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## **Finance Commission**

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## FINANCE COMMISSION OF TEXAS

**MEETING DATE** .....**June 20, 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** .....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, June 20, 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 items A1 and B2-B4, 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 April 25, 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 Texas Department of Banking's 2025 Revenue Processing Audit and Follow-Up on Prior Year Recommendations Report as Prepared and Presented by Garza/Gonzalez and Associates

B. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Texas Department of Banking's 2025 Annual Internal Audit Report as Prepared and Presented by Garza/Gonzalez and Associates

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

D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Revised Texas Financial Education Endowment Fund Grant Administration & Advisory Policy Manual and 2026-2027 Funding Priorities

E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action to Approve an Amount for the Upcoming 2026-2027 Grant Cycle for the Texas Financial Education Endowment

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

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

8. Discussion of and Consultation with Attorney and Possible Vote to Take Action Pursuant to § 551.071, Texas Government Code, for the Purpose of Seeking the Advice or Attorney-client Privileged Communications from our Attorneys, Including Matters Related to the Potential Financial Exposure of the Finance Commission Agencies and Their Officers and the Finance Commission and its Officers and Including Matters of Pending and Contemplated Litigation
9. Discussion of and Consultation on Security Audit, Possible Issue Related to Confidential or Sensitive Information, Security Breach Audit and Assessment, or Security Assessments or Deployment Related to Information Resources Technology as Authorized by §§ 551.076 and 551.089, Texas Government Code
10. Discussion of Matters Made Confidential by Law Pursuant to § 551.0811, Texas Government Code, including Information Relating to the Financial Condition or Business Affairs of a Financial Institution

## **B. DEPARTMENT OF SAVINGS AND MORTGAGE LENDING**

1. Industry Status and Departmental Operations: a) Thrift Regulation Division Activities; b) Mortgage Regulation Division Activities; c) Operations Division Activities; d) 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 Adoption 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 Adoption 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 Adoption 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

## **C. TEXAS DEPARTMENT OF BANKING**

1. Industry Status and Departmental Operations: a) Current Issues Affecting Department's Regulated Entities; b) Bank and Trust Division Activities; c) Corporate Division Activities; d) Non-Depository Supervision Division Activities; e) Administrative, Staffing and Fiscal Division Activities; f) Strategic Support Division Activities including Consumer Complaint Data; g) Legal Division Activities including Enforcement Activity and Gift Reporting; and h) Legislative Activities
2. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of Amendments in 7 TAC, Part 1, Chapter 3, § 3.36, Concerning Special Examination and Investigation Fees for State Banks
3. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of Amendments in 7 TAC, Part 2, Chapter 17, § 17.22, Concerning Examination and Investigation Fees for State Trust Companies
4. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of New 7 TAC, Part 2, Chapter 33, § 33.55, Concerning Clarification of Texas Finance Code § 152.004(9)
5. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation

*Anthony Hrnecir 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*

**D. OFFICE OF CONSUMER CREDIT COMMISSIONER**

1. Industry Status and Departmental Operations: a) Consumer Protection and Assistance Division Activities; b) Licensing Division Activities; c) Administration Division Activities; d) Financial Division Activities; and e) Legal Division Activities; and f) Legislative Activities
2. 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.

# MINUTES OF THE FINANCE COMMISSION MEETING Friday, April 25, 2025

The Finance Commission of Texas convened at 9:09 a.m., on Friday, April 25, 2025, with the following members present:

**Finance Commission Members in Attendance:**

Phillip Holt, Chairman	Bob Borochoff	Kathleen Fields	David Osborn
Laura Warren, Vice Chairman	Hector Cerna	Martin “Marty” Green	

**Finance Commission Members Absent:**

Troy Lambden	Sharon McCormick	Roselyn “Rosie” Morris	Miguel Romano
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Deputy Commissioner Wendy Rodriguez announced there was a quorum with seven members present. *(1:17 on audio file).*

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
<b>A. Finance Commission Matters</b>		
1. Review and Approval of the Minutes of the February 21, 2025 Finance Committee Meeting	<b>On Consent Agenda – Item A1</b> This item Approved on the Consent Agenda.	n/a
2. General Public Comment	No Action Required.	n/a
3. Consent Agenda – Items A1	Laura Warren made a motion to Approve Consent Agenda items A1. Hector Cerna seconded, and the motion passed.	2:03 Start of Discussion  2:15 Vote
4. Finance Commission Operations	No Action Required.	2:34 Start of Discussion
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	Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve the Agencies’ 2025 Second Quarter Investment Officer Reports passed.	4:03 Start of Discussion
1. Texas Department of Banking		4:13 Vote
2. Office of Consumer Credit Commissioner		
3. Department of Savings and Mortgage Lending		



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 Second Quarter Financial Statements</p> <ol style="list-style-type: none"> <li>1. Texas Department of Banking</li> <li>2. Office of Consumer Credit Commissioner</li> <li>3. Department of Savings and Mortgage Lending</li> </ol>	<p>Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve the Agencies' 2025 Second Quarter Financial Statements passed.</p>	<p>4:24 Start of Discussion</p> <p>4:34 Vote</p>
<p>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</p>	<p>Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve the Texas Department of Banking's Money Services Businesses Audit Report as Prepared and Presented by Garza/Gonzalez and Associates passed.</p>	<p>4:44 Start of Discussion</p> <p>4:54 Vote</p>
<p>D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Consumer Credit Commissioner's Texas Financial Education Endowment Fund Investment Portfolio Administration Audit Report as Prepared and Presented by Garza/Gonzalez and Associates</p>	<p>Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve the Consumer Credit Commissioner's Texas Financial Education Endowment Fund Investment Portfolio Administration Audit Report as Prepared and Presented by Garza/Gonzalez and Associates passed.</p>	<p>5:05 Start of Discussion</p> <p>5:20 Vote</p>
<p>E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Activities of the Texas Financial Education Endowment Fund</p>	<p>No Action Required.</p>	<p>n/a</p>
<p>6. Discussion of and the Possible Vote on the Planning regarding the Finance Commission of Texas' New Facility</p>	<p>Laura Warren made a motion to Approve the Planning regarding the Finance Commission of Texas' New Facility. Marty Green seconded, and the motion passed.</p>	<p>5:36 Start of Discussion</p> <p>6:10 Vote</p>
<p>7. Discussion of and Possible Vote to Take Action on the Finance Commission Agencies' Fiscal Year 2025 Mid-Term Accomplishment Reports</p>	<p>Marty Green made a motion to Approve the Finance Commission Agencies' Fiscal Year 2025 Mid-Term Accomplishment Reports. Kathleen Fields seconded, and the motion passed.</p>	<p>6:32 Start of Discussion</p> <p>8:30 Vote</p>
<p>8. Discussion of the Condition of the Texas State Banking System Report <i>(Note: Report provided separately)</i></p>	<p>No Action Required.</p>	<p>8:54 Start of Discussion</p>

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
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	No Discussion.	n/a
10. Discussion of and Possible Vote to Take Action Regarding Facility Planning and Real Property Matters Pursuant to § 551.072, Texas Government Code: Deliberations Regarding the Purchase, Exchange, Lease or Value of Real Property	No Discussion.	n/a
11. Discussion of and Consultation with Attorney and Possible Vote to Take Action Pursuant to § 551.071, Texas Government Code, for the Purpose of Seeking the Advice or Attorney-client Privileged Communications from our Attorneys, Including Matters Related to the Potential Financial Exposure of the Finance Commission Agencies and Their Officers and the Finance Commission and its Officers and Including Matters of Pending and Contemplated Litigation	No Discussion.	n/a
12. Discussion of and Consultation on Security Audit, Possible Issue Related to Confidential or Sensitive Information, Security Breach Audit and Assessment, or Security Assessments or Deployment Related to Information Resources Technology as Authorized by §§ 551.076 and 551.089, Texas Government Code	No Discussion.	n/a
13. Discussion of Matters Made Confidential by Law Pursuant to § 551.0811, Texas Government Code, Including Information Relating to the Financial Condition or Business Affairs of a Financial Institution	No Discussion.	n/a

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
<b>B. 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.	9:54 Start of Discussion
2. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation  <i>Anthony Hrncir 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 Action Required.	n/a
<b>C. 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.	30:13 Start of Discussion
2. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation	No Discussion.	n/a
<b>D. 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.	47:11 Start of Discussion

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
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	Kathleen Fields made a motion to Approve 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. Marty Green seconded, and the motion passed.	1:01:02 Start of Discussion  1:03:02 Vote
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	Laura Warren made a motion to Approve the Proposal and Publication for Comment of New Rules in 7 TAC, Part 4, Chapter 52, Mortgage Grant Fund, Resulting from Rule Review. Kathleen Fields seconded, and the motion passed.	1:03:25 Start of Discussion  1:04:11 Vote
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	David Osborn made a motion to Approve the Proposal and Publication for Comment of New Rules in 7 TAC, Part 4, Chapter 53, Recovery Claims, Resulting from Rule Review. Marty Green seconded, and the motion passed.	1:04:33 Start of Discussion  1:05:14 Vote
5. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation	No Discussion.	n/a

There being no further business, Chairman Phillip Holt adjourned the meeting of the Finance Commission at 10:16 a.m. (1:07:08 on the audio file).

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Phillip Holt, Chairman  
Finance Commission of Texas

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Wendy Rodriguez, Deputy Commissioner  
Texas Department of Banking

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Ruth Wright, Executive Assistant  
Finance Commission of Texas

# Finance Commission of Texas

## Consent Agenda

June 20, 2025

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

1. Review and Approval of the Minutes of the April 25, 2025, Finance Commission Meeting

### **B. Department of Savings and Mortgage Lending**

2. Discussion of and Possible Vote to Take Action on the Adoption 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 Adoption 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 Adoption of New Rules in 7 TAC, Part 4, Chapter 53, Recovery Claims, Resulting from Rule Review

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**B.**

**Department of Savings and  
Mortgage Lending**

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## D. Department of Savings and Mortgage Lending

### 1. Industry Status and Departmental Operations

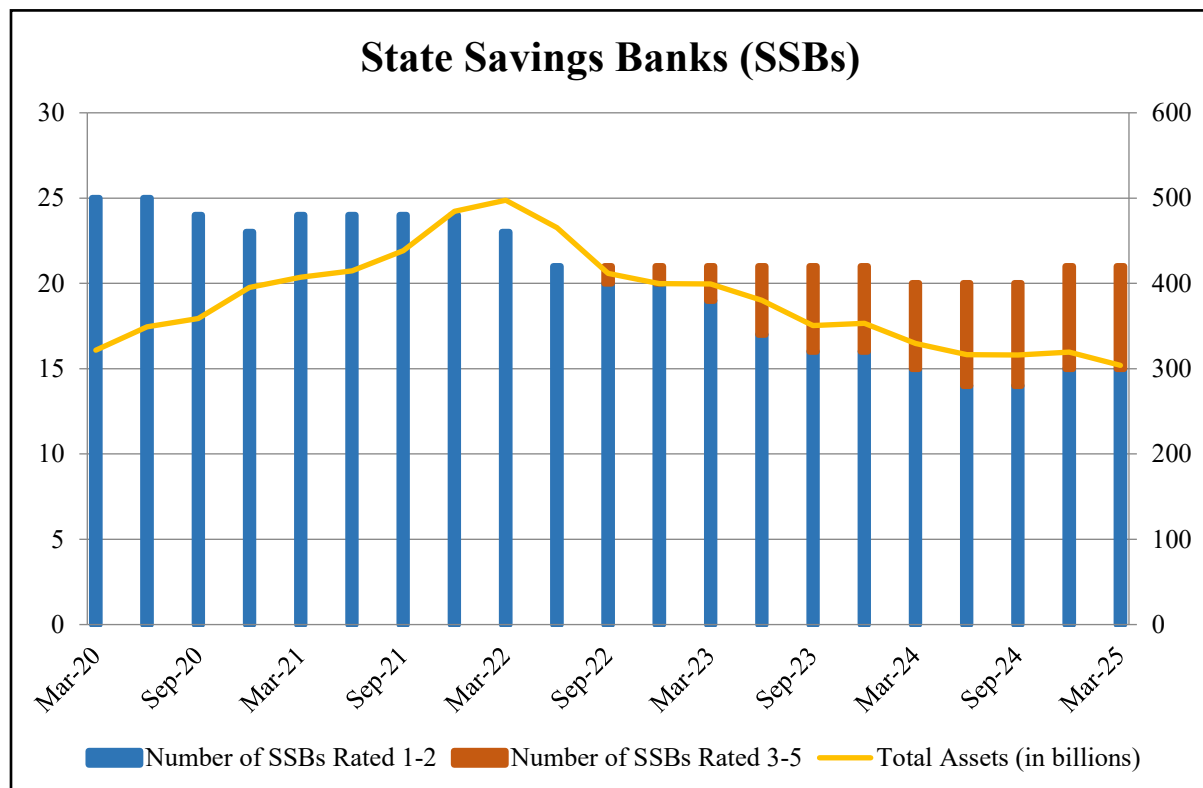
#### a) Thrift Regulation Division Activities

##### Industry Status

##### a) Industry Status

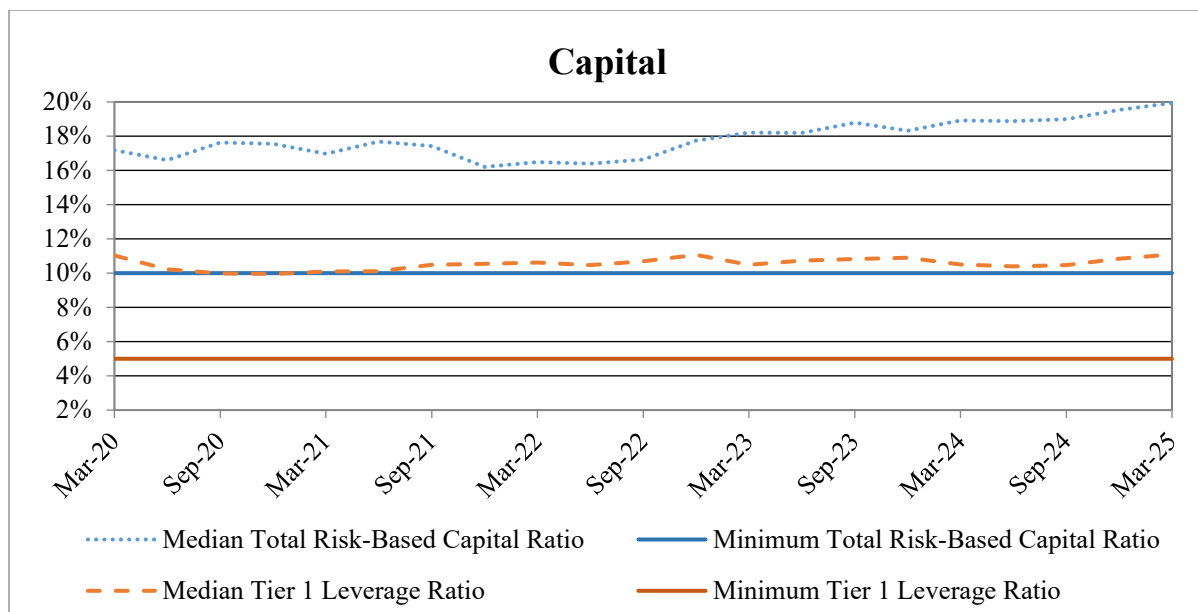
SML continues to monitor various local, state, and national data sources to understand the risks facing the industry and individual savings banks.

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 \$303.9 billion as of March 31, 2025. The industry consists of 71% of banks being well-rated as of March 31, 2025, with four informal and two formal supervisory actions in place.

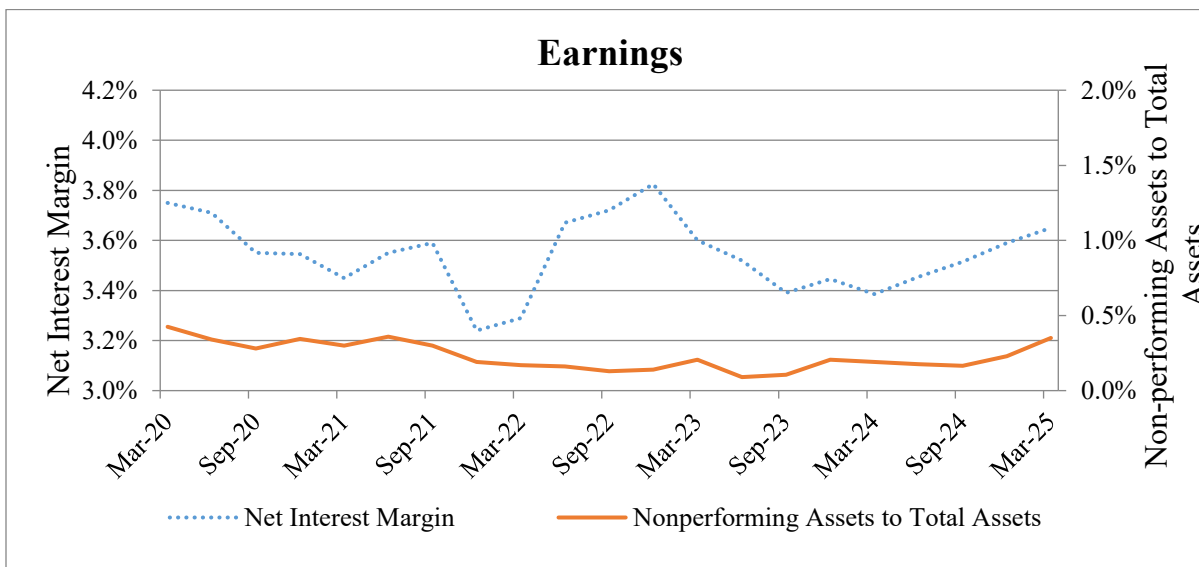


All SSBs are subject to quarterly off-site reviews. Those with the highest risk profiles receive enhanced scrutiny, as warranted, with targeted visitations, accelerated examinations, and/or corrective actions. Below are specific areas that SML monitors in relation to changes in the state and national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

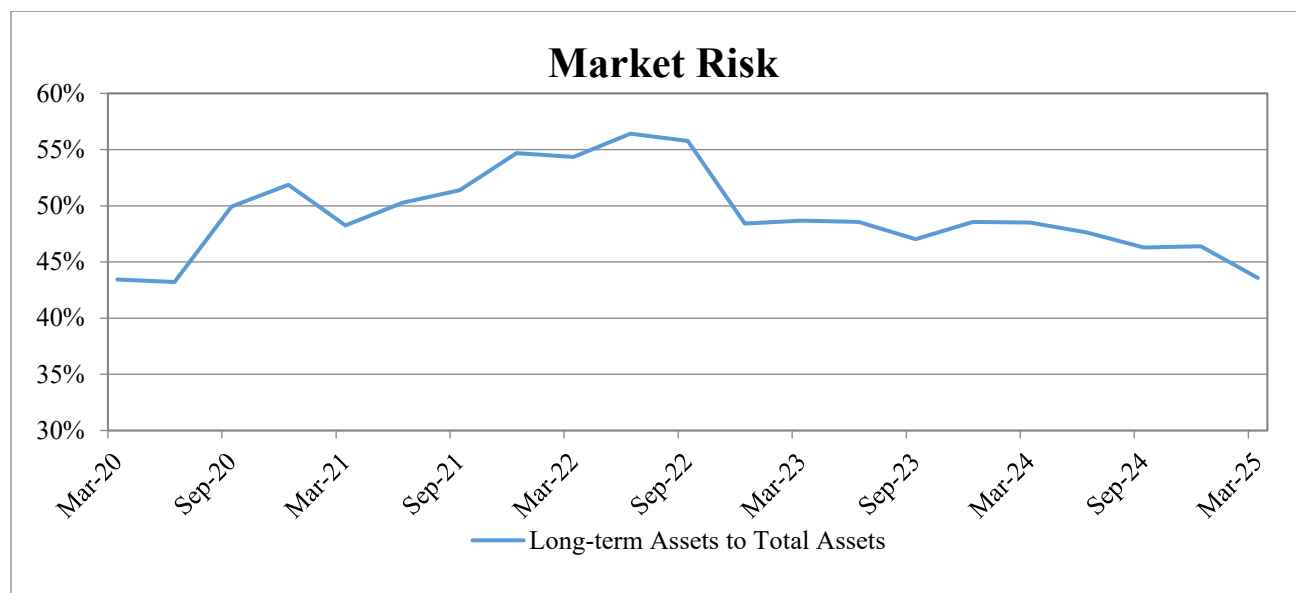
Bank capital performs several very important functions, including absorbing losses, promoting public confidence, helping restrict excessive asset growth, and providing protection to the depositors. Regulatory capital standards are designed to strengthen the quality and quantity of bank capital and promote a stronger financial industry that is more resilient to economic stress. As of March 31, 2025, 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 19.94% and 11.09%, respectively.



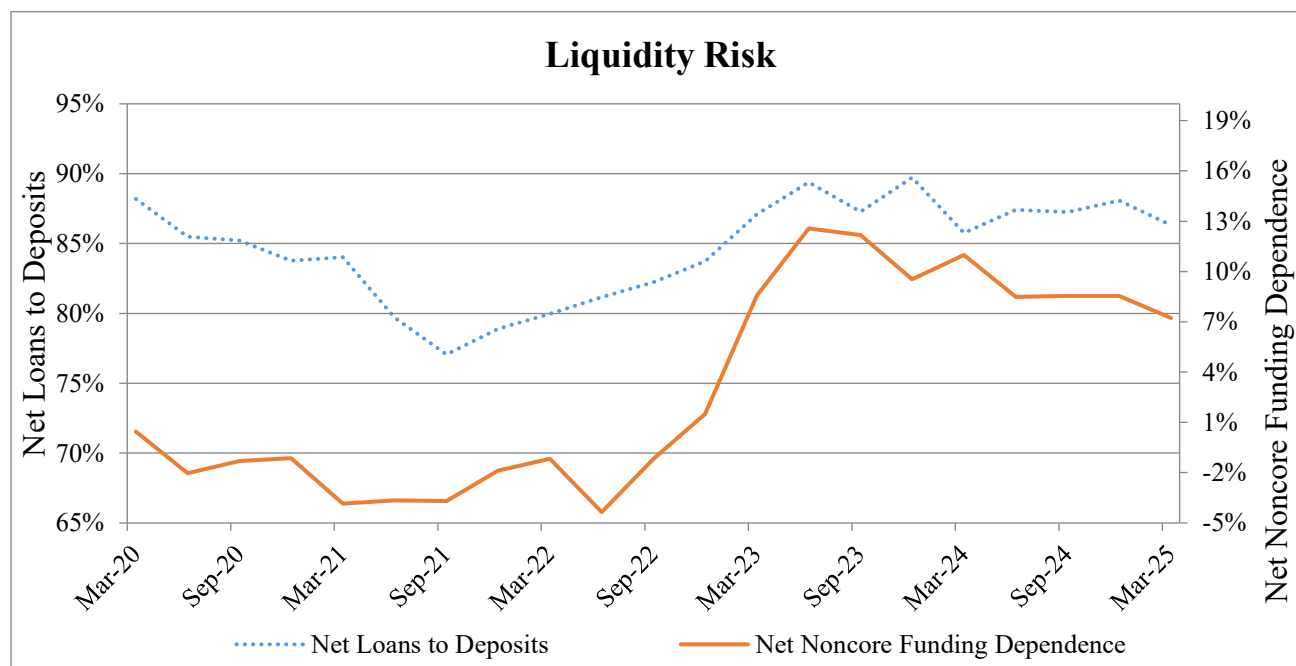
Earnings are the initial safeguard against the risk of engaging in the banking business, and is the first line of defense against capital depletion resulting from shrinkage in asset value. Earnings performance should allow the bank to remain competitive by providing the resources required to implement management's strategic initiatives. The net interest or profit margin is 3.65%. Non-performing asset levels remain low at 0.35% 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 March 31, 2025, the long-term assets to total assets ratio decreased slightly to 43.58%.



Liquidity risk reflects the bank's ability to fund assets and meet financial obligations under various scenarios, including adverse conditions. Liquidity risk is increasing. The Net Noncore Funding Dependence (NNCFD) Ratio, a measure of the funding of long-term assets using short-term funding strategies, is 7.22%. The loan-to-deposit ratio, a measure of the use of deposits to fund lending activities, is 86.32%.



## **Thrift Examination Activity Report**

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

## **Thrift Supervision Activity Report**

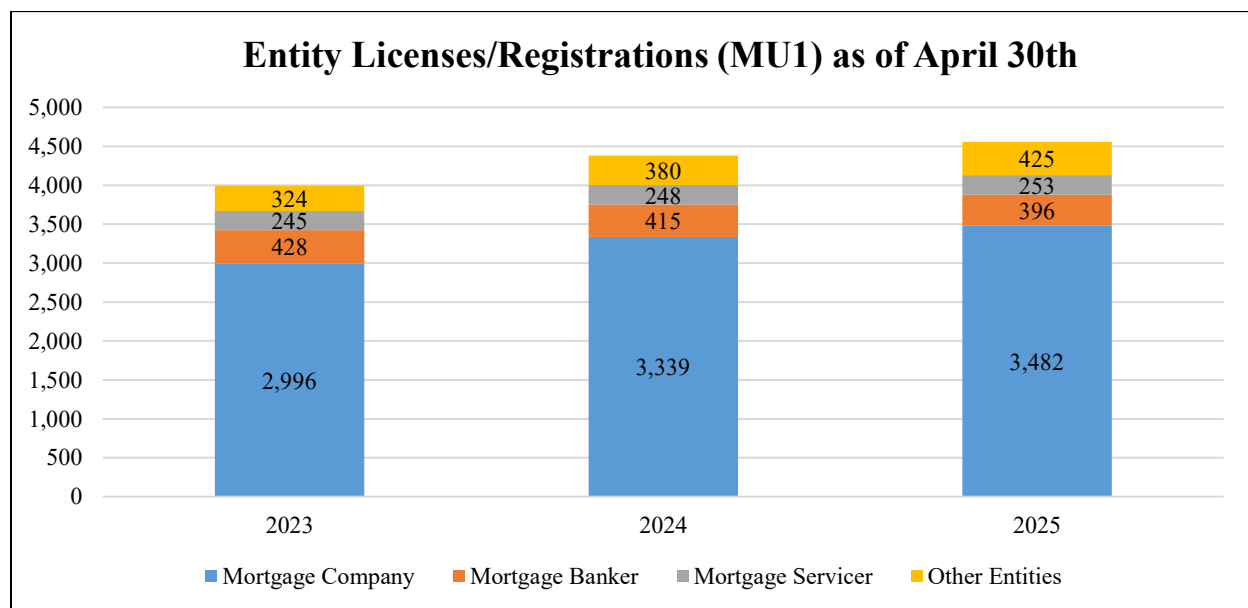
The Thrift Supervision section continues to receive and process various requests for approval, including branch, subsidiary, and holding company applications.

### **b) Mortgage Regulation Division Activities**

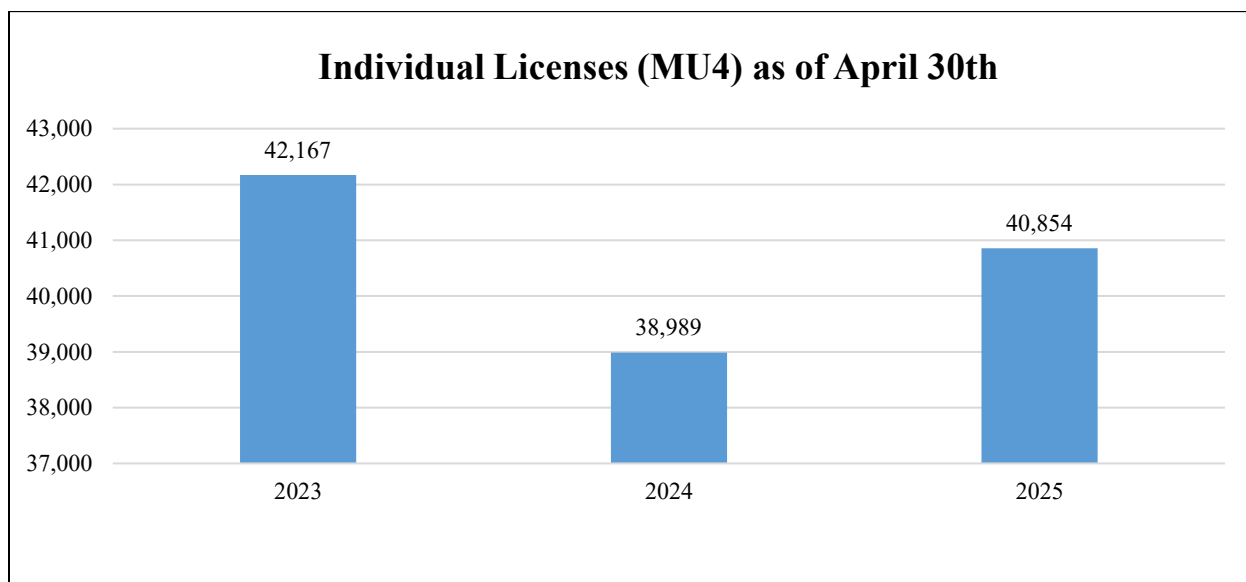
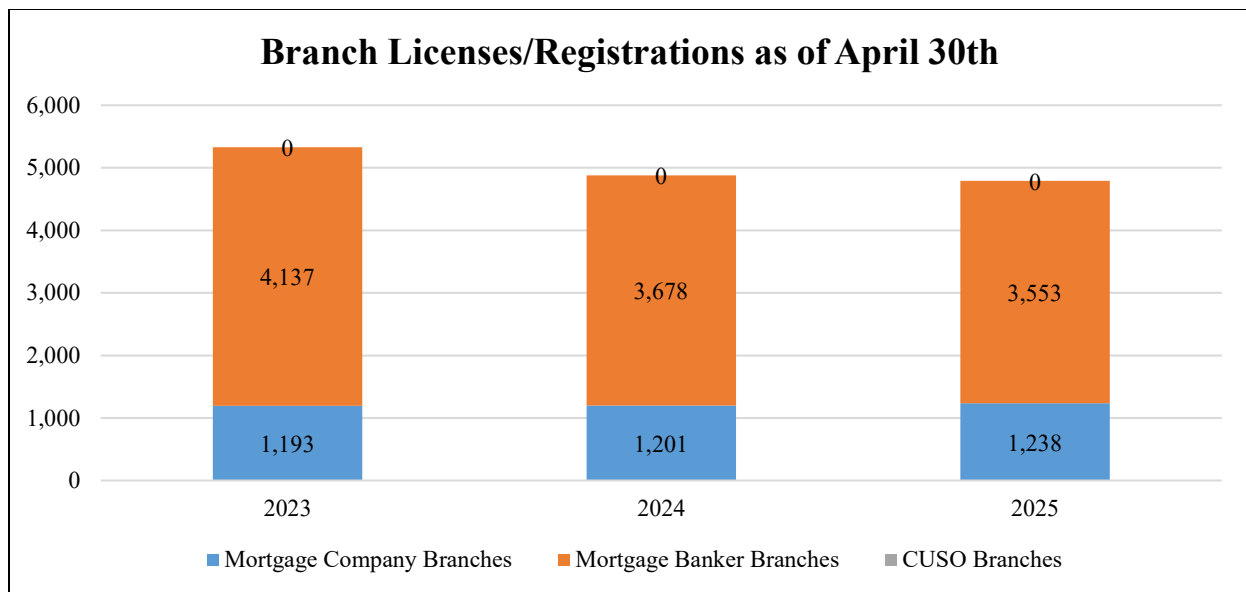
#### **Industry Status**

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 homeowners' and flood insurance, the mortgage-backed securities (MBSs) market, and trends in homeownership.

The charts below reflect historical information regarding the number of licenses and registrations in an approved status as of April 30<sup>th</sup> for the respective years shown below.



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



The most notable elements from the three graphs shown above are the moderating growth in the number of licensed mortgage companies (4.28% increase from FY2024 to FY2025) and the increasing number of licensed residential mortgage loan originators (4.7% increase from FY2024 to FY2025). From FY2020 to FY2025, the number of licensed mortgage companies has increased by over 124.36% (1,552 to 3,482). After declining for years, the number of licensed residential mortgage loan originators has shown its first increase since FY2022.

The table below shows the aggregate Mortgage Call Report information reported by licensees and registrants for calendar years 2022, 2023, and 2024.

<b>CY2022 Mortgage Call Report Data</b>			
	<b>\$ Amount</b>	<b># Loans</b>	<b>Average \$ Loan</b>
<b>Direct</b>	\$126,808,137,775	422,410	\$300,202
<b>3<sup>rd</sup> Party</b>	\$21,586,521,553	63,223	\$341,435
<b>CY2023 Mortgage Call Report Data</b>			
	<b>\$ Amount</b>	<b># Loans</b>	<b>Average \$ Loan</b>
<b>Direct</b>	\$91,851,531,928	302,563	\$303,578
<b>3<sup>rd</sup> Party</b>	\$20,583,582,185	58,720	\$350,538
<b>CY2024 Mortgage Call Report Data</b>			
	<b>\$ Amount</b>	<b># Loans</b>	<b>Average \$ Loan</b>
<b>Direct</b>	\$104,301,998,304	331,819	\$314,334
<b>3<sup>rd</sup> Party</b>	\$26,904,127,672	75,684	\$355,480
Aggregate information as reported by licensees.			

As reflected in the table below, the mortgage market has rebounded from the lows experienced in CY2023.

<b>TEXAS RESIDENTIAL MORTGAGE LOAN VOLUME</b>			
<b>Direct Loans (Retail)</b>			
	<b>CY2023</b>	<b>CY2024</b>	<b>YoY % change</b>
Number of Loans	302,563	331,819	9.67%
Amount of Loans	\$91,851,531,928	\$104,301,998,304	13.55%
<b>3<sup>rd</sup> Party Loans (Wholesale)</b>			
	<b>CY2023</b>	<b>CY2024</b>	<b>YoY % change</b>
Number of Loans	58,720	75,684	28.89%
Amount of Loans	\$20,583,582,185	\$26,904,127,672	30.71%

### **Licensing Activity Report**

From March 1, 2025, to April 30, 2025, the Mortgage Licensing section processed 2,225 applications and approved 1,977 applications, including 145 mortgage entities, 265 branch offices, and 1,567 residential mortgage loan originators. The remaining 248 applications were either withdrawn by the applicant or denied by the Department.

According to NMLS Data Analytics, the Mortgage Licensing section processed 14,094 license amendments, 1,065 credit report reviews, 3,982 sponsorship removals, and 3,134 sponsorship requests from March 1, 2025, to April 30, 2025.

### **Mortgage Examination Activity Report**

From March 1, 2025, to April 30, 2025, the Mortgage Examination section issued 49 examinations covering 1,252 individual licensees. Compared to the same reporting period in FY2024, the overall

number of examinations issued (49 versus 42) increased by 16.66%; however, the number of individual licensees examined (1,252 versus 1,290) slightly declined by 2.95%. The most common violations identified in the 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.

SML is participating in several multi-state examinations, including a joint origination and servicing examination with the Office of Consumer Credit Commissioner.

### **Outreach and Training**

On March 4, 2025, Director of Mortgage Regulation William Purce participated in a webinar with the North Texas Association of Mortgage Professionals (NTXAMP) regarding the new rules adopted by SML.

On April 28-29, 2025, Director of Mortgage Regulation William Purce attended the 109<sup>th</sup> Texas Mortgage Bankers Association's Annual Conference in Arlington, Texas, which included the following topics: Engaging Borrowers Through Digital Channels, Insights from Executive Leadership, Leveraging AI for Smarter Decisions, and Texas Legislative update.

On May 20, 2025, Commissioner Hector Retta and Director of Mortgage Regulation William Purce attended the Mortgage Policy Summit 2025 in Washington, D.C. held by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR), which included the following topics: Perspectives on Evolving Housing Finance Policies, Mortgage Regulatory Policy, Homeowner's Insurance: Rising Costs, Availability, and Risks to the Mortgage Market, and Innovation and Technology in the Mortgage Marketplace.

## **c) Operations Division Activities**

### **Accounting, Budget, and Financial Reporting**

Staff is working on closing out the third quarter of fiscal year 2025 and has begun the budgeting process for fiscal year 2026.

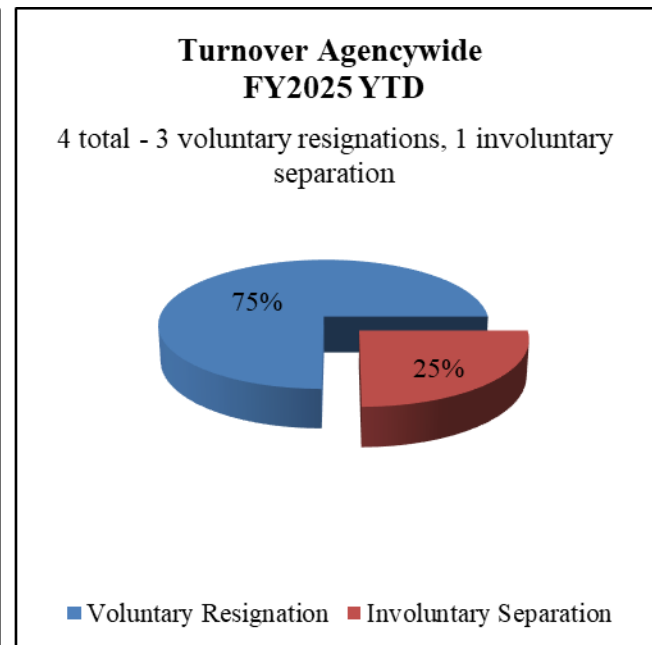
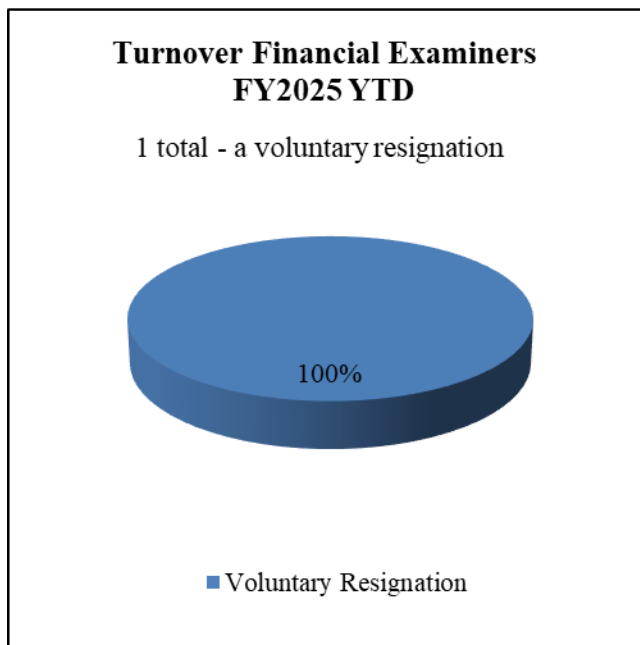
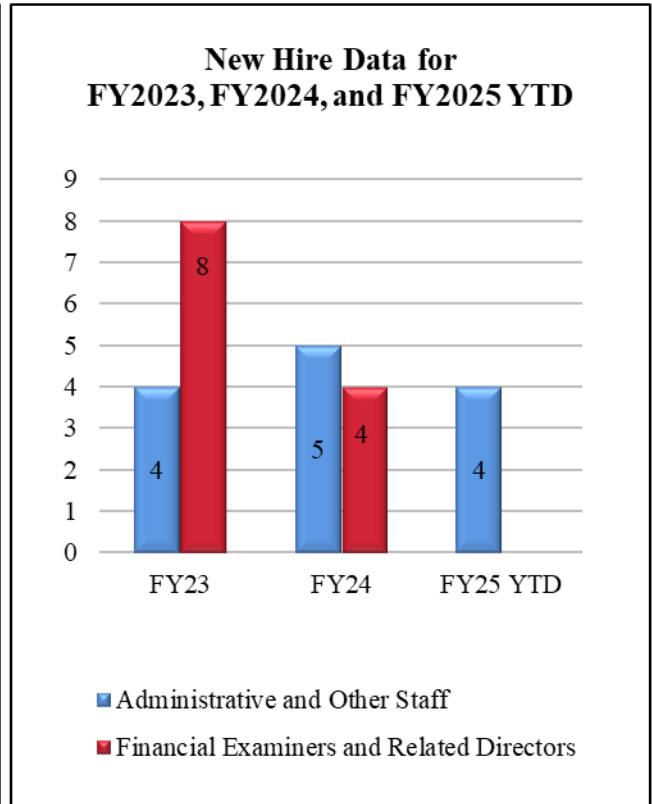
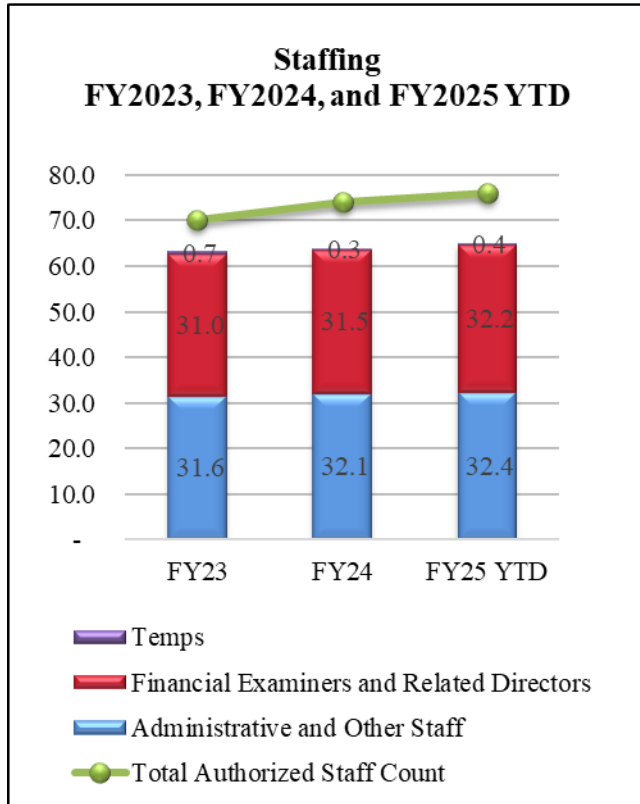
### **Audit**

SML is undergoing a Post-Payment and Procurement Audit, conducted by the Comptroller of Public Accounts. The SDSI Audit conducted by the State Auditor's Office has been completed, and the report is located elsewhere in the packet.

### **Human Resources**

As of May 31, 2025, SML was staffed with 64 regular full-time employees. During April 2025, there were two separations – one Licensing Investigator and one Mortgage Examiner. Five new hires have accepted employment with starting dates in June and July – two Thrift Examiners, two Mortgage Examiners, and one Cybersecurity Analyst.

## Staffing Charts as of May 31, 2025





Below is the status of the Department's vacancies:

Vacancy Status	
Financial Examiner V – Thrift Examinations (Loan Review) - 2	Recruit – Offer Accepted
Financial Examiner I – Mortgage Examinations - 2	
Cybersecurity Analyst III	
Executive Assistant III	Recruit – Selection Process
Investigator II-IV – Mortgage Licensing	
Financial Examiner I – Mortgage Examinations	
Financial Examiner I – Thrift Examinations - 2	Evaluating needs, preparing job postings
Financial Examiner I-II -Thrift Examinations (Information Technology)	
Financial Examiner V – Thrift Examinations - 3	
Attorney II	
Program Specialist I – Thrift Regulation	

### **Outreach and Training**

SML Summit 2025, an in-person agency-wide meeting and training, was held May 13-15 in Austin, Texas.

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

#### **Strategic Projects and Initiatives**

The 2025-2026 Mortgage Grant Fund (MGF) cycle is in progress. For more information, see the MGF Activities Report presented to the FC Audit Committee.

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

Badge access and key control internal reviews have been completed, requiring no substantive action.

SML is preparing for its annual fire drill.

#### **Information Resources**

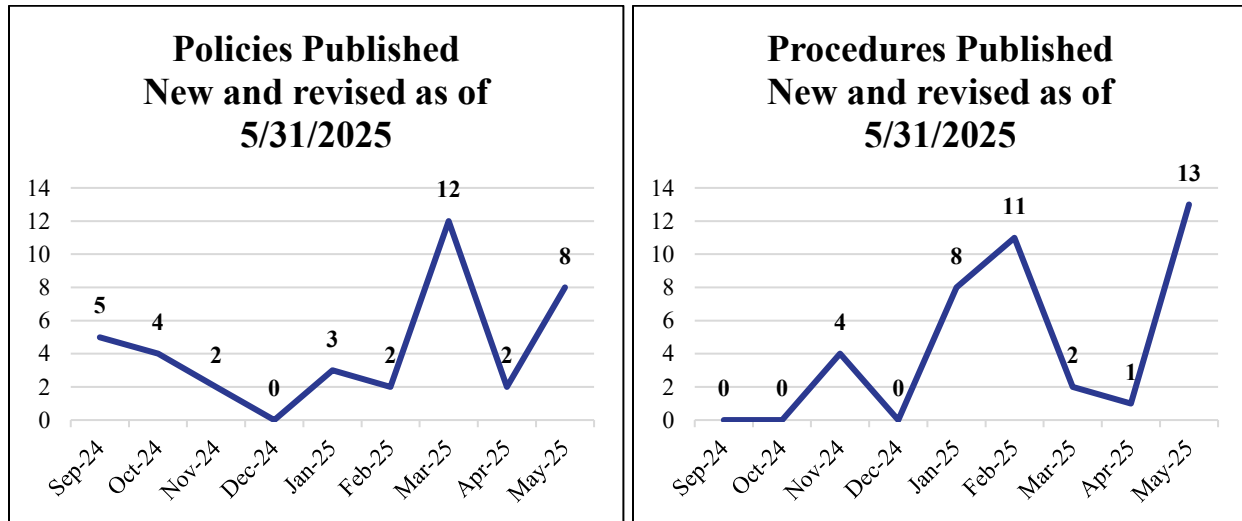
The planning phase for an IT-related legacy modernization project continues, focusing on readiness and legacy modernization.

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 is drafting a revised Procurement and Contract Management Handbook, Procurement policy, and procedures.

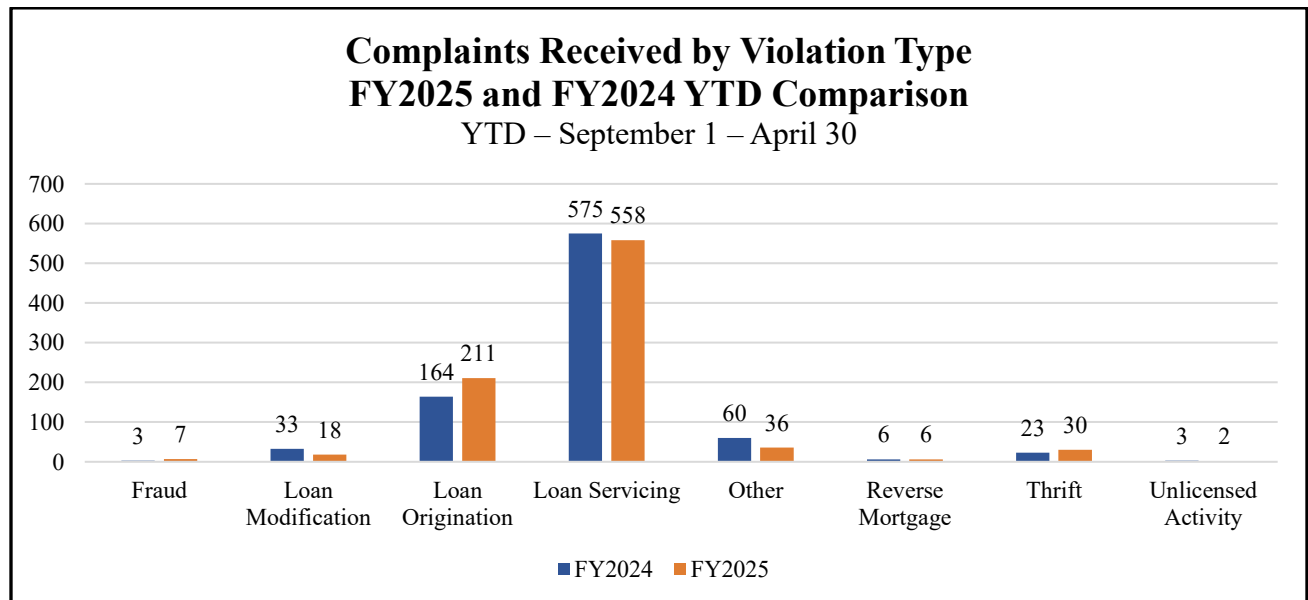
SML continues efforts to update all agency policies and procedures. The charts below depict the policies and procedures that were fully approved and published in the agency's policy management database by month for this FY.

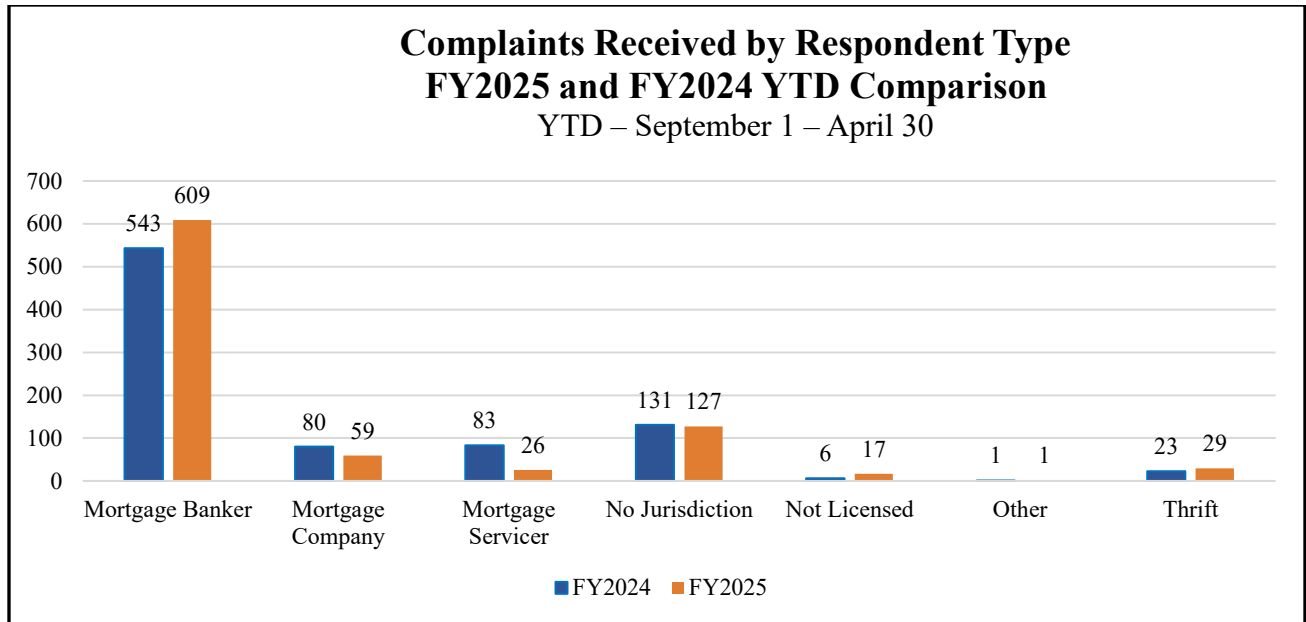


### **e) Legal Division Activities, including Consumer Complaints and Gift Reporting**

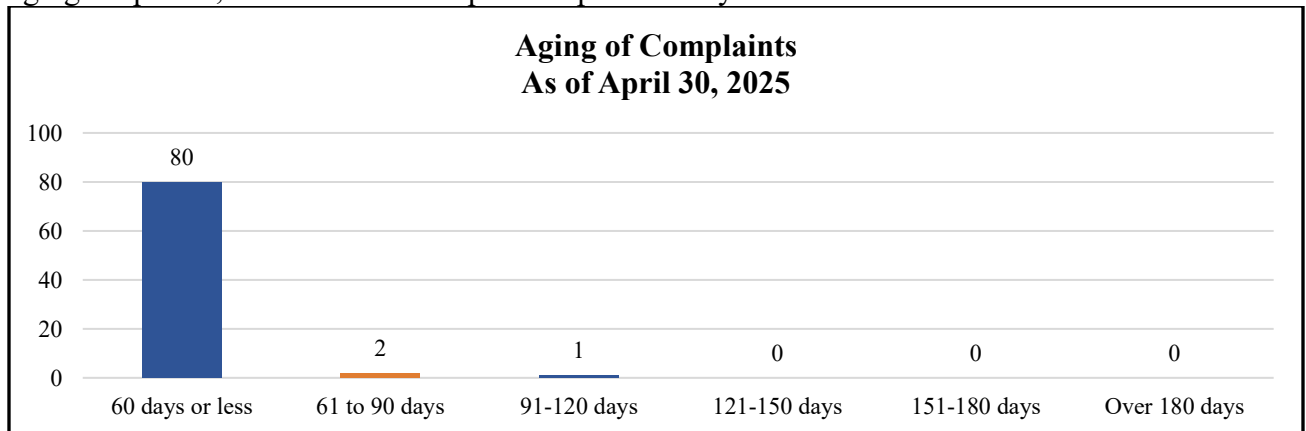
#### **Consumer Complaints Activity Report**

**Complaints Received** – For the fiscal year to date (September 1 – April 30, 2025), SML received 868 complaints, compared to 867 received in FY2024, a 0.1% increase.





**Aging of Open Complaints** – As of April 30, 2025, there were 83 open complaint files. Complaint aging is optimal, with 100% 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**

<b>Mortgage Enforcement Actions</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>
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**

<b>Recovery Claim Applications Received</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>
	4	3		

<b>Status of Pending Recovery Claim Applications as of April 30, 2025</b>	
Pending Investigation	3
Pending Preliminary Determination Letter	9
Preliminary Determination Letter Issued, Pending Opportunity to Appeal	5
On Appeal	0
Open to Facilitate Resolution by the Parties	0
<b>Total</b>	<b>17</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 sought to revoke the residential mortgage loan originator license of Ms. Perez (NMLS ID 324884) for engaging in fraudulent, misleading, or deceptive practices. On April 24, 2025, Ms. Perez filed a request with SML to withdraw her appeal of the revocation. On April

29, 2025, the Commissioner issued his Final Order of License Revocation, rendering the proceeding moot, and the case was dismissed.

### **Public Information Requests**

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

SML Future Rule Activity		
Rule	Rulemaking Action	Projected Date for Presentation
Chapter 75, Savings Banks	Proposed Rule Changes Resulting from Rule Review	FY2026

### **Gift Reporting**

During April 28-29, 2025, Director of Mortgage Regulation William Purce attended the Texas Mortgage Bankers Association 109th Annual Conference. Registration fees totaling \$895.00 were waived.

During April 29-30, 2025, Chief Mortgage Examiner Ellena Meier attended a strategic planning meeting of the American Association of Residential Mortgage Regulators (AARMR). Travel expenses of \$340.48 were reimbursed by AARMR.

### **f) Legislative Activities**

The last day of the 89th Legislature, Regular Session (sine die) was June 2, 2025. The last day for Governor Abbott to sign or veto bills passed during the 89th Regular Session is June 22, 2025.

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

### **Anticipated Litigation**

None

### **Pending Litigation**

None

## **SML Legislative Summary – 89th Legislature, Regular Session**

This is a summary of bills passed during the 89th Legislature, Regular Session that affect SML or its regulated industries. The summary includes a brief description of each bill, followed its status and its actual or potential effective date. The last day for the governor to sign or veto bills is June 22, 2025. If the governor does not sign or veto a bill, the bill will become law.

### **Bills Affecting SML's Regulated Industries**

#### **HB 1392 – Postponing the delinquency date for ad valorem property taxes if the office of the collector is closed on the delinquency date.**

Under current law, if the delinquency date for *ad valorem* property taxes falls on a day that is a Saturday, Sunday, or legal state or national holiday, the delinquency date is extended to the following day that is not a Saturday, Sunday, or legal state or national holiday. The bill provides that, if the delinquency date falls on a day on which the collector for the taxing unit is otherwise closed, the delinquency date is extended to the next day that is not a Saturday, Sunday, legal state or national holiday, or a date on which the collector for the taxing unit is closed.

*Signed by the governor. Effective January 1, 2026.*

#### **HB 1902 – Creating the criminal offense of jugging.**

The bill creates the criminal offense of jugging. A person commits an offense if, with the intent to commit theft of another person's money, the person knowingly travels from a commercial business or financial institution on the same path or route as another person without substantially deviating from that path or route and is in possession of two or more criminal instruments (items designed, made, or adapted for use in the commission of an offense). The bill adopts by reference the definition of financial institution in Finance Code § 201.101, including Texas-chartered banks, savings banks, and savings associations. In the absence of another criminal offense, the offense is a state jail felony. If the person commits burglary of a vehicle, the jugging offense is a third-degree felony. If the person commits robbery, the jugging offense is a first-degree felony.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

#### **HB 2508 / HJR 133 – Creating a property tax exemption for the homestead of the surviving spouse of a veteran who died as a result of a qualifying condition or disease.**

Under current law, a veteran who is 100% disabled due to a service-connected disability is entitled to an exemption from *ad valorem* taxes of the total appraised value of the veteran's residence homestead, and the surviving spouse is entitled to the same exemption for which

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the veteran's exemption applied. The bill creates a similar exemption for the surviving spouse of a veteran who was not rated 100% disabled at the time of the veteran's death if the deceased veteran had a qualifying condition or disease that is presumed to be service-connected under the federal Sergeant First Class Heath Robinson Honor our Promise to Address Comprehensive Toxics Act of 2022 (Pub. L. No. 117-168; "PACT Act"), generally related to exposure to toxic chemicals during the Vietnam War, Gulf War, and Post-9/11 deployments (sometimes talked about as being relating to exposure from "burn pits"). The bill is contingent on voter approval of the constitutional amendments proposed by HJR 133.

*Has not been signed or vetoed by the governor. If approved, and if voters approve the constitutional amendments proposed by HJR 133, the bill will take effect on January 1, 2026.*

### **HB 4238 – Prohibiting the collection of consumer debt incurred as a result of identity theft.**

The bill prohibits a creditor or debt collector from attempting to collect consumer debt if the consumer provides a court order declaring the consumer a victim of identity theft. A creditor or debt collector with notice of the court order must cease efforts to collect the disputed debt within seven business days, must revise any past credit report information, and may not sell or transfer the debt. A creditor may enforce a security interest in collateral securing the debt, but may not attempt to collect any deficiency from the consumer. The bill allows a creditor or debt collector to file a lawsuit against the perpetrator of the identity theft to collect the debt. The statute does not apply to consumer debt that is a home loan or the collection of a judgment already obtained.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **SB 4 / SJR 2 – Raising the homestead exemption from \$100,000 to \$140,000.**

The bill raises the homestead exemption from general school district property tax from \$100,000 to \$140,000 beginning on January 1, 2025. The bill provides additional state aid to school districts adversely impacted by the exemption, and changes how maximum compressed tax rates are calculated. The provisions of the bill raising the homestead exemption are contingent on voter approval of the constitutional amendments proposed by SJR 2.

*Has not been signed or vetoed by the governor. If approved, the bill will take immediate effect; however, the provisions of the bill related to increasing the homestead exemption are contingent on voter approval of the constitutional amendments proposed by SJR 2.*

### **SB 15 – Prohibiting certain municipalities from regulating residential lots.**

The bill prohibits certain municipalities from adopting or enforcing an ordinance, rule, or other measure requiring residential lots to have certain attributes seen as limiting density and inhibiting the supply of available housing, thereby increasing housing costs for Texans. The bill applies to municipalities with a population of more than 150,000 located wholly or partly in a county with a population more than 300,000 but does not apply to areas within one mile

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of a campus of the perimeter of a law enforcement training center located in a county that has a population of 2,600,000 or more, within 3,000 feet of an airport or military base, or within 15,000 feet of the boundary of a military base if the area is designated as a military airport overlay zone. The bill applies to areas of five acres or more that are zoned for single-family homes and not already platted. The bill prohibits a municipality from adopting or enforcing an ordinance that requires residential lots to be larger than 1,400 square feet, wider than 20 feet, or deeper than 60 feet, or that otherwise results in a ratio of dwellings per acre of fewer than 31.1 units. The bill prohibits a municipality from adopting or enforcing an ordinance that requires a small lot (a residential lot 4,000 square feet or less) to have setbacks greater than 5 feet, covered parking, more than one parking space, off-site parking, more than 30% open space or permeable surface (unless the property is located in an aquifer recharge zone and the restriction relates to protection of the aquifer), fewer than three stories not exceeding 10 feet, a maximum building bulk, a wall articulation requirement, or any other zoning restriction that is inconsistent with the statutory prohibition.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **SB 17 – Prohibiting the foreign ownership of land by certain persons.**

The bill prohibits foreign ownership of real property by persons affiliated with countries listed by the U.S. Director of National Intelligence as a national security risk in at least one of the last three Annual Threat Assessments issued under the National Security Act. For 2025, that assessment included China, Iran, North Korea, and Russia. The governor, after consultation with the Director of the Department of Public Safety, may designate a country, transnational criminal organization, or other entity as being subject to the prohibitions under the statute. The bill does not apply to individuals who are U.S. citizens or permanent residents, organizations owned and controlled by those persons that are not otherwise affiliated, and leasehold interests less than one year. The bill empowers the attorney general to investigate violations of the statute and file suit to pursue civil penalties of \$250,000 or 50% of the market value of the interest in real property, whichever is greater, and to put the property into receivership and sold. The proceeds from the sale are first used to satisfy any indebtedness, then the attorney general's costs, with the remainder distributed to the owner of the property. The bill creates a criminal offense for an individual that intentionally or knowingly purchases an interest in real property in violation of the statute. The offense is a state jail felony.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **SB 38 – Streamlining and expediting the eviction process.**

The bill is designed to streamline and expedite the eviction process to combat "squatting." The bill provides that an eviction suit must be brought in the justice court precinct where the real property is located. The justice court must adjudicate the right of actual possession to the premises, cannot adjudicate title to the property, and counterclaims and the joinder of suits against third parties are prohibited. The court may not adopt local rules, forms, or standing orders that require the petition to have additional content other than that in the Texas Rules of Civil Procedure (TRCP), require any mediation, pretrial conference, or other



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proceeding before trial, or authorize the dismissal of the petition on the basis that the petition is improper if it meets the requirements of the TRCP or can be amended to comply with those requirements. The bill prohibits courts from modifying the procedural requirements of the statute except by the Texas Supreme Court in connection with a declared disaster. The bill requires the plaintiff to file a sworn petition. The bill requires the sheriff or constable to make a diligent effort to serve the citation within five business days after the date the petition is filed. The bill requires the justice court to hold a trial not earlier than 10 days and not later than 21 days after the date the petition is filed, provided the tenant is served with the petition at least three days before trial. In an eviction alleging forcible entry and detainer, the landlord's petition may include a sworn motion for summary disposition. If the motion shows there are no genuinely disputed facts, the court may enter judgment in favor of the landlord unless the tenant files a response within three days after the date they are served with the petition that raises genuinely disputed facts that would prevent judgment. A tenant appealing the judgment in county court must file a bond, cash deposit, or statement of inability of costs within four days after the date the judgment is signed and must affirm under penalty of perjury the tenant's good faith belief that the tenant has a meritorious defense and that the appeal is not for the purpose of delay. If the judgment is appealed, the justice court must forward its records to the county court not earlier than six days and not later than 10 days after the date the tenant files the appeal. The county court must hold a trial within 20 days after the date the justice court's records are received by the county court.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **SB 372 – Clarifying who may act as a trustee to effect a sale under a deed of trust.**

The bill clarifies and eliminates any ambiguity under existing law concerning who may act as a trustee to effect a sale under a deed of trust by defining "trustee" and "substitute trustee" to include "an individual, corporation, organization, government or governmental subdivision or agency, business trust, estate, trust, partnership, association, or other legal entity."

*On May 19, 2025, the bill was signed by the governor and became effective on that date.*

### **SB 647 – Recording requirements for instruments purporting to convey an interest in real or personal property.**

The bill revises statutory requirements concerning the action that a court clerk, district clerk, county clerk, or municipal clerk must take if they have a reasonable basis to believe in good faith that a document or instrument filed or recorded or offered for filing or recording is fraudulent. Under current law, if a clerk has a reasonable basis to believe in good faith that a document or instrument is fraudulent, the clerk must send written notice to the person named in the document or instrument as the obligor or debtor and any person named as owning any interest in the real or personal property. Under current law, a document is presumed to be fraudulent if, among other things, the document is not created by implied or express consent or agreement of the obligor, debtor, or the owner of the real or personal property. Under current law, if the clerk has a reasonable basis to believe in good faith that a document or instrument is fraudulent, the clerk must request additional documentation from the prospective filler and seek the assistance of the county or district attorney to determine

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whether the document or instrument is fraudulent. Under current law, if a county or district determines that the document or instrument is fraudulent, the statute does not prescribe any action for the clerk to take. The bill amends the statutory provisions concerning the persons to whom notice must be sent to include the grantor and any person named as the grantee or named as a person owning or acquiring any interest in the real or personal property, and provides that the notice must be sent to the last known owner of the property if that owner's address is different from the address of the grantor, obligor, or debtor named in the document or instrument. The bill expands the grounds on which a document or instrument is presumed to be fraudulent to include a document or instrument that is not created by implied or express consent or agreement of the grantor, obligor, debtor, or the owner of the real or personal property. Under the bill, a document or instrument is presumed not to be fraudulent if the prospective filer provides supporting documentation at the time of filing or the prospective filer is a person engaged solely in the business of providing closing, settlement, or other transactional services in connection with the transfer of the real property, including an attorney, title agent, title company, or escrow company. The bill provides express authority for a clerk to refuse to file or record the document or instrument if the prospective filer does not provide additional documentation to support the filing or the district or county attorney determines that the document or instrument is fraudulent. A county clerk who, in good faith, files or records or refuses to file or record a document or instrument is immune from liability, and a county commissioners court may not discipline, penalize, or otherwise take an adverse employment action against the clerk.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **SB 693 – Creating a criminal offense for the use of a notary seal or counterfeit seal on a fraudulent document or instrument.**

The bill creates a criminal offense for a notary public who performs any notarization with knowledge that the signer, grantor, maker, or principal for whom the notarization is performed did not personally appear before the notary public at the time the notarization is executed. The offense is a Class A misdemeanor but is elevated to a state jail felony if the notarized document involves the transfer of real property or any interest in real property. The bill creates an affirmative defense for a notary public who is presented an apparently valid proof of identification identifying the person as the signer, grantor, maker, or principal. The bill requires notaries public to take education coursework to qualify for the appointment and continuing education for reappointment. The education requirements apply to an application made on or after January 1, 2026.

*Signed by the governor. Effective September 1, 2025.*

### **SB 1281 – Relating to mail theft and creating the criminal offense of unlawful conduct involving a mail receptacle key or lock.**

The bill amends provisions of the Penal Code related to theft offenses involving mail theft and creates the criminal offense of unlawful conduct involving a mail receptacle key or lock. With respect to mail theft, under current law, a person commits an offense if the person intentionally appropriates mail from another person's mailbox or premises without the

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effective consent of the addressee and with the intent to deprive that addressee of the mail. The bill amends the definition of mail to include mail that is in transit and removes the requirement that an actor appropriate mail from another person's mailbox or premises. Under the bill, a person commits an offense if the person appropriates mail with the intent to deprive the addressee of the mail or to steal a negotiable instrument. The bill creates a rebuttable presumption that a person appropriated mail without the effective consent of the addressee and with the intent to deprive the addressee of the mail if the actor possesses mail from five or more addressees. If an actor possesses mail containing five or more negotiable instruments, a rebuttable presumption exists that the actor appropriated the mail without the effective consent of the addressees and with the intent to steal negotiable instruments, and the offense is deemed to have been committed with the intent to facilitate fraud under Chapter 32 of the Penal Code. The rebuttable presumptions do not apply to a business or other commercial entity or governmental agency engaged in a business activity or governmental function. If the actor is determined to have appropriated mail containing a negotiable instrument and the actor committed the offense with the intent to facilitate fraud, the offense is a felony and the degree is determined based on the number of negotiable instruments appropriated: five or fewer is a state jail felony; more than five but less than 10 is a third degree felony; 10 or more but fewer than 50 is a second degree felony, and 50 or more is a first degree felony. The bill also creates the criminal offense of unlawful conduct involving a mail receptacle key or lock. A person commits an offense if, with the intent to harm or defraud another person of that person's property, the person obtains, possesses, duplicates, transfers, or uses a key or lock adopted by a postal service for any box or other authorized receptacle for deposit or delivery of mail. Postal service is defined to include any commercial courier that delivers mail. An offense is a third-degree felony. If the offender is a repeat offender, the offense is a second-degree felony.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

**SB 1333 – Using the sheriff or constable to remove unauthorized occupants of real property, changing the penalties for criminal mischief related to a habitation, creating the criminal offense of false, fraudulent, or fictitious document conveying real property interest, and creating the criminal offense of fraudulent sale, rental, or lease of residential real property.**

The bill allows the owner of real property to request that a sheriff or constable where the property is located immediately remove a person if: the property was not open to the public and is not the subject of pending litigation; the owner has directed the person to leave; and the person is not a current or former tenant under a lease or an immediate family member of the owner. The bill allows a person wrongfully removed to bring a civil action seeking damages, exemplary damages for three times the market rent of the dwelling, court costs, and reasonable attorneys fees. The bill amends the Penal Code provisions related to criminal mischief to make it a second-degree felony for an actor to cause a financial loss of more than \$1,000 but less than \$300,000 if the offense was in connection with a habitation and the actor is shown to have committed criminal trespass. The bill creates the criminal offense of false, fraudulent, or fictitious document. A person commits an offense if, with intent to enter or remain on real property, the person knowingly presents to another person a false, fraudulent, or fictitious document purporting to be a lease agreement, deed, or other instrument

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conveying real property or in interest in real property. The offense is a Class A misdemeanor. The bill creates an offense of fraudulent sale, rental, or lease of residential real property. A person commits an offense if the person knowingly lists or advertises for sale, rent or lease residential real property while knowing that the person offering to sell, rent, or lease the property does not have legal title or authority to sell, rent, or lease the property, or sells rents, or leases to another person residential real property to which the person does not have legal title or authority to self, rent or lease. The offense is a first-degree felony. The bill creates an exception from the offense of fraudulent sale, rental, or lease of residential real property if the person participated in the transaction as a lender, a title company, or a broker or real estate sales agent, or any employee or agent of a lender, title company, or real estate broker or sales agent and did not know that another person involved in the transaction did not have legal title or authority to sell, rent, or lease the property.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **SB 1335 – Clarifying proper evidence of letters testamentary and requiring the cancellation of letters testamentary.**

Under current law, letters testamentary or of administration or a certificate of the clerk of the court that granted the letters indicating that the letters have been granted is deemed sufficient evidence of the appointment and qualification of the personal representative of an estate. This has led to ambiguity as to whether a certificate of the court alone suffices to establish the personal representative's authority. The bill clarifies that letters testamentary or of administration issued under the court's seal by the clerk of the court that granted the letters are deemed to be sufficient evidence of the appointment and qualification of the personal representative of an estate. Under current law, when the personal representative of an estate has fully administered the estate, they may be discharged; however, the statute is silent as to the effect the discharge has on letters testamentary or of administration previously issued. The bill provides that, if the personal representative is discharged, the court must cancel the letters testamentary or of administration previously issued to the personal representative.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **SB 1499 – Enabling the Financial Crimes Intelligence Center to pursue other forms of payment fraud, including check fraud.**

The 87th Legislature established the Financial Crimes Intelligence Center (FCIC) to coordinate law enforcement efforts in the detection, prevention, and response to crimes involving credit card or debit card fraud. The FCIC has sought to expand its role in coordinating the investigation of financial crimes and fraud, but its enabling statute has limited its authority to do so. The bill transfers the enabling statute relating to the FCIC from the Occupations Code to the Government Code. The bill expands the FCIC's statutory authority by replacing references to card fraud with payment fraud, defined as conduct constituting card fraud or check fraud, sending an unauthorized payment order, initiating an electronic fund transfer without the consent of the account holder, or any other act involving a fraudulent

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order for payment of money, and gives the Texas Commission of Licensing and Regulation (the FCIC's oversight body) rulemaking authority to further define payment fraud by rule.

*Signed by the governor. Effective September 1, 2025.*

**SB 1734 – Creating a legal process to challenge fraudulent conveyances of real property filed in the real property records.**

As discussed above in connection with SB 647, if a clerk has a reasonable basis to believe in good faith that a document or instrument is fraudulent, under SB 647, the clerk may refuse to file the document or instrument. The bill expands the grounds on which a document or instrument is presumed to be fraudulent to include a document or instrument that purports to convey real property, if the person filing document or instrument has been convicted of an offense under Penal Code Title 7 (Offenses Against Property) or Title 8 (Offenses Against Public Administration) for conduct with respect to the document or instrument, or the document or instrument is the subject of an owner's affidavit described below. For an alleged fraudulent document or instrument already filed in the real property records that purports to convey real property, the bill allows an owner of real property to file an owner's affidavit in the real property records to challenge the document or instrument. The owner's affidavit must be accompanied by a certificate of mailing certifying that notice was sent by the property owner to the grantor and grantee listed in the alleged fraudulent document or instrument. The form for the owner's affidavit and certificate of mailing are prescribed by the statute. Upon filing the owner's affidavit and certificate of mailing, the grantor or grantee of the purported conveyance has 120 days to file a controverting affidavit. If the grantor or grantee fails to file a controverting affidavit, the property owner may file a sworn petition in a district court where the document or instrument is recorded seeking a judicial determination on the fraudulent conveyance. A petition may also be filed on the grounds that the fraudulent conveyance was filed by a person who was convicted of a criminal offense in connection with the document or instrument, as described above. The petition must include a copy of the document or instrument at issue and documentary evidence of a person's conviction of a criminal offense in connection with the document or instrument, or the uncontroverted owner's affidavit, as applicable. A district court judge may rule on the petition based solely on the petition and attached documentary evidence, and any relevant public records, without hearing any testimonial evidence. The court's review may be made *ex parte*, without delay or notice of any kind. After reviewing the petition and the attached documentary evidence, the district court judge must enter an appropriate finding of fact and conclusion of law, which must be filed in the real property records. If the proceeding is appealed, the appellate court must perform an expedited review. The statute prescribes a form for the petition and the district judge's finding of fact and conclusion of law. The bill provides that a bona fide purchaser or a mortgagee for value or their successor or assign may rely conclusively on a determination in a district court's finding of fact and conclusion of law recorded in the real property records that a document or instrument does not convey title to or an interest in the real property described in the document or instrument.

*Signed by the governor. Effective September 1, 2025.*

**SB 2173 – Relating to the effect of a tax certificate accompanying a transfer of certain real property.**



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Under current law, a person may obtain a certificate from the tax assessor collector showing the amount of any delinquent taxes, penalties, interest, and any known costs and expenses for each taxing unit for which the collector collects the tax. If a person transfers property accompanied by a tax certificate that erroneously fails to include any taxes, the taxing unit's lien on the property is extinguished, and the purchaser is absolved from liability; however, the previous owner remains personally liable. The bill clarifies that a purchaser of real property is absolved from liability in connection with a residence homestead exemption that was erroneously allowed (in other words, taxes retroactively assessed based on a disallowed homestead exemption may not be collected from the purchaser of the real property). The bill creates an exception for parties that knew or should have known of the erroneous homestead exemption where the tax lien is not extinguished if the transfer is between two individuals who are related within the first degree by consanguinity or affinity, an employer and employee, a parent company and a subsidiary of that company, or a trust and a beneficiary of the trust.

*Signed by the governor. Effective September 1, 2025.*

### **SB 2221 – Challenging fraudulent UCC financing statements in secured transactions.**

Current law prohibits the filing of fraudulent UCC financing statements and allows a person to file suit to seek a judicial determination and recover the greater of \$5,000 or their actual damages, plus reasonable attorneys' fees and costs of court. The bill increases the minimum damages to \$10,000. The bill provides a lower-cost option to contest fraudulent filings by allowing a person identified as a debtor in a financing statement, after giving notice to the person that filed the financing statement of at least 5 days but not more than 30 days, to file an affidavit contesting the financing statement. When the affidavit is filed, the filing office must promptly file a termination statement terminating the financing statement. The termination statement is effective 30 days after it is filed. The person that filed the financing statement then has 90 days to file suit to seek a judicial determination. The suit must be brought in the county where the financing statement was filed. If the suit is successful, the financing statement is reinstated and relates back to the date of initial filing. To combat bad actors taking advantage of this process to challenge lawful filings, the statute provides that an affidavit contesting a filing is not effective with respect to a financing statement filed by or on behalf of a regulated lending institution, defined as "an entity in the business of extending credit or acquiring, purchasing, selling, brokering, or serving loans or other extensions of credit including a bank, savings bank, savings association, credit union, consumer finance company, industrial bank, industrial loan company, or leasing company that: (1) is subject to licensure, regulatory oversight, or examination by a state or federal agency; and (2) is operating as a regulated lending institution as of the date on which a financing statement is filed." To avail itself of these provisions of the statute, a regulated lending institution must notify the filing office that it qualifies as a regulated lending institution within 90 days after the filing of the termination statement is issued. On timely receipt of the notice, the termination statement immediately becomes ineffective, and the filing office must promptly file an amendment to the financing statement indicating that the financing statement has been reinstated.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

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### **SB 2371 – Expanding the authority of the Financial Crimes Intelligence Center to investigate electronic payment skimmers.**

As discussed above in connection with SB 1499, the 87th Legislature established the Financial Crimes Intelligence Center (FCIC) to coordinate law enforcement efforts in the detection, prevention, and response to crimes involving credit card or debit card fraud, including card skimmers. The bill expands the authority of the FCIC to include more payment systems affected by electronic skimmers, including ATMs, point-of-sale terminals, and virtual currency kiosks. The bill requires a technician or service company that discovers a skimmer to notify the FCIC, disable the terminal affected by the skimmer, notify law enforcement, and protect the terminal from tampering until the FCIC or law enforcement investigates. Until the investigation is finally resolved, all information about the reported skimmer and the investigation is confidential. However, the information may be disclosed to a public institution of higher education, law enforcement, a payment card issuer, a financial institution, or a payment card network affected by the terminal, trade associations representing a financial institution, an FCIC contractor or agent, or the Department of Banking. The bill empowers the attorney general to file suit in a district court in Travis County against a person who violates the statute to obtain injunctive relief and authorizes a civil penalty of \$5,000 per day plus reasonable expenses. The bill creates criminal offenses for violations of the statute. Refusing to allow inspection of a terminal is a Class C misdemeanor, negligently or recklessly disposing of a skimmer is a Class B misdemeanor, and disposing of a skimmer with knowledge that an investigation is ongoing or that a criminal proceeding is pending is a third-degree felony.

*On May 27, 2025, the bill was signed by the governor and became effective on that date.*

### **SB 2477 – Streamlining the conversion of office buildings to residential occupancy.**

The bill prohibits certain municipalities from imposing certain conditions when a person seeks to convert a building primarily used for office use to residential use. The bill is designed to streamline the conversion of such buildings in order to increase housing supply and thereby reduce housing costs for Texans. The bill applies to municipalities with a population of more than 150,000 located wholly or partly in a county with a population more than 300,000. The bill applies to buildings primarily used for office use that are proposed to be converted to mixed-use residential or multifamily residential occupancy for at least 65% of the building and at least 65% of each floor of the building that is fit for occupancy and that were constructed at least five years before the proposed date to start the conversion. The bill does not apply in an area zoned for heavy industrial use, or areas within 1,000 feet of an existing heavy industrial use site, within 3,000 feet of an airport or military base, or within 15,000 feet of a military base designated by a municipality or joint airport zoning board as a clear zone or accident potential zone supporting military operations. The bill prohibits a municipality from requiring, among other things, the preparation of a traffic impact analysis, the construction of improvements or payment of a fee in connection with mitigating traffic effects, the provision of additional parking, the extension, upgrade, replacement, or oversizing of a utility facility except as needed service the building for residential use, density limits more restrictive than the greater of the highest density allowed in the municipality or 36 units per acre, design requirements more restrictive than the minimum standard under the International Building Code version adopted by the municipality, the change of a zoning district or land use

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classification prior to conversion of the building, a floor-to-area ratio less than the greater of 120% of the existing ratio, or the highest floor-to-area ratio allowed for building on the site, or a limit on impervious cover less than the existing requirements for the building. A municipality is prohibited from imposing impact fees unless the land on which the building is located was already subject to an impact fee before a building permit for conversion was filed, and if the impact fee is related to water and wastewater facilities, the conversion increases demand for water and wastewater service for the building. The bill provides that if a municipality determines that the proposed conversion meets the municipality's regulations in accordance with the statute, the municipality must approve the building permit and may not require further action by the governing body of the municipality for the approval to take effect. The bill authorizes a housing organization or other person adversely affected by a violation of the statute to bring a civil action for declaratory or injunctive relief and recover their reasonable attorney's fees and court costs. The suit must be brought in the county where the real property is located. The Fifteenth Court of Appeals has exclusive jurisdiction over any appeal brought.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **SB 2610 – Creating a “safe harbor” from civil liability for cybersecurity breaches for business entities with fewer than 250 employees.**

The bill applies to business entities with fewer than 250 employees that own or license computerized data that includes sensitive personal information. The bill creates a safe harbor and shields a business entity from exemplary damages related to a cybersecurity breach if, at the time of the breach, the business entity had a cybersecurity program in place that conformed to industry-recognized standards and complied with applicable federal law. Requirements for the cybersecurity program are tiered based on the number of people employed by the business entity.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **Bills Affecting SML's Operations**

### **HB 12 – Altering the review process of the Sunset Advisory Commission and requiring efficiency audits by the State Auditor's Office.**

The bill alters the process by which state agencies are reviewed by the Sunset Advisory Commission (commission). The bill provides that the commission must provide information to the public on how the public may participate in the review process and solicit input from parties interested in a state agency's operations. The bill provides that a state agency being reviewed must post a notice on the state agency's website informing the public of the review. The bill provides that, if the state agency being reviewed is a regulatory agency (an agency in the executive branch with statewide authority to deny, grant, renew, revoke, or suspend a license, certification or other authorization to engage in an activity), the state agency must notify each person licensed, certified, or otherwise authorized by the regulatory agency of the public hearing required by Government Code § 325.009 concerning the state agency's review by the commission, and to solicit input from those persons regarding the regulatory agency's



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performance. The bill alters the requirements for the report issued by the commission concerning a state agency's performance to require an evaluation of the agency's performance measures and related targets, including whether the targets are aligned with the mission, goals, and objectives of the agency, and whether the targets are appropriate for assessing the agency's achievement of its goals. If the state agency being reviewed is a regulatory agency, the report must include an analysis of the regulatory agency's performance during the preceding 10 years or since the last review of the agency, whichever is longer, based on the agency's performance measures and related targets. In its report, the commission is required, after consulting with the Legislative Budget Board, to make recommendations to improve the agency's key performance measures through the addition, amendment, or removal of the performance measures and related targets. The bill provides that the commission's recommendations in its report may include a limited review of the regulatory agency to be conducted prior to the regulatory agency's next review. If the commission's recommendations in its report include any identified deficiencies or recommendations for improvement in the regulatory agency's rulemaking process, the commission must recommend that a limited review be conducted. If the commission recommends a limited review, the legislature must include the recommendation in any legislation that renews the agency beyond its date of abolition. The bill sets forth the parameters for a limited review, including an assessment of the regulatory agency's rulemaking process and the extent to which the regulatory agency has encouraged participation by the public in making its rules and decisions and the extent to which the public participation has resulted in rules that benefit the public, the extent to which the regulatory agency adopts and enforces rules relating to potential conflicts of interest of its employees, an assessment of the regulatory agency's efforts to identify rules that are unnecessary, ineffective, or inefficient, and commission recommendations adopted by the legislature in the legislation that extends the state agency beyond its abolition date, including any rulemaking-related recommendations. If a limited review occurs, the state agency must report to the commission its progress on addressing the recommendations not later than September 1 of the odd-numbered year specified by the legislature in renewing the agency, and the commission must issue its limited review report by January 1 of the odd-numbered year after the date the state agency's progress report is due. The bill requires the State Auditor's Office (SAO) to conduct efficiency audits of state agencies to evaluate an agency's economy, efficiency, and effectiveness of operations, including: determining whether a state agency is managing or using its resources, including state money, personnel, property, equipment, and space, in an economical and efficient manner; identifying causes of inefficiencies or uneconomical practices, including inadequacies in management information systems, internal administrative procedures, organizational structure, use of resources, allocation of personnel, purchasing, agency policies, and equipment; determining whether financial, program, and statistical reports of a state agency contain useful data and are fairly presented; determining whether the objectives and intended benefits of the agency's program are being achieved efficiently and effectively; and determining whether an agency's program duplicates, overlaps, or conflicts with another state program. A state agency must undergo an SAO efficiency audit during the two-year period beginning September 1 of the year that is four years before the date of the agency's abolition date. The bill provides that the SAO may conduct the efficiency audit or contract with an external auditor to conduct the audit. The scope of the efficiency audit is determined by the SAO in cooperation with the Legislative Budget Board. At a minimum, the efficiency audit must: examine state resources, including financial resources, staff, personal property, real property, and technology to determine

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whether those resources are used effectively and efficiently to achieve the desired outcome for a state agency's program beneficiaries and are used for the purposes other than the intended goals of the audited program; identify and make recommendations for cost savings and reallocation of resources to improve the effectiveness of the audited programs; identify and make recommendations for cost savings and reallocation of resources to improve the effectiveness of audited programs; and identify opportunities for improving services through consolidation, outsourcing, and elimination of duplicative efforts. The SAO must report the results of the efficiency audit by November 1 of the year the audit is conducted, and submit the report to the commission, the governor, the lieutenant governor, the speaker of the house, the legislative audit committee, and the chairs of the standing committees of each house of the legislature with primary jurisdiction over the agency. The report concerning the efficiency audit must be published on the website of the SAO and the state agency. Within 90 days after the date of receiving the report, the administrative head of the agency must deliver a plan for implementing the recommendations to the commission, the lieutenant governor, the speaker of the house of representatives, the legislative audit committee, and the chairs of the standing committees of each house of the legislature with primary jurisdiction over the agency. The implementation plan must include a reasoned justification for any recommendation the agency declines to implement. By January 1, 2026, the SAO must adopt a schedule for conducting effectiveness audits of state agencies subject to the requirement.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **HB 34 – Relating to prohibiting the investment of state money in certain countries and in certain private business entities in those countries.**

The bill prohibits the investment of state money in certain countries (referred to in the bill as countries of concern) and certain companies affiliated with those countries (referred to in the bill as scrutinized companies). Prohibited countries include China, Iran, North Korea, and Russia, or another country designated by the governor after consultation with the director of the Department of Public Safety.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **HB 132 – Relating to the confidentiality of information used to prevent, detect, respond to, or investigate a hostile act of a foreign adversary of the United States.**

The bill makes the information of a governmental entity confidential if the information relates to preventing, detecting, responding to, or investigating a hostile act by a foreign adversary of the United States.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect immediately.*

### **HB 149 – Use of artificial intelligence systems by governmental agencies and financial institutions.**

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The bill provides that the statute may be referred to as the Texas Responsible Artificial Intelligence Governance Act. The bill requires a governmental agency that makes an artificial intelligence system available to interact with consumers to provide a disclosure to the consumer. The bill prohibits the gathering of biometric data by a governmental entity. The bill prohibits financial institutions from using an AI system to discriminate against a protected class. A federally insured financial institution is considered to be in compliance with the statute of the institution complies with all federal and state banking laws and regulations. The bill empowers the attorney general to enforce the chapter including a civil penalty and injunctive relief. The bill empowers a state agency that is a licensing authority to impose sanctions against a person that violates the statute if the attorney general has recommended additional enforcement by the agency.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on January 1, 2026.*

### **HB 150 – Creating the Texas Cyber Command**

The bill creates the Texas Cyber Command (command) attached to the University of Texas System and located in San Antonio, Texas, responsible for: providing leadership, guidance, and tools to enhance cybersecurity defenses; facilitating education and training of a cybersecurity workforce; monitoring and coordinating cyber threat intelligence and information systems to detect and warn entities of cyber attacks, identifying cyber threats to critical infrastructure and state systems, planning and executing cybersecurity incident responses, and conducting digital forensics of cybersecurity incidents to support law enforcement and attribute the incidents; creating partnerships needed to effectively carry out the command's functions; and receiving all cybersecurity incident reports from state agencies and covered entities. The command is charged with: promoting public awareness of cybersecurity issues; developing cybersecurity best practices and minimum standards for governmental entities; developing and providing training to state agencies and covered agencies and covered entities on cybersecurity measures and awareness; administering a threat intelligence center; providing support to state agencies and covered entities experiencing a cybersecurity incident (including loaning resources to state agencies to promote continuity of operations while the agency or entity restores systems affected by a cybersecurity incident); administering a digital forensics laboratory; administering a statewide portal for enterprise cybersecurity threat, risk, and incident management, and operating a cybersecurity hotline for state agencies and covered entities; collaborating with law enforcement agencies to provide training and support related to cybersecurity incidents; serving as a clearinghouse for information relating to all aspects of protecting the cybersecurity of governmental entities; collaborating with the Department of Information Resources to ensure information resources and information resources technologies meet cybersecurity standards adopted by the command; offering cybersecurity resources to state agencies; adopting policies to ensure state agencies implement sufficient cybersecurity measures to defend information resources, information resources technologies, and sensitive personal information maintained by the agencies; and collaborating with federal agencies to protect against, respond to, and recover from cybersecurity incidents. The command must establish and periodically assess mandatory cybersecurity training that must be completed by all information resources employees of state agencies. By October 1 of each even-numbered year, the command must submit a report to the Legislative Budget Board that

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prioritizes state agency cybersecurity projects. State agencies must coordinate with the command to facilitate the report.

*Signed by the governor. Effective September 1, 2025.*

### **HB 229 – Adopting statutory definitions for biological sex and the collection of governmental information regarding biological sex.**

The bill amends the Code Construction Act to add general definitions for “boy,” “father,” “female,” “woman,” “girl,” “male,” “mother,” and “sex.” The bill provides that a governmental entity that collects vital statistics information that identifies the sex of an individual for the purpose of complying with antidiscrimination laws or for the purpose of gathering public health, crime, economic, or other data must identify each individual as either male or female.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **HB 1393 – Observing Daylight Savings Time year-round.**

The bill provides that Texas will observe daylight savings time year-round. Under current federal law, states may opt out of daylight savings time but are prohibited from observing daylight savings time year-round due to federal preemption. Effectiveness of the bill is therefore contingent on a change in federal law that allows the bill to become effective (sometimes referred to as a “trigger law”).

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025, or the effective date of the change in federal law that allows the bill to become effective, whichever is later.*

### **HB 2520 – Agenda requirements for open meetings.**

The bill provides that notice of an open meeting posted by a governmental body must include an agenda for the meeting that is sufficiently specific to inform the public of each subject to be considered in the open portion of the meeting, including any matter that is special or unusual or in which the public may have a particular interest, and that describes any subject to be considered in the closed portion of the meeting, if applicable.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **HB 2818 – Creating the artificial intelligence division within the Department of Information Resources.**

The bill creates the artificial intelligence division within the Department of Information Resources (DIR). The division is charged with assisting state agencies and other entities that use DIR’s services in the implementation of generative artificial intelligence technology for projects to modernize or replace legacy systems, and other projects appropriate for the use of generative artificial intelligence technology as determined by DIR. The bill allows DIR to

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contract with a vendor to provide generative artificial intelligence services, provided DIR completes the majority of the work.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **HB 3112 – Open meeting requirements and the confidentiality of government information related to cybersecurity measures under the public information law.**

With respect to open meetings, the bill provides that the open meetings law does not require a governmental body to conduct an open meeting to deliberate a cybersecurity measure, policy, or contract solely intended to protect a critical infrastructure facility located in the jurisdiction of the governmental body. With respect to public information, the bill excepts from disclosure certain information relating to cybersecurity, including: a cybersecurity measure, policy, or contract solely intended to protect a critical infrastructure facility located in the jurisdiction of the governmental body; coverage limits and deductible amounts for insurance or other risk mitigation coverages acquired for the protection of information technology systems, critical infrastructure, operational technology systems, or data of a governmental body or the amount of money set aside by a governmental body to self-insure against those risks; cybersecurity incident information reported pursuant to state law, and network schematics, hardware and software configurations, or encryption information or information that identifies the detection, investigation, or response practices for suspected or confirmed cybersecurity incidents if the disclosure of such information would facilitate unauthorized access to data or information, whether physical or virtual, or information technology resources, including a governmental body's existing or proposed information technology system.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect immediately.*

### **HB 3512 – Artificial intelligence training for state agency employees.**

The bill requires state agency employees that use a computer for 25% or more of the employee's job duties to complete an artificial intelligence training on annual basis. The bill charges the Department of Information Resources (DIR) with reviewing and certifying providers to provide the training. DIR is charged with adopting rules necessary to implement the statute as soon as practicable.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **HB 3923 – Expanding state employment opportunities for individuals who do not hold a bachelor's degree.**

The bill requires the State Auditor's Office classification officer to identify state agency positions for which the education, experience, and training requirements could be reduced to increase the number of qualified applicants, reduce the number of state agency positions requiring an employee to hold a bachelor's degree, and evaluate ways to expand career



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advancement opportunities for state agency employees who do not hold a bachelor's degree. The bill requires the classification officer to report the information to the governor's budget office and the Legislative Budget Board.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **HB 4214 – Designation of addresses for public information requests.**

The bill requires that by October 1 of each year, a governmental body must notify the office of the attorney general of the mailing address and electronic mailing address designated by the governmental body for receiving public information requests. The attorney general's office is charged with maintaining a database of the addresses on its website.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect immediately.*

### **HB 4219 – Responding to public information requests.**

The bill requires a governmental body that does not have information responsive to a public information request (PIR) to notify the requestor within 10 business days. If a PIR is subject to a previous determination that permits or requires the governmental body to withhold the information, the governmental body must notify the requestor as such within 10 business days. The bill clarifies that, when making a request for a decision, the governmental body must state the specific exceptions that apply. If a governmental body fails to respond to a requestor within the required time period, the requestor may send a written complaint to the office of the attorney general. If the office of the attorney general finds the governmental body failed to timely respond, the governmental body's public information officer or their designee must take supplemental training, the governmental body must request an attorney general decision within 5 business days, and the governmental body must release the information unless there is a compelling reason to withhold the information.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **HB 4310 – Creating a special right of access under the public information law for a member of a governing board.**

The bill provides a member of a governing board of a governmental body with a special right of access to inspect and duplicate public information maintained by the governmental body when acting in the member's official capacity. The governmental body may require the member of the governing board to sign a confidentiality agreement. Disputes regarding the confidentiality of information and the necessity of a confidentiality agreement are determined by the office of the attorney general. A member of a governing board may also seek a writ of mandamus from a district court having jurisdiction if the information is not provided.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

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### **HB 4748 – Allowing multiple awards of contracts with indefinite delivery and quantity terms.**

The bill allows the Comptroller of Public Accounts (comptroller) or a state agency to award a contract to more than one vendor for the purchase of similar goods or services as necessary to ensure adequate delivery, service, or product compatibility. The bill requires the comptroller or a state agency to prepare a written determination stating the comptroller's or agency's reasons for using the multiple award purchasing procedure and to retain the determination. If a state agency intends to use the procedure, it must state as such in the solicitation notice.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **HB 5129 – Prohibiting a state agency from disclosing the personal identifying information of an applicant for an occupational license without written consent.**

The bill prohibits a state agency from disclosing the personal identifying information of a person who submits information to the state agency for the purpose of obtaining an occupational license without the written consent of the person.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect immediately.*

### **HB 5195 – Relating to the modernization of state agency systems, including the improvement of online access to services and the reduction of paperwork requirements.**

The bill requires a state agency to assess its Internet website and online service portals to identify areas for improvement in user accessibility, navigation, and digital service efficiency. The bill requires the Department of Information resources (DIR) to provide guidance and technical assistance, including best practices for websites that feature a user-centered design, including web page templates and web design guidelines that provide a consistent look for state agency Internet websites and simplify user navigation. The bill authorizes DIR to establish a working group of state agency technology officers to develop the guidance and best practices. The bill requires DIR to provide a report to the legislature detailing the status of state agency digital modernization planning efforts. The bill requires each state agency to report to DIR and the Legislative Budget Board each biennium concerning the state agency's modernization efforts, and for DIR to compile the reports and submit them to the governor, lieutenant governor, and speaker of the house by December 1 of each odd-numbered year, with the first report due December 1, 2027.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **HB 5196 – Relating to telework for state employees.**

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The bill creates a clear statutory framework and specific parameters for state agencies to allow limited telework for employees. The bill provides that a state agency head may enter into an agreement with an employee authorizing telework to address a lack of available office space or to provide reasonable flexibility that enhances the agency's ability to achieve its mission. The agreement must be in writing, include the reasons telework is being authorized, state the terms under which the agreement may be revoked, and be renewed at least once each year after the employee begins telework. The agreement may be revoked by the state agency at any time and without notice. A state agency is prohibited from offering telework as a condition of employment. A state agency that authorizes telework must develop a plan that addresses the agency's telework policies and procedures. The plan must establish: criteria for evaluating the ability of an employee to satisfactorily perform the employee's job duties while teleworking; performance standards that ensure a teleworking employee maintains satisfactory performance; a system for monitoring the productivity of a teleworking employee that ensures that the employee's work remains satisfactory and that the employee's duties remain suitable for telework; and appropriate physical and information security controls at teleworking sites. The plan must ensure that a teleworking employee is subject to the same rules and disciplinary actions as any other agency employee and prohibit a teleworking employee from conducting in-person business at the employee's personal residence. The telework plan must be published on the state agency's website.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **HB 5331 – Relating to the enforceability of certain state agency contract language regarding required security incident notifications.**

Current law requires state agency and local government cyberattacks to be reported to the Department of Information Resources within 48 hours of discovery. However, some cybersecurity insurance policies contain clauses that restrict the disclosure of cybersecurity incidents, conflicting with state law. The bill clarifies that any language in a cybersecurity insurance contract that would hinder state agencies or local governments from reporting cyberattacks in accordance with state law is void and unenforceable.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect immediately.*

### **HB 5629 – Occupational licensing of military service members, military veterans, and military spouses.**

Under current law, a state agency that issues an occupational license must adopt rules for the issuance of the license to an applicant who is a military service member, military veteran, or military spouse that holds a current license in another jurisdiction that has licensing requirements that are substantially equivalent to those in Texas. Current law further provides that a military service member or military spouse has temporary authority to engage in the occupation if the individual notifies the state agency of their intent to practice the occupation in Texas, submits proof of the service member's or spouse's residency in Texas and a copy of the member's or spouse's military identification card, and receives confirmation from the state agency that the service member or spouse has temporary authority to engage in the



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occupation. The temporary authority lasts while the service member is stationed in Texas, not to exceed three years. Current Texas law further provides that a military service member, military veteran, or military spouse is entitled to expedited review and processing of their application for a license within 30 days. The bill amends the statute to require a state agency that issues an occupational license to issue a license to an applicant who is a military service member, military veteran, or military spouse if they hold a current license issued by another state that is similar in scope of practice to the license applied for and the individual is in good standing with that state's licensing authority. The bill further confers temporary authority for a military service member or military spouse to engage in the occupation if the individual first applies for the license, provides a copy of the service member's military orders showing relocation to Texas, and signs an affidavit attesting that the individual is in good standing in each state in which the applicant holds or has held a license, and attesting that the individual understands the scope of practice for the license and will not perform work outside of that scope of practice. The state agency has 10 business days from the date of the application to make a determination on whether temporary authority is authorized. An individual is in good standing with another's state's licensing authority if the applicant holds a license that is current, has not been suspended or revoked, and has not been voluntarily surrendered during an investigation for unprofessional conduct, has not been disciplined by the licensing authority for unprofessional conduct, and is not currently being investigated for unprofessional conduct. The bill requires a state agency, by rule, to identify the states that issue licenses that are similar in scope of practice to those issued by the agency. The bill shortens the time period for expedited review and processing of an application from 30 days to 10 days. The bill provides that a state agency that issues a license or recognizes an out-of-state license under the statute must maintain a record of each complaint made against a military service member, military veteran, or military spouse and publish information about each complaint against the individual on its website on a quarterly basis, including a general description of the disposition of each complaint. The bill requires state agencies to adopt, modify, or repeal rules to implement the statute as soon as practicable after the effective date. If approved, SML anticipates proposing rule amendments to 7 TAC § 55.110 (relating to Licensing of Military Service Members, Military Veterans, and Military Spouses) to implement the bill.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **SB 14 – Reforming the procedure by which state agencies adopt rules and impose regulatory requirements and the deference given to the interpretation of laws and rules by state agencies in certain judicial proceedings.**

The bill creates the Texas Regulatory Efficiency Office (TREO) within the office of the governor to: identify and expand opportunities for implementing efficiencies in the process by which state agencies adopt rules, the regulatory review process, and the processes by which contested cases are conducted; assist state agencies in identifying unnecessary and ineffective rules, the effect and cost to the state and regulated persons of the agencies' rules and proposed rules, and opportunities to repeal or amend rules to provide effective protection to the public with the least cost and inconvenience to regulated persons; coordinate with the secretary of state, the Department of Information Resources, and other state agencies in the secretary of state's efforts to improve public access to information regarding state agency rules, forms, and filings, and create an interactive Internet website for use by the public to

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search and obtain information regarding rules, forms, and filings applicable to specific regulated occupations, industries, professions, and activities; coordinate with state agencies to reduce rules or other regulatory requirements, including by eliminating unnecessary or ineffective rules or other regulatory requirements and reducing the inefficiencies resulting from rules or other regulatory requirements adopted by the agency by reducing required training hours while protecting the health and safety of the residents of Texas, reducing the number of forms a regulated person is required to complete, reducing the amount of information required by forms that a regulated person is required to complete, reducing the amount of or eliminating fees imposed by the rules, reducing the number of activities covered by the rules, or creating waivers for or exemptions from the rules under certain circumstances; and prepare and public written manuals, guides, or other required publications. The TREO is charged with publishing a regulatory economic analysis manual to establish best practices for state agencies to prepare the various reports, notes, and analyses required for rulemaking actions. The TREO is charged with publishing a regulatory reduction guide to assist state agencies with reducing rules and other regulatory requirements and documenting the agency's results. The bill authorizes the creation of the Texas Regulatory Efficiency Advisory Panel, composed of members designated by the governor, to serve the TREO in an advisory capacity in discharging its duties. The TREO must submit a report to the governor, lieutenant governor, speaker of the house, and Legislative Budget Board each biennium concerning the activities of the TREO. The bill requires the secretary of state, Department of Information Resources, and the TREO to coordinate with each other state agency to establish an Internet website that allows a person to search state agency rules based on the general topic of the rule, the type of activity or business regulated by the rule, and, if applicable, the North American Classification System sector code for the type of activity of business regulated by the rule. The bill amends the Administrative Procedure Act to require that rules be written in plain language and require that state agencies solicit information related to the cost, benefit, or effect of the proposed rule, including any applicable data, research, or analysis, from any person required to comply with the proposed rule or any other interested person. The bill provides that a court is not required to give deference to a state agency's legal determination regarding the construction, validity, or applicability of the law or a rule adopted by the state agency for the rule's administration, implementation, or other enforcement, but allows a court to give consideration to a legal determination made by a state agency that is reasonable and does not conflict with the plain language of the statute. The bill provides that, on judicial review of a contested case and other court actions authorized by law that involve a state agency's legal determination of a constitutional or statutory provision or a rule adopted by a state agency, the court reviews all questions of law *de novo*, including the interpretation of constitutional or statutory provisions or rules adopted by a state agency, but allows a court give consideration to a legal determination made by a state agency that is reasonable and does not conflict with the plain language of the statute.

*Signed by the governor. Effective September 1, 2025.*

### **SB 765 – Confidentiality of fraud detection and deterrence information under the public information law.**

The bill excepts from disclosure information of a governmental body that relates to fraud detection and deterrence measures, including risk assessments, reports, data, protocols, technology specifications, manuals, instructions, investigative materials, crossmatches,

## DEPARTMENT OF **SAVINGS AND MORTGAGE LENDING**

mental impressions, and communications that may reveal the methods or means by which a governmental body prevents, investigates, or evaluates fraud.

*Signed by the governor. Effective September 1, 2025.*

### **SB 1818 – Occupational licensing of military service members, military veterans, and military spouses.**

The bill requires a state agency that issues an occupational license to issue a provisional license to a military service member, military veteran, or military spouse who has applied for the license while the application is pending. The provisional license expires on the earlier of the date the agency approves or denies the application or 180 days after the date the provisional license is issued. By December 1, 2025, a state agency must adopt rules to implement the statute. If approved, SML anticipates proposing rule amendments to 7 TAC § 55.110 (relating to Licensing of Military Service Members, Military Veterans, and Military Spouses) to implement the bill.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

### **SB 1964 – Relating to the regulation and use of artificial intelligence systems and the management of data by governmental entities.**

The bill requires the Department of Information Resources (DIR) to collect information from state agencies and create an inventory identifying their artificial intelligence systems and heightened scrutiny artificial intelligence systems (a heightened scrutiny artificial intelligence system is one that autonomously makes or is a controlling factor in making consequential decisions that have a material legal or similarly significant effect on the provision, denial, or conditions of a person's access to a governmental service), including an evaluation of the purpose and risk mitigation measures for each system. The bill authorizes a state agency with 150 or fewer full-time employees to designate a full-time employee of the agency to serve as data management officer or enter into an agreement with one or more state agencies to jointly employ a data management officer, subject approval from DIR. The bill requires DIR to adopt, by rule, an artificial intelligence system code of ethics and minimum standards for the use of heightened scrutiny artificial intelligence systems. The code of ethics and minimum standards must align with the AI Risk Management Framework issued by the National Institute of Standards and Technology and must: establish accountability measures, such as required reports describing the use of, limitations of, and safeguards for use of the system; require the assessment and documentation of the system's known security risks, performance metrics, and transparency measures before deploying the system and at any time any material change is made to the system, the data used by the system, or the intended use of the system; provide resources that advises on managing, procuring, and deploying a system, including data protection measures and employee training; and establish guidelines for risk management frameworks, acceptable use policies, and training employees, and mitigating the risk of unlawful harm by contractually requiring vendors to implement risk management frameworks when deploying systems on behalf of state agencies. State agencies must adopt the code of ethics and minimum standards and ensure their artificial intelligence systems comply with the code. The bill charges DIR with creating an educational

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outreach program and training materials for state government employees and the public and to host statewide forums and training sessions on artificial intelligence systems best practices for state employees. The bill creates a Public Sector Advisory Board to assist state agencies in the development, deployment, and use of artificial intelligence systems. The board is charged with: obtaining and disseminating information on artificial intelligence systems, including use cases, policies and guidelines; facilitating shared resources between state agencies; consulting with DIR on artificial intelligence systems issues; identifying opportunities for state agencies to implement artificial intelligence systems to reduce administrative burdens and streamline the state procurement process for artificial intelligence systems; and recommending elimination of rules that restrict the innovation of artificial intelligence systems. The board is composed of eight members, with six members from state agencies, including one member from an agency with fewer than 150 employees, and two public members with expertise in technology. Board members are appointed by the governor or the governor and serve two-year terms. DIR must adopt rules necessary to implement the statute as soon as practicable after the effective date of the bill.

*Has not been signed or vetoed by the governor. If approved, the bill will take effect on September 1, 2025.*

***2. Discussion of and Possible Vote to Take Action on the Adoption of Amendments, New, and Repeals Rules 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 adoption.

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

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

**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), adopts 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). The commission's proposal was published in the May 9, 2025, issue of the *Texas Register* (50 TexReg 2735). The rules are adopted without changes to the published text and will not be republished.

**Explanation of and Justification for the Rules**

The adopted 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 preexisting 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 preexisting rules in Subchapter E, Mortgage Grant Fund, to Chapter 52, a vacant chapter. SML has further determined it should relocate the preexisting rules in Subchapter D, Recovery Fund, and Subchapter F, Mortgage Grant Fund: Recovery Claims for Unlicensed Activity, to

Chapter 53, a vacant chapter. The adopted rules effectuate these changes.

*Changes Concerning Consumer Complaints (Subchapter A)*

The preexisting 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 adopted 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 preexisting 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 adopted 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.

*Changes Concerning Advisory Committees (Subchapter C)*

The preexisting 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 grant program under Finance Code Chapter 156, Subchapter G. The adopted 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 created under Finance Code §13.018.

*Other Modernization and Update Changes*

The adopted rules 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.

*Summary of Public Comments*

Publication of the commission's proposal recited a deadline of 30 days to receive public comments. No comments were received.

SUBCHAPTER A. COMPLAINTS

**7 TAC §§51.1 - 51.5**

Statutory Authority

The rules are adopted 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(a), 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(a), 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(b), 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.

The rules are also adopted under the authority of, and to implement, Finance Code §§11.307, 13.011, 156.301, 157.0022, 157.009, 157.021, 157.026, 158.059, and 158.102.

The adopted rules affect 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 adoption and found it to be a valid exercise of the agency's legal authority.

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



SUBCHAPTER A. CONSUMER COMPLAINTS

**7 TAC §§51.1 - 51.5**

Statutory Authority

The rules are adopted 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(a), 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(a), 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(b), 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. The rules are also adopted under the authority of, and to implement, Finance Code §§11.307, 13.011, 156.301, 157.0022, 157.009, 157.021, 157.026, 158.059, and 158.102.

The adopted rules affect 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



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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 (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 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 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.

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(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).

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

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



SUBCHAPTER    B.    HEARINGS    AND  
APPEALS

**7 TAC §51.100**

Statutory Authority

The rule is adopted 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. The rule is also adopted under the authority of, and to implement, Finance Code §§13.017, 66.107, 96.107, 156.209, 156.302, 156.303, 156.401, 156.406, 156.504, 157.009, 157.010, 157.017, 157.023, 157.024, 157.026, 157.031, 158.059, 158.105, 158.059, 159.301, and 180.202.

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

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(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~~[-, or by email]~~.

(c) Mediation. SML ~~[As applicable under  
Finance Code §13.017, the Department]~~ 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)[, 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 adoption and found it to be a valid  
exercise of the agency's legal authority.

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General Counsel  
Department of Savings and Mortgage Lending

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SUBCHAPTER            C.            ADVISORY  
COMMITTEES

**7 TAC §51.200**

Statutory Authority

The rule is adopted under the authority of  
Government Code §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. The rule is also adopted under the  
authority of, and to implement, Finance Code  
§13.018.

The adopted rule 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

(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~~

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~~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 adoption and found it to be a valid exercise of the agency's legal authority.

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General Counsel  
Department of Savings and Mortgage Lending

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#### SUBCHAPTER D. RECOVERY FUND

#### 7 TAC §§51.300 - 51.304

##### Statutory Authority

The rules are adopted 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, Recovery Fund. The rules are also adopted under the authority of, and to implement, Finance Code: §§13.016, 156.504, 157.023, and 157.024.

The adopted rules affect 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 adoption and found it to be a valid exercise of the agency's legal authority.

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

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#### SUBCHAPTER E. MORTGAGE GRANT FUND

#### 7 TAC §§51.400 - 51.405

##### Statutory Authority

The rules are adopted 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, 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.

The adopted rules affect 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 adoption and found it to be a valid exercise of the agency's legal authority.

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

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

#### 7 TAC §§51.500 - 51.506

##### Statutory Authority

The rules are adopted 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. The rules are also adopted under the authority of, and to implement, Finance Code: §§156.555, 157.023, 157.031.

The adopted rules affect 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 adoption and found it to be a valid exercise of the agency's legal authority.

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

**3. *Discussion of and Possible Vote to Take Action on the Adoption 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 adoption.

**RECOMMENDED ACTION:** SML recommends that the Finance Commission approve adoption of the new rules in 7 TAC Chapter 52.

**RECOMMENDED MOTION:** I move that the Finance Commission approve adoption of the new rules in 7 TAC Chapter 52.



## TITLE 7. BANKING AND SECURITIES

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

#### CHAPTER 52. MORTGAGE GRANT FUND

##### 7 TAC §§52.1 - 52.6

The Finance Commission of Texas (commission), on behalf of the Department of Savings and Mortgage Lending (SML), adopts new rules in Chapter 52: §§52.1 - 52.6. The commission's proposal was published in the May 9, 2025, issue of the *Texas Register* (50 TexReg 2741). The rules are adopted without changes to the published text and will not be republished.

##### Explanation of and Justification for the Rules

The adopted 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 preexisting 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 preexisting rules in Subchapter E, Mortgage Grant Fund, to Chapter 52, a vacant chapter. The adopted rules effectuate this change.

##### *Changes Concerning the Mortgage Grant Fund*

The preexisting 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 adopted 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 nonprofit 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 adopted rules 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.

##### Summary of Public Comments

Publication of the commission's proposal recited a deadline of 30 days to receive public comments. No comments were received.

##### Statutory Authority

The rules are adopted 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, 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.

The adopted rules affect 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 created 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, 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 or a two-year grant. 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.

(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 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 specified 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 if:

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

(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 adoption and found it to be a valid exercise of the agency's legal authority.

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

**3. *Discussion of and Possible Vote to Take Action on the Adoption 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 adoption.

**RECOMMENDED ACTION:** SML recommends that the Finance Commission approve adoption of the new rules in 7 TAC Chapter 53.

**RECOMMENDED MOTION:** I move that the Finance Commission approve adoption of the new rules in 7 TAC Chapter 53.

**TITLE 7. BANKING AND SECURITIES****PART 4. DEPARTMENT OF SAVINGS AND MORTGAGE LENDING****CHAPTER 53. RECOVERY CLAIMS****7 TAC §§53.1 - 53.12**

The Finance Commission of Texas (commission), on behalf of the Department of Savings and Mortgage Lending (SML), adopts new rules in Chapter 53: §§53.1 - 53.12. The commission's proposal was published in the May 9, 2025, issue of the *Texas Register* (50 TexReg 2743). The rules are adopted without changes to the published text and will not be republished.

**Explanation of and Justification for the Rules**

The adopted 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 preexisting 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 preexisting rules in Subchapter D, Recovery Fund, and Subchapter F, Mortgage Grant Fund: Recovery Claims for Unlicensed Activity, to Chapter 53, a vacant chapter. The adopted rules effectuate this change.

*Changes Concerning Recovery Claims*

The preexisting rules in Chapter 51, Subchapter D, Recovery Fund, govern SML's administration of Finance Code §13.016 and Chapter 156, Subchapter F, Recovery Fund, 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 preexisting 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, Mortgage Grant Fund, 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 did not hold a residential mortgage loan originator license under Finance Code Chapter 157. The adopted 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 an administrative 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 types of damages that a claimant may recover.

#### *Other Modernization and Update Changes*

The adopted rules 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.

#### *Summary of Public Comments*

Publication of the commission's proposal recited a deadline of 30 days to receive public comments. No comments were received.

#### *Statutory Authority*

The rules are adopted 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; 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, Recovery Fund; and Finance Code §156.556,

authorizing the commission to adopt rules to administer Finance Code Chapter 156, Subchapter G, Mortgage Grant Fund. The rules are also adopted under the authority of, and to implement, Finance Code: §§13.016, 156.504, 156.555, 157.023, 157.024, and 157.031.

The adopted rules affect 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 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 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 on 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 CRU 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, SML will:

(1) record the 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 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. For a claimant to recover damages from the Mortgage Grant Fund, the respondent must have been acting or attempting

to act in the capacity of a residential mortgage loan originator - actions for which a license under Finance Code Chapter 157 is 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 residential mortgage loan 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;

(D) origination fees;

(E) loan processing fees; and

(F) 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, airfare, 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 adoption and found it to be a valid exercise of the agency's legal authority.

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

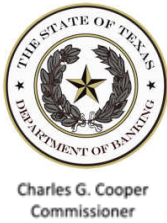
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**C.**

**Texas Department of Banking**

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## TEXAS DEPARTMENT OF BANKING

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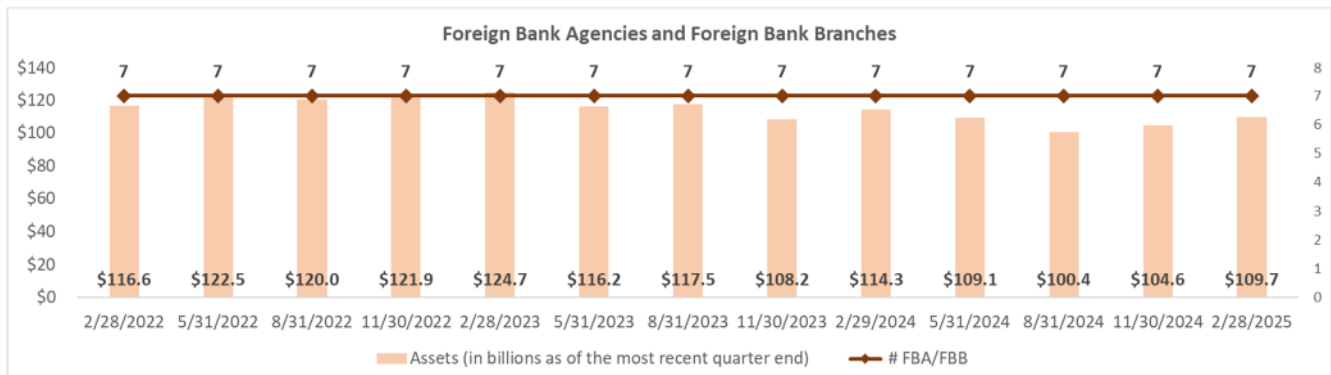
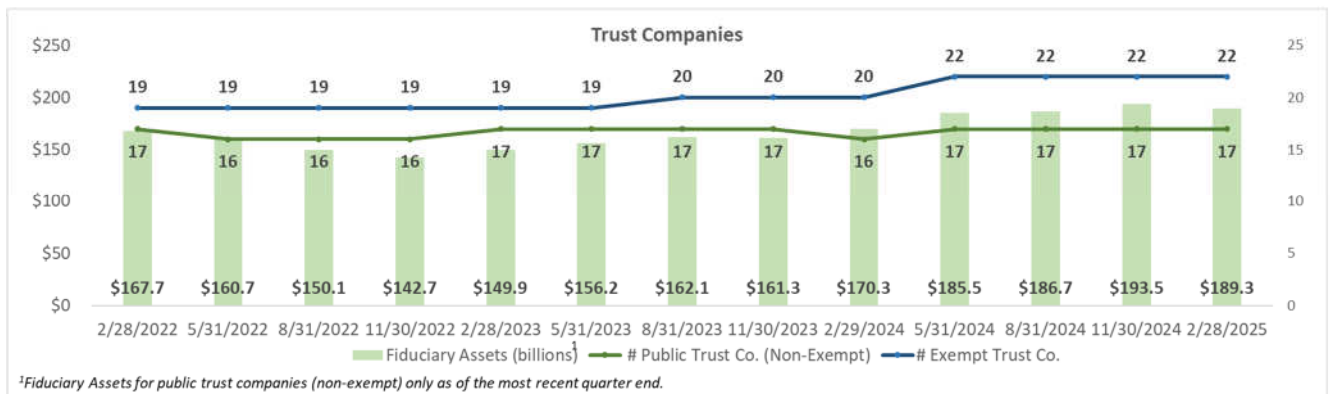
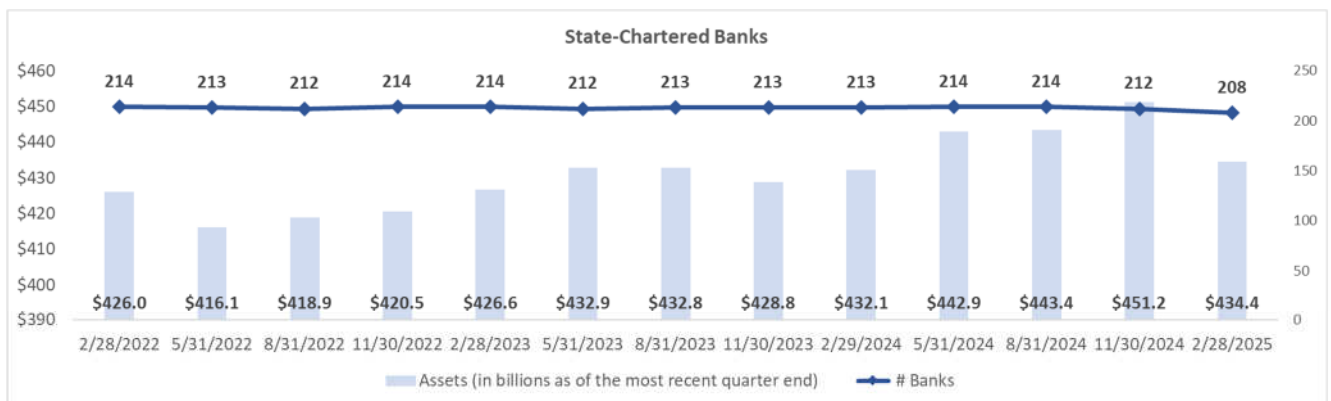
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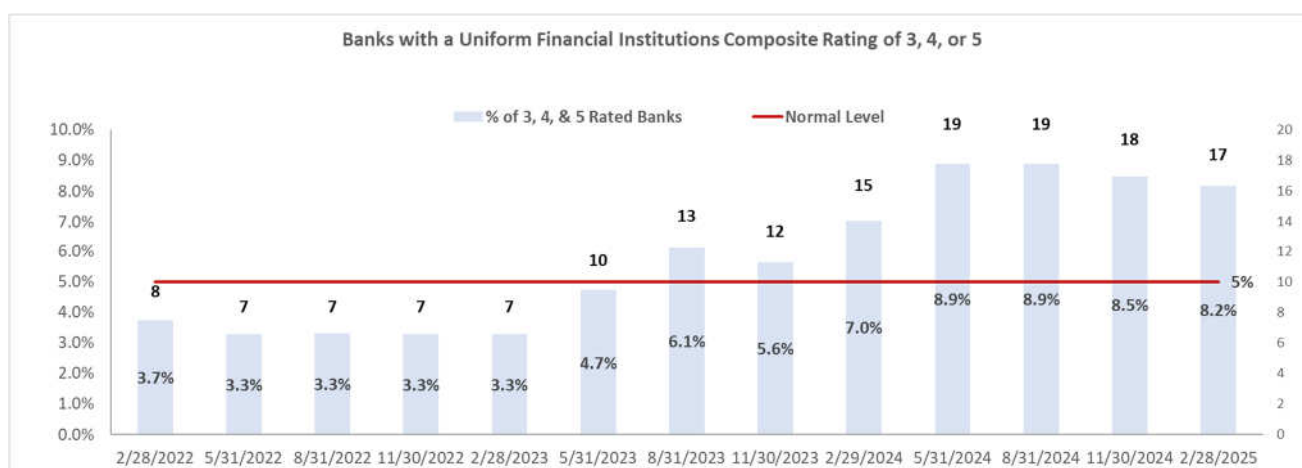
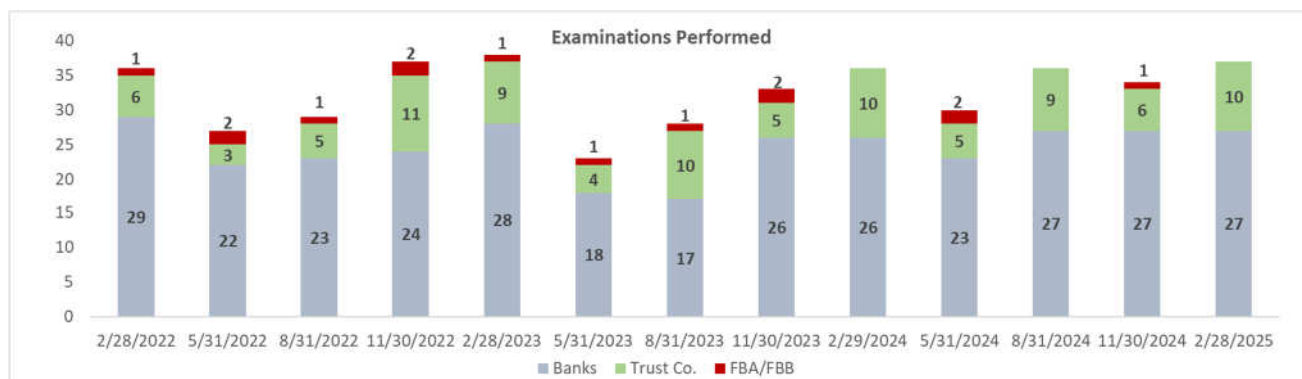
To: Finance Commission Members  
 From: Jared Whitson, Director of Bank & Trust Supervision  
 Date: June 4, 2025  
 Subject: Summary of the Bank & Trust Supervision Division Activities

### Bank and Trust Supervision – Industry Profiles

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



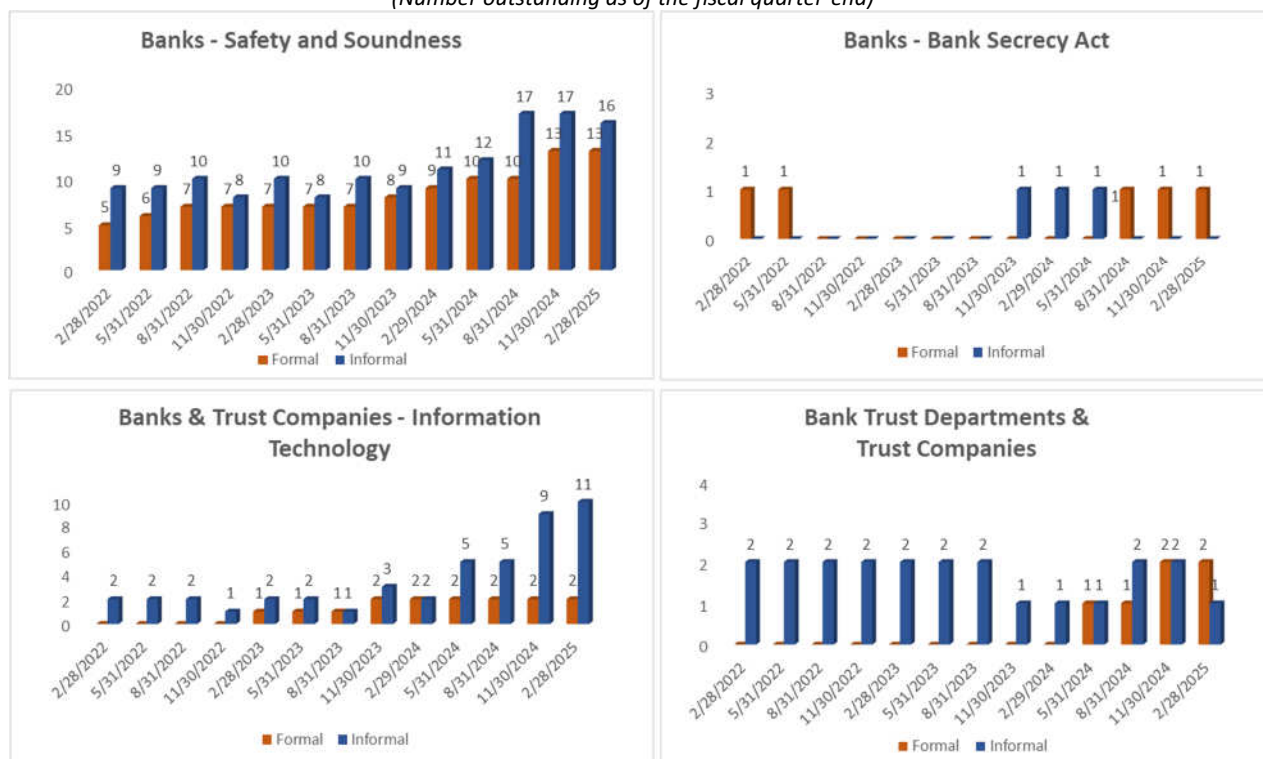
The reduction in banks and assets is due to M&A activity. Two banks were purchased by existing Texas state-chartered banks and two were purchased by national-chartered banks.



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 – April 2025)
Commercial Banks	83%	90%
IT	87%	82%
Trust Departments	97%	93%
Foreign Banks (FRB)	100%	100%
Trust Companies (DOB)	97%	100%
IT	75%	38%

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 29 days.
- IT Examinations of Banks – 16 exams past due by an average of 18 days.
- Trust Department Examinations of Banks – 1 exam past due by an average of 7 days.
- IT Examinations of Trust Companies – 5 exams past due by an average of 33 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:**

- Director of Bank and Trust Supervision Jared Whitson, San Antonio Regional Director (RD) Kenneth Kuntschik, Houston RD Greg Wisian, and staff represented the Department at the Texas Bankers Association (TBA) 140<sup>th</sup> Annual Convention held in San Antonio, Texas, on April 23, 2025. Director Whitson participated as a speaker.
- Commissioner Charles G. Cooper attended the Federal Financial Institutions Examination Council (FFIEC) First Quarter Meeting in Washington, D.C., on April 16, 2025. On May 1, 2025, the FFIEC announced the reselection of Commissioner Cooper to the FFIEC's State Liaison Committee (SLC) for the term of May 1, 2025, through April 30, 2027. Commissioner Cooper has been a member of the SLC and served as its Chair since 2023.
- Commissioner Cooper, Deputy Commissioner (DC) Wendy Rodriguez, and staff represented the Department at the Sam Houston State University (SHSU) 12<sup>th</sup> Annual Texas Bankers Hall of Fame Induction Ceremony and Gala held at SHSU in Huntsville, Texas, on May 1, 2025. Commissioner Cooper was honored and inducted into the Texas Bankers Hall of Fame.
- Commissioner Cooper, Director Whitson and RD Wisian represented the Department at the 28<sup>th</sup> Annual James B. Bexley Bank Executives' and Directors' Seminar held at SHSU in Huntsville, Texas, on May 2, 2025. Commissioner Cooper served on the regulatory panel.
- Review Examiner Melissa Dvoracek represented the Department on a regulatory panel at the Southern Methodist University, Southwestern Graduate School of Banking Commercial Lending School in Dallas, Texas, on May 2, 2025. General areas of discussion were economic outlook, lending red flags, concentrations, and liquidity risks.
- Regional Review Examiner Marilyn Sebade represented the Department on a regulatory panel at the Risk Management Association Spring Conference held in Dallas, Texas, on May 2, 2025.
- Commissioner Cooper, DC Rodriguez, and staff represented the Department at the Conference of State Bank Supervisors (CSBS) State Federal Supervisory Forum held in Crystal City, Virginia, on May 19, 2025.
- Commissioner Cooper, Director Whitson, Director of IT Security Examinations Ruth Norris, and staff attended the Joint 11<sup>th</sup> District Banking Conference presented by the Federal

Reserve Bank of Dallas and Texas Department of Banking, held in Dallas, Texas, on June 2, 2025. Commissioner Cooper gave the closing remarks, and other staff members served as panelists.



Charles G. Cooper  
Commissioner

## TEXAS DEPARTMENT OF BANKING

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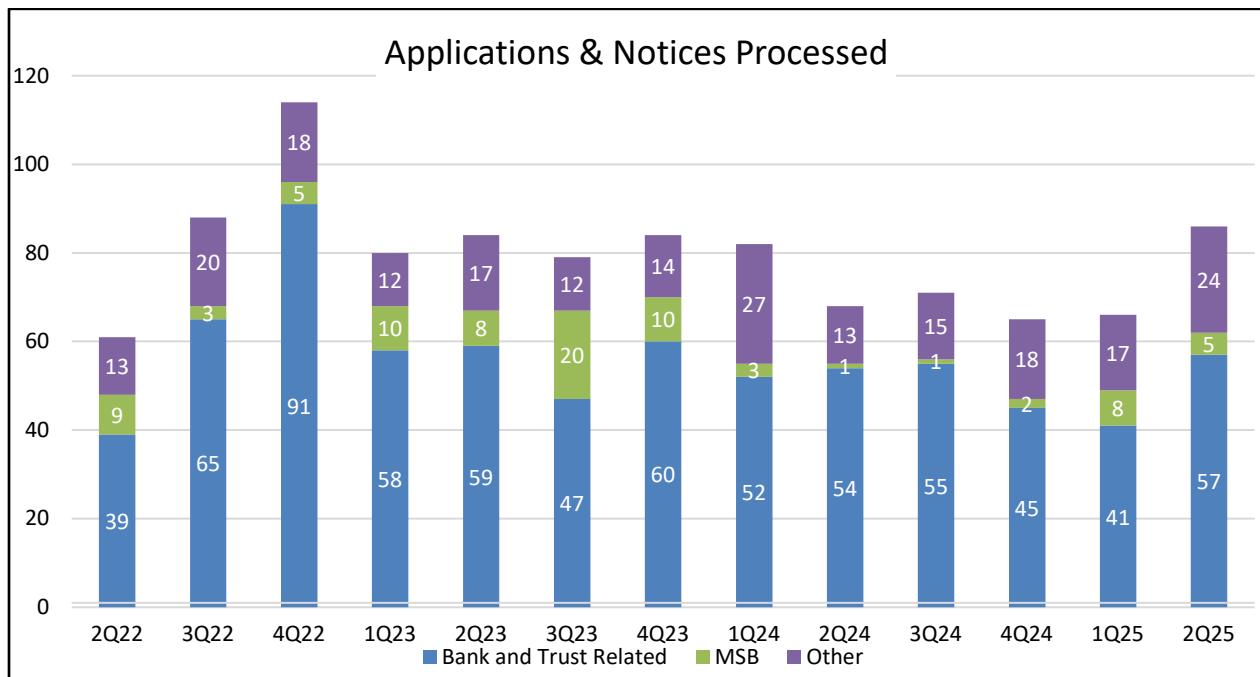
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To: Finance Commission Members

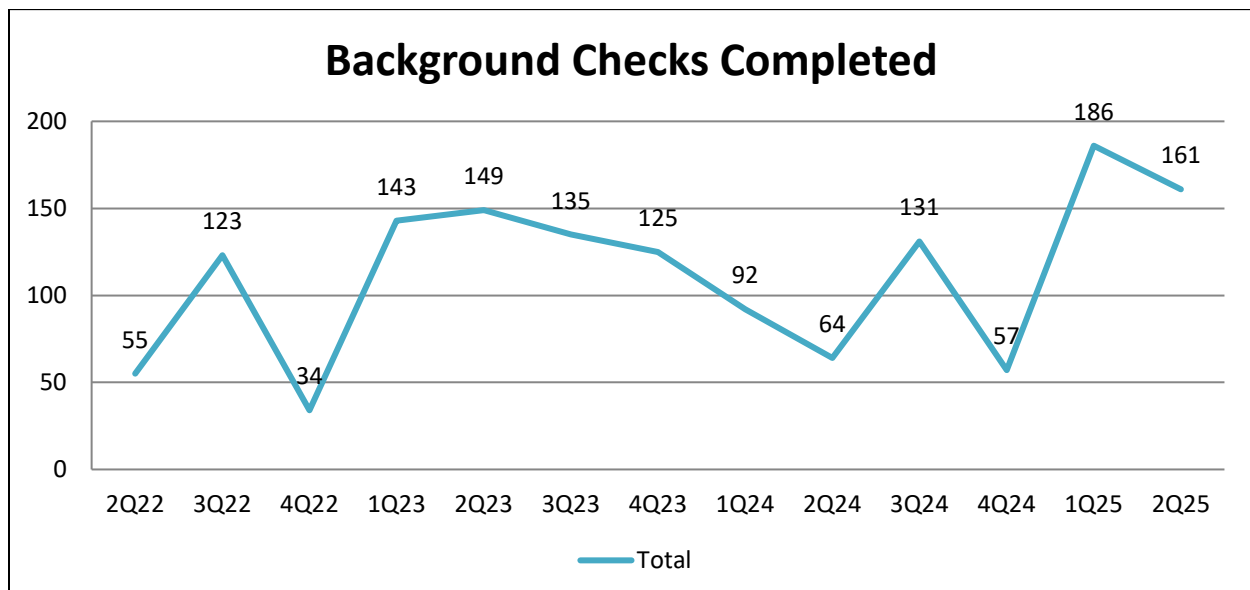
From: Dan Frasier, Director of Corporate Activities and Financial Innovation DBF

Date: June 4, 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	February 28, 2025	Received	*Returned	Processed	April 30, 2025	# Change	% Change
Bank	18	32	-	34	16	-2	-11%
MSB	36	12	7	7	34	-2	-6%
Other	1	4	-	4	1	0	0%
Trust	1	1	-	0	2	1	100%
<b>Total</b>	<b>56</b>	<b>49</b>	<b>7</b>	<b>45</b>	<b>53</b>	<b>-3</b>	<b>-5%</b>

\*Incomplete MSB applications which were returned.

The number of open filings under review decreased by 5% as compared to the level reported at the last Finance Commission meeting. The flow of bank applications has been steady over the two-month period. Processing the robust inflow of MSB filings averaging six per month in calendar year 2025 continues to be challenging for the division.

### Division Highlights

- **Personnel:** The division is interviewing for an additional analyst with an anticipated start date in July 2025.
- **Significant Applications:** Since the last report, the following significant bank applications have been received:
  - Cadence Bank, Tupelo, Mississippi, has submitted notice for the interstate merger acquisition of Citizens State Bank, Buffalo, Texas; Industry State Bank, Industry, Texas; and Fayetteville Bank, Fayetteville, Texas [estimated loss in state banking assets of \$2.3 billion].
  - Cendera Bank, N.A., Bells, Texas, has applied to convert to a Texas state bank. [estimated gain in state banking assets of \$227 million].
- **Charter, Conversion, and Merger Activity:** Since the last report, the following transaction has consummated:
  - *Banks*
    - Citizens State Bank, Ganado, Texas, merged with and into Yoakum National Bank, Yoakum, Texas [estimated loss in state banking assets of \$58 million].
  - *Trust Companies*
    - None



Charles G. Cooper  
Commissioner

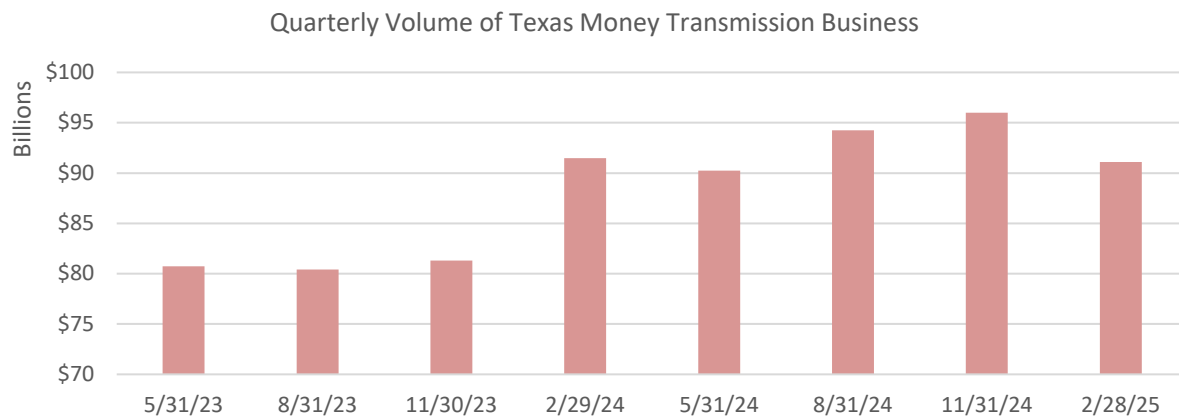
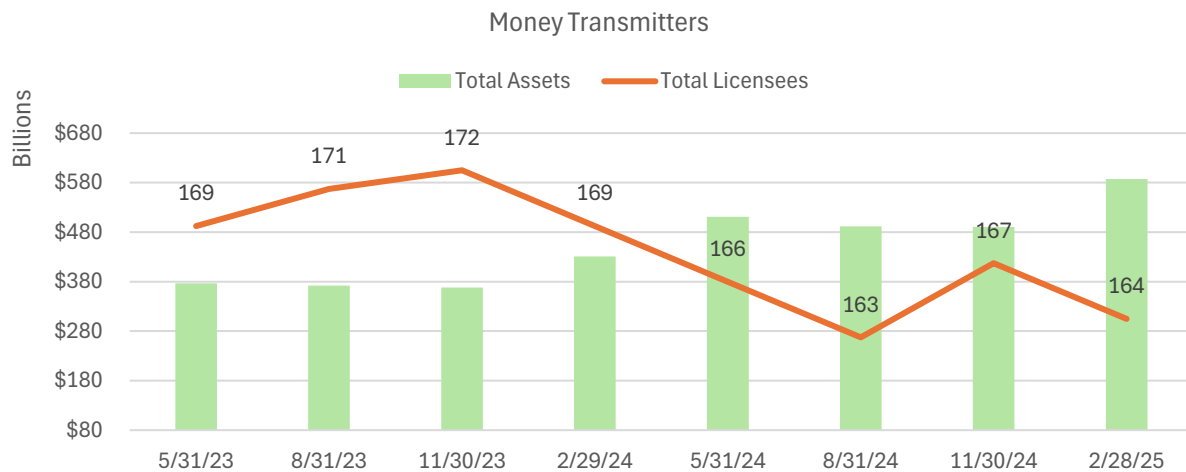
## TEXAS DEPARTMENT OF BANKING

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To: Finance Commission Members  
From: Jesus "Jesse" Saucillo, Director of Non-Depository Supervision  
Date: June 4, 2025  
Subject: Summary of Non-Depository Supervision (NDS) Activities

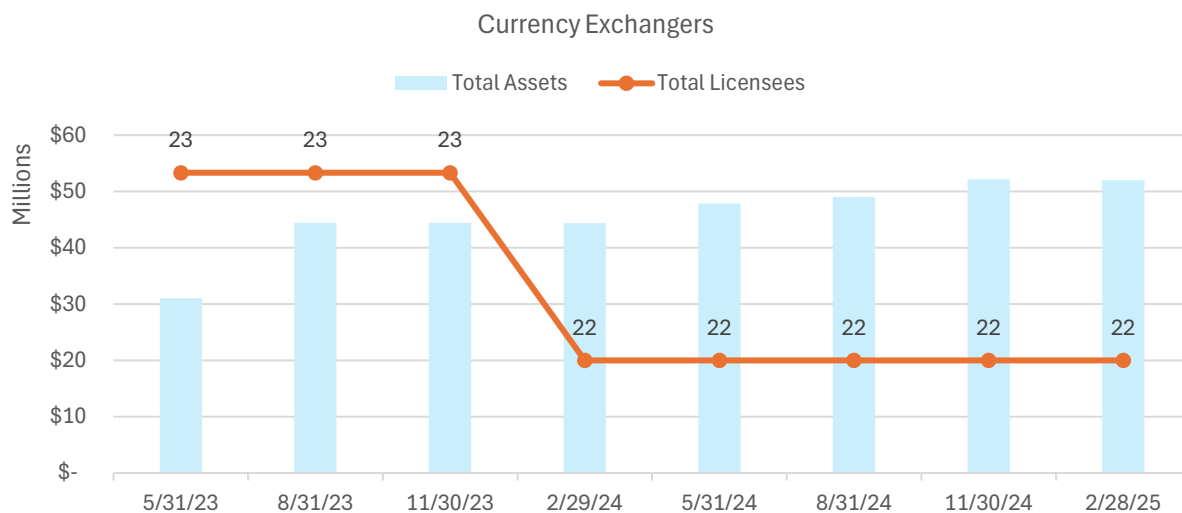
### Non-Depository Supervision – Industry Profiles

*Third quarter of fiscal year 2025 data has not been finalized and will be provided in the next report.*

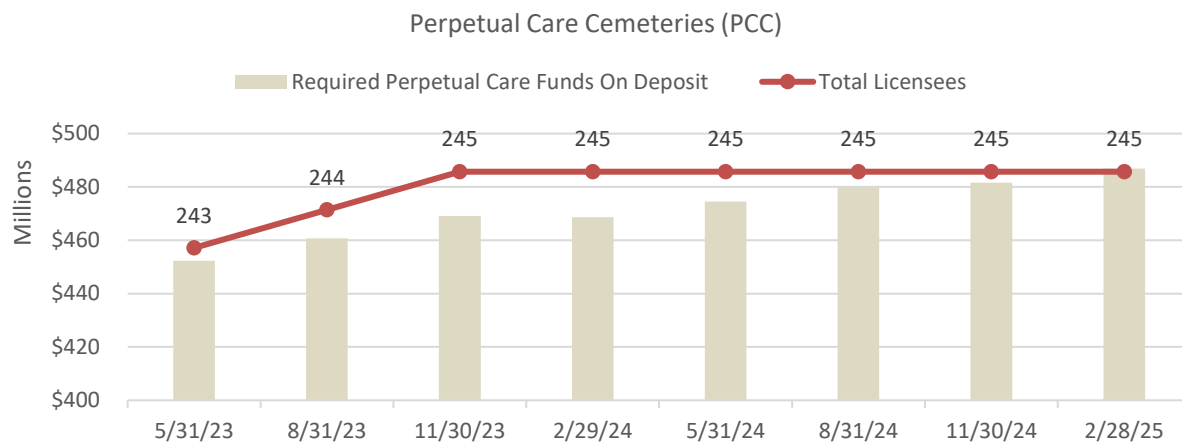
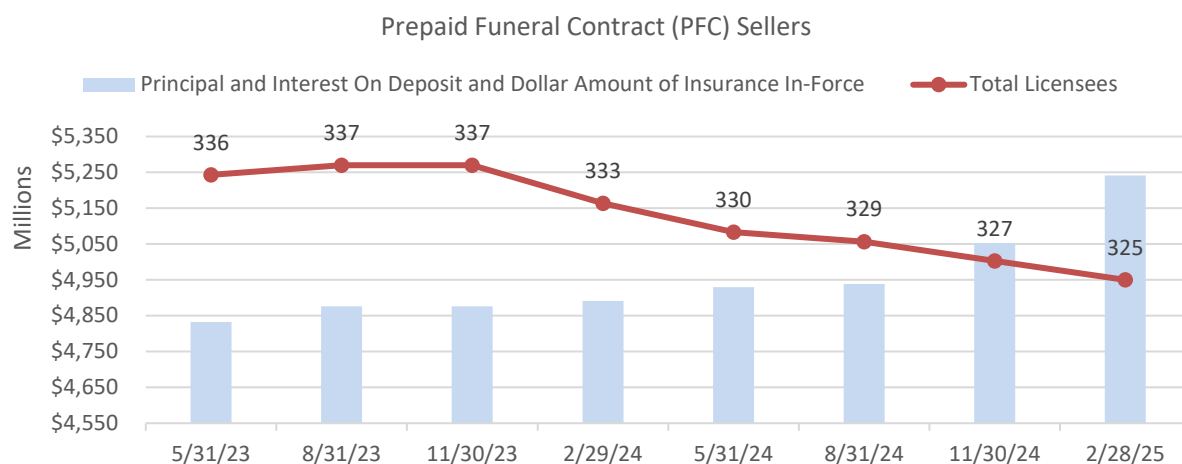


*Total assets and Texas money transmission volume noted above are primarily based on the information reported by license holders on the Nationwide Multistate Licensing System (NMLS) Money Services Business (MSB) Call Reports as of the preceding calendar quarter.*



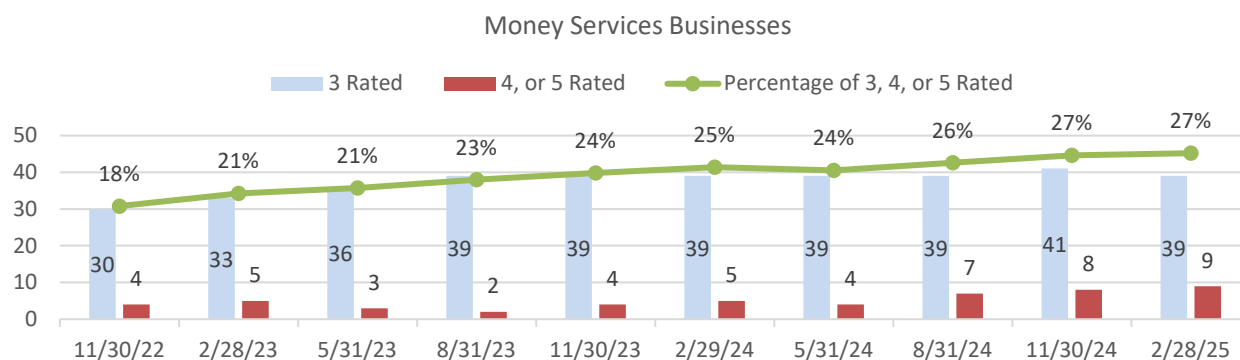


Total assets noted above are based on annual reports and quarterly reports provided by currency exchange licensees.

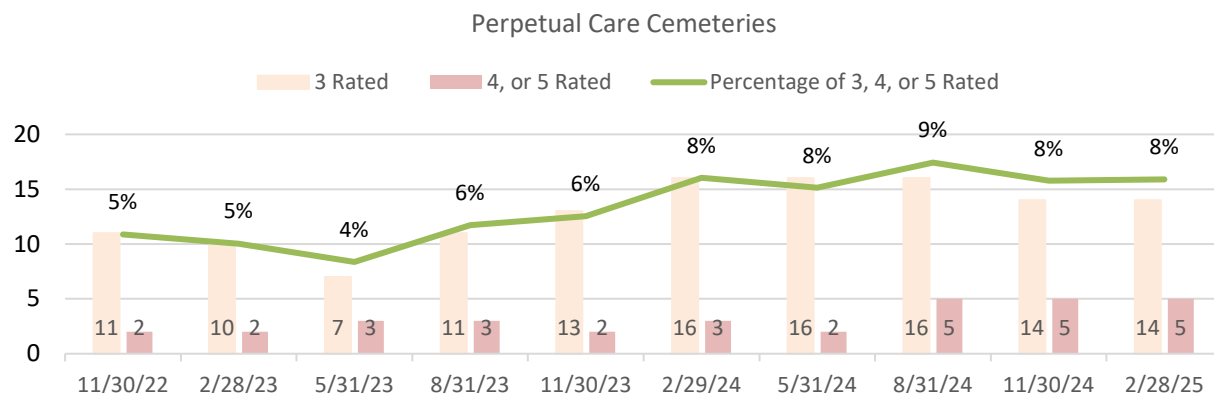
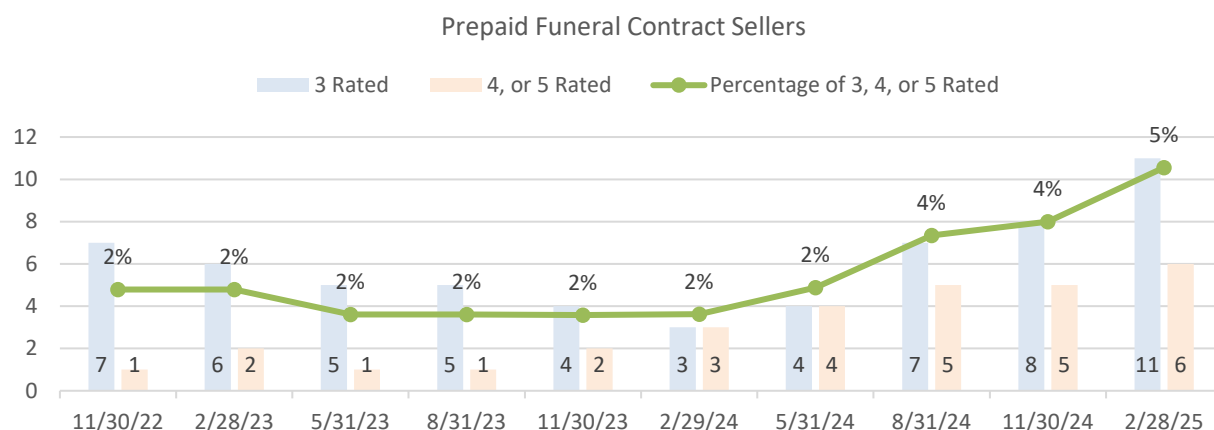


PFC and PCC fund balances noted above are based on the most current examination data.

### 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 industry profile and examination statistics reflected in the prior pages remain unchanged as third quarter data for fiscal year 2025 is not yet available. Despite ongoing financial examiner vacancies, the division anticipates meeting examination performance measures for the third quarter of fiscal year 2025.
- **Operations:**
  - Job postings to fill the division's four financial examiners vacancies closed in May 2025. Three of the vacancies are in the MSB area and the remaining one is in the PFC/PCC area. The division is in the process of reviewing the applications and anticipates scheduling the initial interviews in June 2025.
- **Events and Training:**
  - Director Saucillo participated in the Money Transmitter Regulators Association (MTRA) and the Multi-State MSB Examination Taskforce (MMET) annual joint board meeting on April 9 – 10, 2025, in Boise, Idaho. As a member of the MTRA Board and an appointed member of the MMET, several MSB regulatory matters were discussed to address recent examination concerns and the need to coordinate regulatory actions. Discussions related to improving offsite monitoring by leveraging available data analytics, enhancing examiner training programs and resources, and ensuring the uniform application of the Money Transmission Model Law were also held.

- Director Saucillo was a speaker at the Risk Regulation and Enforcement in FinTech Forum on May 6, 2025, held in Austin, Texas. A roundtable discussion with attendees on current areas of examination focus and recent developments in the MSB area were discussed.
- **Enforcement Action and Collaboration:**
  - The division continues to monitor the activities of MSBs to ensure compliance with applicable regulations, and when necessary, refers matters to the Department's Legal Division for further administrative actions. Since the last Finance Commission meeting, the Department issued three consent orders regarding MSB activities. The Department also continues to collaborate with other MSB state regulators on several legal administrative matters concerning MSB licensees in non-compliance with state and federal regulations.



## TEXAS DEPARTMENT OF BANKING

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### Memorandum

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

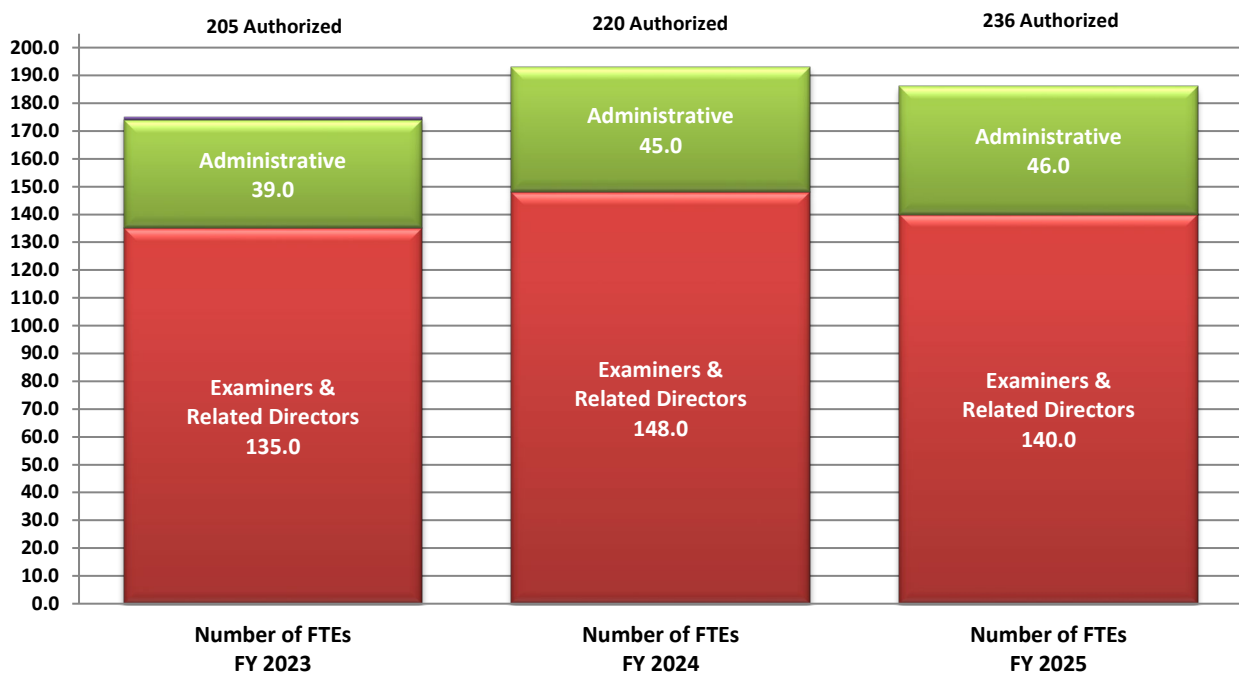
Active Postings				
<i>Number of Positions</i>	<i>Position</i>	<i>Division</i>	<i>Status</i>	<i>Activities</i>
2	Accountant II – III	Admin. Services	Open Until Filled	Recruiting
4	Financial Examiner II – III: Commercial Bank Examiner	Bank and Trust	Open Until Filled	Recruiting
1	Financial Examiner IV – VII: IT Security Specialist	Bank and Trust – IT	Open Until Filled	Recruiting
1	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

Status of Postings that Closed before June 1, 2025				
<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	<i>Closed April 27, 2025</i>	Interviewing
1	Director V – VI: Director of Strategic Support	DSS	<i>Closed April 3, 2025</i>	Filled
2	Legal Intern (Unpaid)	Legal	<i>Closed May 14, 2025</i>	Selection
1	Financial Examiner I – II: PCC/PFC Examiner	NDS	<i>Closed May 25, 2025</i>	Screening
3	Financial Examiner I – II: Money Services Businesses	NDS	<i>Closed May 25, 2025</i>	Screening
1	Attorney III – V	Legal	<i>Closed May 23, 2025</i>	Interviewing
1	Financial Examiner VIII: Central Point of Contact (Dallas)	Bank & Trust	<i>Closed May 6, 2025</i>	Filled
1	Human Resources Assistant (Part Time)	HR	<i>Closed May 12, 2025</i>	Filled
1	Financial Examiner VII: Central Point of Contact (Houston)	Bank & Trust	<i>Closed May 6, 2025</i>	Filled
1	Manager VI – VII: Assistant CFO	Admin Services	<i>Closed April 10, 2025</i>	Repost
1	Financial Examiner VII: Trust Specialist	Bank & Trust	<i>Closed May 6, 2025</i>	Filled

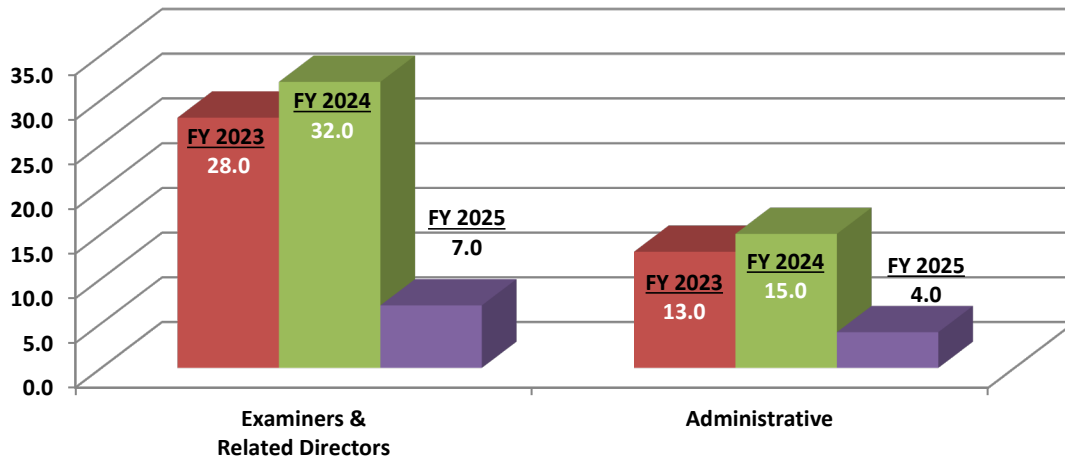
## Division Activities:

- *Division Personnel:*
  - The Human Resources Division welcomed a new HR Assistant, Caitlin Mills, on May 12, 2025.
- *New Employee Orientation (NEO):*
  - On June 2, 2025, one Information Support Specialist in the MIS Division, seven Financial Examiner I's and two Administrative Techs (Interns) in the Bank and Trust Division participated in NEO.
- *Supervisor Performance Evaluations:*
  - Annual Supervisory Evaluations will be released at the end of June to give staff the opportunity to provide constructive feedback to supervisors.
- *Certification:*
  - Annual Conflicts of Interest Disclosure Statement and Vehicle Safety Certification renewals begins in June 2025. The Legal Division, with the support from Human Resources, will facilitate the collection of this information.

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

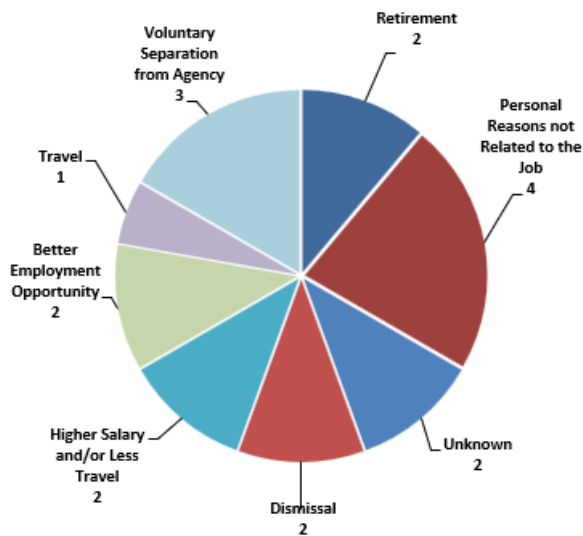


## New Hire Data for Fiscal Years 2023, 2024 and 2025

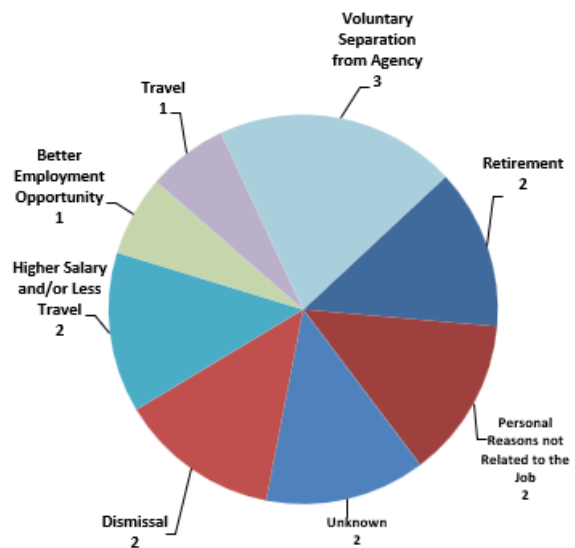


## FY 2025 Employee Turnover Reasons

**All Employees**  
18 Resignations



**Financial Examiners Only**  
15 Resignations



As of 05/31/2025



Charles G. Cooper  
Commissioner

## TEXAS DEPARTMENT OF BANKING

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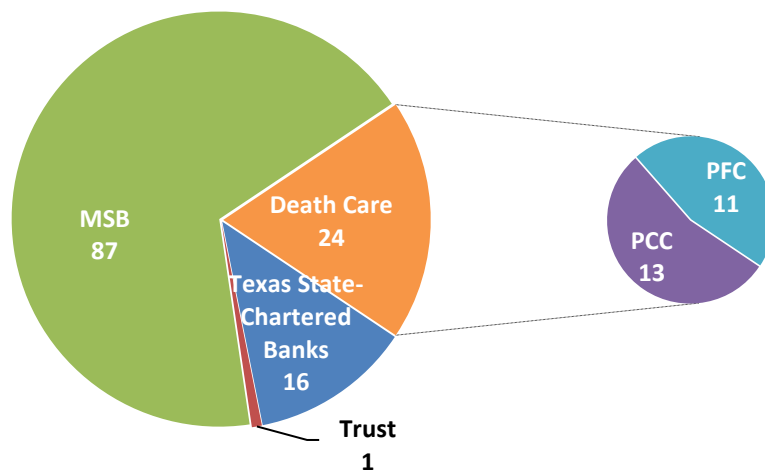
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**To:** Finance Commission Members  
**From:** Lilliana R. Abbassi, Director of Strategic Support  
**Date:** June 4, 2025  
**Subject:** Summary of the Strategic Support Division Activities

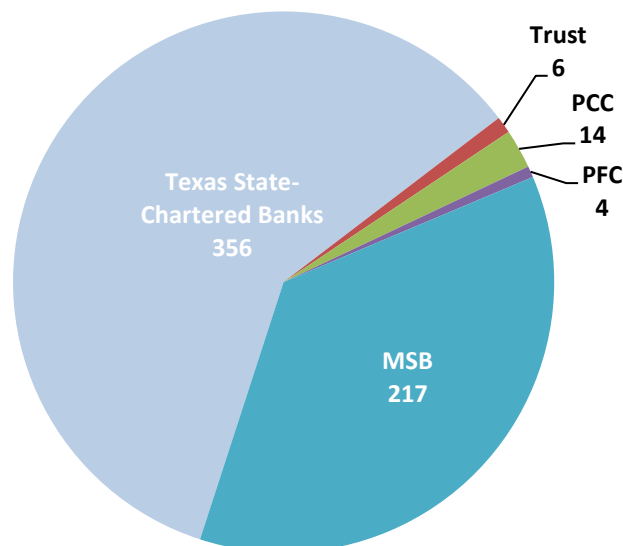
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### Jurisdictional Written Complaints September 2024-April 2025



**Recoveries** = \$49,498.94  
**Total** = 128

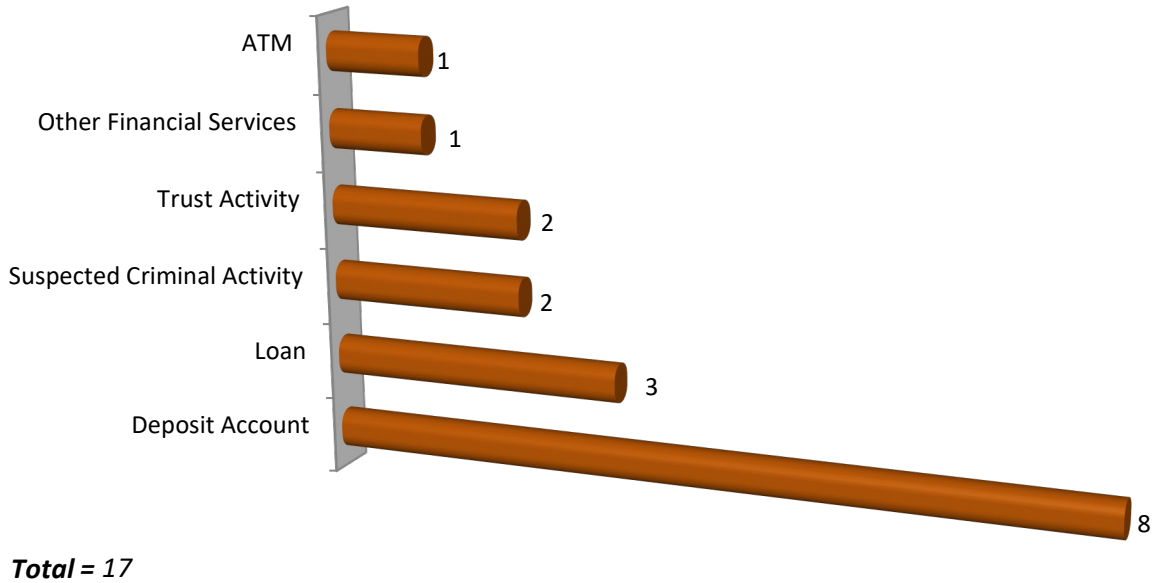
### Inquiries on Jurisdictional Entities September 2024-April 2025



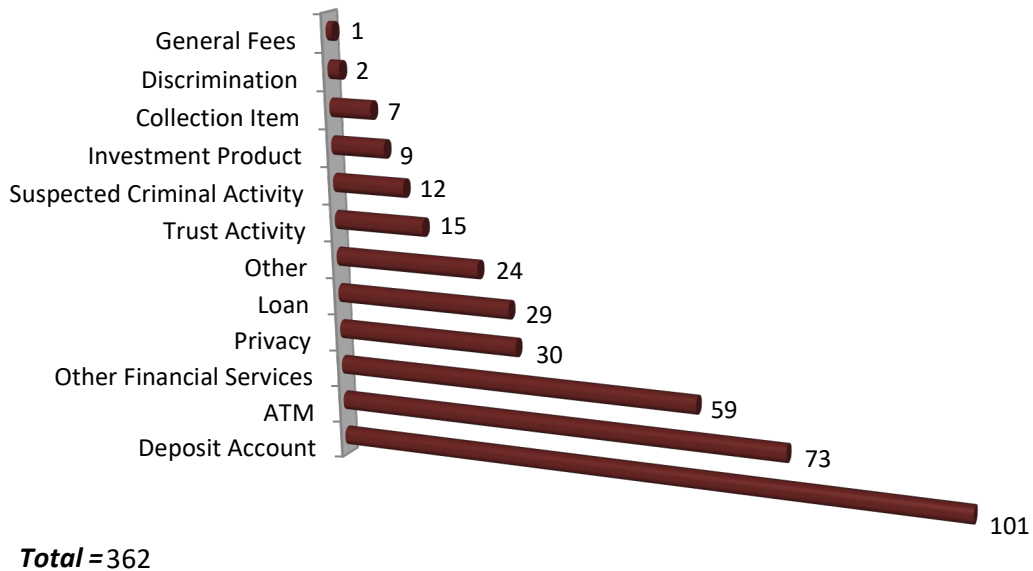
**Total** = 597



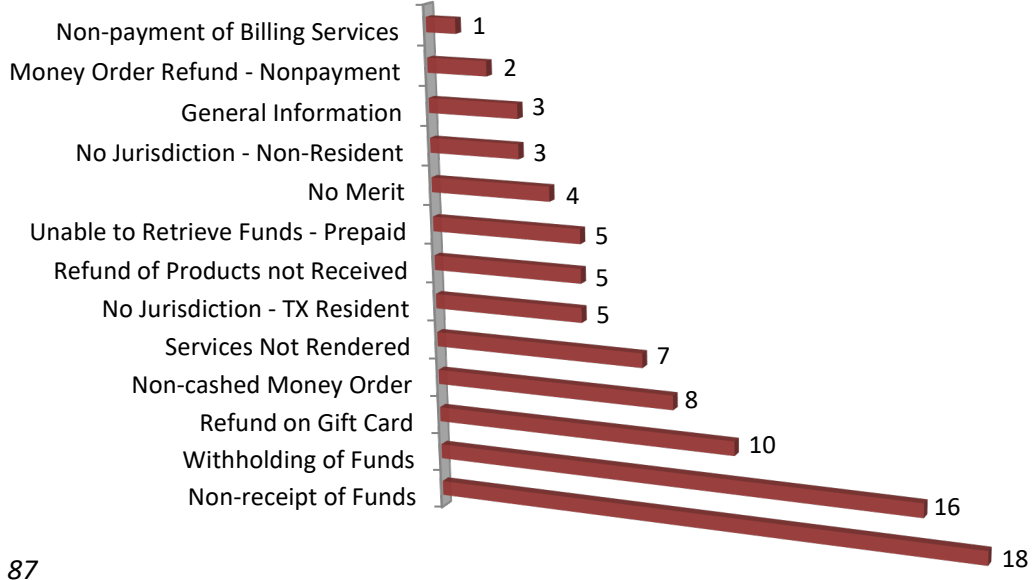
**State-Chartered Banks and Trust Companies  
Written Complaints by Type  
September 2024-April 2025**



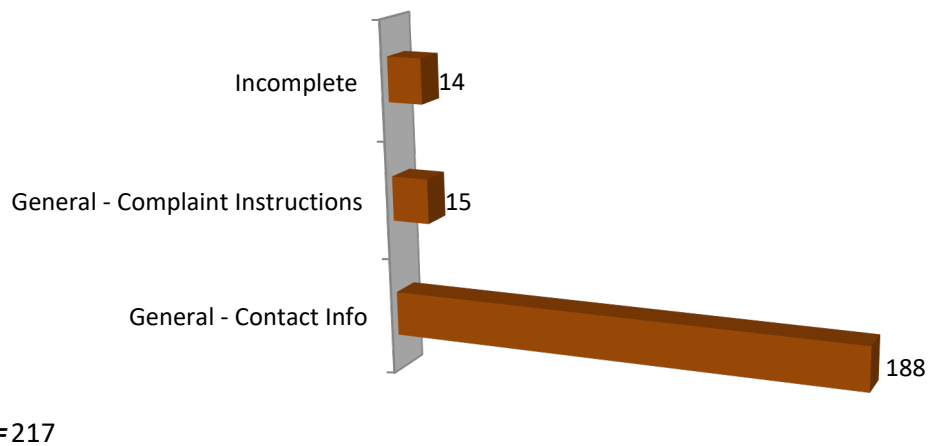
**State-Chartered Banks and Trust Companies  
Inquiries by Type  
September 2024-April 2025**



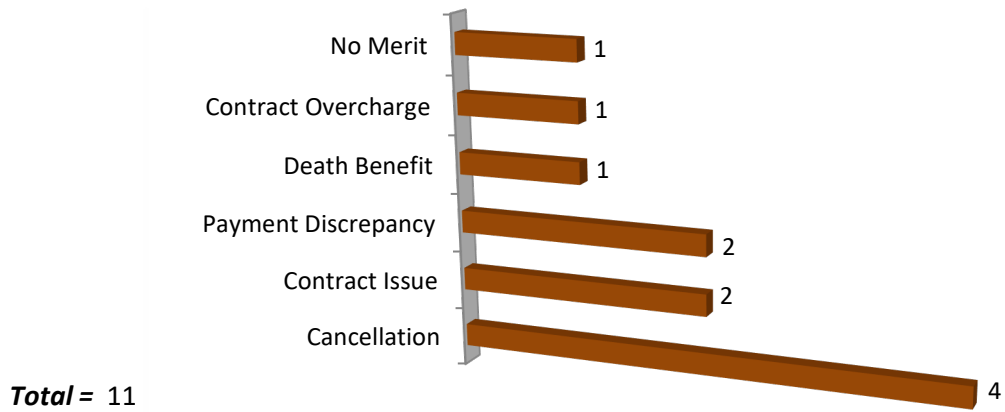
**Money Services Businesses  
Written Complaints by Type  
September 2024-April 2025**



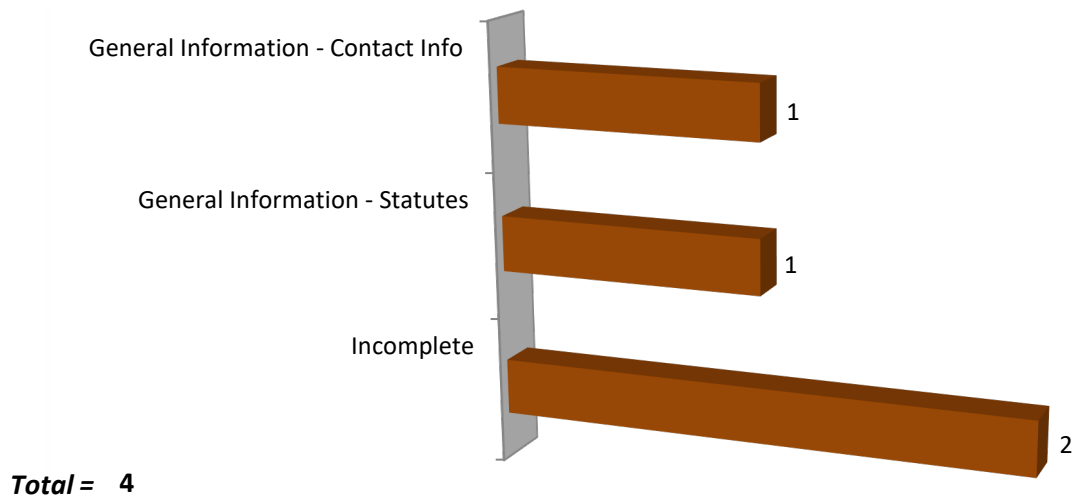
**Money Services Businesses  
Inquiries by Type  
September 2024-April 2025**



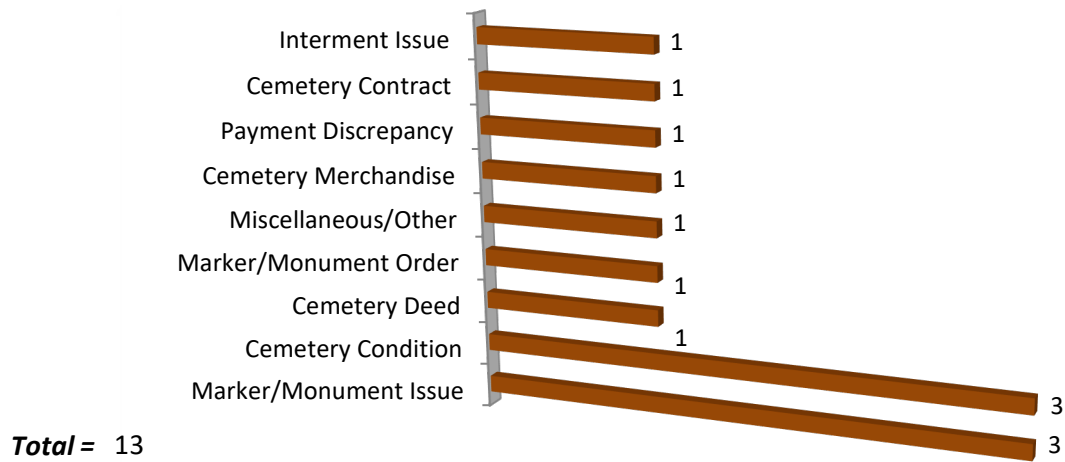
**Prepaid Funeral Contract Sellers  
Written Complaints by Type  
September 2024-April 2025**



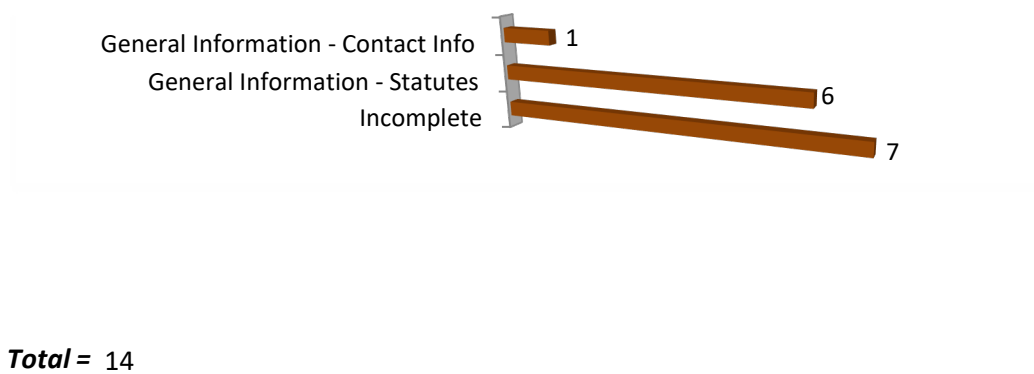
**Prepaid Funeral Contract Sellers  
Inquiries by Type  
September 2024-April 2025**



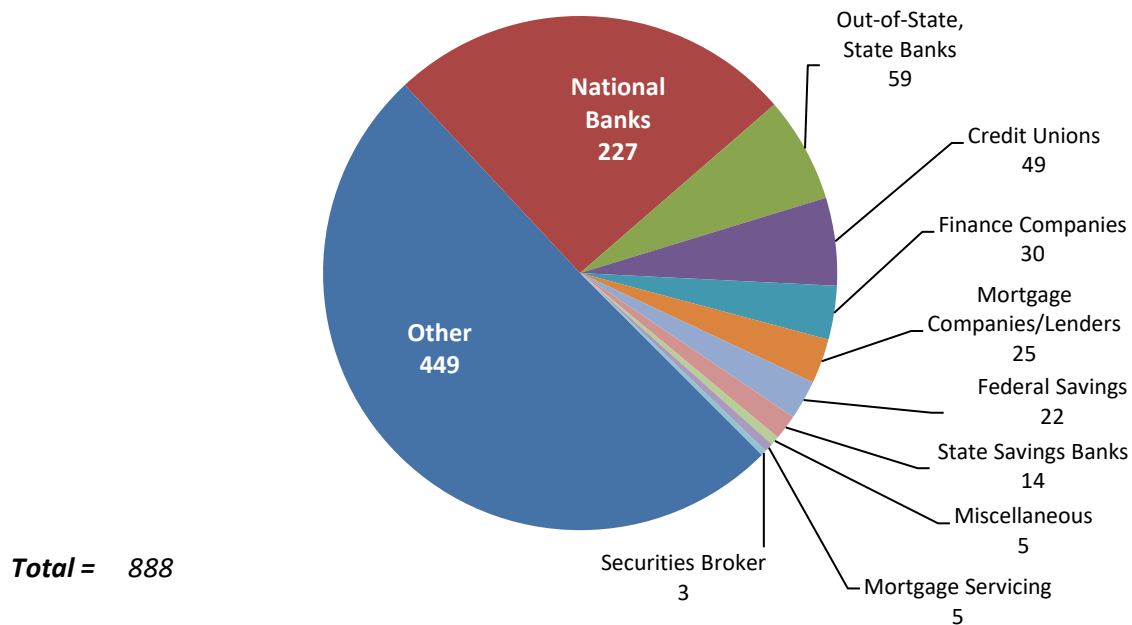
**Perpetual Care Cemeteries  
Written Complaints by Type  
September 2024-April 2025**



**Perpetual Care Cemeteries  
Inquiries by Type  
September 2024-April 2025**



### Complaints and Inquiries Against Non-Jurisdictional Entities September 2024-April 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 – June 3, 2025

Entity	Enrolled	Compromised Accounts Reported
Texas State-Chartered Banks	178	520
Texas State-Chartered Savings Banks	24	74
Federal Savings Banks	10	0
State Credit Unions	135	921
Federal Credit Unions	229	752
National Banks	171	118
Out-of-State State-Chartered Banks	12	77
Out-of-State National Banks	6	0
<b>Total</b>	<b>765</b>	<b>2,462</b>

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

	FY 2022	FY 2023	FY 2024	FY 2025 As of 5/31/2025
I. General Knowledge	5	4	8	9
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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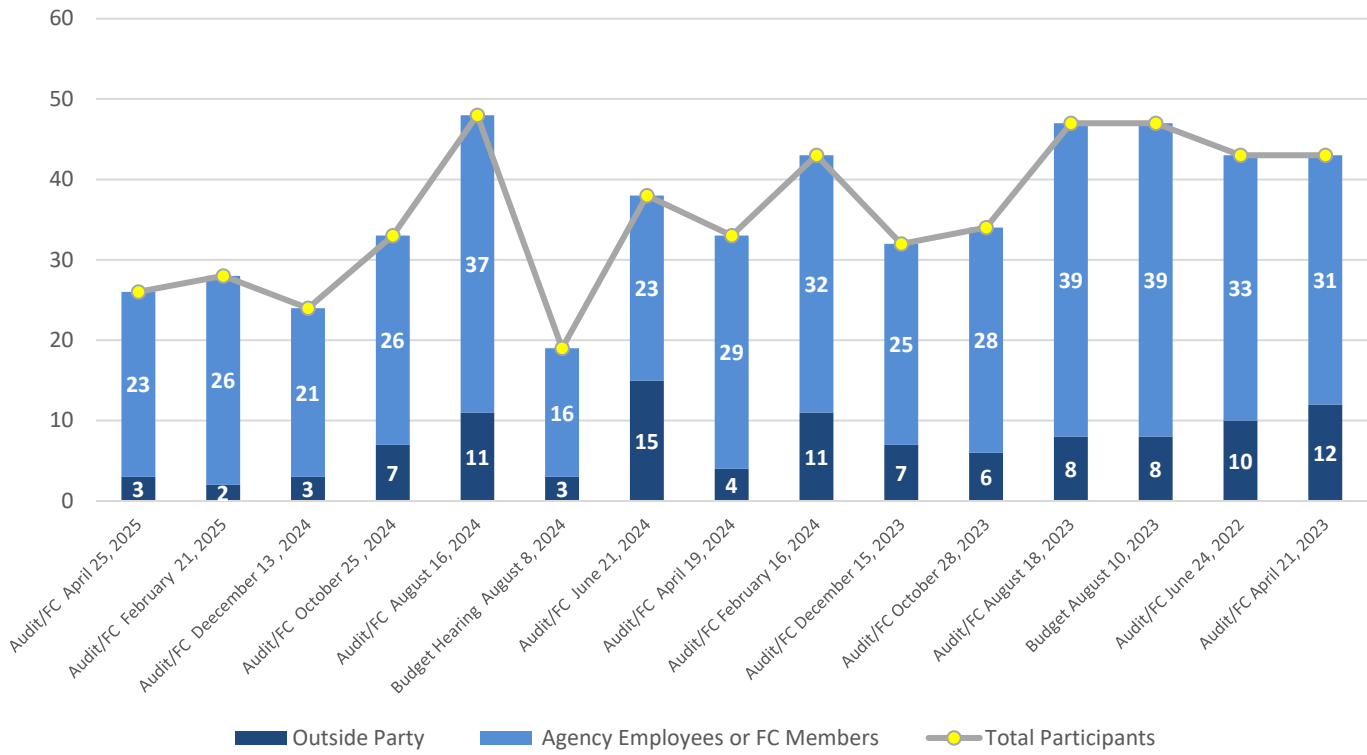
\*One credit specialist successfully completed the process in March.

**Other Divisional Items:**

- *89th Legislative Session*
  - The regular legislative session ended June 2, 2025. There were 9,014 bills filed during the session with 1,231 passing, or 13.7%. Of the 558 bills the Department tracked, 73 passed the legislature. The Department will continue to provide weekly legislative updates to the Finance Commission until the June 22<sup>nd</sup> deadline for the Governor to act on bills. Bill tracking reports are updated weekly and posted to the Department's intranet to help keep agency staff informed of legislative activities.
- *Training:*
  - The Department hosted a Financial Examiner II School in San Antonio, Texas the week of June 2, 2025. Twelve financial examiners attended this school.
  - The next Examiner Training Program will begin July 2025, with 8 participants. The program will continue through mid-November 2025.

- *Publications:*
  - The [Top 100 Banks](#), [Overall Texas Banking Activity](#) and the [Agency Profile](#) reports were updated with the March 31, 2025 data.
- *Financial Education:*
  - The Texas Department of Banking and the Office of Consumer Credit Commissioner hosted the Financial Fitness webinar on May 28, 2025. The webinar focused on the improving financial confidence through practical application by taking small, deliberate steps to improve financial habits. Thirty-seven consumers registered for the webinar and 17 consumers were in attendance.
- *Policy Revisions/Updates:*
  - Administrative Memorandums (AM)
    - AM 2002 – Equal Employment Opportunity, Discrimination and Sexual Harassment Prevention Policy (May)
    - AM 2005 – Interstate Bank Examinations (May)
- *Examination Procedure Revisions/Updates:*
  - Commercial Procedures:
    - #2 Allowance for Credit Losses (April)
    - #17 Other Assets and Other Liabilities (May)
    - #19 Other Real Estate Owned (April)
    - #22 Related Organizations and Bank Holding Company (April)
    - #24 Temporary Mortgage Purchase Program (April)
    - Examination Scope Memo
  - Trust Procedures:
    - #2 Management (Fiduciary & Corporate) (April)
    - #7 Capital (Trust Company) (April)
    - #8 Asset Quality (Trust Company) (April)
    - #11 Liquidity (Trust Company) (April)
    - Trust Examination Request Lists
  - IT Exit Meeting Agenda Template
  - Examination reference materials for commercial and trust (April, May)

## Finance Commission Webcast Historical Data







Charles G. Cooper  
Commissioner

## **TEXAS DEPARTMENT OF BANKING**

2601 North Lamar Blvd., Austin, Texas 78705

512-475-1300 / 877-276-5554

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

**To:** Finance Commission Members  
**From:** Robert Nichols, General Counsel  
**Date:** June 2, 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, and 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 was originally filed July 9, 2024, and amended on October 10, 2024, and alleged 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 sought \$20,000 in damages, plus court costs. The matter was dismissed with prejudice after a hearing on April 29, 2025.

### **Orders Issued April 1, 2025 – May 31, 2025**

The Commissioner issued four enforcement orders during this period:

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

- Prohibition Consent Order issued April 17, 2025; Edward Otis Holt, Dublin, Texas

#### ***Non-Depository Supervision***

- Consent Order issued April 8, 2025; LL Pay U.S., LLC, New York, New York
- Consent Order issued May 5, 2025; River Financial, Inc., Columbus, Ohio
- Consent Order issued May 5, 2025; Foris DAX, Inc., Tyler, Texas

## Public Information Requests

From April 1, 2025, through May 31, 2025, staff received and responded to 23 requests for public information addressed to the Department of Banking and received six inquiries through the “Ask a Question” feature. During the same period, we received one public information request addressed to the Finance Commission.

## Gifts

On April 16, 2025, Commissioner Cooper attended the Federal Financial Institutions Examination Council (FFIEC) first quarter meeting in Washington, D.C. The FFIEC paid his airfare, lodging, and per diem in the amount of \$1,318.46. The Commissioner attended the meeting in his role as the current State Liaison Committee Chair.

On May 2, 2025, at a Risk Management Association conference, Dallas Regional Review Examiner Marilyn Sebade was given a \$25 Amazon gift card after participating in a regulatory panel. The gift card was returned.

### FY 2025 Quarterly Order Activity

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

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

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

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

**FY 2025 Quarterly Order Activity Continued**

<b>PREPAID FUNERAL CONTRACT</b>				
<b>Type of Action</b>	<b>1st</b>	<b>2nd</b>	<b>3rd</b>	<b>4th</b>
Consent Order	2	0	0	0
Cease & Desist	0	0	0	0
Final Order	0	0	0	0
Total	2	0	0	0



Charles G. Cooper  
Commissioner

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### **Legislation of Interest 89th Legislative Session, 2025**

As of June 11, 2025

This is a summary of bills passed during the 89th Legislature, Regular Session that may affect the Department or its regulated industries. The summary includes a brief description of each bill, its status, and its effective date. The last day for the governor to sign or veto bills is June 22, 2025.

#### **PRIMARY AGENCY BILLS**

##### **HB 3803 by Lambert – Relating to the confidentiality of certain financial information related to perpetual care cemeteries**

Amends Chapter 712 of the Health and Safety code to specify that records retained by the Department that relate to the financial condition of a perpetual care cemetery or perpetual care trust fund are confidential and not subject to disclosure under public information law.

- *Sent to the Governor. Likely effective September 1, 2025.*

##### **HB 3804 by Lambert – Relating to the regulation of state banks**

Amends Section 33.005(2) of the Finance Code to clarify that the exemption from change of control requirements for certain individuals who previously received approval from the banking commissioner in a prior application is only applicable to the state bank for which the person was previously approved and only if they continued to maintain control of the state bank from the time of the original approval. It also removes the phrase ‘cash’ from Section 35.106 to prohibit a bank that is under supervision from paying a cash dividend to the bank’s shareholders without prior approval of the supervisor or commissioner. The section also updates references to Chapter 152 in Section 31.002(a)(15), which was enacted by the 88th legislative session and replaced Chapter 151.

- *Sent to the Governor. Likely effective September 1, 2025.*

##### **HB 3805 by Lambert – Relating to certain enforcement powers of the banking commissioner regarding the regulation of money services businesses**

Amends Chapter 152 of the Finance Code to provide enforcement authority to the banking commissioner to remove or prohibit a current or former key individual or employee of a money services business from further participation in the licensee or any other entity chartered, registered,

permitted, or licensed by the commissioner. The bill provides the criteria that must be met to warrant this action, provides for the enforcement in cases of certain criminal offenses, and addresses application for release from the order after 10 years of the issuance.

- *Sent to the Governor. Likely effective September 1, 2025.*

**HB 3806 by Lambert – Relating to prohibited activities of a state trust company under supervision**

Amends Section 185.106 of the Finance Code to prohibit a state trust company that is under supervision from paying a cash dividend to the state trust company's shareholders or participants without prior approval of the supervisor or commissioner. It also adds a provision to the section that a state trust company under supervision may not engage in any activity determined by the banking commissioner to threaten the safety and soundness of the state trust company.

- *Sent to the Governor. Likely effective September 1, 2025.*

**HB 3833 by Lambert – Relating to the regulation of money services businesses**

Amends Chapter 152 of the Finance Code to provide clarity on several topics regarding the application and regulation of money services businesses. It updates references to 'key individual' to replace outdated terms 'principal' or 'responsible person' in several sections. It provides clarification by removing the language suggesting Section 152.105 is only applicable if the applicant itself is an individual. Section 152.203 is amended to clarify that financial statements pertaining to currency exchange licenses must be prepared in accordance with United States generally accepted accounting principles. Section 152.353(a) is amended to clarify that the security maintained by a currency exchange licensee must be in the form of a surety bond or, with the commissioner's approval, a deposit in lieu of a bond. Section 152.356 is also amended to specify that permissible cash deposits must be held in a federally insured depository institution and specify how a licensee may hold stablecoin for the purposes of Section 152.356 while directing the commissioner to prescribe minimum qualifications for certain third-party custodians. permissible stablecoin custody arrangements.

- *Sent to the Governor. Likely effective September 1, 2025.*

**HB 1094 by Lambert – Relating to the regulation of transportation protection agreements**

Amends Chapter 154 of the Finance Code to clarify that a transportation protection agreement does not fall within the definition of prepaid funeral benefits. This is consistent with how the Department has previously interpreted the statutory language.

- *Sent to the Governor. Likely effective September 1, 2025.*

**OTHER BILLS AFFECTING REGULATED ENTITIES****HB 4233 by Capriglione – Relating to reporting and auditing requirements for digital asset service providers**

Would have amended Chapter 160 of the Finance Code to remove the auditor report requirement which the Department is unable to enforce.

- *Returned from the House for further action and failed to pass.*

**SB 512 by Kolkhorst – Relating to prohibiting the imposition of a monetary fine or penalty for a violation of a money services business's terms of service agreement; providing a civil penalty**

Amends Chapter 152 of the Finance Code adding a section to prohibit the imposition of a fine or penalty by a money transmission licensee for violation of any provision of a money transmission licensee's terms of service agreement.

- *Sent to the Governor. Likely effective September 1, 2025.*

**BILLS AFFECTING AGENCY OPERATIONS****HB 12 by Bell – Relating to the review and audit of certain state agency operations**

Amends Chapter 325 of the Government Code providing specific guidance on the sunset review and audit of state regulatory agencies. New requirements include public notice and input from interested parties. It also provides that the review of regulatory agencies must include an analysis of the agency's performance during the preceding 10 years or since the last review. It adds an evaluation of performance measure targets listed in the General Appropriations Act. Chapter 325 is further updated to provide for limited review of regulatory agencies' rulemaking for a two-year period beginning on September 1 of the sixth year after the date a regulatory agency was last continued under the Sunset Law. This requires regulatory agencies to report to the Sunset Advisory Commission information related to rulemaking and rule review activities.

The bill also introduces Chapter 327 to the Government Code, establishing efficiency audits of state agencies conducted by the state auditor or their contracted external auditor. Efficiency audits will examine the use of state resources.

- *Sent to the Governor. Likely effective September 1, 2025.*

**HB 34 by Metcalf – Relating to prohibiting the investment of state money in certain countries and in certain private business entities in those countries**

Amends Section 2270.0001 of the Government Code to prohibit the investment of state money in certain countries of concern and in certain private business entities in those countries. Prohibited

countries include China, North Korea and Russia or a country designated by the governor. The bill would require a notice of possible divestment by investing entities to a scrutinized company; actions the scrutinized company may take to be removed from the comptroller's list; and actions to be taken if the scrutinized company does not take action after receiving the notice from the investing entity.

- *Sent to the Governor. Likely effective September 1, 2025.*

**HB 149 by Capriglione – Relating to the regulation of the use of artificial intelligence systems in this state**

Amends various sections of the Business and Commerce Code and Government Code addressing the regulation and use of artificial intelligence systems in and by this state. The bill establishes strict disclosure requirements to consumers and prohibits systems from harmful action. It allows a state agency to sanction an individual licensed or registered by the agency for violations of the newly established prohibited uses subchapter.

- *Sent to the Governor. Likely effective September 1, 2025.*

**HB 150 by Capriglione – Relating to the establishment of the Texas Cyber Command as a component institution of The University of Texas System and the transfer to it of certain powers and duties of the Department of Information Resources**

Amended Chapter 2063 of the Government Code to establish a Texas Cyber Command and to transfer powers and duties to it from the Department of Information Resources. Importantly, it requires completion of a new annual cybersecurity training program for all individuals affiliated with a governmental entity who have access to information resources or information resources technologies.

- *Signed by the Governor. Effective September 1, 2025.*

**HB 1056 by Dorazio – Relating to the issuance of gold and silver specie and the establishment of a currency based on gold and silver**

Amends Chapter 2116 of the Government Code to authorize gold and silver specie that meet certain requirements as legal tender in this state, and to establish a transactional currency based on gold and silver. It does not require offer or acceptance of legal tender recognized by the amendment by government, individuals, or other entities.

- *Sent to the Governor. Likely effective September 1, 2026.*

**HB 1522 by Gerdes – Relating to notice of meeting held under the open meetings law**

Amends Section 551.043 of the Government Code to require notice of an open meeting to be posted at least three business days, rather than 72 hours, before the scheduled date of the meeting. It also adds the requirement that if the governmental body will be discussing or adopting a budget, the notice must include a physical copy of the budget.

- *Sent to the Governor. Likely effective September 1, 2025.*

**HB 2520 by Johnson – Relating to the open meetings law**

Amends Chapter 551 of the Government Code regarding the open meetings law. The bill adds a requirement that open meeting notices include an agenda for the meeting and that subjects be stated with certain specificity.

- *Sent to the Governor. Likely effective September 1, 2025.*

**HB 3112 by Tepper – Relating to the application of the open meetings law and public information law to government information related to certain cybersecurity measures.**

Amends Chapter 551 of the Government Code to permit governmental bodies to conduct closed meetings when deliberating on cybersecurity policies, measures, or contracts specifically aimed at safeguarding critical infrastructure within their jurisdiction.

- *Sent to the Governor. Likely effective September 1, 2025.*

**HB 3512 by Capriglione – Relating to artificial intelligence training programs for certain employees and officials of state agencies and local governments**

Amends Section 2054.5191 of the Government Code to require artificial intelligence training in addition to cybersecurity training for employees who use a computer at least 25 percent of the time.

- *Sent to the Governor. Likely effective September 1, 2025.*

**HB 4214 by Curry – Relating to the public information law**

Amends Chapter 552 of the Government Code to require notification to the Office of the Attorney General (OAG) of the mailing address and electronic mailing address designated for receiving written requests for public information by October 1 of each year. The OAG will maintain on its website a database of the mailing addresses provided by each governmental body.

- *Sent to the Governor. Likely effective September 1, 2025.*



**HB 4219 by Capriglione – Relating to governmental body’s response to a request for public information**

Amends Chapter 552 of the Government Code to add a ten-day deadline to notify requesters that there is no responsive information, or that requested information is subject to a previous determination such that the information may be withheld. Failure to comply with the deadline may result in a complaint to the OAG and remedial training for the agency’s public information officer, and may prevent the agency from assessing costs for the production of the documents.

- *Sent to the Governor. Likely effective September 1, 2025.*

**HB 4310 by Vasut – Relating to a special right of access under the public information law for a member of a governing board**

Amends Chapter 552 of the Government Code to add a section providing a member of a board overseeing a governmental body special access to inspect and duplicate public information maintained by the governmental body when acting in the member’s official capacity. The governmental body may require the member of the governing board to sign a confidentiality agreement for the distribution of confidential information, though governmental bodies are not required to provide confidential information. Disputes regarding the confidentiality of information and requirement of a confidentiality agreement will be adjudicated by the attorney general. A member of a governing board may also appeal an attorney general decision to the district court in Travis County.

- *Sent to the Governor. Likely effective September 1, 2025.*

**HB 5195 by Capriglione – Relating to the modernization of state agency systems, including the improvement of online access to services and the reduction of paperwork requirements**

Amends Chapter 2054 of the Government Code to add a requirement that state agencies, including commissions, assess their websites and online service portals to identify areas for improvement.

- *Sent to the Governor. Likely effective September 1, 2025.*

**HB 5196 by Capriglione – Relating to telework for state employees**

Amends Chapter 658 of the Government Code to define telework for state employees and to add specificity to the authority of state agency administrative heads to authorize telework and to required procedures.

- *Sent to the Governor. Likely effective September 1, 2025.*

**SB 14 by King – Relating to reforming the procedure by which state agencies adopt rules and impose regulatory requirements and the deference given to the interpretation of laws and rules by state agencies in certain judicial proceedings**

Added Chapter 465 to the Government Code establishing a Regulatory Efficiency Office within the Governor's Office to promote efficiency in rule making. The new chapter requires a development of a portal to give individuals and business owners the ability to search for rules and requirements applicable to their specific business activities and plans and adds new requirements to the rulemaking process. Finally, the chapter states courts are not required to give deference to state agency interpretations of laws and rules, though they may.

- *Signed by the Governor. Effective September 1, 2025.*

**SB 765 by Kolkhorst – Relating to the confidentiality of fraud detection and deterrence information under the public information law**

Amended Chapter 552 of the Government Code to make confidential information in the custody of a governmental body that relates to fraud detection and deterrence measures.

- *Signed by the Governor. Effective September 1, 2025.*

This rule will not be discussed at the June 20, 2025 meeting.

2. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of Amendments in 7 TAC, Part 1, Chapter 3, § 3.36, Concerning Special Examination and Investigation Fees for State Banks.

**PURPOSE:** Amendments to this section of Chapter 3 will increase the hourly fees for special examinations or investigations from \$110 to \$140 per hour to enable the department to be self-supporting and each regulatory program to be self-sustaining

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

**RECOMMENDED MOTION:** I move that we publish the proposed amendments in 7 TAC, Part 1, Chapter 3 in the *Texas Register* for comment.

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

The Finance Commission of Texas (the “commission”), on behalf of the Texas Department of Banking (the “department”), proposes to amend §3.36 (“§ 3.36”) of Title 7 of the Texas Administrative Code, concerning special examination and investigation fees for state banks.

**Description of Proposed Amendment**

The proposed amendment to §3.36 will increase the hourly fees for special examinations or investigations from \$110 to \$140 per hour.

These hourly fees will only be charged in limited instances, such as special examinations and investigations relating to state banks, including affiliates and third-party service providers.

**Reasons for Proposed Amendment**

The primary regulatory programs administered by the department are supported by fees, like those currently in §3.36, requiring each regulated industry to pay its proportionate share of the cost of regulation. The purpose of most fees charged by the department, whether for an application, an examination, or another purpose, is to enable the department to be self-supporting and each regulatory program to be self-sustaining. Further, the department may not directly or indirectly cause the State’s General Revenue Fund to incur such costs. Therefore, the department must periodically evaluate its

operations and financial forecasts to determine whether the fee structure equitably funds the cost of regulation, as required by statute, and adequately supports the department and relevant regulatory programs.

The department determined that key regulatory functions are not adequately funded by the existing fee structure, primarily due to increase in labor and other costs. The proposed adjustment is long overdue, as operational expenses have significantly increased while hourly examination and investigation fees have not increased in over ten years. See Texas Register, Vol. 38, No. 52, December 27, 2013, p. 9481.

Increases in operational costs are principally responsible for driving the proposed amendment. The department’s costs for state bank programs have increased over the years due to a variety of factors, including the following: rising inflation impacting items such as travel costs; the necessity to attract, hire, and retain qualified personnel; and the additional time, resources, and attention required by the increasing complexity of state bank operations. Since the last change in state bank special examination and investigation fees more than ten years ago, department examiner salaries have increased by almost 29% and the Gross Domestic Product Implicit Price Deflator (the “GDIPD”), published quarterly by the Bureau of Economic Analysis, which is part of the United States Department of Commerce, has increased by approximately 29%. The increase of special examination or investigation fees from \$110 to \$140 hour is an increase of slightly more than 27%.

Based on historical examination data and costs, coupled with the increased complexity of the examinations, the department believes the proposed fee adjustments will provide the funding required to administer and enforce the Texas Banking Act (“Banking Act”), Subtitle A of Title 3 of the Texas Finance Code (“Finance Code”), in a manner that is fair and equitable to state banks.

In addition, the department believes that the proposed amendment better conforms commission rules to the policy goals expressed by the Finance Code. Section 31.106 of the Finance Code requires each state bank to pay for “(1) the cost of examination; (2) the equitable or proportionate cost of maintenance and operation of the department; and (3) the cost of enforcement” of applicable law pursuant to rules established by the commission. Section 31.003 of the Finance Code states that commission rules on fees should permit the department to recover, “through the imposition and collection of ratable and equitable fees,” both (i) its costs of “maintenance and operation,” and (ii) its costs of examining state banks and enforcing applicable law.

Equitability is ensured by the ability of the department to recover special examination and investigation fees on an hourly basis when appropriate, such as in cases of non-routine state bank-related examinations.

### **Fiscal and Regulatory Impact**

Jared Whitson, Director of Bank & Trust Supervision, Texas Department of Banking, has determined that the public benefit

anticipated as a result of adopting the rule amendment, for each year of the first five years the proposed amended rule is in effect, will enhance customer protection and provide assurance that the department can continue to meet its regulatory mandate under the Banking Act.

For each year of the first five years that the amended rule will be in effect, the rule is not expected to:

- create or eliminate a government program;
- require the creation of new employee positions or the elimination of existing employee positions;
- require an increase or decrease in future legislative appropriations to the department or commission;
- create a new regulation;
- expand, limit, or repeal an existing regulation;
- increase or decrease the number of individuals subject to the rule’s applicability; or
- adversely affect the economy of Texas.

Director Whitson believes there may be some positive impacts to the Texas economy from the proposed amendment by ensuring that costs of regulation are fairly and equitably distributed among all financial service entities regulated by the department.

Director Whitson also determined that the amended rule will require an increase in fees potentially paid to the department for the first five-year period the proposed amendment is in effect, and that there will be fiscal implications for state government (but not for local government). The amended rule itself is

an increase in fees charged to applicable businesses, generating potential additional revenues to the department.

However, Director Whitson conservatively estimates that the proposed examiner hourly fee adjustment for special examinations and investigations will not generate an actual increase in revenue for each year of the first five-year period the proposed rule is in effect. Special examinations and investigations are not anticipated in the first five-year period the proposed rule is in effect.

For each year of the first five years during which the amended rule will be in effect, there may be economic costs applicable to persons who are required to comply with the proposed amended rule and there may be an adverse economic effect on small businesses and micro-businesses due to the increases in special examination and investigation fees.

There are 206 state banks subject to potential special examinations or investigations this fiscal year. Of these banks, the department has identified one as a small business and five as micro-businesses, each as defined in the Texas Government Code (“Government Code”), §2006.001. None of the banks constitute rural communities as defined in Government Code, §2006.001.

The bank identified as a small business will, on average, pay no additional fees for each year of the first five years the proposed rule is in effect. Each of the five banks identified as a micro-business will, on average, pay no additional fees for each year of the first five years the proposed rule is in effect.

The department believes this proposed assessment fee structure best satisfies the mandate of Finance Code §§31.003 and 31.106, which require assessment fees to be proportionate, ratable, and equitable, and to provide for recovery of the department’s costs related to administering and enforcing the Banking Act.

The department has adopted and continues to apply strategies to mitigate adverse economic impacts on all affected entities, including micro-businesses. Special examinations and investigations are not routine, and instead arise in unique circumstances, such as for state banks that have unsatisfactory risk management, or state banks seeking approval for complex corporate transactions.

### **Comments**

To be considered, comments on the proposed amendment must be submitted to the department in writing no later than 5:00 p.m. on August 4, 2025. Comments should be addressed to General Counsel, Texas Department of Banking, Legal Division, 2601 North Lamar Boulevard, Suite 300, Austin, Texas 78705-4294. Comments may also be submitted by email to [legal@dob.texas.gov](mailto:legal@dob.texas.gov).

The amendment to §3.36 is proposed under the authority of Finance Code, §11.301, which authorizes the commission to adopt rules applicable to state banks, and Finance Code, §31.003, which authorizes the commission to adopt rules necessary to

impose and collect fees for notices, applications, and examinations.

This proposal affects the statutes administered and enforced by the department's commissioner with respect to state banks, contained in Finance Code, Title 3, Subtitle A. No other statute is affected by this proposal.

<rule>

*§3.36. Annual Assessments and Special  
~~[Specialty]~~ Examination Fees*

(a) – (g) (No change.)

(h) Special ~~[Specialty]~~ examination fees.

(1) ~~[Examinations of fiduciary activities and other special]~~ Special examinations and investigations, including but not limited to examinations of bank holding companies, interstate branches of state banks in Texas as host state, affiliates, and third-party contractors, are subject to a separate charge to cover the cost of time and expenses incurred in these examinations.

(2) The fee for an examination under this subsection will be calculated at a rate not to exceed \$140 ~~[\$110]~~ per examiner hour, to recoup the salary expense of examiners plus a proportionate share of department overhead allocable to the examination function. The banking commissioner in the exercise of discretion may lower the rate in connection with a specific examination or investigation for equitable reasons, without the prior approval of the finance commission.

(3) In connection with an examination under this subsection, the regulated entity or other

legally responsible party shall pay to the department the examination fee set forth in paragraph (2) of this subsection, and shall also pay to the department an amount for actual travel expenses incurred by the examiners, including mileage, public transportation, food, and lodging.

(i) (No change.)

This rule will not be discussed at the June 20, 2025 meeting.

3. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of Amendments in 7 TAC, Part 2, Chapter 17, § 17.22, Concerning Examination and Investigation Fees for State Trust Companies.

**PURPOSE:** Amendments to this section of Chapter 17 will replace hourly fees for regular examinations of trust companies with the assessment fee schedules.

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

**RECOMMENDED MOTION:** I move that we publish the proposed amendments in 7 TAC, Part 2, Chapter 17 in the *Texas Register* for comment.



***Title 7. Banking and Securities***  
***Part 2. Texas Department of Banking***  
***Chapter 17. Trust Company Regulation***  
***Subchapter B. Examinations and Call Reports***

The Finance Commission of Texas (the “commission”), on behalf of the Texas Department of Banking (the “department”), proposes to amend §17.22 (“§17.22”) of Title 7 of the Texas Administrative Code, concerning examination and investigation fees for state trust companies.

The proposed amendments to §17.22 will: (i) replace hourly fees for regular examinations of trust companies with the assessment fee schedules set forth in the attached Figures: 7 T.A.C. §17.22(c)(2)(A) & (B); (ii) permit the department to adjust the trust company assessment fee schedule based on the percentage change in an inflation index beginning September 1, 2027, and require publication of those adjustments in advance; (iii) require the department to review revenues and costs related to examination and supervision of trust companies and present the results of that review to the commission at least once every two years; (iv) permit the department to make interim adjustments to a public trust company’s assessment fees based on changes to that particular company’s relevant characteristics; (v) permit the department to proportionally reduce assessments for all trust companies without commission approval; (vi) increase the hourly fees for special examinations or investigations from \$110 to \$140 per hour; and (vii) specify that the commission may approve special assessments to cover material expenditures, such as major facility repairs and

improvements and other extraordinary expenses. In addition, the amendments make other modifications to §17.22 that match §17.22 with the analogous rule for state bank assessments and fees in §§3.36 and 3.37 of Title 7 of the Texas Administrative Code.

**Annual Assessments**

The primary regulatory programs administered by the department are supported by fees, like those currently in §17.22(a), requiring each regulated industry to pay its proportionate share of the cost of regulation. The purpose of most fees charged by the department, whether for an application, an examination, or another purpose, is to enable the department to be self-supporting and each regulatory program to be self-sustaining. Further, the department may not directly or indirectly cause the State’s General Revenue Fund to incur such costs. Therefore, the department must periodically evaluate its operations and financial forecasts to determine whether the fee structure equitably funds the cost of regulation, as required by statute, and adequately supports the department and relevant regulatory programs.

The department determined that key regulatory functions are not adequately funded by the existing fee structure, primarily due to increase in labor and other costs. The proposed amendments to §17.22 will allow the annual assessments paid by trust companies to offset forecasted funding shortfalls. These adjustments are long overdue, as operational expenses have significantly increased while hourly examination and investigation fees have not increased in over ten years. See Texas

Register, Vol. 38, No. 52, December 27, 2013, p. 9483.

Increases in operational costs are principally responsible for driving the proposed amendments. The department's costs for trust company programs, such as the required periodic examination of each trust company, have increased over the years due to a variety of factors, including the following: rising inflation impacting items such as travel costs; the necessity to attract, hire, and retain qualified personnel; and the additional time, resources, and attention required by the increasing complexity of trust company operations. Since the last change in trust company examination and investigation fees more than ten years ago, department examiner salaries have increased by almost 29% and the Gross Domestic Product Implicit Price Deflator (the "GDPIPD"), published quarterly by the Bureau of Economic Analysis, which is part of the United States Department of Commerce, has increased by approximately 29%. The increase of special examination or investigation fees from \$110 to \$140 per hour is an increase of slightly more than 27%. The proposed rule would increase estimated annual fees for public trust companies and exempt trust companies by approximately 17% or \$8,440 and 23% or \$1,766, respectively.

Based on historical examination data and costs, coupled with the increased complexity of the examinations, the department believes the proposed fee adjustments will provide the funding required to administer and enforce the Texas Trust Company Act ("Trust Company Act"), Subtitle F of Title 3 of the Texas Finance Code ("Finance Code"), in a

manner that is fair and equitable to trust companies.

In addition, the department believes that the proposed amendments better conform commission rules to the policy goals expressed by the Finance Code. Section 181.105 of the Finance Code requires each state trust company to pay for "(1) the cost of examination; (2) the equitable or proportionate cost of maintenance and operation of the department; and (3) the cost of enforcement" of applicable law pursuant to rules established by the commission. Section 181.003 of the Finance Code states that commission rules on fees should permit the department to recover, "through the imposition and collection of ratable and equitable fees," both (i) its costs of "maintenance and operation," and (ii) its costs of examining trust companies and enforcing applicable law.

Along with ensuring that the Department will recover the costs of examination, enforcement, maintenance, and operations, the proposed amendments follow the Finance Code's directive that fees be "ratable" (that is, estimable) and "equitable." As for ratability, since the current fees are determined after the conclusion of routine examinations on an exam-by-exam basis, these costs are not uniform or predictable. This results in uncertainty for trust companies, along with creating budgeting problems for the department itself. Moving to a pre-determined cost structure for routine examinations would increase the ability to accurately estimate these costs in advance.

As for equitability, the costs of trust company examinations are generally

proportionate to the size and risk profile of trust companies, and the quality of their risk management. Higher fees are collected from trust companies with larger amounts of assets under administration, non-exempt trust companies serving the general public rather than exempt, non-public trust companies serving only family clients, and trust companies with unsatisfactory risk management. Likewise, lower fees are collected from non-public trust companies that are exempt from many applicable laws and regulations, have a lower risk profile, and require less resources to examine. Equitability is also ensured by the ability of the department to recover special examination fees on an hourly basis when appropriate, such as in cases of non-routine trust company related examinations.

### **Inflation Adjustments**

The proposed amendments to §17.22 will eliminate the need for large, one-time future increases in annual assessments by allowing the department to increase those assessments proportionate to inflation. The proposed inflation index is the GDPIPD, which captures the overall level of inflation in everything that an economy produces and is typically used to calculate inflation at the corporate or governmental level. The GDPIPD is used for similar purposes in Chapters 3, 25, 26, and 33 of Title 7 of the Texas Administrative Code.

### **Examination Fees**

The proposed rule amendments will also increase the rate of each examiner hour to \$140. These hourly fees will only be charged in limited instances, such as special

examinations and investigations relating to trust companies, including affiliates and third-party service providers.

### **Fiscal and Regulatory Impact**

Jared Whitson, Director of Bank & Trust Supervision, Texas Department of Banking, has determined that the public benefit anticipated as a result of adopting the rule amendment, for each year of the first five years the proposed amended rule is in effect, will enhance customer protection and provide assurance that the department can continue to meet its regulatory mandate under the Trust Company Act.

For each year of the first five years that the amended rule will be in effect, the rule is not expected to:

- create or eliminate a government program;
- require the creation of new employee positions or the elimination of existing employee positions;
- require an increase or decrease in future legislative appropriations to the department or commission;
- create a new regulation;
- expand, limit, or repeal an existing regulation;
- increase or decrease the number of individuals subject to the rule's applicability; or
- adversely affect the economy of Texas.

Director Whitson believes there may be some positive impacts to the Texas economy from the proposed amendments by ensuring that costs of regulation are more reliably assessed for trust companies and more fairly

and equitably distributed among all financial service entities regulated by the department.

Director Whitson also determined that the amended rule will require an increase in fees paid to the department for the first five-year period the proposed amendment is in effect, and that there will be fiscal implications for state government (but not for local government). The amended rule itself is an increase in fees charged to applicable businesses, generating additional revenues to the department, with additional increases contemplated by the inflation adjustments proposed in subsection (d).

Director Whitson conservatively estimates that the proposed assessment fee adjustments will generate an average increase of \$293,700 in revenue for each year of the first five-year period the proposed rule is in effect, which will cover projected expenses. The projected increases in revenue are not based on the maximum amounts allowed under the amended rule; rather, they are an average of the increase in revenue to cover forecasted increases in expenses. The department monitors actual expenses on a quarterly basis to balance revenues with expenses and allow for the reduction of charged assessments if revenues sufficiently exceed expenses in a fiscal year.

However, Director Whitson conservatively estimates that the proposed examiner hourly fee adjustment for special examinations and investigations will not generate an actual increase in revenue for each year of the first five-year period the proposed rule is in effect. Special examinations and investigations are not

anticipated in the first five-year period the proposed rule is in effect.

Expenses were determined using established knowledge-based forecasts and past, current, and projected financial information. The major expenses included in the analysis were salaries, in-state examination travel expenses, and employee training and development fees. For salaries, anticipated promotions and the hiring of additional staff, along with related costs, were included in the projected expenses. A two percent year-over-year inflationary increase was included when calculating the five-year average increase in expense.

For each year of the first five years during which the amended rule will be in effect, there will be economic costs applicable to persons who are required to comply with the proposed amended rule. There will be no adverse economic effect on rural communities. There will be an adverse economic effect on small businesses and micro-businesses due to the increases in fees, though these effects are mitigated as there will be smaller proportionate increases for small and micro-businesses, as described further in the following paragraphs.

There are 38 trust companies paying assessment fees this fiscal year. Of these trust companies, the department has identified none as small businesses, as defined in Texas Government Code ("Government Code"), §2006.001, due to their annual gross receipts or their affiliation with other financial institutions. The department has identified 18 trust companies as micro-businesses, as defined in Government Code §2006.001. None of the trust companies subject to the

amended rule constitute rural communities as defined in Government Code §2006.001, and none have headquarters in rural communities.

Each of the 18 trust companies identified as a micro-business will, on average, pay \$962, or 10%, more in fees for each year of the first five years the proposed rule is in effect.

The public trust company assessment table is a tiered system segregated into seven categories based on assessable assets, which is defined as the sum of all managed and non-managed client assets under administration by the public trust company on March 31 of the calendar year preceding the assessment period.

The exempt, non-public trust company assessment table is a tiered system segregated into four categories based on assessable assets, which is defined as the sum of all managed and non-managed client assets under administration by the exempt trust company on December 31 of the calendar year preceding the assessment period.

Assessments are subject to upwards adjustments for public trust companies whose composite examination ratings are not fundamentally sound (that is, 3 or higher.)

The department believes this proposed assessment fee structure best satisfies the mandate of Finance Code §§181.003 and 181.105, which require assessment fees to be proportionate, ratable, and equitable, and to provide for recovery of the department's costs related to administering and enforcing the Trust Company Act.

The department has adopted and continues to apply strategies to mitigate adverse economic impacts on all affected entities, including micro-businesses. Assessments are collected from public trust companies on a quarterly basis, preventing them from incurring a one-time financial load. Further, under the proposed amendments, the department may reduce assessments otherwise due in a year when a lesser amount is necessary to fund the department's cost of operations. Therefore, an increase in assessment rates will not necessarily result in a proportionate increase in assessments collected.

### **Comments**

To be considered, comments on the proposed amendments must be submitted to the department in writing no later than 5:00 p.m. on August 4, 2025. Comments should be addressed to General Counsel, Texas Department of Banking, Legal Division, 2601 North Lamar Boulevard, Suite 300, Austin, Texas 78705-4294. Comments may also be submitted by email to [legal@dob.texas.gov](mailto:legal@dob.texas.gov).

### **Proposed Amendments**

The amendments to §17.22 are proposed under Finance Code, §11.301, which authorizes the commission to adopt rules applicable to state trust companies, and Finance Code, §181.003, which authorizes the commission to adopt rules necessary to impose and collect fees for notices, applications, and examinations.

This proposal affects the statutes administered and enforced by the

department's commissioner with respect to trust companies contained in Finance Code, Title 3, Subtitle B. No other statute is affected by this proposal.

<rule>

*§17.22. Examination and Investigation Fees*

(a) Authority. The assessment schedule contained in this section is made under the authority contained in the Finance Code, §181.003(a)(4).

(b) Definitions. The following words and terms, when used in this section, have the following meanings, unless the context clearly indicates otherwise.

(1) Annual GDPIPD factor--The percentage change in the Gross Domestic Product Implicit Price Deflator index values, as published by the Bureau of Economic Analysis, United States Department of Commerce, for the first quarter of the current year, compared to the first quarter of the previous year (the March-to-March period immediately preceding the calculation date), rounded to a hundredth of a percent (two decimal places).

(2) Assessable assets—For a public trust company, assessable assets are the sum of all managed and non-managed client assets under administration on March 31 of the calendar year preceding the assessment period. For an exempt trust company, assessable assets are the sum of all managed and non-managed client assets under administration on December 31 of the calendar year preceding the assessment

period.

(3) CAMEL composite rating--A trust company's composite rating under the Trust Company Rating System, as described more fully in Supervisory Memorandum 1002, assigned by the department to a public trust company in connection with its most recent examination.

(4) Exempt trust company--A state trust company that has been granted an exemption for statutory provisions pursuant to Finance Code §§182.011 and 182.012.

(5) MOECA composite rating--A trust company's composite rating under the Uniform Interagency Trust Rating System, as described more fully in Supervisory Memorandum 1002, assigned by the department to a public trust company in connection with its most recent examination.

(6) Public trust company--A state trust company that has not been granted an exemption for statutory provisions pursuant to Finance Code §§182.011 and 182.012.

(c) Annual assessment. Effective September 1 of each year, the department will establish the annual assessment for each trust company.

(1) The assessment for a trust company is based on its assessable assets and calculated in the manner described below in paragraph (2) of this subsection. Upon receipt of written notice from the department, a trust company must pay the assessment to the department by electronic payment/ACH debit, or by another method if directed to do so by the department. The assessment for a public trust company

must be paid in quarterly installments on or before September 15, December 15, March 15, and June 15 of each year. The assessment for an exempt trust company must be paid in a single annual installment on or before September 15 of each year.

(2) Assessment calculation tables. The annual assessment for a trust company is calculated as described in this paragraph and paid as provided above in paragraph (1) of this subsection based on the values in the following tables, as such values may be periodically adjusted in the manner provided below in subsection (d).

(A) Each public trust company must pay the annual assessment specified in the following table:

Figure: 7 TAC §17.22(c)(2)(A)

(B) Each exempt trust company must pay the annual assessment specified in the following table:

Figure: 7 TAC §17.22(c)(2)(B)

(d) Adjustments for inflation. Each September 1, the tables in subsection (c) of this section, as most recently revised before such date pursuant to this subsection, may be revised as follows:

(1) each marginal assessment factor listed in Step 3 of the tables is increased (or decreased) by an amount proportionate to the measure of inflation (or deflation) reflected in the annual GDPIPD factor, rounded to six decimal places.

(2) the base assessment amount listed in Step 4 for assessable asset group 1 is increased (or

decreased) by an amount proportionate to the measure of inflation (or deflation) reflected in the annual GDPIPD factor, rounded to whole dollars; and

(3) each base assessment amount listed in Step 4 for the other assessable asset groups is adjusted to an amount equal to the maximum annual assessment possible for the next lower assessable asset group (without surcharge), rounded to whole dollars. For example, the base assessment amount for assessable asset group 2 is equal to the annual assessment (without surcharge) calculated under assessable asset group 1 for a trust company with exactly \$1 billion in assessable assets.

(e) Publication of adjusted assessment calculation tables. If the tables in subsection (c) of this section are revised for inflation (or deflation), then not later than August 1 of each year, the department shall calculate and prepare revised tables reflecting the adjusted values to be applied effective the following September 1, and shall provide each trust company with notice of and access to the revised tables. At least once every four years, the department shall propose amendments to this section for the purpose of substituting current revised tables.

(f) Review of assessment factors. The department will review all appropriations, revenue sources, expenditure patterns, and other revenues and costs related to examination and supervision of trust companies, and present to the finance commission no less frequently than once each biennium such information and a calculation chart that sets forth the annual assessment factors.

(g) Interim adjustments.

(1) If the size, condition, or other characteristics of a public trust company change sufficiently during a year to cause the institution to fall into a different assessable asset group or to be subject to a new or different surcharge based on a change in the institution's CAMEL or MOECA composite rating, the department will adjust the annual assessment to the appropriate amount beginning with the first billed quarterly installment after the change.

(2) In the event of an acquisition or merger involving a surviving public trust company, the department will adjust the annual assessment to reflect the result of the acquisition or merger beginning with the first billed quarterly installment after the consummation of the transaction. The asset group will be calculated on the basis of the combined assessable assets of the surviving institution.

(3) A public trust company that becomes subject to this section during a fiscal year as a result of conversion, merger, branching, or other change during a fiscal year must pay to the department an assessment beginning in the quarter of the conversion, merger, or other change to reflect only the quarter or quarters of the year in which the institution is subject to this section.

(4) Each trust company must pay to the department the full annual payment or quarterly installment of the assessment on the applicable due date without proration for any reason.

(h) Adjustment of assessments. The banking

commissioner may, after review and consideration of actual and projected revenues and expenditures in the current fiscal year, lower the aggregate amount of annual assessments and waive or refund a proportional amount of the applicable assessment for each trust company, without the prior approval of the finance commission.

(i) Special Examination Fees.

(1) Special examinations and investigations, including but not limited to examinations of trust offices, trust representative offices, affiliates, and third-party contractors, are subject to a separate charge to cover the cost of time and expenses incurred in these examinations.

(2) The fee for an examination or investigation under this subsection will be calculated at a rate not to exceed \$140 per examiner hour, to recoup the salary expense of examiners plus a proportionate share of department overhead allocable to the examination function. The banking commissioner in the exercise of discretion may lower the rate in connection with a specific examination or investigation for equitable reasons, without the prior approval of the finance commission.

(3) In connection with an examination or investigation under this subsection, the regulated entity or other legally responsible party shall pay to the department the examination fee set forth in paragraph (2) of this subsection, and shall also pay to the department an amount for actual travel expenses incurred by the examiners, including mileage, public transportation, food, and lodging.



(4) Fees and expenses charged under this subsection are due no later than the 30th day after a bill for fees and expenses is submitted to the trust company. Failure to timely pay such fees and expenses may subject the trust company to enforcement proceedings.

(j) Special assessments. The finance commission may approve a special assessment to cover material expenditures, such as major facility repairs and improvements and other extraordinary expenses.

~~[(a) Calculation of fees. A trust company shall pay to the department a fee for examination, whether a regular or special examination, or for an investigation in connection with an application, calculated at a rate not to exceed \$110 per examiner hour, to recoup the salary expense of examiners plus a proportionate share of the department's overhead allocable to the examination or investigation function. The banking commissioner in the exercise of discretion may lower the rate in connection with a specific examination or investigation for equitable reasons, without the prior approval of the finance commission.~~

~~(b) Travel expenses. In connection with an examination or investigation, a trust company shall reimburse the department for actual travel expenses incurred, including mileage, public transportation, food, and lodging, in addition to paying the fees set forth in subsection (a) of this section.~~

~~(c) Payment due. Fees and expenses charged under this section are due no later than the 30th day after a bill for fees and expenses is submitted to the trust company. Failure to~~

~~pay such fees and expenses or file a request for hearing within the time period may subject the trust company to enforcement proceedings.~~

~~(d) Dispute of fees and expenses.~~

~~(1) A trust company may dispute the amount of a bill for fees and expenses assessed under this section by paying the amount of fees and expenses that are undisputed and filing a written request for hearing with the banking commissioner on or before the 30th day after a bill for fees and expenses is submitted to the trust company. If the trust company does not request a hearing in writing within the time period allowed, the assessed fees and expenses are final and nonappealable.~~

~~(2) A requested hearing must be held not later than the 30th day after the date the request was received by the banking commissioner unless the parties agree to a later hearing date. Each party shall be given written notice by personal delivery or by registered or certified mail, return receipt requested, of the date set by the banking commissioner for the hearing not later than the 11th day before that date. The hearing shall be conducted as provided by Chapter 9 of this title (relating to Rules of Procedure for Contested Case Hearings, Appeals, and Rulemakings).~~

~~(3) After the hearing, the banking commissioner shall affirm or modify the bill for fees and expenses by written order.~~

~~(e) Examination frequency. In general, the frequency of examination by the department of a state trust company under Finance Code, §181.105, will be determined in the manner described by Commissioner Policy~~

**PROPOSED AMENDMENTS TO  
7 T.A.C. §17.22  
Page 10 of 10**

~~Memorandum Number 1004.]~~

Figure: 7 TAC §17.22(c)(2)(A)

*First determine the public trust company's assessable asset group, then:*

Steps	Assessment Calculation:	Assessable Asset Group:						
		1	2	3	4	5	6	7
1.	For assessable assets of at least (in thousands):	\$0	\$1,000,000	\$10,000,000	\$20,000,000	\$50,000,000	\$100,000,000	\$250,000,000
	But not greater than (in thousands):	\$1,000,000	\$10,000,000	\$20,000,000	\$50,000,000	\$100,000,000	\$250,000,000	-----
2.	Take the total assessable assets over (in thousands):	\$0	\$1,000,000	\$10,000,000	\$20,000,000	\$50,000,000	\$100,000,000	\$250,000,000
3.	Multiply by the <b>marginal assessment rate</b> :	0.011140	0.002001	0.001999	0.001525	0.001347	0.000662	0.000027
4.	Add this result to the <b>base assessment amount</b> :	\$34,784	\$45,924	\$63,933	\$83,923	\$129,673	\$197,023	\$296,323
5.	Multiply the total by the factor corresponding to the public trust company's CAMEL and MOECA composite rating (as defined in §17.22(b)):							
a.	CAMEL or MOECA Composite rating of 3, 4, or 5:	2.0	2.0	2.0	2.0	2.0	2.0	2.0
b.	CAMEL and MOECA Composite rating of 1 or 2:	1.0	1.0	1.0	1.0	1.0	1.0	1.0
6.	Multiply the total by 0.875 if public trust company has assessable assets of \$10 billion or less and a CAMEL and MOECA composite rating of 1 or 2.							

**NOTE:** The values in this table are effective until September 1, 2027. See 7 Tex. Admin. Code §17.22(d).  
The current adjusted table is available on the Department of Banking's website.

Figure: 7 TAC §17.22(c)(2)(B)

*First determine the exempt trust company's assessable asset group, then:*

Steps	Assessment Calculation:	Assessable Asset Group:			
		1	2	3	4
1.	For assessable assets of at least (in thousands):	\$0	\$1,000,000	\$5,000,000	\$10,000,000
	But not greater than (in thousands):	\$1,000,000	\$5,000,000	\$10,000,000	-----
2.	Take the total assessable assets over (in thousands):	\$0	\$1,000,000	\$5,000,000	\$10,000,000
3.	Multiply by the <b>marginal assessment rate</b> :	0.001595	0.000850	0.000785	0.000025
4.	For the assessment, add this result to the base assessment amount of:	\$8,000	\$9,595	\$12,995	\$16,920

**NOTE:** The values in this table are effective until September 1, 2027. See 7 Tex. Admin. Code §17.22(d).  
The current adjusted table is available on the Department of Banking's website.

4. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of New 7 TAC, Part 2, Chapter 33, §33.55, Concerning Clarification of Texas Finance Code §152.004(9).

**PURPOSE:** New §33.55 is proposed to clarify the term “attorney” for purposes of §152.004(9) and the conditions necessary to invoke the exemption.

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

**RECOMMENDED MOTION:** I move that we publish the proposed rulemaking actions to 7 TAC, Part 2, Section 33.55 in the *Texas Register* for comment.

***Title 7. Banking and Securities***  
***Part 2. Texas Department of Banking***  
***Chapter 33. Money Services Businesses***  
***7 TAC §33.55.***

The Finance Commission of Texas (the commission), on behalf of the Texas Department of Banking (the department), proposes new §33.55, concerning the exemption to money transmission licensing under Finance Code §152.004(9), relating to certain activity by attorneys and title companies. The new rule is proposed to clarify the term “attorney” for purposes of §152.004(9) and the conditions necessary to invoke the exemption.

Finance Code §152.004(9), in relevant part, exempts an attorney that “in connection with a real property transaction receives and disburses domestic currency or issues an escrow or trust fund check only on behalf of a party to the transaction,” from licensing under Chapter 152. As Finance Code §152.004(9) is written, the reference to “an attorney” is ambiguous and the necessary conditions to qualify for the exemption are unclear.

The proposed new rule clarifies that only licensed attorneys who are a member of the State Bar of Texas, or Texas professional corporations organized to provide professional legal services, who receive and disburse escrow or trust funds in the course of providing legal representation may avail themselves of §152.004(9)—so long as all other conditions of the exemption are met.

Related provisions in the Texas Finance Code (“Finance Code”) and Texas Insurance Code (“Insurance Code”) which exempt attorneys from regulation are similarly

limited to services a Texas-licensed attorney renders in the course of legal representation. For example, Finance Code §182.021, which lists exemptions to charter requirements for trust companies, exempts a company “rendering a service customarily performed as an attorney in a manner approved and authorized by the Supreme Court of Texas or State Bar of Texas.” TEX. FIN CODE §182.021(2).

Additionally, Insurance Code §2551.001(e), which clarifies the licensing requirements for escrow officers, states that “[t]his title does not regulate the practice of law by an attorney.” TEX. INS CODE §2551.001(e). “Attorney” under the Insurance Code is further defined as “a person who is licensed to practice law and is a member of the State Bar of Texas,” or “a Texas professional corporation organized to provide professional legal services.” *Id.* §2501.003(2)(A)–(B).

Read together, these provisions indicate that the Texas Legislature does not intend to regulate an attorney’s performance of legal work, which is already governed by the Texas Disciplinary Rules of Professional Conduct and subject to oversight by the State Bar of Texas. However, the private business activities of a person who incidentally holds a law license, which are separate from the person’s practice of law, remain subject to licensure. Moreover, given the context of the exemption in Section 152.004(9), relating specifically to escrow activity associated with a real property transaction, the exemption should be interpreted consistently with the comparable provisions of the Insurance Code.

Jesus (Jesse) Saucillo, Director of Non-Depository Supervision, Texas Department of Banking, has determined that for the first five-year period the proposed rule is in effect, there will be no fiscal implications for state government or for local government as a result of enforcing or administering the rule.

Director Saucillo has also determined that, for each year of the first five years the rule as proposed is in effect, the public benefit anticipated, as a result of enforcing the rule, is more effective implementation of the Money Services Modernization Act and enhanced consumer protection by providing clarity as to who qualifies for this exemption.

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

For each year of the first five years that the rule will be in effect, the rule will not:

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

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

To be considered, comments on the proposed amendment/new/repealed section must be submitted no later than 5:00 p.m. on August 4, 2025. Comments should be addressed to General Counsel, Texas Department of Banking, Legal Division, 2601 North Lamar Boulevard, Suite 300, Austin, Texas 78705-4294. Comments may also be submitted by email to [legal@dob.texas.gov](mailto:legal@dob.texas.gov).

The new rule is proposed under Texas Finance Code §152.052, which provides that the commission may adopt rules to administer and enforce chapter 152, including rules necessary and appropriate to implement and clarify the chapter.

Finance Code §152.004(9) is affected by the proposed new rule.

<rule>

§33.55. Clarification of Texas Finance Code § 152.004(9).

For an attorney to qualify for the exemption under Texas Finance Code § 152.004(9), the attorney must be licensed to practice law and a member of the State Bar of Texas, or a Texas professional corporation organized to provide professional legal services, and must be performing legal services in connection with the real property transaction.

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**D.**

**Office of Consumer Credit  
Commissioner**

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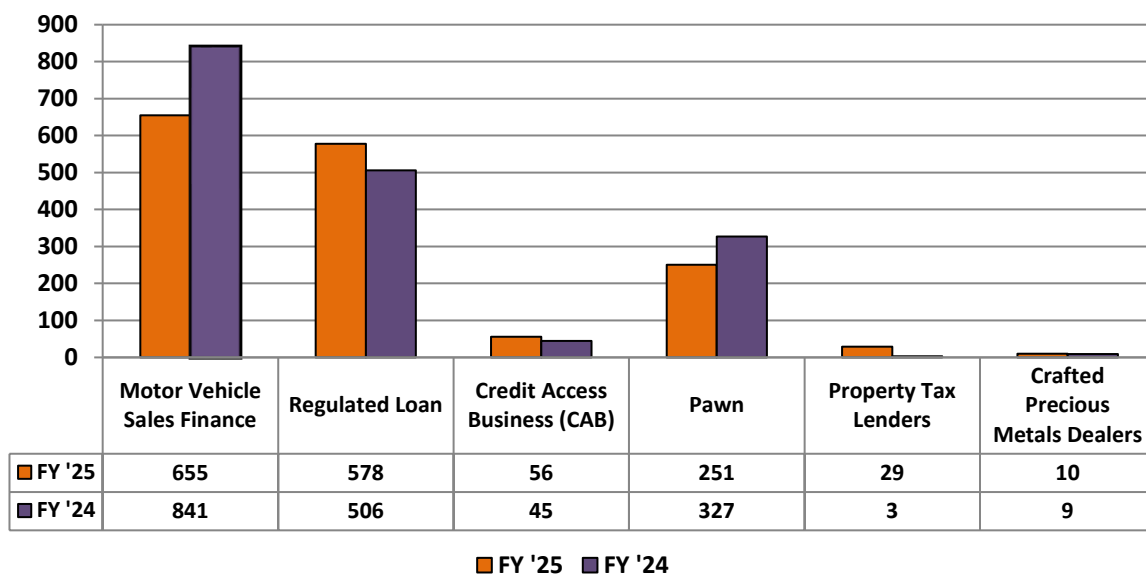
### Consumer Protection and Consumer Assistance Report

In fiscal year 2025 through April 30, 2025, the OCCC has completed 1,579 examinations, which is 58.5% of the FY '25 annual production goal of 2,700 exams. All industry groups have an acceptable level of compliance greater than 85% and the department is on track to meet annual production targets.

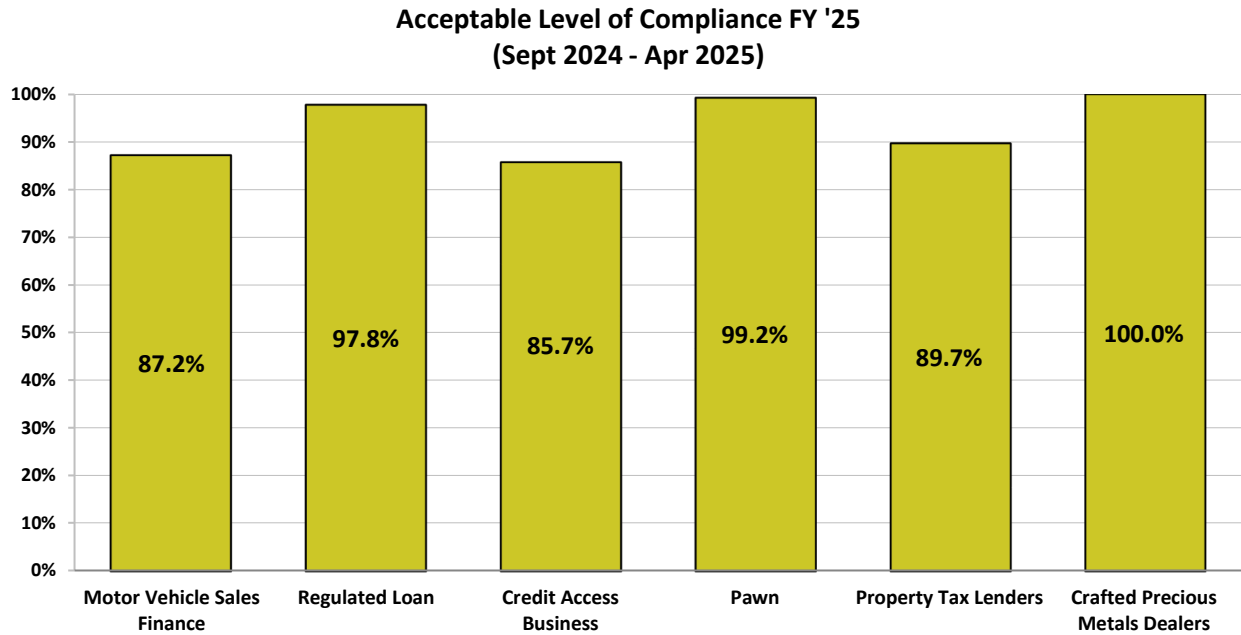
A large enterprise Credit Access Business examination was finalized in May. This exam completion will be included in the Q3 performance results. The department is currently conducting an enterprise examination of a regulated lender in the State Examination System (SES), which is projected to be completed in July. In addition, a large multi-state examination is also wrapping up and should be completed by the end of the fiscal year.

A new Financial Examiner training class began on June 2, 2025, with two new Financial Examiners. These examiners will attend classroom training in Austin for one month and, upon successful completion of classroom training, will be released for field training in July. Several examiners are currently in the CAB exam certification process and a group of seventeen staff members participated in SES training that was hosted by CSBS staff during the first week of May.

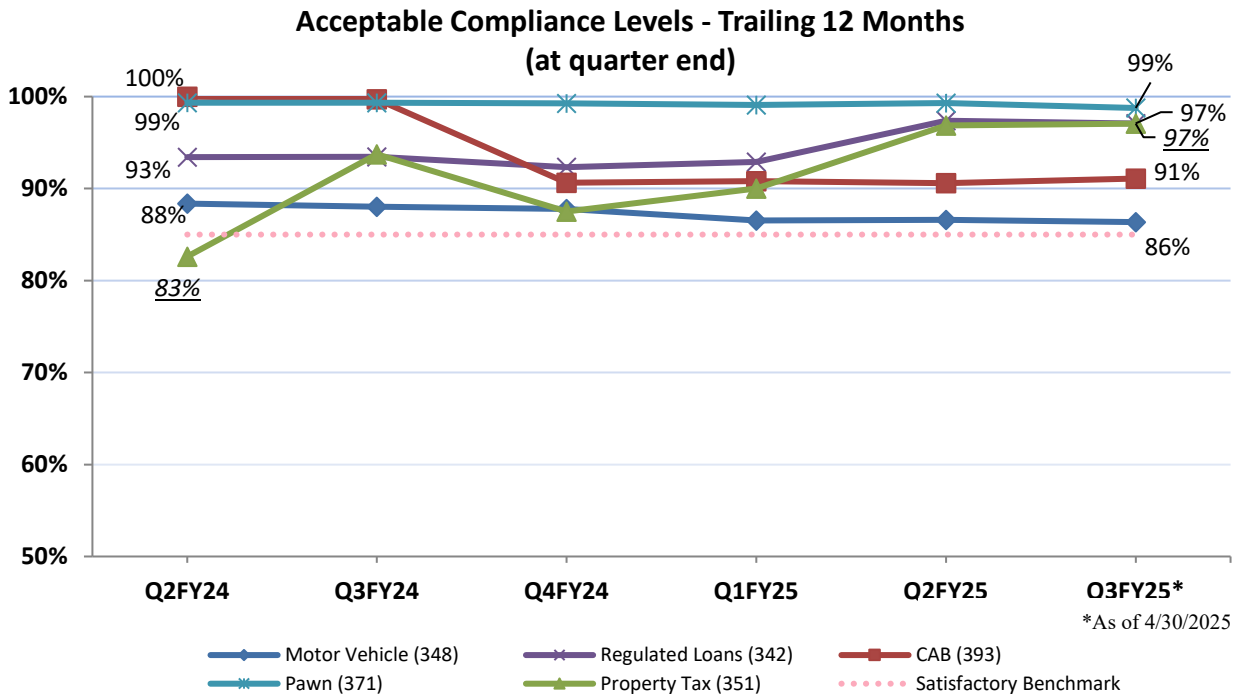
**Examinations Conducted: Sept - Apr  
Fiscal Year Comparison**



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

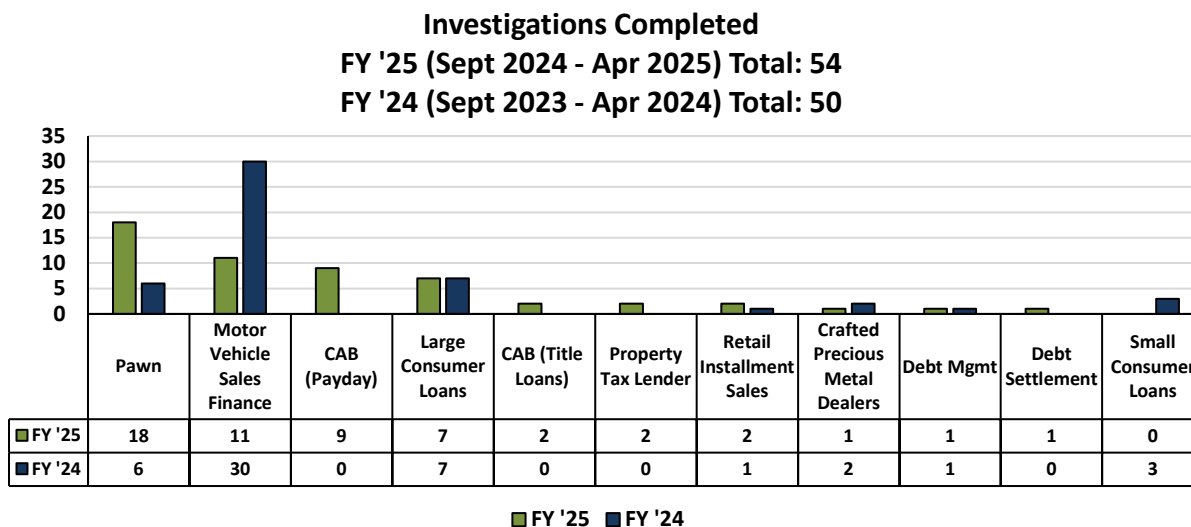


The following chart denotes the acceptable level of compliance on a trailing 12-month basis through the end of April 2025.



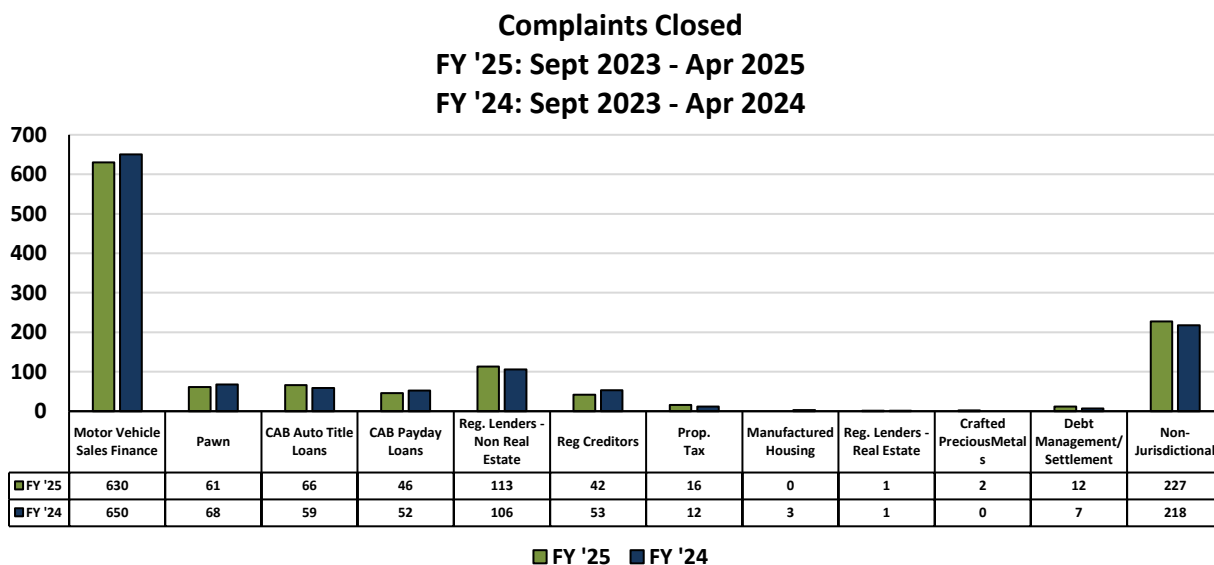
## Investigations

For FY 2025 through April, the OCCC completed 54 investigations out of the annual goal of 75. Pawn issues comprise 33% of the overall number of completed investigations.

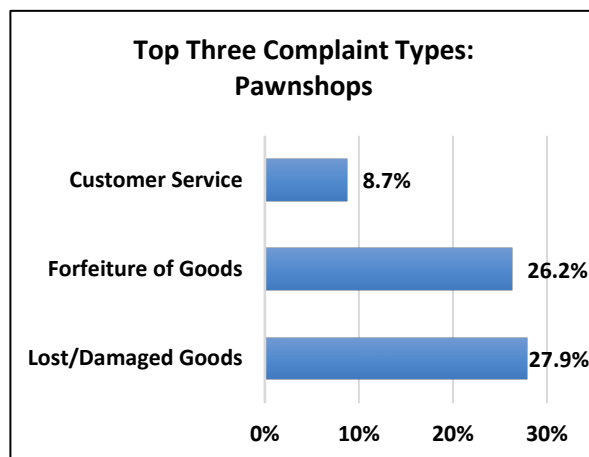
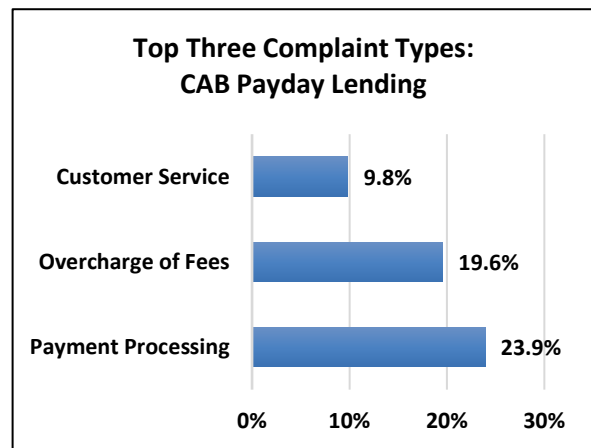
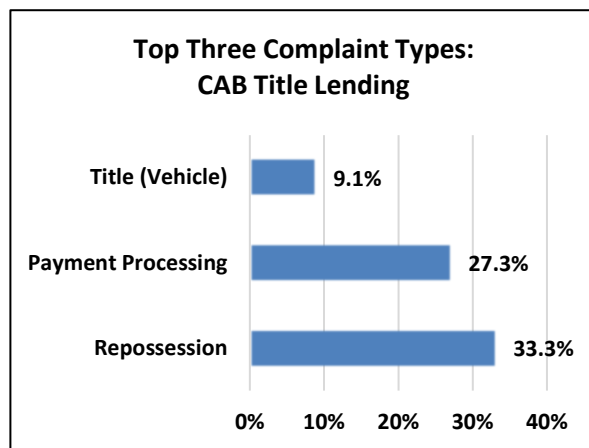
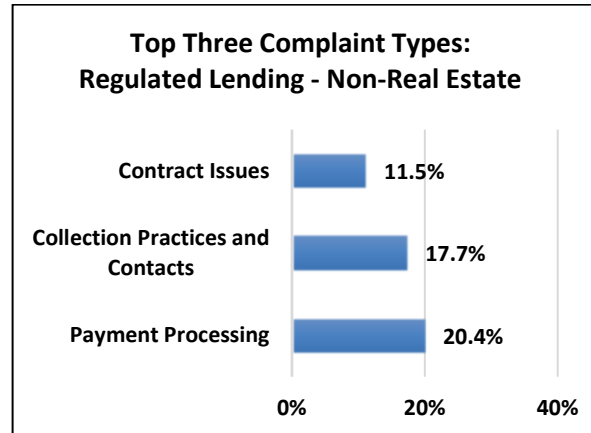
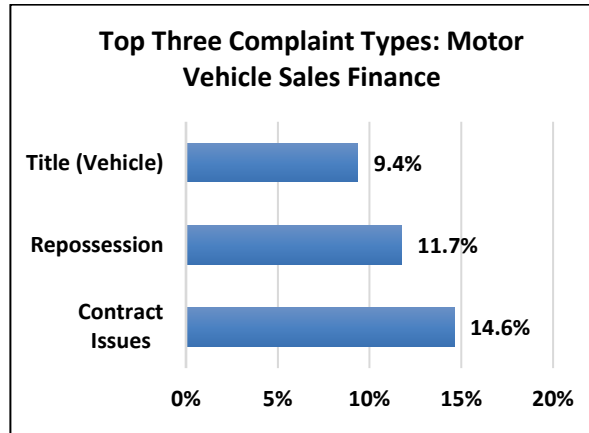


## Consumer Assistance

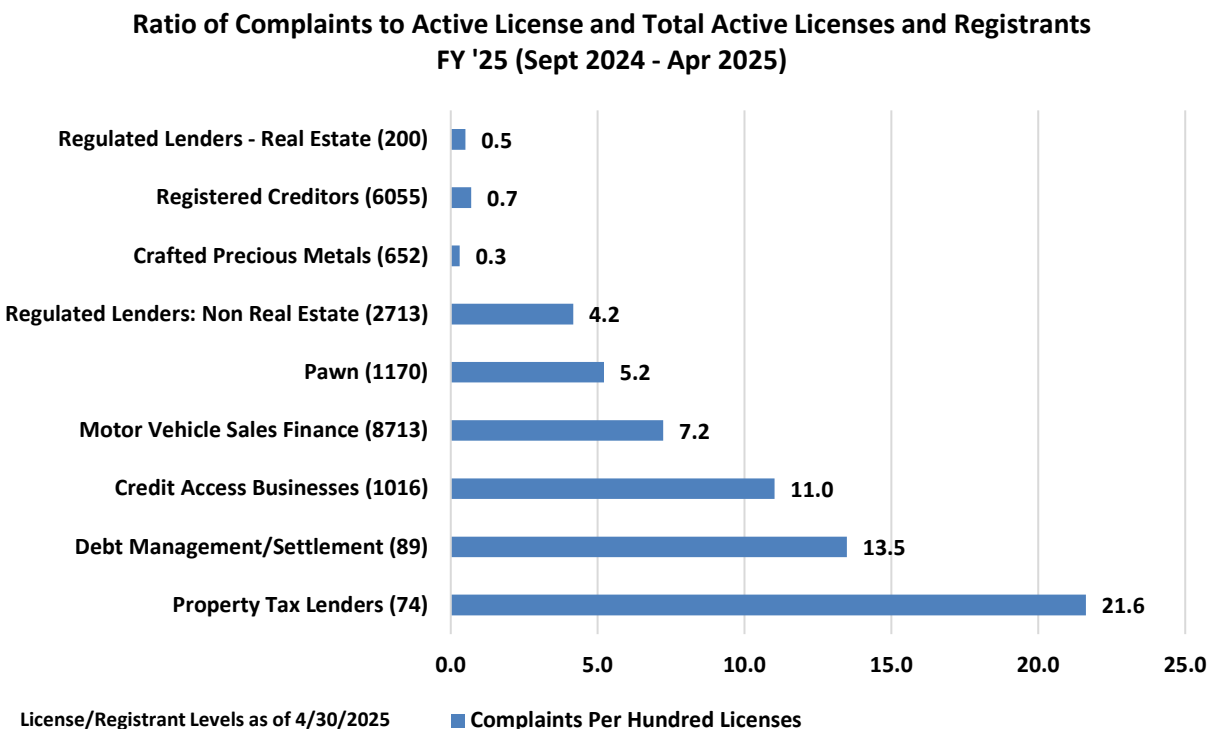
From September 1, 2024, through April 30, 2025, 1216 complaints were closed, of which 227 were classified as non-jurisdictional. Complaint activity has remained consistent year over year. The top four areas of jurisdictional complaints are (1) Motor Vehicle Sales Finance (MVSF), (2) Regulated Lenders Non-Real Estate, (3) Credit Access Businesses (CAB), and (4) Pawn. MVSF complaints were the largest complaint category at 51.8%. The second largest category came from Regulated Lenders Non-Real Estate at 9.3%. The third largest category was Credit Access Business complaints at 9.2% collectively, separately these are 3.8% for payday loans and 5.4% for title loans. The fourth largest category was Pawnshops at 5%.



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



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.



## Licensing Report - June 2025

*Mirand Diamond, Director of Licensing, Finance & HR*

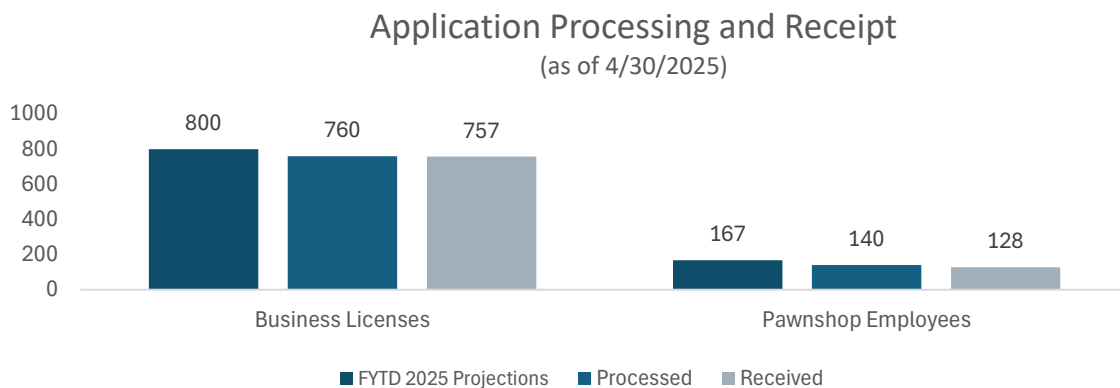
*Ginger Harmon, Manager*

### Renewals Report

#### *Pawnshop and Pawn Employee*

Renewals for pawnshop and pawn employee licenses are currently open until June 30, 2025. Active pawnshops received a 20% discount on the assessment amount. The department anticipates that 98% of pawnshops and 60% of pawn employees will renew in FY25.

### Application Processing



### Other Updates

#### *Transition to NMLS*

The transition period for property tax lender licenses to move NMLS concluded during May. Approximately 90% of current property tax lenders submitted a transition application in NMLS. Transition applications continue to be processed, tracked, and reported, alongside other key metrics.

Planning and setup for regulated lenders to transition to NMLS has begun. The department remains focused on preparations for the upcoming transition period, set to begin on July 15, 2025.





## **ADMINISTRATION REPORT**

### **FINANCIAL EDUCATION AND TFEE**

The Financial Education team delivered an educational presentation at the Fonteno Senior Center, providing valuable financial literacy resources tailored to the needs of older adults. Additionally, staff participated in the "Junior Achievement in a Day" program at a local elementary school, where they introduced foundational financial concepts to second grade students in an interactive format.

Further extending their outreach, Financial Education staff served as a guest host on the "Money Talks" podcast, a collaborative effort with the Employees Retirement System (ERS), where they discussed avoiding fraud. Staff also co-hosted a webinar in partnership with the Department of Banking, focusing on the topic of Financial Confidence.

The third semi-annual reporting period for the 2024–2025 grant cycle will conclude on June 30, 2025. The fourth and final reporting period will span from July 1 to December 31, 2025, marking the completion of the current grant cycle. In preparation for the upcoming 2026–2027 grant cycle, scheduled to open in June 2025, the Grant Advisory Committee met and completed a comprehensive review of TFEE materials. Based on this review, updates were made to ensure the materials reflect the committee's recommendations and align with strategic goals for the next funding cycle.

### **COMMUNICATION**

On June 13, 2025, OCCC leadership hosted the agency's fourth-quarter virtual Town Hall, providing staff with important updates and fostering continued engagement across the organization. The Remote Work Policy was updated on May 13, 2025.

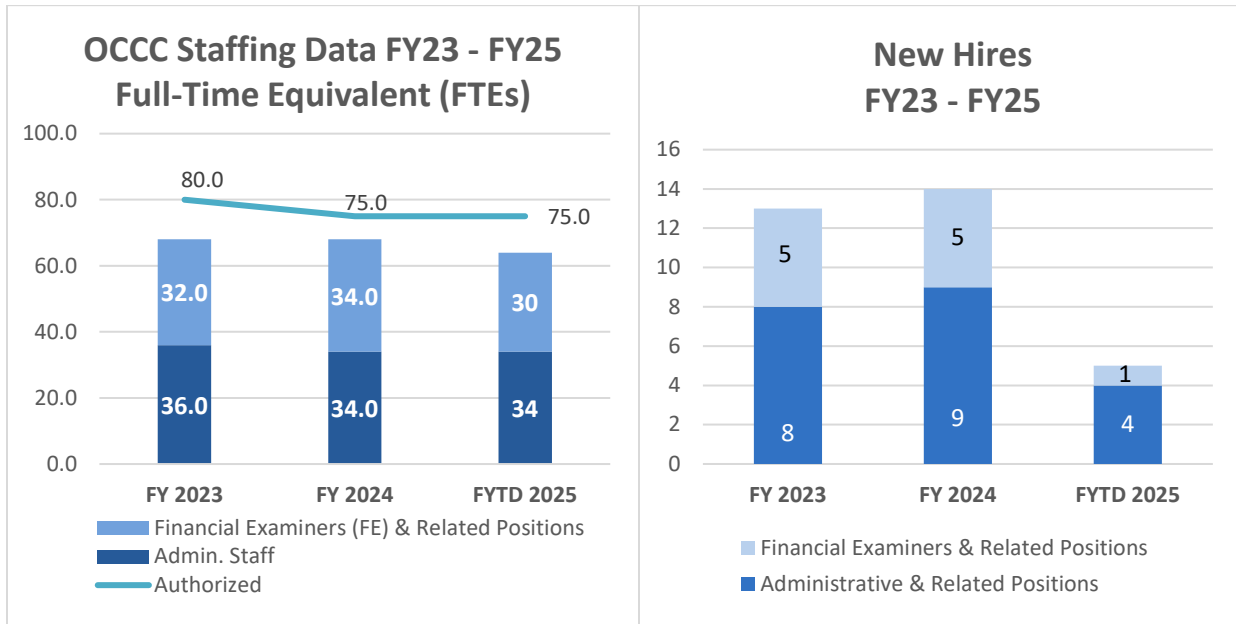
During this period, staff also made significant progress in the ongoing development and enhancement of the agency's intranet site. Recent updates include the addition of comprehensive information on Human Resources policies, Digital Accessibility resources, and continued tracking of legislative bills. Additionally, the OCCC continues to communicate with stakeholders, and staff have provided presentations to regulated entities and other groups as follows:

- On April 15, 2025, Deputy Director Hubenthal, Financial Examiners Traweck and Verrett presented to the Texas Independent Automobile Dealers Association (TIADA).
- On April 25, 2025, Financial Examiners Traweck, Verrett, and Alvarez presented to the Texas Independent Automobile Dealers Association (TIADA).
- On May 8, 2025, Examiners Traweck and Verrett provided a presentation to automobile dealers at a webinar sponsored by the Texas Department of Motor Vehicles.
- On May 20-22, 2025, Commissioner Pettijohn, Director Diamond, and General Counsel Nance attended the annual meeting of the National Association of Consumer Credit Administrators

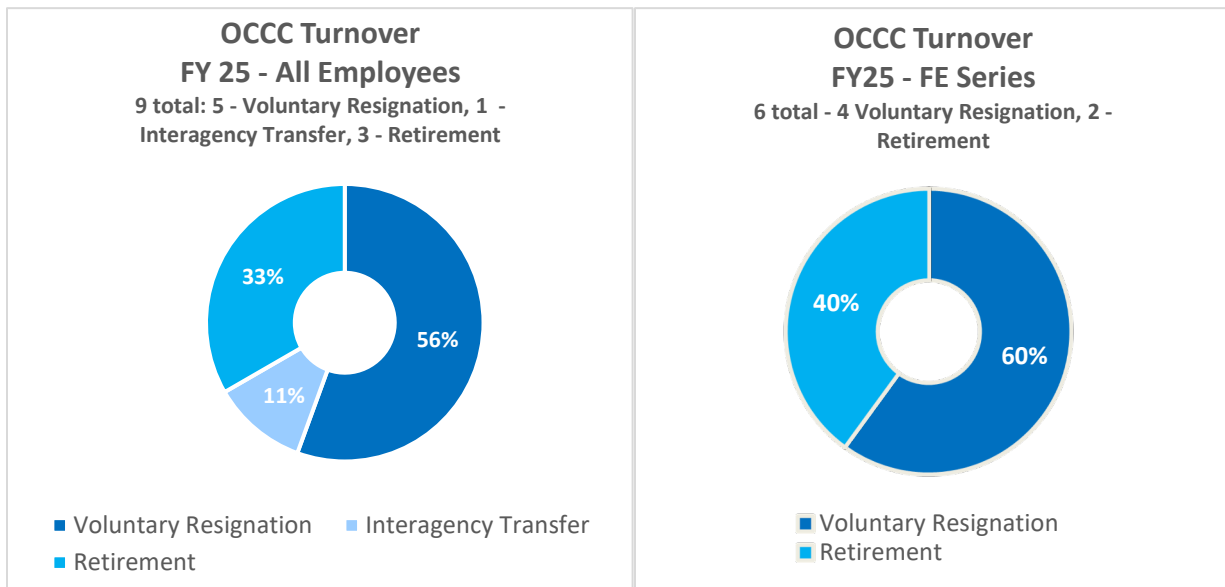
(NACCA). General Counsel Nance was elected as the first vice president of NACCA for 2025-2026.

## **HUMAN RESOURCES**

As of April 30, 2025, the OCCC is staffed with a total of 64 FTEs. The agency is currently working on filling two financial examiner positions and two customer service representative positions. The following charts represent staffing data for fiscal years 2023-2025.



The turnover ratio as of 04/30/2025, is 12%. The charts below represent FY25 data.



## **ACCOUNTING REPORT**

### **Financial Reporting**

The third quarter of FY 25 ended on May 31, 2025, and the team is working on quarterly financial statements. Accounting staff are reviewing and updating financial reports for internal management use.

### **Budget**

In June the accounting team will begin work on the FY 2026 budget. This process will include collaboration and input from directors and projections of planned revenues and expenses.

### **Other Items**

As required by Government Code, Section 657.008(c), the Veteran Workforce Summary Report is due in June. Additionally, the FTE quarterly report is due in June.

## **INFORMATION TECHNOLOGY**

### **Technology modernization and deployment**

The agency's internal switching stack has been upgraded for improved security and reconfigured for efficiency. The internal fileshare servers were reconfigured and consolidated.

Multiple efforts continue to prepare OCCC for the migration of the Texas Payment Engine to a new vendor.

- ALECS integration - modifications have been coded and are being tested, on schedule.
- Internal users – continuing with the testing.
- Internal accounting users – have been provisioned and trained in securely transmitting files between OCCC and CPA preparatory to the migration.

### **Cybersecurity**

The Texas Cybersecurity Framework assessment is complete. The annual external penetration test began at the end of April.

Annual requirements for internal user cybersecurity training for FY'25 were completed in April. The annual requirement for privacy training for internal users was also completed in April.



## **Legal Department Report**

*Matthew Nance, General Counsel*

June 2025

### **Enforcement Report**

#### **Contested Cases**

As of May 31, 2025, the OCCC has two contested cases 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.

##### ***LAG Finance LLC (SOAH Docket No. 466-25-17998)***

This case is an appeal of the OCCC's denial of a motor vehicle sales finance license application. The applicant provided incomplete and inconsistent information regarding previous transactions, and failed to address unlicensed activity by paying a late filing fee under Chapter 349 of the Texas Finance Code. 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 September 10, 2025.

#### **Enforcement Case Highlights**

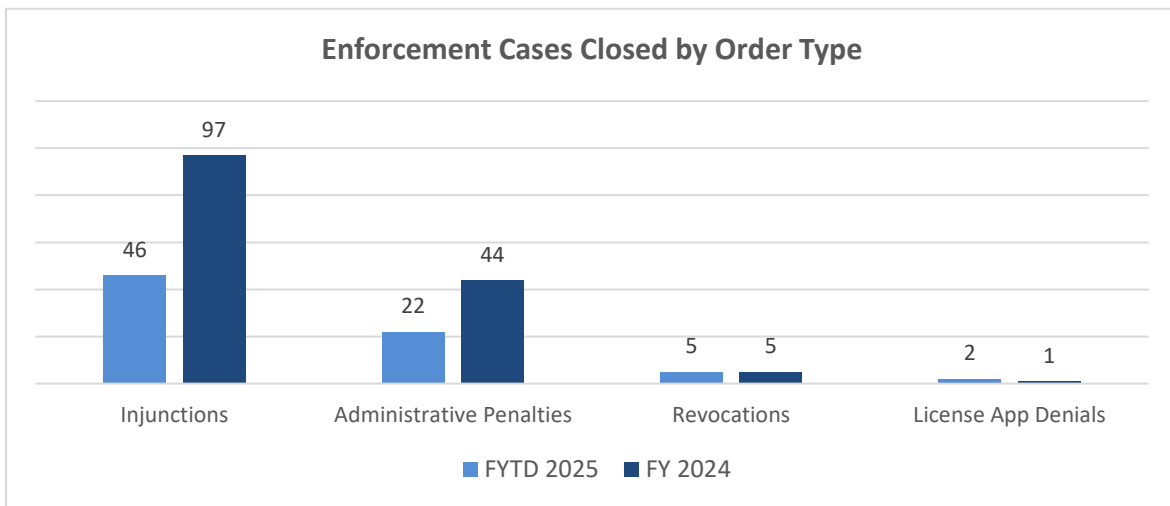
##### ***Orders on reporting violations***

The Texas Finance Code and its implementing rules require credit access businesses and debt management providers to file periodic reports with the OCCC describing transaction activity. If licensees or registrants violate this requirement, the OCCC's typical practice is to send an injunction for the first violation, followed by administrative penalties for subsequent violations. In April 2025, the OCCC issued eight orders against debt management providers for failing to file 2024 annual reports by the deadline of January 31, 2025. In May 2025, the OCCC issued four orders against credit access businesses for failing to file 2024 annual reports by the deadline of January 31, 2025.

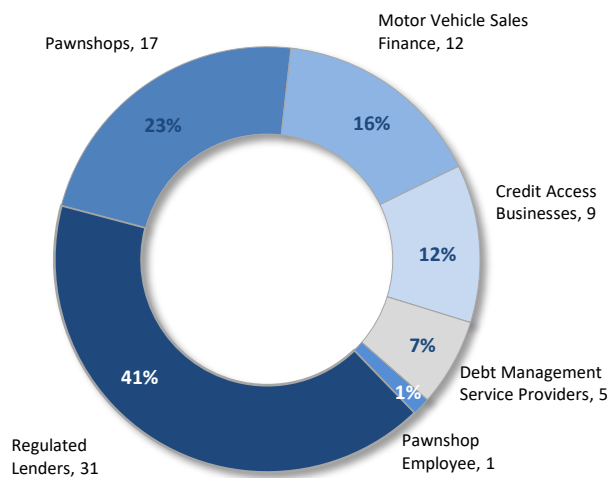
## Enforcement Case Tracking

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

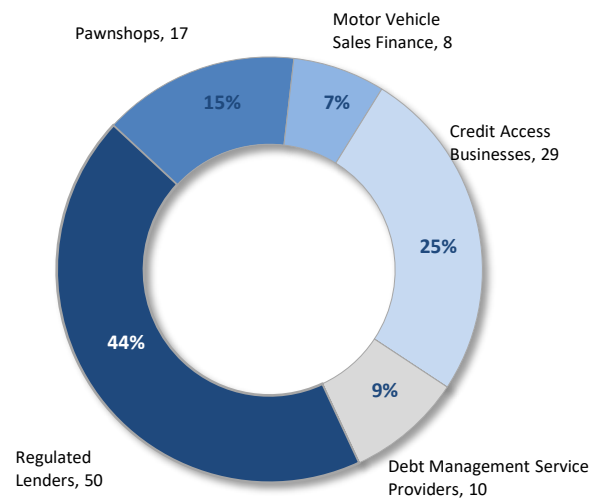
Enforcement Case Tracking Information	FYTD 2025	FY 2024
Enforcement Cases Opened	81	117
Enforcement Cases Closed	75	147
Enforcement Cases Closed by Final Order	72	140
Average Number of Days to Close an Enforcement Action	87	79
Contested Cases Docketed at SOAH	2	1



**Cases Closed by Industry  
FYTD 2025**



**Cases Closed by Industry  
FY 2024**



## **Rulemaking**

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

## **Federal Rulemaking**

### ***CFPB Nonbank Registration Rule***

In June 2024, the Consumer Financial Protection Bureau (CFPB) issued a final rule requiring nonbank financial institutions to report certain orders to the CFPB. The rule requires financial institutions to register with the CFPB if they are subject to agency enforcement orders or court orders citing covered laws, which include federal consumer financial protection laws as well as certain state laws that prohibit false or misleading representations. The rule took effect on September 16, 2024.

On May 14, 2025, the CFPB published a proposal to rescind the nonbank registration rule. The CFPB has requested public comments on the proposal by June 13, 2025.

## **Advisory Guidance**

From April 1, 2025, to May 31, 2025, the OCCC did not issue any advisory bulletins.

From April 1, 2025, to May 31, 2025, the OCCC did not receive any requests for official interpretations of the Texas Finance Code. As of May 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	91	144
Public Information Requests Closed	87	134
Public Information Requests Withdrawn	2	8
Public Information Requests Referred to Office of Attorney General	1	0
Average Number of Days to Address a Public Information Request	2.7	2.5

On May 7, 2025, the Office of the Attorney General (OAG) issued a ruling regarding a public information request that the OCCC referred to the OAG (OR2025-015287). The requestor asked for information about an OCCC investigation. In its referral to the OAG, the OCCC argued that the information should be withheld because OCCC investigation information is confidential under Section 14.2015 of the Texas Finance Code. The OAG agreed with the OCCC and ruled that the OCCC must withhold the investigation information from the requestor, because the information is confidential under Section 14.2015.

## **Gifts Received by the OCCC**

From April 1, 2025, to May 31, 2025, the OCCC received no gifts.



## Summary of 2025 Legislation

*Matthew Nance, General Counsel*

June 2025

This is a summary of the Texas Legislature's recently passed legislation that affects the OCCC and its regulated industries. Most of the bills are awaiting the governor's approval as of June 5, 2025, and are scheduled to go into effect on September 1, 2025. Bills that have already been approved or that have different effective dates are noted below.

### Bills affecting credit transactions and the OCCC's authority

#### **HB 700—Commercial sales-based financing registration and disclosures**

This bill adds a new chapter to the Texas Finance Code with requirements for providers of commercial sales-based financing transactions (also known as “merchant cash advances” or “MCAs”). In these transactions, the recipient repays the financing as a percentage of sales or revenue, and payment amounts may increase or decrease based on sales or revenue. The bill creates a new registration with the OCCC.

- **Exemptions:** The bill provides exemption for banks, credit unions, certain technology providers, transactions secured by real property, transactions extended to motor vehicle dealers and rental companies, and certain other transactions.
- **Registration:** The bill requires providers and brokers to register with the OCCC. The bill authorizes the OCCC to set annual registration fees, and to terminate or suspend registrations.
- **Disclosures:** The bill requires a provider to make disclosures for transactions less than \$1 million, including the total amount of financing, the disbursement amount, the finance charge, the total repayment amount, payment amounts, and the period for payments to equal repayment amount.
- **Other prohibitions:** The bill provides that confessions of judgment and similar provisions are void and unenforceable. The bill prohibits automatically debiting a recipient's deposit account unless the provider holds a perfected security interest in the account with first priority.
- **Enforcement and rulemaking:** The bill authorizes the OCCC to administer, implement, and enforce the new chapter of the Finance Code. The bill authorizes the Finance Commission to adopt rules to administer the chapter, including rules on practices considered unfair, misleading practices, and practices taking unreasonable advantage of a recipient's lack of understanding. The bill prohibits the Finance Commission from setting a maximum APR, finance charge, or fee for a commercial sales-based financing transaction.

The bill is scheduled to be effective September 1, 2025. The bill provides that no later than September 1, 2026, the Finance Commission will adopt implementing rules and the OCCC will adopt a registration form. The bill requires providers and brokers to register with the OCCC no later than December 31, 2026.

**HB 4134—Motor vehicle sales finance convenience fees**

This bill allows a creditor to charge a convenience fee for an electronic payment (i.e., payment by credit card, debit card, or other electronic method) in a motor vehicle retail installment transaction if certain conditions are met. The convenience fee is allowed if: (1) the fee is reasonably related to the expense incurred by the creditor; (2) the fee does not exceed the lesser of \$10 or 5% of the payment; and (3) the creditor allows the consumer to make payment by a method other than electronic payment that does not incur the fee, and informs the consumer of the amount of the fee and the alternative method.

**HB 4238—Debt collection and identity theft**

This bill prohibits a creditor or debt collector from attempting to collect consumer debt if the consumer provides a court order declaring the consumer a victim of identity theft. A creditor or debt collector that receives this notice must cease efforts to collect the disputed debt, must revise any previously sent credit report information, may not sell or transfer the debt, and may not collect deficiency on secured collateral from the victim (although the creditor or debt collector may otherwise enforce a security interest).

**HB 4738—Eliminating regulated loan administrative fee to comptroller**

This bill removes a provision stating that one dollar of each loan administrative fee under Chapter 342, Subchapter E of the Finance Code may be deposited with the comptroller for use in carrying out the Finance Commission's responsibility to conduct research on the availability, quality, and prices of financial services. The bill also removes a provision stating that 50 cents of each secondary mortgage loan administrative fee under Chapter 342, Subchapter G may be deposited with the comptroller for use in carrying out the Finance Commission's financial services research responsibility.

This bill is scheduled to be effective January 1, 2026.

**HB 4739—Eliminating retail charge agreement delinquency fee to comptroller**

This bill removes a provision stating that when a creditor imposes a delinquency charge on a retail charge agreement in excess of \$10, the creditor will remit 50 cents of the delinquency charge to the comptroller, with half of the money going to finance OCCC research on consumer lending, and half of the money going to finance credit counseling services and financial education programs.

The governor has approved this bill, and it will be effective January 1, 2026.

**SB 1036—Solar panel retailer registration and disclosures**

This bill adds a new chapter of the Occupations Code regulating solar retailers and solar salespersons. The bill requires solar retailers and individual solar salespersons to register with the Texas Department of Licensing and Regulation (TDLR), and authorizes TDLR to administer the chapter and adopt rules. This includes rules on disclosures for selling residential solar energy systems, as well as rules on the form of an agreement for the sale or lease of a residential solar energy system. The bill provides that TDLR will consult with the OCCC in developing disclosures and agreements, to ensure compliance with state and federal law including the Truth in Lending Act.

The bill's registration requirement is scheduled to be effective September 1, 2026. The bill's other provisions are scheduled to be effective September 1, 2025. The bill provides that TDLR will establish a stakeholder workgroup as soon as practicable after September 1, 2025.



**SB 2587—FBI criminal history information**

This bill amends several statutes governing state agencies' access to criminal history information, including the OCCC's access to criminal history from the Federal Bureau of Investigation (FBI). The bill specifies that the OCCC may disclose FBI criminal history to the person who is the subject of the history.

**SB 2610—Small business cybersecurity programs**

This bill limits liability related to system security breaches for businesses that have fewer than 250 employees. The liability limitation applies if the business has a cybersecurity program that contains safeguards to protect sensitive and personal identifying information, is designed to protect against unauthorized access to information, and conforms to an industry-recognized framework (including the Gramm–Leach–Bliley Act), in addition to other requirements.

**HB 27—Personal financial literacy high school curriculum**

This bill amends high school curriculum requirements to include a half credit in personal financial literacy.

**Bills affecting state agency administration****HB 12—Sunset requirements and efficiency audits**

This bill amends the Texas Sunset Act to create additional review and auditing requirements for state agencies that issue licenses. The bill requires an agency to post notice of a Sunset review on its website and send notice to licensees. The bill requires a Sunset report to include an evaluation of the agency's performance measures and recommendations to improve the measures. The bill allows the Sunset Advisory Commission to recommend a limited review of an agency's rulemaking, subject to the legislature's approval in the agency's Sunset legislation. The bill requires the State Auditor's Office (SAO) to conduct an efficiency audit of each agency's performance measures four years before the agency's next Sunset review date.

**HB 149—Use of artificial intelligence by agencies and businesses**

This bill adds provisions to the Texas Business & Commerce Code with consumer protections related to artificial intelligence (AI) systems. The bill prohibits a person from developing or deploying an AI system with the intent to unlawfully discriminate against a protected class in violation of state or federal law. The bill prohibits governmental entities from using an AI system to uniquely identify individuals based on biometric data or image gathering. If a state agency uses an AI system to interact with consumers, then the agency must provide a clear, conspicuous disclosure that the consumer is interacting with an AI system. The bill authorizes the attorney general to take complaints and enforce the bill's requirements.

The bill is scheduled to be effective January 1, 2026.

**HB 150—Texas Cyber Command**

This bill creates the Texas Cyber Command, a state agency established to prevent and respond to cybersecurity incidents affecting governmental entities and critical infrastructure. The bill transfers responsibilities for approving cybersecurity training from the Department of Information Resources (DIR) to the command and provides that these requirements apply to all state agency employees (not just those

who use a computer for at least 25% of required duties). The bill transfers cybersecurity incident notification responsibilities from DIR to the command.

The governor has approved this bill, and it will be effective September 1, 2025. The functions described by the bill will be transferred from DIR to the Texas Cyber Command no later than December 31, 2026.

#### **HB 1500—Department of Information Resources (DIR) Sunset bill**

This bill requires DIR to develop annual training for members of state agency upper management on best practices for purchasing information resources technologies. The bill provides that DIR will develop a system for state agencies to post state assistance opportunities, including grants. The bill requires agencies to provide a data governance assessment to DIR no later than June 1 of each even-numbered year. The bill amends current cybersecurity training requirements to apply to all state agency employees (not just those who use a computer for at least 25% of required duties). The bill provides that DIR will establish rules requiring agencies to complete information assessments and penetration tests at least once every two years.

#### **HB 1522—Open meetings: budget items**

This bill amends the Open Meetings Act to specify notice requirements for meetings at which a governmental body will discuss or adopt a budget. The bill requires the notice to include a copy of the proposed budget (unless the body has made the proposed budget clearly accessible on the home page of the body's website) and to include a taxpayer impact statement.

#### **HB 2520—Open meetings: specificity of agenda items**

This bill amends the Open Meetings Act to require that meeting notices include an agenda that is sufficiently specific to inform the public of each subject to be considered in the open portion of the meeting. The agenda must also describe any subject to be considered in the closed portion of the meeting. The bill also amends the Open Meetings Act's current exception on deliberations on the appointment, evaluation, or dismissal of public officers or employees. The bill limits this exception to "specific" employees or officials and specifies that the exception does not apply to a class or group of employees.

#### **HB 2818—DIR AI division**

This bill establishes an artificial intelligence division within DIR to assist state agencies that use DIR's services in implementing generative AI technology.

#### **HB 3112—Open meetings and public information: cybersecurity information**

This bill amends the Open Meetings Act to specify that a body is not required to conduct an open meeting to deliberate cybersecurity measures, policies, or contracts. The bill amends the Public Information Act to specify that information is excepted from public information requirements if it relates to insurance coverage for technology systems or data; cybersecurity incident information; or network schematics, configurations, or encryption information.

**HB 3512—DIR AI training**

Currently, the Government Code requires state agencies to complete cybersecurity training approved by DIR. This bill amends these provisions to include AI training in addition to cybersecurity training. The bill provides that DIR will annually certify AI training programs equal in length to approved cybersecurity programs, focusing on using AI in relation to a state employee's responsibilities, and teaching best practices on literacy in operating AI technologies.

**HB 4214—Public information: contact information database**

This bill requires agencies, no later than October 1 of each year, to send a current mailing address and email address for receiving written public information requests to the Office of the Attorney General (OAG). The bill provides that the OAG will create a publicly accessible database of the mailing addresses and email addresses provided by agencies.

This bill is scheduled to be effective immediately upon the governor's approval.

**HB 4219—Public information: notifications to requestor**

This bill amends the Public Information Act to require an agency to notify the requestor within 10 business days if it determines that the agency has no information responsive to a request, or if it determines that the requested information is subject to a previous determination to withhold the information. The bill creates a process for requestors to complain to the OAG about an agency's failure to respond to requests.

**HB 4310—Public information: special right of access for board member**

This bill amends the Public Information Act to provide that members of an agency's governing board have a special right of access to inspect confidential information maintained by the agency while acting in the member's official capacity. An agency may request that the requesting member sign a confidentiality agreement.

**HB 5061—Surveillance by agency contractor**

This bill prohibits state agency contractors and subcontractors from engaging in surveillance against members of the legislature and state employees. The bill also prohibits contractors and subcontractors from engaging in acts of intimidation, coercion, extortion, and undue influence. The bill authorizes the SAO to enforce these requirements through administrative penalties, termination of state contracts, and barring future contracts. The bill creates a process to file complaints with the SAO.

The governor has approved this bill, and it will be effective September 1, 2025.

**HB 5129—Disseminating personal identifying information**

This bill generally prohibits a state agency from disseminating personal identifying information about a person who submitted information to obtain an occupational license, without the person's written consent. The bill provides exceptions if the dissemination is required or permitted by state or federal law, or if it is made to a law enforcement agency for a law enforcement purpose.

This bill is scheduled to be effective immediately upon the governor's approval.

### **HB 5195—Website and digital service modernization**

This bill requires an agency to assess its websites and online service portals to identify areas for improvement in user accessibility, navigation, and digital service efficiency. The bill requires an agency to biennially review digital modernization efforts and to submit fundings to DIR.

### **HB 5196—State agency telework**

This bill specifies that the head of a state agency may enter into an agreement with an employee to authorize telework to address a lack of available office space, or to provide reasonable flexibility that enhances the agency's ability to achieve its mission. A telework agreement must be in writing, must include the reasons for authorizing telework, must be renewed at least once each year, and may be revoked by the agency at any time. The bill requires an agency that authorizes telework to develop a written telework plan and to publish the telework plan on its website.

### **SB 14—Rulemaking and deference to agency interpretations**

This bill establishes the Texas Regulatory Efficiency Office within the Office of the Governor, to assist state agencies in identifying unnecessary rules and the cost of rules to regulated persons, to coordinate with state agencies to improve public access to rules and forms, to develop written rulemaking guidance for agencies, and to create a website for the public to obtain information about rules and forms for regulated industries. The bill provides that agency rule proposals must, to the extent practicable, be written in plain language, and must include a request for information about the costs of complying with the proposed rule. The bill provides that in judicial proceedings, courts are not required to give deference to a state agency's legal interpretation, but a court may give consideration to an interpretation that is reasonable and does not conflict with the plain language of a statute. The bill repeals a provision stating that failure to meet statutory rule requirements for government growth impact statements does not impair the legal effect of a rule.

The governor has approved this bill, and it will be effective September 1, 2025. The rulemaking requirements apply to rules proposed on or after September 1, 2025.

### **SB 765—Public information: Confidentiality of fraud detection information**

This bill provides that an agency's fraud detection and deterrence information is confidential under the Public Information Act.

The governor has approved this bill, and it will be effective September 1, 2025.

### **SB 1964—Standards for state agency use of AI**

This bill adds provisions to the Texas Government Code governing the use of AI systems by state agencies. The bill requires agencies to provide standardized notices on their websites if they use public-facing AI systems or AI systems that are a controlling factor in a consequential decision. The bill requires agencies to prepare impact assessments if they use "heightened scrutiny" AI systems, which are AI systems that are intended to autonomously make, or to be a controlling factor in making, a consequential decision. The bill requires DIR to establish an AI system code of ethics aligning with the National Institute of Standards and Technology (NIST) Artificial Intelligence Risk Management Framework.