in Chapter 51, Subchapter E, Mortgage Grant Fund, govern SML's administration of the mortgage grant fund under Finance Code Chapter 156, Subchapter G, which provides grants for financial education relating to mortgage loans. The proposed rules: in §52.2, Definitions, adopt a new definition for "SML" and eliminate the definition for "Department"; in §52.4, Grant Coordinator, clarify that the SML commissioner may designate one or more SML

employees to act on behalf of the grant coordinator when the grant coordinator is not available, and clarify that the grant coordinator may appear at hearings and judicial proceedings related to the mortgage grant fund; in §52.6, Grant Program, remove provisions related to disbursements from the mortgage grant fund made for the purpose of Finance Code §156.554(b)(3) as being unrelated to the grant program that is the subject of the rule, clarify that a political subdivision of this state is eligible to receive a grant, and clarify that a residential mortgage loan servicer registered with SML that is a non-profit organization is eligible to receive a grant, and eliminate the requirement for grantees to make a longitudinal report after the grant cycle is completed.

*Other Modernization and Update Changes*

The proposed rules, if adopted, would make changes to modernize and update the rules including: adding and replacing language for clarity and to improve readability; removing unnecessary or duplicative provisions; and updating terminology.

**Fiscal Impact on State and Local Government**

Antonia Antov, Director of Operations for SML, has determined that for the first five-year period the proposed rules are in effect there are no foreseeable increases or reductions in costs to local governments as a result of enforcing or administering the proposed rules. Antonia Antov has further determined that for the first five-year period the proposed rules are in effect there are no foreseeable losses or increases in revenue to local governments as a result of enforcing or administering the proposed rules. Antonia Antov has further determined that for the first five-year period the proposed rules are in effect there are no foreseeable increases or reductions in costs or losses or increases in revenue to the state overall that would impact the state's general revenue

fund as a result of enforcing or administering the proposed rules. Implementation of the proposed rules will not require an increase or decrease in future legislative appropriations to SML because SML is a self-directed, semi-independent agency that does not receive legislative appropriations. The proposed rules will not result in losses or increases in revenue to the state because SML does not contribute to the state's general revenue fund.

#### Public Benefits

Hector Retta, the SML Commissioner, has determined that for each of the first five years the proposed rules are in effect, the public benefit anticipated as a result of enforcing or administering the proposed rules will be for members of the public to better understand SML's administrative processes and procedures.

#### Probable Economic Costs to Persons Required to Comply with the Proposed Rules

Hector Retta has determined that for the first five years the proposed rules are in effect there are no probable economic costs to persons required to comply with the proposed rules that are directly attributable to the proposed rules for purposes of the cost note required by Government Code §2001.024(a)(5) (direct costs).

#### One-for-One Rule Analysis

Pursuant to Finance Code §16.002, SML is a self-directed semi-independent agency and thus not subject to the requirements of Government Code §2001.0045.

#### Government Growth Impact Statement

For each of the first five years the proposed rules are in effect, SML has determined the following: (1) the proposed rules do not create or eliminate

a government program; (2) implementation of the proposed rules does not require the creation of new employee positions or the elimination of existing employee positions; (3) implementation of the proposed rules does not require an increase or decrease in legislative appropriations to the agency; (4) the proposed rules do not require an increase or decrease in fees paid to the agency; (5) the proposed rules do create a new regulation (rule requirement). The proposed rules related to Changes Concerning the Mortgage Grant Fund establish various rule requirements, as discussed in such sections; (6) the proposed rules do expand, limit, or repeal an existing regulation (rule requirement). The proposed rules related to Changes Concerning the Mortgage Grant Fund have the effect of repealing existing rule requirements as discussed in such section; (7) the proposed rules do not increase or decrease the number of individuals subject to the rules' applicability; and (8) the proposed rules do not positively or adversely affect this state's economy.

#### Local Employment Impact Statement

No local economies are substantially affected by the proposed rules. As a result, preparation of a local employment impact statement pursuant to Government Code §2001.022 is not required.

#### Fiscal Impact on Small and Micro-Businesses and Rural Communities

The proposed rules will not have an adverse effect on small or micro-businesses, or rural communities because there are no probable economic costs anticipated to persons required to comply with the proposed rules. As a result, preparation of an economic impact statement and a regulatory flexibility analysis as provided by Government Code §2006.002 are not required.

#### Takings Impact Assessment

**PROPOSED NEW RULES**  
**7 TAC CHAPTER 52**  
**PAGE 3 OF 7**

There are no private real property interests affected by the proposed rules. As a result, preparation of a takings impact assessment as provided by Government Code §2007.043 is not required.

**Public Comments**

Written comments regarding the proposed rules may be submitted by mail to Iain A. Berry, General Counsel, at 2601 North Lamar Blvd., Suite 201, Austin, Texas 78705-4294, or by email to [rules.comments@sml.texas.gov](mailto:rules.comments@sml.texas.gov). Comments must be received within 30 days after publication of this notice.

**7 TAC §§52.1 - 52.6**

**Statutory Authority**

This proposal is made under the authority of: Government Code §2001.004(1), requiring a state agency to adopt rules of practice stating the nature and requirements of all available formal and informal procedures; Finance Code §156.102(a), authorizing the commission to adopt and enforce rules necessary for the intent of or to ensure compliance with Finance Code Chapter 156, the Residential Mortgage Loan Company Licensing Act; and Finance Code §156.556, authorizing the commission to adopt rules to administer Finance Code Chapter 156, Subchapter G, Mortgage Grant Fund, including rules to: (i) ensure that a grant awarded from the mortgage grant fund under Finance Code Chapter G (mortgage grant fund), is used for a public purpose; and (ii) provide a means of recovering money awarded from the mortgage grant fund that is not used for a public purpose.

This proposal affects the statutes in Finance Code Chapter 156, Subchapter G.

§52.1. Purpose.

This chapter governs SML's administration of the Mortgage Grant Fund under Finance Code Chapter 156, Subchapter G other than claims made against the Mortgage Grant Fund in accordance with Finance Code §156.555 which are governed by Chapter 53 of this title (relating to Recovery Claims).

§52.2. Definitions.

In this chapter, the following definitions apply, unless the context clearly indicates otherwise:

(1) "Auxiliary mortgage loan activity company" has the meaning assigned by Finance Code §156.002.

(2) "Commissioner" means the savings and mortgage lending commissioner appointed under Finance Code Chapter 13.

(3) "Finance Commission" means the Finance Commission of Texas.

(4) "Grant Coordinator" means the employee of SML that assists the Commissioner in discharging his or her duties related to the Mortgage Grant Fund, as provided by §52.4 of this title (relating to Grant Coordinator).

(5) "Mortgage Grant Advisory Committee" or "MGAC" means the Mortgage Grant Advisory Committee formed to advise the Commissioner concerning administration of the MGF grant program, as provided by §52.5 of this title (relating to Mortgage Grant Advisory Committee).

(6) "Mortgage Grant Administration Manual" or "MGAM" means the manual of the policies and procedures governing

administration of the MGF and the MGF grant program, as provided by §52.3 of this title (relating to Management by the Commissioner).

(7) "Mortgage Grant Fund" or "MGF" means the fund the Commissioner administers under Finance Code Chapter 156, Subchapter G.

(8) "SML" means the Department of Savings and Mortgage Lending.

§52.3. Management by the Commissioner.

(a) Management by the Commissioner. As provided by Finance Code §156.553, the Commissioner serves as manager and administers all aspects of the MGF.

(b) Periodic Reports to the Finance Commission. The Commissioner or Grant Coordinator will report the status and activities of the MGF to the audit committee of the Finance Commission at each regular meeting of the committee, or as directed by the Finance Commission.

(c) Mortgage Grant Administration Manual. The Commissioner maintains a manual of the policies and procedures governing administration of the MGF and the MGF grant program. The MGAM, and any amendments to the MGAM, must be approved by the Finance Commission.

§52.4. Grant Coordinator.

The Commissioner may appoint an employee of SML to serve as Grant Coordinator to assist the Commissioner in discharging his or her duties related to the MGF. The Commissioner may designate one or more SML employees to act on

behalf of the Grant Coordinator when the Grant Coordinator is not available. The Grant Coordinator serves under the direction of the Commissioner and acts as liaison between grantees and the Commissioner and the MGAC. The Commissioner may delegate any authority of the Commissioner to act as manager of the MGF to the Grant Coordinator, including any duties listed under Finance Code §156.553(a).

§52.5. Mortgage Grant Advisory Committee.

(a) Purpose. The MGAC exists as an advisory committee to make recommendations to the Commissioner and Grant Coordinator concerning administration of the MGF grant program. The MGAC will continue in existence until the abolishment date set by §51.200 of this title (relating to Advisory Committees).

(b) Governance. The MGAC is governed by the MGAM.

(c) Advisory Role of the MGAC. The MGAC, at the request of the Commissioner, makes recommendations concerning administration of the MGF grant program including:

(1) evaluating grant applications to determine whether the application should be approved, and the amount of the grant award;

(2) monitoring ongoing grant awards to evaluate performance and determine compliance;

(3) considering potential amendments to the MGAM; and

(4) evaluating potential candidates for appointment to the MGAC.

§52.6. Grant Program.

(a) Purpose. This section governs disbursements made from the MGF to provide grants for financial education relating to mortgage loans, as provided by Finance Code §156.554(b)(1).

(b) Grant Cycle. The fund may have one competitive grant cycle every two years. A new grant cycle begins on January 1 of every odd-numbered year. An applicant may choose to apply for a one-year grant cycle, or a two-year grant cycle. The grant cycle for a one-year grant begins on January 1 and ends on December 31 of the odd-numbered year for the applicable cycle. The grant cycle for a two-year grant begins on January 1 of the odd-numbered year and ends on December 31 of the following even-numbered year for the applicable cycle.

(c) Eligibility. A grant may only be given to a company licensed by SML as an auxiliary mortgage loan activity company, a nonprofit organization, or a political subdivision of this state. Grant funding is not available to entities licensed by or registered with SML other than auxiliary mortgage loan activity companies and residential mortgage loan servicers that operate as a nonprofit organization.

(d) Grant Application. To be considered for the grant program, an applicant must submit a completed grant application by the deadline and in accordance with the instructions for the applicable grant cycle. Late or incomplete grant applications will not be accepted. Meeting eligibility criteria and timely submission of a grant application does not guarantee a grant award in any amount.

(e) Review and Approval. The Commissioner, after considering the recommendations of the MGAC and the Grant Coordinator, will review timely and complete applications and determine the grants awarded.

(f) Grant Agreement. To participate in the grant program, a grantee approved by the Commissioner to receive a grant award must execute the grant agreement approved by the Commissioner for the applicable grant cycle and tailored to that grantee (grant agreement).

(g) Grantee Compliance. A grantee must comply with applicable financial, administrative, and programmatic terms and conditions, and exercise proper stewardship over grant funds. A grantee must use awarded funds in compliance with the following in effect for the applicable grant cycle:

- (1) all applicable state laws and regulations;
- (2) all applicable federal laws and regulations;
- (3) the MGAM;
- (4) the grant agreement signed by the Commissioner or the Commissioner's designee and the grantee;
- (5) all reporting and monitoring requirements, as outlined in the grant agreement; and
- (6) any other guidance documents posted on the MGF webpage for the applicable grant cycle.

(h) Reporting and Monitoring.

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

(A) submit periodic grant reports as provided by the grant agreement;

(B) maintain satisfactory compliance with the grant agreement including the grantee's goals approved for funding in the grant agreement; and

(C) identify, track and report performance measures.

(2) Progress Reports. A grantee must submit progress reports that demonstrate performance outcomes over the term of the grant in accordance with and by the deadlines set forth in the grant agreement.

(3) Monitoring. The Grant Coordinator may use the following methods to monitor a grantee's performance and expenditures:

(A) Audit. The Commissioner or Grant Coordinator may audit a grantee to review and compare individual source documentation and materials to summary data provided during the reporting process; or

(B) Site Visits. The Commissioner or Grant Coordinator may visit a grantee's place of business or other place where grant activities are conducted to evaluate performance and determine compliance.

(i) Reimbursement.

(1) Eligibility. To be eligible for reimbursement, a grantee must comply with

the grant agreement and all other items listed in subsection (g) of this section. To ensure that grant funds are used for a public purpose as provided by Finance Code §156.556(1), grant funds will only be awarded on a cost reimbursement basis for actual, allowable, and allocable costs incurred by a grantee pursuant to the grant agreement. Expenses incurred before the beginning of or after termination of the grant agreement are not eligible for reimbursement. The Commissioner may withhold reimbursements when a grantee is not in compliance with the grant agreement or other items listed in subsection (g) of this section.

(2) Procedure. To request reimbursement, a grantee must submit a progress report and reimbursement request in accordance with and by the deadlines specified in the grant agreement. The progress report and reimbursement request must be made using the current forms prescribed by the Commissioner for the applicable grant cycle. The progress report must be detailed and include supporting documentation to justify the reimbursement request. SML will review and approve requests for reimbursement that satisfy the requirements and promptly disburse funds for approved requests.

(j) Misuse of Grant Funds. The Commissioner may require a refund of grant funds already disbursed to the grantee and may cancel the grant agreement or disqualify the grantee from receiving future grants from the fund if:

(1) grant funds are not used for a public purpose allowable under Finance Code §156.554;

(2) grant funds are used in an illegal manner;

(3) the grantee violates the grant agreement or other items listed in subsection (g) of this section; or

(4) the Commissioner determines that the grantee made a material misrepresentation in obtaining the grant or in seeking reimbursement of grant funds.

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

Iain A. Berry  
General Counsel  
Department of Savings and Mortgage Lending

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**4. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of New Rules in 7 TAC, Part 4, Chapter 53, Concerning Recovery Claims, Resulting from Rule Review**

**PURPOSE:** The purpose of the new rules in 7 TAC Chapter 53 is to implement changes resulting from SML's periodic review of its rules conducted pursuant to Government Code §2001.039. An explanation of and justification for the rules is contained in the preamble for the rule proposal.

**RECOMMENDED ACTION:** SML recommends that the Finance Commission approve publication of the new rules in 7 TAC Chapter 53 for comment in the *Texas Register*.

**RECOMMENDED MOTION:** I move that the Finance Commission approve publication of the new rules in 7 TAC Chapter 53 for comment in the *Texas Register*.

**TITLE 7. BANKING AND SECURITIES**

**PART 4. DEPARTMENT OF SAVINGS AND MORTGAGE LENDING**

**CHAPTER 53. RECOVERY CLAIMS**

The Finance Commission of Texas (commission), on behalf of the Department of Savings and Mortgage Lending (SML) proposes new rules in Chapter 53: §§53.1 - 53.12 (proposed rules).

**Explanation of and Justification for the Rules**

The proposed rules are the product of SML's rule review of 7 TAC Chapter 51, Department Administration, conducted in accordance with Government Code §2001.039. The existing rules in Chapter 51 establish various requirements concerning SML's administrative processes and procedures.

*Changes Concerning the Reorganization of Chapter 51*

SML has determined it should reorganize its rules in 7 TAC Chapter 51 by relocating the existing rules in Subchapter D, Recovery Fund, and Subchapter F, Mortgage Grant Fund: Recovery Claims for Unlicensed Activity, to Chapter 53, a vacant chapter. The proposed rules, if adopted, would effectuate this change.

*Changes Concerning Recovery Claims*

The existing rules in Chapter 51, Subchapter D, Recovery Fund, govern SML's administration of Finance Code §13.016 and Chapter 156, Subchapter F, which creates a recovery fund that allows for claims to compensate persons for actual, out-of-pocket damages incurred because of violations committed by an individual licensed by SML as a residential mortgage loan originator under Finance Code Chapter 157. The existing

rules in Chapter 51, Subchapter F, Mortgage Grant Fund: Recovery Claims for Unlicensed Activity, govern SML's administration of Finance Code §156.555, allowing for claims to be made against the Mortgage Grant Fund created under Finance Code Chapter 156, Subchapter G, to compensate persons for actual, out-of-pocket damages incurred because of fraud committed by an individual who acted as a residential mortgage loan originator but who did not hold a residential mortgage loan originator license under Finance Code Chapter 157. The proposed rules: in §53.2, Definitions, adopt new definitions for "Consumer Responsiveness Unit," "recovery claim," and "SML," and eliminate the definition for "Department"; in §53.3, Submitting a Claim, clarify where a claim application should be sent, clarify that, if a claimant submits a scanned copy of the claim application, the claimant must maintain the original application and send it by mail to SML on request, and clarify that a claim application that is incomplete may be deemed withdrawn after notice is sent to the claimant and the claimant fails to provide the additional information within 30 days; in §53.4, Investigating the Claim, clarify that claims are generally investigated in the same manner as a complaint, and that, if the claim relates a pending complaint, the investigator may investigate the claim and the complaint simultaneously, and, if the claim relates to a closed complaint, the investigator may adopt the findings of that complaint investigation; in §53.5, Resolution by Agreement, clarify where notice to SML of a claim being resolved by the parties should be sent, and that, upon resolution of a claim by the parties, SML may consider the claim withdrawn or hold the claim in abatement pending satisfaction of the agreement; in §53.6, Preliminary Determination; Requests for Appeal, clarify where an appeal of SML's preliminary determination of the claim should be sent; in §53.7, Administrative Hearings, clarify that, at a hearing on a recovery claim, SML will present its

preliminary determination and then allow the claimant to present their claim and the respondent to contest or defend against the claim, and clarify that the claimant has the burden of proving they are entitled to recovery; in §53.12, Recoverable Damages, clarify the damages that a claimant may recover.

#### *Other Modernization and Update Changes*

The proposed rules, if adopted, would make changes to modernize and update the rules including: adding and replacing language for clarity and to improve readability; removing unnecessary or duplicative provisions; and updating terminology.

#### **Fiscal Impact on State and Local Government**

Antonia Antov, Director of Operations for SML, has determined that for the first five-year period the proposed rules are in effect there are no foreseeable increases or reductions in costs to local governments as a result of enforcing or administering the proposed rules. Antonia Antov has further determined that for the first five-year period the proposed rules are in effect there are no foreseeable losses or increases in revenue to local governments as a result of enforcing or administering the proposed rules. Antonia Antov has further determined that for the first five-year period the proposed rules are in effect there are no foreseeable increases or reductions in costs or losses or increases in revenue to the state overall that would impact the state's general revenue fund as a result of enforcing or administering the proposed rules. Implementation of the proposed rules will not require an increase or decrease in future legislative appropriations to SML because SML is a self-directed, semi-independent agency that does not receive legislative appropriations. The proposed rules will not result in losses or increases in revenue to the state because SML does not contribute to the state's general revenue fund.

#### **Public Benefits**

Hector Retta, the SML Commissioner, has determined that for each of the first five years the proposed rules are in effect, the public benefit anticipated as a result of enforcing or administering the proposed rules will be for members of the public to better understand SML's administrative processes and procedures.

#### **Probable Economic Costs to Persons Required to Comply with the Proposed Rules**

Hector Retta has determined that for the first five years the proposed rules are in effect there are no probable economic costs to persons required to comply with the proposed rules that are directly attributable to the proposed rules for purposes of the cost note required by Government Code §2001.024(a)(5) (direct costs).

#### **One-for-One Rule Analysis**

Pursuant to Finance Code §16.002, SML is a self-directed semi-independent agency and thus not subject to the requirements of Government Code §2001.0045.

#### **Government Growth Impact Statement**

For each of the first five years the proposed rules are in effect, SML has determined the following: (1) the proposed rules do not create or eliminate a government program; (2) implementation of the proposed rules does not require the creation of new employee positions or the elimination of existing employee positions; (3) implementation of the proposed rules does not require an increase or decrease in legislative appropriations to the agency; (4) the proposed rules do not require an increase or decrease in fees paid to the agency; (5) the proposed rules do create a new regulation (rule requirement). The proposed rules related to Changes Concerning Recovery Claims establish

various rule requirements, as discussed in such sections; (6) the proposed rules do not expand, limit, or repeal an existing regulation (rule requirement); (7) the proposed rules do not increase or decrease the number of individuals subject to the rules' applicability; and (8) the proposed rules do not positively or adversely affect this state's economy.

#### Local Employment Impact Statement

No local economies are substantially affected by the proposed rules. As a result, preparation of a local employment impact statement pursuant to Government Code §2001.022 is not required.

#### Fiscal Impact on Small and Micro-Businesses and Rural Communities

The proposed rules will not have an adverse effect on small or micro-businesses, or rural communities because there are no probable economic costs anticipated to persons required to comply with the proposed rules. As a result, preparation of an economic impact statement and a regulatory flexibility analysis as provided by Government Code §2006.002 are not required.

#### Takings Impact Assessment

There are no private real property interests affected by the proposed rules. As a result, preparation of a takings impact assessment as provided by Government Code §2007.043 is not required.

#### Public Comments

Written comments regarding the proposed rules may be submitted by mail to Iain A. Berry, General Counsel, at 2601 North Lamar Blvd., Suite 201, Austin, Texas 78705-4294, or by email to [rules.comments@sml.texas.gov](mailto:rules.comments@sml.texas.gov).

Comments must be received within 30 days after publication of this notice.

#### 7 TAC §§53.1 - 53.12

#### Statutory Authority

This proposal is made under the authority of: Government Code §2001.004(1), requiring a state agency to adopt rules of practice stating the nature and requirements of all available formal and informal procedures; Finance Code §156.102(a), authorizing the commission to adopt and enforce rules necessary for the intent of or to ensure compliance with Finance Code Chapter 156, the Residential Mortgage Loan Company Licensing Act; and Finance Code §156.102(b-1), authorizing the commission to adopt rules to promote the fair and orderly administration of the recovery fund under Finance Code Chapter 156, Subchapter F; and Finance Code §156.556, authorizing the commission to adopt rules to administer Finance Code Chapter 156, Subchapter G, Mortgage Grant Fund, including rules to: (i) ensure that a grant awarded from the mortgage grant fund, administered by the department's commissioner under Finance Code Chapter G (mortgage grant fund), is used for a public purpose; and (ii) provide a means of recovering money awarded from the mortgage grant fund that is not used for a public purpose.

This proposal affects the statutes in Finance Code Chapter 156, Subchapters F and G.

#### §53.1. Purpose.

This chapter governs SML's administration of:

(1) Finance Code §13.016 and Chapter 156, Subchapter F, creating a recovery fund that allows for claims to compensate persons for actual, out-of-pocket damages incurred

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because of violations committed by an individual licensed by SML as a residential mortgage loan originator under Finance Code Chapter 157; and

(2) Finance Code §156.555, allowing for claims to be made against the Mortgage Grant Fund created under Finance Code Chapter 156, Subchapter G, to compensate persons for actual, out-of-pocket damages incurred because of fraud committed by an individual who acted as a residential mortgage loan originator but who did not hold a residential mortgage loan originator license under Finance Code Chapter 157.

§53.2. Definitions.

In this chapter, the following definitions apply, unless the context clearly indicates otherwise.

(1) "Application" means a request, in any form, for an offer (or a response to a solicitation of an offer) of residential mortgage loan terms, and the information about the mortgage applicant that is customary or necessary in a decision on whether to make such an offer, including, but not limited to, a mortgage applicant's name, income, social security number to obtain a credit report, property address, an estimate of the value of the real estate, or the mortgage loan amount.

(2) "Claimant" means a mortgage applicant making or seeking to make a claim against the recovery fund in accordance with Finance Code §156.504 or against the Mortgage Grant Fund in accordance with Finance Code §156.555.

(3) "Commissioner" means the savings and mortgage lending commissioner appointed under Finance Code Chapter 13.

(4) "Consumer Responsiveness Unit" or "CRU" means the section or unit within SML that receives inquiries and complaints from consumers and investigates complaints.

(5) "Mortgage applicant" means an applicant for a residential mortgage loan or a person who is solicited (or contacts a residential mortgage loan originator in response to a solicitation) to obtain a residential mortgage loan, and includes a person who has not completed or started completing a formal loan application on the appropriate form (e.g., the Fannie Mae Form 1003 Uniform Residential Loan Application), but has submitted financial information constituting an application, as provided by paragraph (1) of this section.

(6) "Mortgage Grant Fund" means the fund the Commissioner administers in accordance with Finance Code Chapter 156, Subchapter G.

(7) "Recovery claim" or "claim" means a claim made against the recovery fund in accordance with Finance Code §156.504 or against the Mortgage Grant Fund in accordance with Finance Code §156.555.

(8) "Recovery fund" means the fund the Commissioner administers in accordance with Finance Code §13.016 and Chapter 156, Subchapter F.

(9) "Residential mortgage loan" has the meaning assigned by Finance Code §180.002 and includes new loans and renewals,

extensions, modifications, and rearrangements of such loans. The term does not include a loan which is secured by a structure that is suitable for occupancy as a dwelling, but is used for a commercial purpose such as a professional office, salon, or other non-residential use, and is not used as residence.

(10) "Respondent" means an individual against whom a recovery claim is made.

(11) "SML" means the Department of Savings and Mortgage Lending.

§53.3. Submitting a Claim.

(a) Application Required. A claimant submits a claim by filing a written application using the current form prescribed by the Commissioner and posted on SML's website (sml.texas.gov). The application may be sent by mail (Attn: Consumer Responsiveness Unit, 2601 N. Lamar Blvd., Suite 201, Austin, Texas 78705) or by email (complaintsubmission@sml.texas.gov). If sent by email, the claimant must include a quality, scanned version of the completed application, and must maintain the original application throughout the claims process and send it to SML by mail upon request.

(b) Incomplete Filings; Deemed Withdrawal. An application will only be accepted for filing if it is complete. If an application is incomplete, SML will send written notice to the claimant specifying the additional information required to render the application complete. The application may be deemed withdrawn if the claimant fails to provide the additional information within 30 days after the date written notice is sent to the

claimant as provided by this subsection. Among other things, the application must:

- (1) be verified and sworn under oath before a notary;
- (2) identify a valid respondent; and
- (3) identify actual, out-of-pocket damages meeting the requirements of §53.12 of this title (relating to Recoverable Damages).

§53.4. Investigating the Claim.

When a claim is accepted for filing, it will be assigned to an investigator within the Consumer Responsiveness Unit to conduct an investigation. Claims are generally investigated in the same manner as a complaint under §51.4 of this title (relating to Processing Inquiries and Complaints). If the claim relates to a pending complaint, the investigator may investigate the two simultaneously. If the claim relates to a closed complaint, the investigator may adopt the findings of that investigation instead of or in addition to investigating the claim.

§53.5. Resolution by Agreement.

The respondent and the claimant may resolve the claim by agreement at any time. If an agreement is reached, the parties must promptly send written notice to SML by mail (Attn: Legal Division, 2601 N. Lamar Blvd., Suite 201, Austin, Texas 78705) or by email (enforcement@sml.texas.gov). If an agreement is reached, SML may, in its sole discretion, consider the claim withdrawn or hold the claim in abatement pending satisfaction of the agreement. If held in abatement, the claim is deemed withdrawn upon satisfaction of the agreement.

§53.6. Preliminary Determination; Requests for Appeal.

(a) Preliminary Determination. After the claim is investigated, the claim will be referred to SML's legal and enforcement section to issue a preliminary determination.

(b) Requests for Appeal. The respondent or the claimant has 30 days to appeal the preliminary determination. An appeal must be in writing and received by SML within 30 days after the date the preliminary determination is issued. An appeal may be sent by mail (Attn: Legal Division, 2601 N. Lamar Blvd., Suite 201, Austin, Texas 78705) or by email (enforcement@sml.texas.gov).

(c) Effect of Not Appealing. A respondent or claimant who does not timely appeal the preliminary determination is deemed to have irrevocably waived any right they had to challenge the preliminary determination or request a hearing on the preliminary determination and is deemed not to have exhausted all administrative remedies for purposes of judicial review under Government Code §2001.171.

§53.7. Administrative Hearings.

(a) If an appeal is requested under §53.6 of this title (relating to Preliminary Determination; Requests for Appeal), SML will cause an administrative hearing to be set. The hearing is governed by §51.100 of this title (relating to Appeals, Hearings, and Informal Settlement Conferences). At the hearing, SML will present its preliminary determination issued under §53.6 of this title. The claimant will then have the opportunity to present their claim, and the respondent will have the opportunity to contest or defend against the claim.

(b) The claimant has the burden of proving they are entitled to recovery. The burden of proof is by a preponderance of the evidence.

§53.8. Payment of an Approved Claim.

(a) Payment of an Approved Claim. Upon approval of a claim, the Commissioner will issue an order disbursing funds from the recovery fund or the Mortgage Grant Fund, as applicable. The funds will be disbursed after the date on which the order becomes final and is not appealable for purposes of:

(1) Finance Code §156.504(d), if a hearing is not required under §53.7 of this title (relating to Administrative Hearings); or

(2) Government Code Chapter 2001, if a hearing is required under §53.7 of this title.

(b) Cooperation by Claimant Required. The claimant must comply with SML's instructions for facilitating payment of an approved claim. Among other things, the claimant must complete forms required to cause the claimant to be a valid payee for purposes of the Texas Comptroller of Public Accounts.

§53.9. Consequences for the Respondent.

(a) Administrative Penalty. If the Commissioner approves a claim, the Commissioner may impose an administrative penalty against the respondent for the violations of law giving rise to the claim.

(b) Grounds for Denial. Failure by the respondent to pay the administrative penalty constitutes grounds for denial of an application for a residential mortgage loan originator license under Finance Code Chapter 157.

§53.10. Unpaid Claims.

(a) No Liability. The recovery fund, Mortgage Grant Fund, the Commissioner, and SML are not liable to a claimant for a claim approved by the Commissioner if the funds in the recovery fund or Mortgage Grant Fund are insufficient to pay the claim.

(b) Payment of Unpaid Claims. If the recovery fund or Mortgage Grant Fund contains insufficient funds to pay a claim, the Commissioner will:

(1) record the time and date the claim was approved; and

(2) pay approved but unpaid claims for which a recordation was made under paragraph (1) of this subsection as funds in the recovery fund or Mortgage Grant Fund become available, in the order of the recorded time and date of such claims.

§53.11. Claims for Unlicensed Activity: Eligibility

(a) Purpose. Finance Code §156.555(b), adopts by reference the eligibility and procedural requirements for making a claim on the recovery fund in accordance with Finance Code Chapter 156, Subchapter F. This section clarifies how certain requirements apply to a claim made against the Mortgage Grant Fund in accordance with Finance Code §156.555.

(b) Actions by an Unlicensed Individual Acting as an Originator. To be eligible to recover from the Mortgage Grant Fund, the individual alleged to have caused harm to the claimant must have been acting or attempting to act in the capacity of

an originator - actions for which a license under Finance Code Chapter 157 was required as provided by Finance Code §157.012 and §55.100 of this title (relating to Licensing Requirements).

(c) Fraudulent Acts. Recovery under Finance Code §156.555 is limited to acts of fraud committed by an individual who acted as a residential mortgage loan originator but did not hold the license required by Finance Code Chapter 157. Finance Code §156.501(b), applicable to claims made on the recovery fund, provides that recovery is limited to acts by a licensed originator that constitute a violation of specific, enumerated provisions of Finance Code §§157.024(a) and 156.304(b). As a result, to recover under Finance Code §156.555, a claimant must establish that the acts of the unlicensed individual would have constituted fraudulent dealings for purposes of Finance Code §157.024(a)(3), had he or she been licensed as a residential mortgage loan originator at the time of such acts.

§53.12. Recoverable Damages.

(a) Recoverable Damages. A claimant may only recover out-of-pocket monetary damages that reimburse the claimant for money they have actually lost (money losses). To be recoverable, the damages must be direct damages (also known as general damages) that are caused by and directly related to the respondent's actions and therefore conclusively presumed to have been foreseeable by the respondent as a usual and necessary consequence of the respondent's actions.

(1) Recoverable damages can include the following expenses typically incurred by a mortgage applicant in connection with a

residential mortgage loan, if they are paid by the claimant:

- (A) application fees;
- (B) appraisal fees;
- (C) rate lock fees;
- (C) origination fees;
- (D) loan processing fees; and
- (E) other fees for settlement services collected from the borrower when a residential mortgage loan is closed.

(2) Recoverable damages can include the following expenses typically incurred by a mortgage applicant in a real estate transaction directly related to a residential mortgage loan, if they are paid by the claimant:

- (A) option fees;
- (B) earnest money;
- (C) home inspection fees; and
- (D) home warranty fees.

(b) Damages Not Recoverable. A claimant may not recover consequential damages (also known as special damages), future damages, or noneconomic damages.

(1) Noneconomic damages that are not recoverable include, but are not limited to:

- (A) compensation for physical pain and suffering;
- (B) mental or emotional pain and anguish;
- (C) loss of consortium;
- (D) disfigurement;
- (E) physical impairment;
- (F) loss of companionship and society;
- (G) inconvenience;
- (H) loss of enjoyment of life; and

(I) injury to reputation.

(2) The following damages are expenses that may be incurred by a mortgage applicant in connection with a real estate sales transaction related to a residential mortgage loan but are deemed to be consequential damages that are not recoverable (list is not exhaustive):

(A) travel expenses paid in connection with the mortgage applicant shopping for real estate (e.g., fuel expenses, vehicle rental, plane tickets, and hotel fees);

(B) expenses related to terminating the mortgage applicant's preexisting housing arrangements (e.g., lease termination fees, cleaning fees, reletting fees, and lost security deposit);

(C) expenses paid in connection with the mortgage applicant relocating to their prospective housing arrangements (e.g., shipping fees, moving expenses, and storage fees);

(D) expenses paid in connection with securing replacement housing (e.g., rent, hotel fees, utility costs, and home furnishings); and

(E) daily living expenses (e.g., food, clothing, and personal care items).

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

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