A.

Finance Commission

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FINANCE COMMISSION OF TEXAS

MEETING DATE ..... **October 16, 2026**

MEETING LOCATION ..... Barbara Jordan State Office Building
Second Floor Meeting Room 2.034
1601 Congress Avenue
Austin, Texas 78711

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

FUTURE MEETING DATES ..... December 11, 2026
February 19, 2027
April 16, 2027
June 18, 2027
August 20, 2027
October 15, 2027
December 10, 2027

*** 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*

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

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FINANCE COMMISSION AGENDA

Friday, October 16, 2026
9:30 a.m.
or Upon Adjournment of the Audit Committee Meeting
Barbara Jordan State Office Building
Second Floor Meeting Room 2.034
1601 Congress Avenue
Austin, Texas 78711

Section A.3 will take up agenda items A1, A8–A11, B3-B6, and C4, 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 August 21, 2026 Finance Commission Meeting

2. General Public Comment

3. Consent Agenda

4. Finance Commission Operations

5. Audit Committee Report

   A. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2026 Fourth Quarter Investment Officer Reports

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

   B. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2026 Fourth Quarter Financial Statements

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

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

   D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Appointment of New Grant Advisory Committee Member Angela Joiner and the Reappointment of Grant Advisory Committee Member Laura Rosen

6. Discussion of the Condition of the Texas State Banking System

7. Discussion of and Possible Vote to Take Action on the Accomplishment Reports for Fiscal Year 2026 for the Commissioners of the Texas Department of Banking, the Office of Consumer Credit Commissioner and the Department of Savings and Mortgage Lending

8. ***Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 1, Chapter 5, Concerning Administration of Finance Agencies, Resulting from Rule Review***

9. ***Discussion of and Possible Vote to Take Action on the Adoption of Amendments to Repeal 7 TAC, Part 1, Chapter 5, § 5.105, Concerning Negotiated Rulemaking***

10. ***Discussion of and Possible Vote to Take Action on the Adoption of Amendments 7 TAC, Part 1, Chapter 9, § 9.85, Concerning Negotiated Rulemaking***

11. ***Discussion of and Possible Vote to Take Action on the Adoption of Amendments in 7 TAC, Part 1, Chapter 9, §§ 9.11, 9.20, 9.30, 9.32, 9.34, and 9.37, Regarding the Commission's Procedures for Contested Case Hearings, Appeals, and Rulemakings***

12. 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

13. 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

14. 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

15. 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

16. Discussion of Matters Made Confidential by Law Pursuant to § 551.0811, Texas Government Code, including Information Relating to the Financial Condition or Business Affairs of a Financial Institution

B. TEXAS DEPARTMENT OF BANKING

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

2. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation

3. Discussion of and Possible Vote to Take Action on the Adoption to Repeal 7 TAC, Part 1, Chapter 3, § 3.112, Concerning What will the Department Charge for Providing Public Information

4. Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 2, Chapter 11, Concerning Miscellaneous, Resulting from Rule Review

5. Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 2, Chapter 26, Concerning Perpetual Care Cemeteries, Resulting from Rule Review

6. ***Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 2, Chapter 27, Concerning Applications, Resulting from Rule Review***

C. OFFICE OF CONSUMER CREDIT COMMISSIONER

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

2. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation

3. Discussion of and Possible Vote to Take Action on the Adoption of Amendments in 7 TAC, Part 5, Chapter 83, Subchapter B, Rules for Credit Access Businesses

4. ***Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 5, Chapter 90, Concerning Chapter 342, Plain Language Contract Provisions, Resulting from Rule Review***

5. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of Amendments in 7 TAC, Chapter 84, Concerning Motor Vehicle Installment Sales

6. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment on Amendments in 7 TAC, Part 5, Chapter 90, Concerning Chapter 342, Plain Language Contract Provisions, Resulting from Rule Review

7. Discussion of and Possible Vote to Take Action on a Petition to Initiate Rulemaking to Amend 7 TAC, Part 5, Chapter 89, Concerning Property Tax Lenders

D. DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

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

2. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation

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, August 21, 2026

The Finance Commission of Texas convened at 10:08 a.m., on August 21, 2026, with the following members present:

Finance Commission Members in Attendance:

Phillip Holt, Chairman
Laura Warren, Vice Chairman
Bob Borochoff
Kathleen Fields
Martin "Marty" Green
William "Chip" Jenkins
Troy Lambden
B. Luke Ledbetter
Sharon McCormick
David Osborn

Finance Commission Members Absent:

Miguel Romano, Jr.

Commissioner Charles G. Cooper announced there was a quorum with 10 members present *(0:59 on audio file).*

Chairman Phillip Holt recognized former Finance Commission members Hector Cerna and Rosie Morris for their service to the State of Texas and the Finance Commission of Texas *(1:06 on audio file).*

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
A. Finance Commission Matters		
1. Review and Approval of the Minutes of the June 19, 2026 Finance Committee Meeting	**On Consent Agenda – Item A1** This item Approved on the Consent Agenda.	n/a
2. General Public Comment	No Action Required. Andre Cardenas from Panacea Lending provided public comments in reference to consumer protections as it relates to the Office of Consumer Credit Commissioner's Activities.	2:19 Start of Discussion
3. Consent Agenda – Items A1, B3, B4, D3 and D4	Laura Warren made a motion to Approve Consent Agenda items A1, B3, B4, D3 and D4. David Osborn seconded and the motion passed.	10:57 Start of Discussion 11:18 Vote
4. Finance Commission Operations	No Action Required.	11:36 Start of Discussion
5. Audit Committee Report		
A. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2026 Third Quarter Investment Officer Reports 1. Office of Consumer Credit Commissioner 2. Department of Savings and Mortgage Lending 3. Texas Department of Banking	Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve the Agencies' 2026 Third Quarter Investment Officer Reports for the Office of Consumer Credit Commissioner, Department of Savings and Mortgage Lending and Texas Department of Banking passed.	13:14 Start of Discussion 13:23 Vote

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
B. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Readoption of the Investment Policies for: 1. Office of Consumer Credit Commissioner 2. Department of Savings and Mortgage Lending 3. Texas Department of Banking	Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve the Readoption of the Investment Policies for the Office of Consumer Credit Commissioner, Department of Savings and Mortgage Lending and Texas Department of Banking passed.	13:36 Start of Discussion 13:49 Vote
C. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' 2026 Third Quarter Financial Statements 1. Office of Consumer Credit Commissioner 2. Department of Savings and Mortgage Lending 3. Texas Department of Banking	Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve the Agencies' 2026 Third Quarter Financial Statements for the Office of Consumer Credit Commissioner, Department of Savings and Mortgage Lending and Texas Department of Banking passed.	14:02 Start of Discussion 14:10 Vote
D. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Agencies' Fiscal Year 2027 Operating Budgets and Future Long Term Finance Commission of Texas New Facility Expenditures 1. Office of Consumer Credit Commissioner 2. Department of Savings and Mortgage Lending 3. Texas Department of Banking	Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve the Office of Consumer Credit Commissioner's Fiscal Year 2027 Operating Budget, Long-Term Facility Reserves, and Construction Related Payments in accordance with the Interagency Agreement with the Texas Facilities Commission entered into and in accordance with the Motions passed on August 15, 2025, passed. Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve the Department of Savings and Mortgage Lending's Fiscal Year 2027 Operating Budget, Long-Term Facility Reserves, and Construction Related Payments in accordance with the Interagency Agreement with the Texas Facilities Commission entered into and in accordance with the Motions passed on August 15, 2025, passed. Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve the Texas Department of Banking's Fiscal Year 2027 Operating Budget, Long-Term Facility Reserves, and Construction Related Payments in accordance with the Interagency Agreement with the Texas Facilities Commission entered into and in accordance with the Motions passed on August 15, 2025, passed.	14:30 Start of Discussion 15:37 Vote 16:33 Vote 17:06 Vote

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
E. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action to Approve the Renewal of the Internal Auditor Contract for Garza/Gonzalez and Associates for Fiscal Year 2027	Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve the Renewal of the Internal Auditor Contract for Garza/Gonzalez and Associates for Fiscal Year 2027 passed.	17:40 Start of Discussion 17:49 Vote
F. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Office of Consumer Credit Commissioner's 2026 Annual Internal Audit and Follow-Up on Prior Year Recommendations Report as Prepared and Presented by Garza/Gonzalez and Associates	Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve the Office of Consumer Credit Commissioner's 2026 Annual Internal Audit and Follow-Up on Prior Year Recommendations as Prepared and Presented by Garza/Gonzalez and Associates passed.	18:00 Start of Discussion 18:14 Vote
G. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Department of Savings and Mortgage Lending's 2026 Annual Internal Audit and Follow-Up on Prior Year Recommendations Report as Prepared and Presented by Garza/Gonzalez and Associates	Coming upon Recommendation from the Audit Committee, no second is required and the motion to Approve the Department of Savings and Mortgage Lending's 2026 Annual Internal Audit and Follow-Up on Prior Year Recommendations Report as Prepared and Presented by Garza/Gonzalez and Associates passed.	18:27 Start of Discussion 18:40 Vote
H. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Activities of the Texas Financial Education Endowment Fund	No Action Required.	n/a
6. Strategic Planning Committee Report		
A. Discussion of and Possible Vote to Recommend that the Finance Commission Take Action on the Finance Commission of Texas 2027-2031 Strategic Plan	Coming upon Recommendation from the Strategic Planning Committee, no second is required and the motion to Approve the Finance Commission of Texas 2027-2031 Strategic Plan passed.	19:06 Start of Discussion 22:17 Vote

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
7. Discussion of and Possible Vote to Take Action on the Agency Priorities for Fiscal Year 2027 for the Commissioners of the Office of Consumer of Credit Commissioner, Department of Savings and Mortgage Lending and the Texas Department of Banking	Kathleen Fields made a motion to Approve the Agency Priorities for Fiscal Year 2027 for the Commissioner of the Office of Consumer Credit Commissioner. Marty Green seconded and the motion passed. Laura Warren made a motion to Approve the Agency Priorities for Fiscal Year 2027 for the Commissioner of the Department of Savings and Mortgage Lending. Troy Lambden seconded and the motion passed. Bob Borochoff made a motion to Approve the Agency Priorities for Fiscal Year 2027 for the Commissioner of the Texas Department of Banking. David Osborn seconded and the motion passed.	22:37 Start of Discussion 23:05 Vote 23:26 Vote 23:49 Vote
8. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of Repeal of 7 TAC, Part 1, Chapter 5, § 5.105, Concerning Negotiated Rulemaking	Marty Green made a motion to Approve the Proposal and Publication for Comment of Repeal of 7 TAC, Part 1, Chapter 5, § 5.105, Concerning Negotiated Rulemaking. Kathleen Fields seconded and the motion passed.	24:12 Start of Discussion 27:03 Vote
9. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of Amendments in 7 TAC, Part 1, Chapter 9, §§ 9.11, 9.20, 9.30, 9.32, 9.34, and 9.37, Regarding the Commission's Procedures for Contested Case Hearings, Appeals, and Rulemakings	Kathleen Fields made a motion to Approve the Proposal and Publication for Comment of Amendments in 7 TAC, Part 1, Chapter 9, §§ 9.11, 9.20, 9.30, 9.32, 9.34, and 9.37, Regarding the Commission's Procedures for Contested Case Hearings, Appeals, and Rulemakings. Laura Warren seconded and the motion passed.	28:49 Start of Discussion 30:47 Vote
10. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of Amendments in 7 TAC, Part 1, Chapter 9, § 9.85, Concerning Negotiated Rulemaking	Sharon McCormick made a motion to Approve the Proposal and Publication for Comment of Amendments in 7 TAC, Part 1, Chapter 9, § 9.85, Concerning Negotiated Rulemaking. William Jenkins seconded and the motion passed.	27:30 Start of Discussion 28:25 Vote
11. 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	Deferred to Executive Session.	n/a

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
12. 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	Finance Commission of Texas Executive Director Charles G. Cooper provided a status update on the Finance Commission of Texas new facility.	31:36 Start of Discussion
13. 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
14. 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
15. Discussion of Matters Made Confidential by Law Pursuant to § 551.0811, Texas Government Code, Including Information Relating to the Financial Condition or Business Affairs of a Financial Institution	No Discussion.	n/a
B. Office of Consumer Credit Commissioner		
1. Industry Status and Departmental Operations: a) Consumer Protection and Assistance Division Activities; b) Licensing Division Activities; c) Administration Division Activities; d) Financial Division Activities; e) Legal Division Activities; and f) Legislative Activities	No Action Required.	34:32 Start of Discussion
2. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation	No Action Required.	n/a

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
3. Discussion of and Possible Vote to Take Action on the Adoption of Amendments in 7 TAC, Part 5, Chapter 85, Subchapter A, Concerning Rules of Operation for Pawnshops, Resulting from Rule Review	**On Consent Agenda – Item B3** This item Approved on the Consent Agenda.	n/a
4. Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 5, Chapter 86, Subchapter A, Concerning Registration of Retail Creditors, and Subchapter B, Concerning Retail Installment Contract, Resulting from Rule Review	**On Consent Agenda – Item B4** This item Approved on the Consent Agenda.	n/a
5. Discussion of and Possible Vote Take Action on the Proposal and Publication for Comment of Amendments in 7 TAC, Part 5, Chapter 83, Subchapter B, Rules for Credit Access Businesses	Laura Warren made a motion to Approve the Proposal and Publication for Comment of Amendments in 7 TAC, Part 5, Chapter 83, Subchapter B, Rules for Credit Access Businesses. Sharon McCormick seconded and the motion passed.	56:42 Start of Discussion 1:03:17 Vote
C. Department of Savings and Mortgage Lending		
1. Industry Status and Departmental Operations: a) Thrift Regulation Division Activities; b) Mortgage Regulation Division Activities; c) Operations Division Activities; d) Strategic Projects, Initiatives, and Information Resources; e) Legal Division Activities, including Consumer Complaints and Gift Reporting; and f) Legislative Activities	No Action Required.	1:03:44 Start of Discussion
2. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation *Hector Retta, Commissioner of the Department of Savings and Mortgage Lending v. Millard J. Smith, III d/b/a Processing Solutions, and Melkeisha Smith; Cause No. 25-DCV-330862,* 458th District Court, Fort Bend County, Texas	No Action Required.	n/a
3. Discussion of and Possible Vote to Take Action on the Adoption of Amendments, New Rules, and Repeals in 7 TAC, Part 4, Chapter 75, Concerning Savings Banks, Resulting from Rule Review	Marty Green made a motion to Approve the Adoption of Amendments, New Rules, and Repeals in 7 TAC, Part 4, Chapter 75, Concerning Savings Banks, Resulting from Rule Review. Troy Lambden seconded and the motion passed.	1:16:40 Start of Discussion 1:18:31 Vote

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
D. Texas Department of Banking		
1. Industry Status and Departmental Operations: a) Current Issues Affecting Department's Regulated Entities; b) Bank and Trust Division Activities; c) Corporate Division Activities; d) Non-Depository Supervision Division Activities; e) Administrative, Staffing and Fiscal Division Activities; f) Strategic Support Division Activities including Consumer Complaint Data; g) Legal Division Activities including Enforcement Activity and Gift Reporting; and h) Legislative Activities	No Action Required.	1:09:00 Start of Discussion
2. Discussion of and Possible Vote to Take Action on Anticipated and Pending Litigation	No Action Required.	n/a
3. Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 1, Chapter 3, Concerning State Bank Regulation, Resulting from Rule Review	**On Consent Agenda – Item D3** This item Approved on the Consent Agenda.	n/a
4. Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 2, Chapter 33, Concerning Money Services Businesses, Resulting from Rule Review	**On Consent Agenda – Item D4** This item Approved on the Consent Agenda.	n/a
5. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of Repeal of 7 TAC, Part 1, Chapter 3, § 3.112, Concerning What will the Department Charge for Providing Public Information	Sharon McCormick made a motion to Approve the Proposal and Publication for Comment of Repeal of 7 TAC, Part 1, Chapter 3, § 3.112, Concerning What will the Department Charge for Providing Public Information. Marty Green seconded and the motion passed.	1:38:14 Start of Discussion 1:39:20 Vote

Chairman Phillip Holt called for an Executive Session at 11:48 a.m. *(1:40:04 on the audio file)*. The open meeting resumed at 12:09 p.m. *(1:40:32 on audio file)*

AGENDA ITEM	ACTION	LOCATION ON AUDIO FILE
Executive Session		
11. 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	Kathleen Fields made a motion to Approve the one-time 15% or $40,000 Merit Increase (Retention Bonus) for the Texas Department of Banking Commissioner effective August 21, 2026, and an Increase in Annual Stipend for the Finance Commission of Texas Executive Director from $15,000 to $20,000 effective September 1, 2026. Laura Warren seconded and the motion passed.	1:41:03 Vote

There being no further business, Chairman Phillip Holt adjourned the meeting of the Finance Commission at 12:10 p.m. *(1:41:30 on the audio file).*

Phillip Holt, Chairman
Finance Commission of Texas

Charles G. Cooper, Executive Director
Finance Commission of Texas

Ruth Wright, Executive Assistant
Finance Commission of Texas

Finance Commission of Texas

Consent Agenda

October 16, 2026

A. Finance Commission Matters

1. Review and Approval of the Minutes of the August 21, 2026 Finance Commission Meeting

8. Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 1, Chapter 5, Concerning Administration of Finance Agencies, Resulting from Rule Review

9. Discussion of and Possible Vote to Take Action on the Adoption to Repeal 7 TAC, Part 1, Chapter 5, § 5.105, Concerning Negotiated Rulemaking

10. Discussion of and Possible Vote to Take Action on the Adoption of Amendments 7 TAC, Part 1, Chapter 9, § 9.85, Concerning Negotiated Rulemaking

11. Discussion of and Possible Vote to Take Action on the Adoption of Amendments in 7 TAC, Part 1, Chapter 9, §§ 9.11, 9.20, 9.30, 9.32, 9.34, and 9.37, Regarding the Commission's Procedures for Contested Case Hearings, Appeals, and Rulemakings

B. Texas Department of Banking

3. Discussion of and Possible Vote to Take Action on the Adoption to Repeal 7 TAC, Part 1, Chapter 3, § 3.112, Concerning What will the Department Charge for Providing Public Information

4. Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 2, Chapter 11, Concerning Miscellaneous, Resulting from Rule Review

5. Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 2, Chapter 26, Concerning Perpetual Care Cemeteries, Resulting from Rule Review

6. Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 2, Chapter 27, Concerning Applications, Resulting from Rule Review

C. Office of Consumer Credit Commissioner

4. Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 5, Chapter 90, Concerning 342, Plain Language Contract Provisions, Resulting from Rule Review

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

M E M O R A N D U M

TO: Finance Commission of Texas

FROM: Charles G. Cooper, Commissioner

DATE: August 31, 2026

RE: Department of Banking Priorities for Fiscal Yearend 2026

I. LEGISLATIVE – *State and National Legislative Issues*

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

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

February Update:

- *The Department maintains regular contact with legislative committee chairs and staff.*
- *Responded to requests from Senate Business and Commerce Committee and maintained regular communication with staff.*
- *Responded to request for information and investigation by several members of the Texas House of Representatives.*

August Update:

- *Non-Depository Supervision (NDS) Deputy Commissioner (DC) Jesse Saucillo provided testimony before the House Homeland, Public Safety, Veterans Committee on July 30, 2026, regarding money services businesses (MSB).*
- *Commissioner Charles G. Cooper provided testimony before the Senate Committee for Business and Commerce on June 24, 2026, regarding agency oversight of money services businesses. Clarification was also provided on the Department's regulatory authority as it relates to cryptocurrency, its response to the GENIUS Act, and stablecoin legislation.*

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

Measure: Provide Finance Commission members with information on significant federal laws and policy statements and the effect on supervised entities, if any. Provide

sufficient information and materials to give members an overall assessment of our regulated industries.

February Update:

- *Finance Commission members received copies of Department press releases and industry notices.*
- *In October 2025, a presentation on the Texas state banking system was provided by an economist for the Conference of State Bank Supervisors (CSBS) to the Commission members.*
- *Briefed Finance Commission on GENIUS and CLARITY Act/Market Structure Bill status and gave an overview of considerations in the fall.*

August Update:

- *In April 2026, the Condition of the Texas State Banking System prepared jointly by the Department and the Department of Savings and Mortgage Lending was presented to the Commission.*
- *Monthly, the Department provides the Supervisory Update News Summary to the Commission members to keep them apprised of relevant regulatory news.*

I.3 **Objective:** Monitor legislative interim charges that may affect the Department or its regulated entities. Implement legislative changes from the 89th legislative session that affect the agency.

Measure: Monitor and assist legislative committees with interim charges, if requested. Provide technical assistance and comprehensive resource materials when requested. Implement legislation that directly affects the Department or the industries we regulate by updating or proposing rules, policies, or procedures.

February Update:

- *The Department implemented all requirements stemming from the 89th Legislative Session in a timely manner and is monitoring interim charges.*
- *The Department is planning for the 90th Legislative Session, discussing issues with stakeholders, and round-tabling potential items for its legislative agenda.*

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

II.1 **Objective**: Strive to ensure performance measure goals are met while working through the labor market challenges.

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

February Update:

- *Through August 31, 2026, all Bank & Trust Supervision (B&T) and NDS key performance measures were either met or exceeded.*

II.2 **Objective:** Remain active at the national level regarding supervisory issues affecting areas of supervisory oversight in Texas.

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

February Update:

- *Commissioner Cooper and staff represented the Department at the CSBS Fall Regulatory Summit in Austin, Texas, beginning on September 15, 2025. Commissioner Cooper gave the welcome address. General Counsel (GC) Robert Nichols served as a panelist during the Summit.*
- *Commissioner Cooper, DC of B&T Supervision Jared Whitson and select staff attended the IBAT 51st Annual Convention held in Fort Worth, Texas, on September 20, 2025. DC Whitson represented the Department on a regulatory panel.*
- *Commissioner Cooper attended the Financial Institutions Examination Council (FFIEC) Third Quarter Meeting in Washington, D.C., on September 24, 2025, where he serves as the Chair of the State Liaison Committee (SLC). DC Whitson, who co-chairs a working group for the Task Force on Supervision, provided an update to the council on potential revision of the Uniform Financial Institutions Rating System (CAMELS).*
- *Commissioner Cooper, Executive Deputy Commissioner (EDC) Wendy Rodriguez, DC Whitson and DC Saucillo attended the combined CSBS District II and IV Combined Fall Meeting in St. Louis, Missouri, beginning on October 8, 2025. Commissioner Cooper is the Chair of CSBS District IV.*
- *RE Melissa Dvoracek represented the Department as a regulatory panelist at the IBAT Women in Banking Conference held in Fort Worth, Texas, on October 23, 2025.*
- *Commissioner Cooper represented the Department at the Federal Reserve Bank of Dallas, Atlanta, and Cleveland - The Evolving Landscape of Bank Funding Conference held in Dallas, Texas, beginning on October 30, 2025. Commissioner Cooper introduced one of many panels at the conference.*
- *NDS staff participated in the State Examination System (SES) Fly-In held in Washington, D.C., beginning on November 5, 2025. Topics included initiatives to improve MSB examination processes and additional functions in SES.*
- *Commissioner Cooper, in his capacity as Chair of the SLC of the Federal FFIEC, and DC Whitson, Co-Chair of the Task Force on Supervision Workgroup, represented the Department at the FFIEC Fourth Quarter Meeting in Washington, D.C., beginning on December 4, 2025.*
- *Commissioner Cooper attended (virtually) the CSBS Board Meetings & Supervisors Symposium held in Clearwater, Florida, beginning on December 8, 2025; he attended the board meetings only.*
- *Select department staff attended the CSBS sponsored NMLS Annual Conference held in Orlando, Florida, beginning on February 17, 2026.*

Various MSB topics related to licensing, regulation and industry trends were discussed. DC Saucillo and RE Kim represented the Department as regulatory panelists of various sessions.

August Update:

- *Commissioner Cooper, EDC Rodriguez, DC Whitson and DC Saucillo represented the Department at the CSBS District IV Spring Meeting held in Denver, Colorado, beginning on March 11, 2026. Commissioner Cooper is Chair of the CSBS District IV Committee.*
- *Commissioner Cooper, EDC Rodriguez, DC Saucillo, Regional Director (RD) Gregory Wisian and Deputy GC Marcus Adams represented the Department at the 2026 CSBS Board Meeting and Government Fly-In held in Washington, D.C. beginning on March 23, 2026.*
- *DC Whitson and staff attended the 2026 Banking Conference hosted by the Texas Department of Banking and Federal Reserve Bank of Dallas in Dallas, Texas on April 2, 2026.*
- *Commissioner Cooper, EDC Rodriguez and DC Whitson attended the FDIC / State Commissioner's Meeting at the FDIC office in Dallas, Texas on April 7, 2026.*
- *Director of Cybersecurity and Technology Strategy (DCTS) Phillip Hinkle attended the Financial and Banking Information Infrastructure Committee (FBIIC) Meeting in Washington, D.C. on April 28, 2026.*
- *DC Saucillo attended the MMET and MTRA Board Annual Meeting in Hershey, Pennsylvania on April 28-30, 2026. Various topics impacting MSBs were discussed among other state regulators.*
- *DCTS Hinkle attended the Conference of Financial Banking Information Infrastructure Committee/Financial Services Sector Coordinating Council (FBIIC/FSSCC), on April 29, 2026.*
- *Commissioner Cooper virtually attended the CSBS Board Meeting held on May 11, 2026.*
- *Commissioner Cooper, DC Whitson, and staff attended the TBA 141st Annual Convention in Dallas, Texas, beginning on May 20, 2026. Finance Commission of Texas Chairman Phillip Holt also attended the convention.*
- *GC Nichols, RD Greg Wisian, RD Kenneth Kuntschik, RD Tom Susany, and other select staff attended various TBA Texas Tour meetings held throughout June 2026 in San Antonio, Dallas, Houston, and Waco.*
- *Commissioner Cooper, Chair of the SLC of the FFIEC, and DC Whitson, Co-Chair of the Task Force on Supervision Workgroup, represented the Department (DC Whitson virtually) at the FFIEC Second Quarter Meeting in Washington, D.C. on June 22, 2026.*
- *Consumer Assistance Activities Supervisor Sheon Corley attended the 2026 Texas Financial Literacy Summit at the Federal Reserve Bank of Dallas on July 16-17, 2026.*
- *Select staff participate as members of CSBS and MTRA committees and regularly discuss pertinent issues with other states' regulatory staff.*
- *DC Saucillo continues to serve as a member of the MTRA Board of Directors and the State Coordinating Committee (SCC) member.*

- *The Department is an active member of the MMET and the MSB Supervisory Engagement Taskforce (MSET). DC Saucillo serves as the Chair of MSET..*
- *NDS staff participates in periodic North American Death Care Regulators Association (DCRA) virtual meetings to discuss matters affecting the death care industry.*

II.3 **Objective:** Maintain an ongoing awareness of the risk profiles of our regulated entities and the condition of the economy in which they operate. Monitor individual or systemic conditions, including economic pressures, cybersecurity threats, and other high-risk activities which present risks to their financial stability. Ensure that supervisory activities remain appropriate and take necessary actions against institutions exhibiting unacceptable risk profiles.

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

February Update:

- *The B&T division actively monitors and responds to various risk factors, including risk posed by effects of inflationary pressures and the higher interest rate environment and their impact to institutions' operations. The Department maintains communication with regulated entities between examinations and performs offsite monitoring of key financial metrics. These programs consist of quarterly reviews of call report data, the use of data analytic tools, and conducting calls to bank management. The division's watch list of intuitions, which exhibit heightened risk, is monitored and adjusted quarterly with appropriate actions taken against organizations when appliable.*
- *The NDS division actively monitors and responds to various risk factors by conducting off-site monitoring of licensed entities. The division maintains and coordinates communication with regulated entities and other state regulators between examinations by monitoring federal and state regulations surrounding cryptocurrency, consumer complaints, call report data, current events, and related legal actions.*
- *B&T and NDS divisions continue to monitor cybersecurity incidents and the impact on the regulated entities and consumers. Incidents are reviewed in coordination with an IT Specialist, as needed, including consideration for onsite reviews. Examinations and reviews are coordinated with other MSB state regulators, as needed.*
- *Based on available resources and certain risk factors, NDS continues to collaborate with the IT examination staff to coordinate risk-based reviews of MSB license holders' IT systems.*

August Update:

- *B&T and NDS continue to coordinate with the Corporate Division to assist with the processing of applications. Coordination ensures appropriate risk and compliance areas are addressed.*

II.4 **Objective:** Monitor emerging issues in our areas of regulation including technological advances. Determine and communicate the impact of these issues to the regulated entities.

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

February Update:

- *The Department issued a fall Texas Bank Report in October 2025, containing articles on areas of concern or interest for the banking industry.*
- *Review Examiner (RE) Kevin Wu represented the Department as a panelist on a regulatory panel at the TBA Internal Audit School in Austin, Texas, on October 1, 2025.*
- *RE Travis Graham represented the Department as a panelist at the TBA Chief Risk Officer and Risk Executive Forum held in Austin, Texas, on October 7, 2025.*
- *GC Nichols represented the Department as a panelist on a regulatory panel at the TBA/SWABC Legal Conference on October 9, 2025.*
- *Commissioner Cooper and RD Wisian represented the Department at Sam Houston State University's (SHSU) 2025 Banking Day and attended the Smith-Huston Endowed Chair of Banking Advisory Board Meeting, on October 16, 2025. Commissioner Cooper is a member of the Advisory Board.*
- *RD Susany represented the Department as a regulatory panelist at Southern Methodist University (SMU), Certified Community Bank Directors Program in Dallas, Texas, on October 22, 2025.*
- *Chief IT Security Financial Examiner Larry Filer represented the Department as a regulatory panelist at the Cyber Risk Institute Examiner Panel held in Austin, Texas, on November 3, 2025; topics included Cybersecurity Frameworks, Artificial Intelligence, and Digital Currencies.*
- *Commissioner Cooper represented the Department at the 2025 Bank Operations Institute and was a panelist on the Virtual Regulatory Panel, on November 12, 2025; topics included budget forecasting, strategic planning, and bank simulation.*
- *Financial Examiner Emmanual Salinas served as a regulatory panelist at the AcctoFi's 2025 Dallas Expo Conference, sponsored by Texas Society of Certified Public Accountants held in Addison, Texas, on November 13, 2025.*
- *DC Whitson represented the Department on a regulatory panel at the IBAT 2026 Winter Summit in Avon, Colorado, beginning on January 25, 2026.*

- *The Department issued the winter Texas Bank Report in February 2026, containing articles related to scams and financial education.*

August Update:

- *The Department and the Savings and Mortgage Lending jointly prepared the Condition of the Texas State Banking System that was presented in April 2026 to the Commission.*
- *The Department and the Federal Reserve Bank of Dallas jointly planned and hosted the Eleventh District Banking Conference on April 2, 2026. The conference addressed ongoing and emerging issues in the banking industry. DC Whitson, RD Susany and DCTS Hinkle represented the Department in various panels. DC Whitson provided closing remarks. Strategic Support Director Lilliana Abbassi and the agency Training Coordinator assisted in coordinating and planning the conference.*
- *DCTS Hinkle represented the Department as a panelist on a cybersecurity panel at the CoNetrix KEYS Conference in Lubbock, Texas, on April 9, 2026.*
- *Commissioner Cooper represented the Department as a speaker on regulatory topics at the 2026 Risk Management Association (RMA) Texas Spring Conference in Austin, Texas, on April 9, 2026. RE Wu represented the Department as a panelist on a regulatory panel, on April 10, 2026.*
- *Commissioner Cooper participated in the fireside chat with other industry representatives at the TBA 141st Annual Convention in Dallas, Texas, beginning on May 20, 2026. The Commissioner and DC Whitson also hosted a breakout session with state-chartered banks to discuss key issues facing the industry.*
- *Commissioner Cooper represented the Department as a speaker on regulatory topics at the IBAT Legislative Committee meeting in Austin, Texas, on June 3, 2026.*
- *RE Wu represented the Department as a panelist at the TBA CFO Conference in Lakeway, Texas on June 18, 2026. Discussions focused on Artificial Intelligence Implementation at banks, new stablecoin and blockchain initiatives in the industry, and other regulatory changes occurring this year.*
- *Select NDS staff members participated in various MMET and MTRA committees, including the MTRA Examination Standards Committee and the MTRA Licensing/Emerging Issues calls. The Department regularly participates in examination scheduling calls and regulator-only meetings to discuss matters impacting MSBs. Coordination of supervisory actions as part of the Networked Supervision of MSBs is conducted.*
- *NDS staff members monitor MSB-related issues nationally to identify and monitor troubled institutions and risky behavior, develop enforcement policies and procedures, and coordinate responses to negative news that indicate safety and soundness concerns.*

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

Measure: Monitor and investigate potential illegal activity, and when necessary, initiate appropriate regulatory enforcement actions against licensed and/or unlicensed

entities to ensure compliance with applicable statutes and rules to protect the rights and interests of consumers and the industries. If applicable, coordinate enforcement actions with other MSB state regulators. Refer cases as needed to local, state, or federal law enforcement agencies or the Texas Attorney General.

February/ August Update:

- *The Fraud and Insider Abuse Response Committee (FIARC) Committee meets at least quarterly to review potential fraud and insider abuse. The Committee makes recommendations for administrative actions where appropriate.*
- *NDS staff monitors open-source media and investigates complaints, including whistleblower complaints, and refers matters to the Department's Legal division for enforcement actions as necessary. Collaboration on some issues occurs with other MSB state regulators as it relates to legal administrative matters concerning MSB prospective and existing license holders in noncompliance with state and federal regulations. The Legal Division also routinely monitors for potential illegal activity and initiates investigations as needed.*

II.6 **Objective:** Ensure consumer complaints/inquiries are professionally, appropriately, and timely processed pursuant to Texas Administrative Code Title 7 Part 2.

Measure: Maintain and report compliance with complaint processing, review, and reporting rules to meet or exceed the goals for consumer-related performance measures.

February/ August Update:

- *Consumer Assistance Activities met their key performance measure for written jurisdictional complaints closed within 90 days in fiscal year 2026. Quarterly compliance was reported to the Finance Commission throughout the fiscal year.*

II.7 **Objective:** Refine examination procedures, reference materials, and internal guidance to enhance the examination process.

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

February/ August Update:

- *Revised and Issued Administrative Memorandums (AM):*
    - *AM 2013 Authorization for Release of Confidential Information to Governmental Entity (October 2025)*
    - *AM 2041 Examination Due Date Calculation (May 2026)*

  - *AM 2006 Treatment of Matters Requiring Attention in the Report of Examination (June 2026)*
  - *AM 2009 Examination Report Submission and Processing (June 2026)*
  - *AM 2022 Institution Review Process for State-Chartered Banks (July 2026)*
  - *AM 2024 Follow-up on Bank Compliance Examinations Conducted by Federal Regulators (July 2026)*

- *Issued Examiner Bulletin (XB)*

  - *XB 2025-04-IT Guidelines for Procedures and Work Paper Documentation for Information Technology Examinations (October 2025)*

- *Reviewed and revised Commercial Planning documents*

  - *Planning procedure*
  - *Pre-scope Letter*
  - *Pre-scope Request Letter*
  - *On-site Memo*
  - *Prep-Memo*
  - *BHC Prep Memo*
  - *Request List*
  - *Offsite Loan Review Request List*
  - *Examination Assignment Worksheet*

- *Reviewed and Revised Commercial Examination Procedures*

  - *Audit*
  - *Earnings*
  - *Investment Securities*
  - *Management*
  - *Model Risk Management Supplemental Work Program*
  - *Conflict of Interest/Insider Abuse*

- *Reviewed and Revised Trust Examination Procedures*

  - *Operations, Internal Controls & Audits Streamlined Table Of Contents (TOC)*
  - *Asset Management Streamlined TOC*
  - *Asset Quality Streamlined Procedure*
  - *Asset Quality Expanded TOC*
  - *Planning & Control – Streamlined*
  - *Planning & Control - Expanded*
  - *Dallas regional office notification letter*
  - *Houston regional office notification letter*
  - *Lubbock regional office notification letter*
  - *San Antonio regional office notification letter*
  - *Request list – Trust Company*
  - *Supplemental – Trust Company*

- *Request list – Trust Department*
- *Small Trust Department*
- *Dallas regional office exempt notification letter*
- *Houston regional office exempt notification letter*
- *Lubbock regional office exempt notification letter*
- *San Antonio regional office exempt notification letter*

- *Reviewed and Revised Information Technology Examination Planning documents*

  - *Examination notification email*
  - *Request list*
  - *Request list – Nonbank*
  - *IT-18 Planning procedures*
  - *Transmittal Letter Template*
  - *Scope form*
  - *Baseline Work program*
  - *Expanded – Support and Delivery*

- *Updated examination reference materials for commercial, trust, and IT procedures (periodically, as needed).*
- *Reviewed and revised MSB examination procedures primarily to incorporate the updated master MTRA work program, and to enhance the review of IT-IS, and digital assets.*

  - *Texas – Core*
  - *Texas – Virtual Currency*
  - *Texas – IT Core*
  - *Examination Notice and Request List*

II.8 **Objective**: Implement an upgraded, new secure Internet portal for regulated entities to conduct business and exchange information with the Department.

Measure: Provide regulated entities with training and user guides to utilize the new data exchange portal. Provide individualized assistance to portal users via a dedicated helpdesk.

February Update:

- *The Department went live with the new FLEX system on October 20th for B&T entities. Then went live on January 2nd for NDS entities.*
- *The Department also hired an additional helpdesk employee to handle any incoming requests regarding the FLEX system.*

August Update:

- *FLEX Statistics – 108 B&T regulated entities and 128 NDS regulated entities were enrolled through August 2026. In total, 642 users have utilized the new system.*

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

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

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

February Update:

- *On December 12, 2025, the Department published Supervisory Memorandum 1034 relating to the Policy on Enforcement Actions for Money Services Businesses.*
- *On December 12, 2025, the Department published Supervisory Memorandum 1044 relating to Policy on Enforcement Actions for Prepaid Funeral Contract Sellers and Perpetual Care Cemeteries.*
- *On October 3, 2025, the Department revised Regulatory Guidance 3005 relating to Consumer Complaint Notices – 7 TAC §§ 11.37 and 33.51.*

August Update:

- *On April 14, 2026, the Department rescinded Regulatory Guidance 3001 relating to regulatory guidance on Senate Bill 626.*

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

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

February Update:

- *The Legal Division, complies with the quadrennial rule review requirement as directed and regularly considers rule updates or new rules as necessary.*

August Update:

- *In August 2026, the Department proposed for publication the amendment or repeal of nine existing rules applicable to the Finance Commission as a result of collaboration with the Texas Regulatory Efficiency Office (TREO).*
- *The Department is currently working with TREO to review all rules which fall under the purview of the Department and a meeting was held with TREO on August 31, 2026, to collaborate on the path forward.*
- *The Department has three potential new rules and amendments pending which will be proposed in FY 2027.*

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

Measure: Update the Department's financial education webpage and brochure this fiscal year. Participate in financial education webinars periodically.

February Update:

- *The Financial Education brochure was updated in October 2025.*
- *On November 19, 2025, the Texas Department of Banking and the Office of Consumer Credit Commissioner jointly presented a free financial education webinar focused on several financial components including understanding your income, the discipline of budgeting, spending less than you earn, and establishing an emergency fund. There were 22 participants.*

August Update:

- *On April 15, 2026, the Texas Department of Banking and the Office of Consumer Credit Commissioner jointly presented a free financial education webinar designed to educate participants on how best to safeguard assets and personal information by recognizing online scams, securing accounts, and responding to digital threats. There were 85 participants.*
- *On August 19, 2026, the Texas Department of Banking and the Office of Consumer Credit Commissioner jointly presented a free financial education webinar on how technology is changing how people save, spend, and invest. The core objective was to eliminate three misconceptions related to digital financial tools by highlighting key features and their benefits. There were 72 participants.*

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

IV.1 **Objective:** Actively recruit qualified personnel with appropriate skill set whenever possible. Maintain compliance with all state and federal employment laws.

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

February/August Update:

- *Fifty-four job posting were published from September 1, 2025, through August 31, 2026.*
    - *Hired one Accountant III, one Accountant IV, one Inventory and Store Specialist V, and one Manager VI in Administrative Services Division.*
    - *Hired twelve Financial Examiner I, three Financial Examiner V, and one Financial Examiner VIII in the B&T Division.*

  - *Hired one Corporate Analyst I in the Corporate Activities Division.*
  - *Hired one Financial Examiner V in Division of Strategic Support.*
  - *Hired one part-time Law Clerk and one Attorney IV in the Legal Division.*
  - *Hired one IT Support Specialist in the MIS Division.*
  - *Hired four Financial Examiner I in the NDS Division.*
- *Utilized CAPPS Recruit/Talent Acquisition Manager, TSABAA, and LinkedIn to post open positions and actively recruit qualified candidates.*
- *Agency representatives attended twenty-one career fairs.*
- *FE Kaden Sikes represented the Department as a speaker at a Texas Tech Banking class in Lubbock, Texas, on September 16, 2025, providing an overview of the Department and career path of an examiner.*
- *FE Mallory DeBord represented the Department as a guest lecturer at the Texas State University Commercial Bank Management class in San Marcos, Texas, on September 30, 2025, where regulation and the Department's role is supervising state-chartered banks was discussed.*
- *DC Whitson and Director Abbassi represented the Department as guest lecturers at the Commercial Banking Program course at Texas A&M University on October 15, 2025. A discussion relating to the current regulatory environment, the agency, and career opportunities with the Department was held. The presentation included a case study on the UBPR and CAMELS ratings.*
- *FEs Dustin Bradford, Kaden Sikes, and Payton Bourquin represented the Department at the Texas Tech Excellence in Banking class in Lubbock, Texas, on February 2, 2026, where they provided an overview of the Department and career path of an examiner.*

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

Measure: Improve staff retention by addressing major issues that contribute to non-retirement resignations, with a goal to have the agency turnover rate (excluding retirements and intern separations) not exceed 13% for the fiscal year.

February/August Update:

- *Agency fiscal year 2026 turnover rate through August 31, 2026, was 15.69% and Financial Examiner turnover was 12.44%. There were seven retirements during this period.*
- *Through August 31, 2026, the agency hired thirty employees and incurred thirty-seven separations.*

- *Promoted thirty-seven individuals to positions with increased responsibility and qualifications.*
- *UT Survey of Employee Engagement was completed and released to staff in January 2026.*
- *Administered Annual Employee Performance Appraisals in December 2025 using the NEOGOV Performance System.*
- *The approved 2026 fiscal year budget included starting salary adjustments for the journeyman level Financial Examiners, and equity adjustments for administrative staff and select Financial Examiners VII and above & related directors in September 2025, to improve salary parity with federal counterparts.*

IV.3 **Objective:** Ensure technology resources are up-to-date to enhance the effectiveness, speed, and quality of agency work products. Provide timely technical support to staff.

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

February Update:

- *Upgraded to Microsoft G5 licenses and began migrating to Microsoft Purview for email encryption and DLP (Data Loss Prevention).*
- *Deployed software to add another level of security for emails to prevent incorrect recipients.*

August Update:

- *Purchased 33 laptops and one desktop in March and August of 2026. These items were deployed in April and August.*
- *Upgraded the domain controller for the FC domain with new software and migrated to the OCI cloud in August of 2025.*
- *Upgraded SQL and IIS servers in OCI environment.*

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

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

February Update:

- *Completed the Texas Cybersecurity Framework in October 2025.*
- *Replaced Austin HQ DHCP and DNS server in December 2025.*

August Update:

- *Completed the IRDR (Information Resources Deployment Review) in March 2026.*
- *The annual Information Security Training for the Department was completed in March/April 2026.*
- *The DIR Security Plan in completed and submitted in June 2026.*

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

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

February Update:

- *Forty-nine examiners in the Financial Examiner I–III series attended 14 different training courses in the first six months of fiscal year 2026.*
- *MSB examiners are participating in specialized cryptocurrency training program offered by a blockchain intelligence platform provider. The training is designed to strengthen staff's ability to investigate, monitor, and examine license holders that offer digital asset products and services.*

August Update:

- *Fifty-four examiners in the Financial Examiner I–III series attended 26 different training courses in the last six months of fiscal year 2026.*
- *In fiscal year 2026, six examiners received their commission.*
- *One NDS examiner received the Certified Anti-Money Laundering Specialist designation in fiscal year 2026 as part of the required core training requirements.*

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

Measure: Provide the internal training course at least once in fiscal year 2026 to adequately prepare assistant examiners to successfully participate in an examination.

Update:

- *The third Financial Examiner I training program concluded in November 2025, with four financial examiners. The program, established in June 2023, continues to be well received.*

August Update:

- *The fourth Financial Examiner I training program began in July 2026, with twelve financial examiners.*

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

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

February/August Update:

- *Monthly financial statements are provided to all divisions for review and to the Finance Commission each quarter.*
- *Budget variances are analyzed quarterly.*
- *For fiscal year 2026, actual revenues were at 96.8% of budget and actual expenditures were at 96.4% of budget.*
- *Cash reserves for fiscal year end was within policy guidelines of at least two months, but no more than six months. Unreserved cash is at 3.44 months.*

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

Measure: Report on improvements identified and implemented.

February/August Update:

- *Administrative Memorandums (AM) revisions related to internal processes or procedures:*
  - *AM 2042 – Deletion of Imaged Records (October 2025)*
  - *AM* 2013 *– Authorization for Release of Confidential Information to Governmental Entities (October 2025)*
  - *AM 2031 – Delegation of Authority (December 2025)*
  - *AM 2014 – Military Employment Rights (December 2025)*
  - *AM 2025 – Internal Purchasing Procedures (January 2026)*
  - *AM 2012 – Policy on Veteran Heroes United in Business Program (January 2026)*
  - *AM 2029 – Non-Overnight Travel Status Assignments (March 2026)*
  - *AM 2037 – Student Educational Employment Program (SEEP) (April 2026)*
  - *AM 2017 – Accounting for State Property (April 2026)*
  - *AM 2001 – Official Issuance and Communication System (May 2026)*
  - *AM 2016 – Investment Policy for Funds Under the Oversight of the Guaranty Fund Advisory Council (June 2026)*

  - *AM 2008 – Normal Work Hours and Schedules for Department Employees (July 2026)*
  - *AM 2021 – Telework Program (July 2026)*
  - *AM 2031 – Delegation of Authority (July 2026)*
  - *AM 2033 – Confidential Email Addresses of the Public (July 2026)*
  - *AM 2027 – Investment Policy for Funds Under the Oversight of the Finance Commission of Texas (August 2026)*

- *Personnel Manual revisions related to internal processes:*
  - *Section 2-02 – Ethical and Other Conduct and Responsibilities of Employees (October 2025)*
  - *Section 3 – Training Policy (October 2025)*
  - *Section 11-16 Multiple-Occupancy Private Space Policy (October 2025)*
  - *Section 1 – General Information (December 2025)*
  - *Section 4 – Salary Administration (December 2025)*
  - *Section 5-03 – New Employee Trial Period (January 2026)*
  - *Section 2-07 – Fraud Policy (February 2026)*
  - *Section 4 – Employee Actions (April 2026)*
  - *Section 8 – Leave and Absences (April 2026)*
  - *Section 5 – Disciplinary Actions (April 2026)*
  - *Section 14 – Information Technology Policy (April 2026)*
  - *Section 3 – Training Policy (June 2026)*

- *Modernized or Improved Processes:*
  - *Administrative Services developed a Procurement Process Quick Guide to simplify the general purchasing process. This six-step guide outlines the basic procurement process when purchasing a good or service.*
  - *The Material and Service Request (MSR) form was redesigned and made into a fillable form for ease of use in December 2025.*

IV.9 **Objective:** Work on planning efforts associated with the relocation of the Finance Commission facility.

Measure: Report progress related to the relocation of the Finance Commission agencies to the building committee periodically.

February Update:

- *In November 2025, the Office of the Governor provided the Finance Commission agencies supplemental authorization to increase their long-term facilities planning reserves.*
- *In December 2025, the agencies met with the Texas Facilities Commission (TFC) to collaborate on the Interagency Contract details.*
- *In February 2026, an appraisal was ordered for the current Finance Commission of Texas building.*

August Update:

- *In March 2026, the following actions occurred:*
  - *An Interagency Agreement was signed between Finance Commission Agencies and TFC.*
  - *An appraisal on 2601 North Lamar Boulevard, Austin, Texas was received.*
  - *The first draw of six was made to TFC in the amount of $7,894,121.*
  - *The first walkthrough with potential contractors was conducted with TFC.*
- *In April 2026, additional walkthroughs of the building with demo contractors and subs occurred. Also, met with TFC to discuss additional items and project timeline.*
- *In August 2026, the following actions occurred:*
  - *Abatement and remediation of building 10 at Camp Hubbard began with an estimated completion within 30-45 days.*
  - *TFC received 16 proposals for Architecture and Engineering. Interviews were held in late August, and the contract is anticipated to be awarded in the first quarter of FY2027.*
  - *TFC published a formal solicitation for a Construction Manager at Risk (CMR.) Interviews are anticipated in October 2026 with a final CMR selection by the end of the first quarter in FY2027.*

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

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

February Update:

- *The plan exercise was conducted and submitted to SORM in January 2026. SORM reviewed the exercise and provided positive feedback. The next exercise is due in January 2027 along with the reviewed COOP Plan.*

Office of Consumer Credit Commissioner

Agency Priorities

FY 2026

1. LEGISLATIVE

1.1. Legislative Interim Studies.

1.1.1. Objective: Participate in legislative interim studies and provide information and research to the Texas Legislature.

Measure: Respond promptly to legislative requests for information. Communicate with the Finance Commission regarding interim legislative activity.

Status: During the legislative interim, the Texas Legislature did not request information from the OCCC in connection with an interim charge. Staff monitored interim activity and responded to individual legislative office requests for data and information.

2. REGULATORY ACTIVITIES

2.1. Regulated Entities - Supervision.

2.1.1. Objective: Examine, investigate, and monitor regulated industry segments for compliance with state and federal law. Address unlawful practices and promote compliance. Achieve overall weighted average acceptable level of compliance of 85% through examinations and industry education efforts. Monitor restitution instructions for licensees with outstanding examination issues.

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

Status: In FY 2026, the OCCC completed 3,124 examinations. The acceptable level of compliance was as follows: Motor Vehicle Sales Finance: 86.3%, Regulated Lending: 98.6%, Credit Access Businesses: 99.3%, Pawn: 99.5%, Property Tax Lenders: 94.1%, and Crafted Precious Metals: 100%. The total amount of restitution for FY 2026 returned to consumers because of examinations was approximately $4.8 M with an additional amount of restitution due to other regulatory activity of approximately $0.9M.

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

Measure: Maintain active contact with other state and federal regulators, independently and through regulatory associations to keep abreast of trends and

emerging issues that may impact the OCCC's regulatory responsibilities or the regulated industries. Report on participation and attendance at regulatory conferences.

Status: OCCC examination, legal, and executive staff actively participated in the following committees of the National Association of Consumer Credit Administrators (NACCA): Executive Committee (on which the OCCC's general counsel serves as NACCA's president), Multistate Consumer Finance Examinations Committee, Consumer Finance Exams Standards Committee, Emerging Issues Committee, Legislation Committee, Membership Committee, and Nominations Committee. These committees, along with regular monthly member calls and other association events, provide a forum for the OCCC and other state agencies to collaborate and develop solutions to emerging issues, and provide a framework for states to coordinate examinations of multistate companies. Additionally, agency staff regularly provide presentations and engage in speaking events for industry associations, including TPTLA, TIADA, TCFA, and TCCC, as well as the NACCA Consumer Services and Examiners' School. The OCCC also participates in the American Conference of Uniform Consumer Credit Code States (ACUCCCS), which provides an additional forum for financial regulators with similar statutes to collaborate and develop solutions.

2.1.3. **Objective:** Utilize the State Examination System (SES) for all regulated lender examinations. Continue to expand usage of SES for other types of examinations. Develop, refine, and implement a solution to address department requirements, such as scheduling and performance reporting, not present in SES.

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

Status: The OCCC completed all regulated lending and property tax exams in SES, as well as specific motor vehicle and credit access businesses exams. In SES, the agency closed out examinations of 927 licenses through 124 Supervisory Activities. The agency continues to develop reporting solutions, including in-house database systems, and monitors reporting enhancements in SES.

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

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

Status: The OCCC closed 102 enforcement cases: 46 cases related to regulated lenders, 18 cases related to pawnshops, 13 cases related to credit access businesses, 12 cases related to motor vehicle sales finance, 9 cases related to debt management service providers, 3 cases related to property tax lenders, and 1 case related to a registered creditor. OCCC legal staff regularly reports information about enforcement actions to the Finance Commission.

2.2. Licensing.

2.2.1. **Objective:** Maintain a focus on ensuring compliance of regulatory and agency standards. Process 75% of license applications within 60 days from received date to completion date.

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

Status: FY 2026 performance lagged below the 80% target as processing timelines were impacted by the continued transition of multiple license types to NMLS and related operational changes. The OCCC continues to monitor application processing performance and pursue process improvements as system modernization efforts continue.

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

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

Status: The licensing department's average call abandonment rate for FY 2026 was 5.9%, reflecting continued responsiveness to licensee and registrant inquiries.

2.2.3 **Objective:** Continue transition of business licenses to NMLS including Regulated Lender licenses, Credit Access Business licenses, and Motor Vehicle Sales Finance licenses.

Measure: Report on transition activities and application processing status.

Status: The OCCC continued the transition of Regulated Lender, Credit Access Business, Motor Vehicle Sales Finance, and Commercial Motor Vehicle Sales Finance licenses to NMLS during FY 2026. As of August 31, approximately 67% of active and inactive MVSF and CMVSF licensees had transitioned to NMLS, with the transition period remaining open through September 30, 2026. The transition periods for Regulated Lenders and Credit Access Businesses have been completed, and staff continue to work through a small number of outstanding transition-related applications for those industries. The transition represents a significant milestone in the agency's ongoing licensing modernization efforts and the expansion of NMLS across regulated industries**.**

3. POLICY AND RULE DEVELOPMENT

3.1. Rulemaking.

3.1.1. **Objective:** Complete rule reviews for the following rule chapters: 7 TAC Chapter 2 (relating to residential mortgage loan originators), Chapter 83, Subchapter A (relating to regulated lenders), Chapter 86 (relating to registered creditors), Chapter 88 (relating to debt management service providers), and Chapter 89 (relating to property tax lenders)

Measure: Present rules to the Finance Commission for readoption according to schedule. Propose appropriate rule amendments to the Finance Commission. Request

feedback from stakeholders on updates to applicable rules.

Status: The Finance Commission completed these five rule reviews, as well as the rule review for 7 TAC Chapter 85, Subchapter A (relating to pawnshops). The rule reviews resulted in adopted amendments to 7 TAC Chapters 83, 85, and 89. Before presenting these rule actions to the Finance Commission, OCCC staff posted advance notices of rule review, posted precomment drafts of rule amendments, and held a stakeholder webinar on the property tax lender rule review.

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

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

Status: In October 2025, the Finance Commission adopted rule amendments that implemented HB 5629 (2025) and SB 1818 (2025) by specifying military licensing requirements for residential mortgage loan originators and pawnshop employees. In June 2026, the Finance Commission adopted new rules on commercial sales-based financing to implement HB 700 (2025). Before presenting these rule actions to the Finance Commission, the OCCC issued precomment drafts of rule changes and held two stakeholder webinars on the rules for commercial sales-based financing.

3.1.3. **Objective:** Review and restructure annual assessment amounts for licenses and registrations. Ensure that assessments are sufficient to fund the ongoing costs of regulation, in accordance with the OCCC's self-directed, semi-independent status.

Measure: Request feedback from stakeholders on proposed changes to assessment amounts. Present appropriate rule amendments to the Finance Commission for proposal and adoption.

Status: The OCCC prepared proposed changes to annual assessments and sent precomment drafts of the changes to industry associations. The OCCC received support letters from six associations. The OCCC is working towards presenting the proposed changes to the Finance Commission.

4. CONSUMER ISSUES / COMMUNICATION & OUTREACH STRATEGIES

4.1 Texas Financial Education Endowment Fund (TFEE).

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

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

Status: The 2024-2025 TFEE grant cycle concluded on 12/31/25. A total of $671,743 was reimbursed to grant recipients to support financial capability over the 2 year grant term. The 2024-2025 TFEE Impact Report has been published. The 2026-2027 grant cycle launched following a competitive application period. First period reimbursement requests are processing and the 2026-2027 first period semi-annual report will be published in the first quarter of FY '27.

4.2 Financial Education

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

Measure: Report on number of people and programs reached.

Status: During FY '26, the OCCC provided direct financial education services to 736 individuals. These programs included an ERS podcast, webinars hosted in partnership with the TX-DOB, and speaking engagements with Fair Housing Conference, Start Up Chica, and TBA Financial Literacy Summit.

4.3. Industry and Stakeholder Outreach

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

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

Status: In FY '26, agency staff participated in 48 events, including DMV hosted webinars, financial education events, TDLR workgroups, NACCA Examiner's School, NACCA Regulator's Symposium, NAF 2026, Auto Action seminar, AFS, Houston Dealer Association, TCFA Annual Conference, TCFA Board Meeting, TIADA Annual Conference, TCCC Annual Conference, and TPTLA Annual Meeting. Additionally, the agency hosted a CAB transition webinar and conducted webinars for property tax lending rule review, regulated lending rule review, MVSF doc fee rule review, and 2 rule review webinars for commercial sales-based financing.

5. AGENCY MANAGEMENT

5.1. Performance Measures.

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

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

Status: In FY26, the OCCC met or exceeded 9 of 11 key performance targets. Variances in business application processing measures were due to the transition of certain industry groups to the Nationwide Multistate Licensing System (NMLS), which affected processing activity and performance outcomes.

5.2. Human Resources.

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

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

Status: In FY26, the OCCC achieved a turnover rate of 11.8%, surpassing its goal of maintaining turnover below 15%. Along with strategic promotion and retention efforts, training initiatives continue to be developed to strengthen workforce stability and retain critical OCCC staff.

5.2.2. Objective: Ensure that Financial Examiners receive a minimum of 35 hours of continuing education and training. Build examiner professional development through progressive certifications through the career ladder within the Financial Examiner series. Develop an examiner enrollment and training plan for SES.

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

Status: The OCCC held its annual Examiner Conference and Training School in Waco in September 2025, providing each examiner with 35 hours training and development. All agency examiners are enrolled in, and are conducting exams in, SES. Additionally, the Director of Consumer Protection was awarded an SES Innovation Leader badge. Career

ladder progress was an agency priority, with five examiners progressing through the career ladder to Financial Examiner II and two examiners successfully completing the requirements to achieve promotion to Financial Examiner III.

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

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

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

Status: Internal reporting continues to be refined to improve variance analysis, data reliability, and financial reporting. Fiscal year-end revenues and expenditures aligned with budget projections, while cash reserves and fund balance remained within Finance Commission policy guidelines.

5.3.2 Objective: Work on planning efforts associated with the relocation of the Finance Commission Facility.

Measure: Report progress related to the relocation of the Finance Commission agencies to the building committee periodically.

Status:

- In November 2025, the Office of the Governor provided the Finance Commission agencies supplemental authorization to increase their long-term facilities planning reserves.
- In December 2025, the agencies met with the Texas Facilities Commission (TFC) to collaborate on the Interagency Contract details.
- In February 2026, an appraisal was ordered for the current Finance Commission of Texas building.
- In March 2026, the following actions occurred:
  - An Interagency Agreement was signed between Finance Commission Agencies and TFC.
  - An appraisal on 2601 North Lamar Boulevard, Austin, Texas was received.
  - The first draw of six was made to TFC in the amount of $7,894,121.
  - The first walkthrough with potential contractors was conducted with TFC.
- In April 2026, additional walkthroughs of the building with demo contractors and subs occurred. Also, met with TFC to discuss additional items and project timeline.
- In August 2026, the following actions occurred:
  - Abatement and remediation of building 10 at Camp Hubbard began with an

estimated completion within 30-45 days.

- TFC received 16 proposals for Architecture and Engineering. Interviews were held in late August, and the contract is anticipated to be awarded in the first quarter of FY2027.
- TFC published a formal solicitation for a Construction Manager at Risk (CMR.) Interviews are anticipated in October 2026 with a final CMR selection by the end of the first quarter in FY2027.

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

Measure: Report on improvements identified and implemented.

Status: The OCCC remains actively engaged with DOB and SML to align financial reporting initiatives, including certain Annual Financial Report notes and to create consistency in reporting practices for building project expenditures. The OCCC strengthened internal controls by remediating findings identified in internal and external audits during the year.

5.4. Information Technology.

5.4.1 Objective: ALECS Maintenance, NMLS Migration, and Website Rebuild. Maintain the ALECS platform, upgrade structural components as needed, and mitigate vulnerabilities in the aging application. Continue the phased process of migrating industry groups to the Nationwide Multistate Licensing System & Registry (NMLS), refining strategy and execution as needed. Rebuild the agency's main website on a different platform to reduce long-term maintenance requirements and hosting costs, involving custom theme creation and modernization of site content to improve usability, accessibility, and alignment with current standards. Develop and deploy the hardware infrastructure to host the websites in a secure and manageable environment that supports scalability and operational resilience.

Measure: Reporting on ALECS activities, NMLS migration activities, APEX Development, website rebuild, and development of additional applications or features.

Status: Continued to develop and improve ALECS functionality and security, scaled to its maturity. Continued progressive migration of sectors of public users to NMLS as annual deadlines approached, with a focus on communication and education. Internally restructured the agency website using a popular, versatile platform for both utility and cost savings. Employed a different platform to develop internal applications for paperless operations, focused on IT operations, work requests made to IT, onboarding/offboarding, and asset tracking ancillary to CAPPS.

5.4.2 Objective: Technology Modernization and Security Enhancements. Continuously evaluate OCCC's technology posture, keeping resources up-to-date and deploying

modern technology improvements and security enhancements. Streamline and optimize IT operations to enhance infrastructure efficiency, automate routine processes, and adopt technologies that simplify maintenance, reduce operational costs and fortify cybersecurity.

Measure: Reporting on technology modernization efforts and security enhancements.

Status: In FY26, IT phased out older laptop endpoints, which kept the fleet up to date with Windows OS and simplified the necessary set of supporting hardware. Older equipment ancillary to the production fleet (e.g., network printers), which have aged security that cannot be updated, were replaced with COTS units with current security. Relevant awareness training on cybersecurity and AI topics were assigned to and successfully completed by all agency staff and external contractors with internal access clearance.

DEPARTMENT OF
SAVINGS AND
MORTGAGE LENDING
HECTOR RETTA, COMMISSIONER

Agency Priorities for Fiscal Year 2026

Year End Accomplishment Report

I. Legislative

I.1 Objective: Monitor the activities of the Texas Legislature during the interim, including any special sessions of the 89th Legislature. If there is a special session, track legislation that may significantly affect SML or its regulated industries.

Measure: Report legislative activity that may significantly affect SML or its regulated industries to the Finance Commission.

Status: *During FY2026, SML reported on the activities of the Texas Legislature during the interim.*

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

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

Status: *During FY2026, SML did not testify before the Texas Legislature.*

II. Regulatory Activities

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

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

Status: *SML provided quarterly reports to the Finance Commission concerning its performance measures throughout FY2026.SML met or exceeded 3 out of 4 key performance output measures. Deviation from one measure is outlined in the Performance Measures Report.*

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

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

Status: *Off-site monitoring was completed for all state savings banks during FY2026, and metrics were reported to the Finance Commission.*

II.3 Objective: Continue compliance examinations of mortgage companies, mortgage bankers, residential mortgage loan originators, and mortgage servicers to ensure compliance with applicable laws and regulations when conducting business with Texas consumers. Analyze recurring examination findings and take steps to communicate best practices to the mortgage industry.

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

Status: *For FY2026, SML issued 422 mortgage origination examinations covering 6,577 mortgage loan originators. SML initiated 19.90% of the examinations timely in accordance with the mortgage examination schedule set by agency policy. Several factors, including participation in several multistate mortgage origination examinations (three One-Company One Examination (OCOE) origination examinations) and training of the examination staff, impacted the timeliness of the examinations. In addition to the mortgage*

origination examinations, SML accepted three OCOE servicing examinations. When deemed appropriate, formal and informal enforcement actions were taken. SML provided information on the industry's most common violations on its website, during Emerging Issues webinars, and at various presentations to industry stakeholders.

II.4 Objective: Take enforcement action against mortgage companies, mortgage bankers, residential mortgage loan originators, and mortgage servicers when appropriate to ensure compliance with applicable law for which SML is charged with administration and enforcement.

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

Status: *SML provided reports at each meeting of the Finance Commission concerning enforcement actions taken and did so throughout FY2026.*

II.5 Objective: Resolve consumer complaints timely.

Measure:

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

Status:

a. *SML provided reports at each meeting of the Finance Commission concerning the aging of complaints throughout FY2026.*
b. *SML regularly reviewed complaint aging to resolve complaints on a timely basis, with an emphasis on resolving complaints aged over 120 days as expeditiously as possible while not compromising investigation rigor. SML conducted management reviews throughout FY2026.*
c. *SML conducted consumer complaint surveys monthly throughout FY2026. SML regularly reviewed survey responses to identify trends, potential areas for improvement, and opportunities for staff training*.

II.6 Objective: Process complete applications for a license or registration timely.

Measure:

a. Monitor the timeliness of the application process for a license or registration.
b. Conduct customer satisfaction surveys of applicants regularly.

Status:

a. *For FY2026, SML processed 11,427 applications and made a final decision on 76.20% of the processed applications within 60 days of the date of the application.*
b. *SML conducted and reviewed quarterly surveys of license applicants to identify trends and potential areas for improvement, including opportunities for staff training and potential adjustments to processes and procedures to reduce processing times and improve overall satisfaction with the Mortgage Licensing section*.

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

Measure:

a. Maintain contact with state regulators from other states, regulatory associations (e.g., ACSSS, CSBS, and AARMR), trade associations (e.g., TBA, IBAT, TMBA, ATMP, TLTA, and TAR), and federal regulators (e.g., CFPB, FDIC, FRB), to stay current on events, decisions, other state and federal policies and other areas of actual and potential impact on SML's regulatory functions or the industries. Take proactive steps to respond to issues significantly affecting SML's regulated industries or its supervisory duties.

b. Continue working with the FDIC and FRB, and other federal agencies as appropriate, on examinations, supervision, and consumer complaint resolution issues. Monitor federal rule writing activity and interpretations of existing statutes.
c. Report to the Finance Commission on interaction with federal agencies in all of the above-listed activities.

Status:

a. *SML maintained contact with state and federal regulators and trade associations during FY2026. The Mortgage Regulation Division actively engaged in various webinar meetings with AARMR, CSBS, NMLS, and other state regulators to stay abreast of issues affecting the mortgage industry. Several members of the Mortgage Regulation Division also served roles with the AARMR Board of Directors, SRR Board of Directors, NMLS Policy Committee, NMLS National Test Maintenance Committee, CSBS Risk Profiling Group, NMLS Mortgage Testing & Education Board, Mortgage Call Report Subcommittee, Mortgage Examination Standards Working Group, and Performance Standards Committee of the CSBS Education Foundation. SML's General Counsel is a member of the SRR Lawyers Committee*.
b. *SML maintained consistent contact with federal regulatory agencies, including FDIC, FRB, and CFPB, to coordinate supervisory oversight of the state savings banks*. The agency monitored federal rulemaking activities and interpretations of existing statutes, ensuring timely responses to issues significantly affecting SML's regulated industries and supervisory activities.
c. *SML reported participation in the above activities to the Finance Commission regularly during FY2026.*

II.8 Objective: Retain mortgage accreditation with CSBS-AARMR.

Measure: Provide the final outcome letter from CSBS-AARMR on the accreditation review to the Finance Commission.

Status: *The Conference of State Bank Supervisors (CSBS), in collaboration with the Performance Standards Committee (PSC), completed its comprehensive reaccreditation review of the Mortgage Regulatory Program administered by SML. This review, conducted every five years, followed the previous reaccreditation completed in May 2021. SML has maintained its accreditation since May 2011. After an extensive evaluation—including an in-depth onsite review and interviews with 15 staff members—the PSC concluded that SML fully meets all criteria established under the CSBS/AARMR Mortgage Accreditation Program and has formally granted reaccreditation status. On July 6, 2026, CSBS issued a final letter acknowledging SML's reaccreditation of its mortgage regulatory program.*

III. Policy and Rule Development

III.1 Objective: Conduct rule review of 7 TAC Chapter 75 (Savings Banks).

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

Status: *SML completed the rule review process concerning 7 TAC Chapter 75. Rule changes resulting from the rule review were adopted by the Finance Commission on August 21, 2026.*

III.2 Objective: Adopt rule changes necessary to implement legislation enacted by the 89th Legislature.

Measure: Present rule changes to the Finance Commission for proposal and adoption.

Status: *HB5629 and SB1818 were enacted during the 89th Legislature, Regular Session (2025) and became effective September 1, 2025. To implement the bills, SML identified changes to existing 7 TAC §55.110 (concerning Licensing of Military Service Members, Military Veterans, and Military Spouses). On August 15, 2025, the Finance Commission approved publication of the rule changes. On August 29, 2025, the rule changes were published in the Texas Register. On October 24, 2025, the Finance Commission approved the adoption of the rule changes. On November 7, 2025, the rule changes were published for adoption in the Texas Register and became effective on November 16, 2025.*

IV. Outreach and Communications

IV.1 Objective: Communicate with regulated industries on matters of supervisory and industry interest, including emerging issues such as artificial intelligence and digital assets to ensure the industries are well informed and prepared for technological and regulatory change.

Measure: Report relevant communications and events to the Finance Commission.

Status: *SML held monthly emerging-issues calls with the thrift and mortgage industry, proactively sharing information on supervisory priorities, regulatory developments, and trends shaping the broader financial services landscape. These sessions included discussions on topics such as artificial intelligence, digital assets, cybersecurity risks, and shifts in federal and state regulatory frameworks. In addition to presenting timely information, SML used these calls to respond to industry questions, hear directly from institutions about operational challenges, and identify areas where additional guidance or clarification may be needed. Feedback from participants indicated that the recurring format supports stronger preparedness for technological change, enhances understanding of supervisory expectations, and fosters an open line of communication between SML and regulated entities.*

IV.2 Objective: Administer the Mortgage Grant Fund (MGF) grant program. Administer the MGF 2025-2026 grant cycle, including processing reimbursement requests, tracking grantee performance, and monitoring compliance by grantees with program requirements.

Measure: Report MGF activities to the Finance Commission Audit Committee.

Status: *During FY2026 SML processed all semiannual reports and reimbursement requests, conducted required risk assessments, and provided ongoing engagement with grantees. SML also addressed a non-compliant grantee and worked collaboratively with them to restore full compliance. Staff continued outreach efforts, and we remained attentive to monitoring grantee performance and adherence to program requirements. SML successfully digitized the grant program's application and application review processes, and is on track to digitize and streamline reporting and reimbursement requests for the 2027–2028 grant cycle.*

V. Agency Operations

V.1 Objective: Recruit a highly-skilled and adaptable workforce prepared to meet future challenges. Train and cross-train employees as needed to minimize knowledge loss from staff turnover and build organizational agility in response to emerging issues in the regulated industries. Provide opportunities for professional development through individualized training plans.

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

Status: *During FY2026, SML filled seven positions and had five separations, including one retirement. Through the implementation of a formal succession plan, SML effectively mitigated risk of knowledge loss associated with this turnover and ensured continuity during resulting organizational shifts. The agency remains appropriately staffed and has recruited highly skilled employees who contribute to a flexible and adaptable workforce. Training remained a central focus throughout the fiscal year, with completion tracking, discussion, and planning integrated into SML's performance evaluation process. This process confirmed that 100% of staff received job-related training during FY2026, supported by SML's policy and required training hours, which emphasize providing employees with extensive opportunities for professional development and technical training.*

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

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

Status: *SML provided quarterly reports to the Finance Commission concerning its performance throughout FY2026. As of the end of the fiscal year SML is within 5% deviation in 10 out of 11 key outcome and efficiency performance measures. Deviations are outlined in the Performance Measures Report.*

V.3 Objective: Periodically review internal controls, business processes, and implemented technologies to identify improvements that increase SML's efficiency and effectiveness. Coordinate with the Office of Consumer Credit Commissioner and Department of Banking, when possible, to minimize duplication of duties and processes.

Measure: Report relevant activities to the Finance Commission.

Status: *During FY2026, SML continued its systematic review of internal controls and business processes, and staff updated multiple procedures, processes, and internal forms to improve efficiency and effectiveness, such as increased use of SharePoint for collaboration and document retention. SML is also implementing technology to provide a more seamless, secure experience when accessing sensitive systems. The agency continues to review and improve business processes as necessary.*

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

Measure: Report revenue and expenditure variances to the budget to the Finance Commission.

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

V.5 Objective: Ensure information technology is kept current to maintain the effectiveness and quality of work product of SML. Safeguard the integrity of data and information technology networks and systems. Assess and deploy new technologies while ensuring robust data protection measures and adherence to ethical standards.

Measure: Report relevant activities to the Finance Commission.

Status: *SML continues to advance its priority of maintaining modern, secure, and high-quality information technology capabilities by implementing technology to strengthen cybersecurity, enhancing internal tracking and reporting systems, and ensuring full compliance with all statutory reporting requirements, including the Information Resources Deployment Review and the Disaster Recovery Plan. SML maintains continuous monitoring of our environment, supported by monthly meetings of the Information Resources Governance Committee, while the AI Advisory Committee continues to thoughtfully engage AI adoption. SML remains committed to innovation, legal and regulatory compliance, and ongoing workforce development to ensure the agency's technology posture remains robust and future-ready.*

V.6 Objective: Monitor emergencies, man-made or natural disasters, or pandemics as they relate to SML or its regulated industries.

Measure: Report relevant activities to the Finance Commission.

Status: *Throughout FY2026, SML continued to monitor emergencies, natural or man-made disasters, and public-health events that could impact SML or its regulated industries. SML maintained established communication channels with partner organizations and monitored professional and news-based alert systems to support timely awareness of emerging threats. The agency remained prepared to respond as necessary, and no substantive events required additional action during the fiscal year.*

V.7 Objective: Work on planning efforts associated with the relocation of the Finance Commission facility.

Measure: Report progress related to the relocation of the Finance Commission agencies to the building committee periodically.

Status:

- *In November 2025, the Office of the Governor provided the Finance Commission agencies supplemental authorization to increase their long-term facilities planning reserves.*
- *In December 2025, the agencies met with the Texas Facilities Commission to collaborate on the Interagency Contract details.*
- *In February 2026, an appraisal was ordered for the current Finance Commission of Texas building.*
- *In March 2026, the following actions occurred:*
  - *An Interagency Agreement was signed between Finance Commission Agencies and TFC.*
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  - *The first draw of six was made to TFC in the amount of $7,894,121.*
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- *In April 2026, additional walkthroughs of the building with demo contractors and subs occurred. Also, met with TFC to discuss additional items and project timeline.*
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  - *Abatement and remediation of building 10 at Camp Hubbard began with an estimated completion within 30-45 days.*
  - *TFC received 16 proposals for Architecture and Engineering. Interviews were held in late August, and the contract is anticipated to be awarded in the first quarter of FY2027.*
  - *TFC published a formal solicitation for a Construction Manager at Risk (CMR.) Interviews are anticipated in October 2026 with a final CMR selection by the end of the first quarter in FY2027.*

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8. Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 1, Chapter 5, Concerning Administration of Finance Agencies, Resulting from Rule Review

PURPOSE: Texas Government Code §2001.039 requires a state agency to review each of its rules every four years and readopt, readopt with amendments, or repeal a rule based upon the agency's rule review and its determination as to whether the reasons for initially adopting the rules continue to exist.

Notice of the proposed review of 7 TAC, Part 1, Chapter 5, was published in the *Texas Register* as required on August 28, 2026 (51 TexReg 5853). The Department received no comments regarding the review.

The Department believes the reasons for initially adopting the rules in Chapter 5 continue to exist and those rules should be readopted.

RECOMMENDED ACTION: The Department requests that the Commission find that the reasons for initially adopting the rules in 7 TAC, Part 1, Chapter 5, continue to exist and that the Commission readopt these rules.

RECOMMENDED MOTION: I move that we find that the reasons for initially adopting the rules in 7 TAC, Part 1, Chapter 5, continue to exist, and that those rules be readopted.

Adopted Rule Review

On behalf of the Finance Commission of Texas (commission), the Texas Department of Banking (department) has completed the review of Texas Administrative Code, Title 7, Chapter 5 (Administration of Finance Agencies), comprised of §§5.100, 5.101, 5.103, 5.107.

Notice of the review of Chapter 5 was published in the August 28, 2026 issue of the *Texas Register* (51 TexReg 5853). No comments were received in response to the notice.

As a result of the internal review, the commission has determined that certain revisions are appropriate and necessary. The commission is concurrently adopting the repeal of §5.105, as published elsewhere in this issue of the *Texas Register*. Subject to the concurrently adopted repeal to Chapter 5, the commission finds that the reasons for initially adopting these rules continue to exist, and readopts Chapter 5 in accordance with the requirements of Texas Government Code, §2001.039.

9. Discussion of and Possible Vote to Take Action on the Adoption of Amendments to Repeal 7 TAC, Part 1, Chapter 5, § 5.105, Concerning Negotiated Rulemaking.

PURPOSE: Repeal of Chapter 5, § 5.105 is in response to the Texas Regulatory Efficiency Office's collaborative process aimed at removing unnecessary language and improving rule readability. The proposed rule will repeal § 5.105 in its entirety and will move its current text into existing § 9.85. As both rules address the same subject—negotiated rulemaking procedures for Finance Commission agencies—consolidating these rules removes redundancy and places all relevant requirements in one section.

RECOMMENDED ACTION: No comments were received regarding the proposed amendments to repeal 7 TAC § 5.105. The Department recommends that the Commission approve the adoption of amendments to repeal without changes to the proposal as previously published in the *Texas Register*.

RECOMMENDED MOTION: I move that we adopt the amendments to repeal 7 TAC § 5.105 without changes to the proposal as previously published in the *Texas Register*.

Title 7. Banking and Securities
Part 1. Finance Commission of Texas
Chapter 5. Administration of Finance Agencies
7 TAC § 5.105

The Finance Commission of Texas (the commission), on behalf of the Texas Department of Banking (the department), adopts the repeal of § 5.105, concerning negotiated rulemaking procedures**.** The adopted repeal implements a recommendation stemming from the Texas Regulatory Efficiency Office's collaborative process aimed at removing unnecessary language and improving rule readability. The repeal is adopted without changes to the proposed text as published in the September 11, 2026**,** issue of the *Texas Register* (51 TexReg 6258). The repeal will not be republished.

The adopted repeal removes § 5.105 in its entirety and will move its text into existing § 9.85 through a corresponding pending adoption. As both rules address the same subject—negotiated rulemaking procedures for Finance Commission agencies—consolidating these rules removes redundancy and places all relevant requirements in one section.

The department received no comments regarding the adoption of this repeal.

The adopted repeal is authorized by Texas Finance Code §12.113, which provides that the Commission by rule shall adopt a policy to encourage the use of negotiated rulemaking procedures.

Texas Finance Code, §12.113 is affected by the proposed repealed rule.

<rule>

[~~*§5.105. Negotiated Rulemaking.*~~

~~(a) Policy. It is the policy of the finance commission to use negotiated rulemaking procedures under Texas Government Code, Chapter 2008 and §9.85 of this title (relating to Negotiated Rulemaking).~~

~~(b) Coordination and training. The finance agencies will coordinate with each other as reasonable to implement the use of negotiated rulemaking procedures and provide training as needed to implement the use of negotiated rulemaking procedures.~~

~~(c) Data collection and reporting. Each finance agency will collect data concerning the effectiveness of negotiated rulemaking procedures, and report to the finance commission its use of negotiated rulemaking procedures.~~]

10. Discussion of and Possible Vote to Take Action on the Adoption of Amendments to 7 TAC, Part 1, Chapter 9, § 9.85, Concerning Negotiated Rulemaking.

PURPOSE: Amendments to this section of Chapter 9 will incorporate the language of existing 7 TAC § 5.105 into new subsection § 9.85(f). As both rules address the same subject—negotiated rulemaking procedures for Finance Commission agencies—consolidating these rules removes redundancy and places all relevant requirements in one section. The Commission is also proposing a corresponding repeal of § 5.105.

RECOMMENDED ACTION: No comments were received regarding the proposed amendments to 7 TAC § 9.85. The Department recommends that the Commission approve adoption of the amendments without changes to the proposal as previously published in the *Texas Register*.

RECOMMENDED MOTION: I move that we adopt the amendments to 7 TAC § 9.85 without changes to the proposal as previously published in the *Texas Register*.

Title 7. Banking and Securities
Part 1. Finance Commission of Texas
Chapter 9, Subchapter D.
7 TAC § 9.85.

The Finance Commission of Texas (the commission), on behalf of the Texas Department of Banking (the department), adopts an amendment to an existing rule at 7 Texas Administrative Code (TAC), Part 1, Chapter 9, Subchapter D, §9.85, regarding negotiated rulemaking procedures. The adopted rule implements a recommendation stemming from the Texas Regulatory Efficiency Office's collaborative process aimed at removing unnecessary language and improving rule readability. The amended rule is adopted without changes to the proposed text as published in the September 11, 2026, issue of the *Texas Register* (51 TexReg 6261). The amended rule will not be republished.

The adopted rule incorporates the language of former 7 TAC §5.105, the repeal of which is pending, into new subsection §9.85(f). As both rules address the same subject of negotiated rulemaking procedures for Finance Commission agencies, consolidating these rules removes redundancy and places all relevant requirements into one section.

The department received no comments regarding the adoption of this amendment.

The adopted rule is authorized by Texas Finance Code, §12.113, which provides that the Commission by rule shall adopt a policy to encourage the use of negotiated rulemaking procedures.

Texas Finance Code, §12.113 is affected by the proposed repealed rule.

<rule>

§9.85. Negotiated Rulemaking.

(a) Initiation of process. An agency may propose to engage in negotiated rulemaking process pursuant to Texas Government Code, Chapter 2008 if:

(1) the finance commission votes to initiate a rulemaking proceeding under §9.82 of this title (relating to Petitions To Initiate Rulemaking) that includes negotiated rulemaking; or

(2) the agency determines that drafting the proposed rule might benefit from the negotiated rulemaking process.

(b) Appointment of a convener. Upon proposing a negotiated rulemaking process under subsection (a) of this section, the agency will appoint a convener to assist in determining whether it is advisable to proceed with negotiated rulemaking. The convener will be appointed pursuant to, and perform the duties described by, Texas Government Code, §2008.052.

(c) Notice of negotiated rulemaking. If the agency decides to engage in negotiated rulemaking after considering the convener's recommendation and report, then the agency will publish timely notice of its intent on its website and with the secretary of state for publication in the Texas Register in compliance with Texas Government Code, §2008.053.

(d) Appointment of facilitator and committee. The agency will appoint a

facilitator and members of the negotiated rulemaking committee to carry out the duties described in Texas Government Code, §2008.056.

(e) Adoption of rule. The finance commission may adopt, amend, or refuse to adopt a rule created through the negotiated rulemaking process in its sole discretion.

(f) Policy, coordination, and reporting.

(1) It is the policy of the finance commission to encourage the use of negotiated rulemaking procedures under Texas Government Code, Chapter 2008 for the adoption of rules in appropriate situations.

(2) The finance agencies will coordinate with each other as reasonable to implement the use of negotiated rulemaking procedures and provide training as needed to implement the use of negotiated rulemaking procedures.

(3) Each agency will collect data concerning the effectiveness of negotiated rulemaking procedures, and report to the finance commission its use of negotiated rulemaking procedures.

11. Discussion of and Possible Vote to Take Action on the Adoption of Amendments in 7 TAC, Part 1, Chapter 9, §§ 9.11, 9.20, 9.30, 9.32, 9.34, and 9.37, Regarding the Commission's Procedures for Contested Case Hearings, Appeals, and Rulemakings.

PURPOSE: Amendments to this section of Chapter 9 will implement recommendations stemming from the Texas Regulatory Efficiency Office's collaborative process aimed at removing unnecessary language and improving the rules' readability.

RECOMMENDED ACTION: No comments were received regarding the proposed amendments to 7 TAC §§ 9.11, 9.20, 9.30, 9.32, 9.34, and 9.37. The Department recommends that the Commission approve adoption of the amendments without changes to the proposal as previously published in the *Texas Register*.

RECOMMENDED MOTION: I move that we adopt the amendments to 7 TAC §§ 9.11, 9.20, 9.30, 9.32, 9.34, and 9.37 without changes to the proposal as previously published in the *Texas Register*.

Title 7. Banking and Securities
Part 1. Finance Commission of Texas
Chapter 9, Subchapter B.
7 TAC §§ 9.11, 9.20, 9.30, 9.32, 9.34, and 9.37.

The Finance Commission of Texas (the commission), on behalf of the Texas Department of Banking (the department), adopts amendments to existing rules at 7 Texas Administrative Code (TAC), Part 1, Chapter 9, Subchapter B, §§9.11, 9.20, 9.30, 9.32, 9.34, and 9.37, regarding the Commission's procedures for contested case hearings, appeals, and rulemakings. The adopted rules implement recommendations from the Texas Regulatory Efficiency Office's recommendations aimed at removing unnecessary language and improving the rules' readability. The amended rules are adopted without changes to the proposed text as published in the September 11, 2026, issue of the *Texas Register* (51 TexReg 6258). The amended rules will not be republished.

The adopted amendment to §9.11 requires the Department to provide a hyperlink to its rules rather than providing a physical copy of the rules. This change will remove an outdated practice that imposes unnecessary printing costs without improving respondent access.

The adopted amendments to §9.32 modernize the rule's language by retitling the section "Remote Hearings" (rather than "Telephone Hearings"), and extending the rule's applicability to hearings held by telephone, videoconference, or other electronic means. Additionally, the amended rule reduces – from 20 minutes to 10 minutes – the time after which the administrative law judge may consider a party to have failed to appear. The adopted amendments also add language to clarify when a person who connects to a remote hearing will be considered to have failed to appear. Lastly, the adopted rule replaces the term "sua sponte" with "on the judge's own motion."

The adopted amendments to §9.34 reword and reorganize the section for increased readability, and set the deadlines for exceptions and briefs to be filed to 15 days, in alignment with the deadlines set out in the State Office of Administrative Hearings' rule at 1 T.A.C. §155.507.

The adopted amendments to §§9.20, 9.30, and 9.37 simply improve readability by replacing the Latin legal term "sua sponte" with "on the judge's own motion."

The department received no comments regarding the adoption of these amendments.

These amendments are adopted pursuant to §31.003(a)(5) of the Texas Finance Code, which provides authority for the Commission to adopt rules to facilitate the fair hearing and adjudication of matters before the Banking Commissioner and the Finance Commission.

No statute is affected by the proposed amendment.

<rule>

§9.11. Notice and Initiation of Proceedings.

(a) (No change.)

(b) Notice of a disciplinary proceeding that is required to be preceded by a hearing must be

signed by the agency head or administrative law judge and must contain:

(1) – (6) (No change.)

(7) a citation to this chapter with a direct link to the current version of this chapter as published in the Texas Administrative Code [~~copy of this chapter included as an attachment~~];

(8) – (9) (No change.)

(c) – (d) (No change.)

§9.20. Prehearing Conferences.

(a) On the judge's own motion [~~Sua sponte~~] or on the motion of any party, the administrative law judge may direct that the parties or their authorized representatives appear at a prehearing conference to consider any of the matters specified in Rule 166, Texas Rules of Civil Procedure (other than those matters having to do with trial by jury).

(b) (No change.)

§9.30. Official Notice.

The administrative law judge may take official notice of judicially cognizable facts, and of generally recognized facts within the area of the agency's specialized knowledge. A party that desires the administrative law judge to take official notice of particular facts must make a motion that the administrative law judge do so, stating with specificity the facts, material, records, or documents encompassed in the motion. A party who opposes the motion will have the opportunity to contest the requested action. The administrative law judge may also on the judge's own motion [~~sua sponte~~] take official notice of facts, material, records, or documents on giving the parties an opportunity to contest the facts, material, records, or documents to be officially noticed.

§9.32. Remote Hearings [~~Telephone Hearings~~].

(a) On the judge's own motion [~~Sua sponte~~] or on motion of any party and a showing of good cause, after reasonable notice to all parties to allow them to object and argue against the procedure, the administrative law judge may conduct all or part of a hearing by telephone, videoconference, or other electronic means.

(b) In determining whether to allow testimony by telephone, videoconference, or other electronic means, the administrative law judge shall consider all relevant factors including whether the motion is opposed, the cost and feasibility of the witness being physically present at the hearing instead of appearing by [~~telephone or~~] other [~~electronic~~] means, the nature and duration of the expected testimony, the nature of any exhibits expected to be introduced through the witness, whether there is a good reason that the witness is unavailable to testify in person, and the extent to which the demeanor and credibility of the witness are likely to be significant factors in weighing the witness' testimony. In deciding a motion under this section, the administrative law judge shall

ensure that substantive and procedural rights of all parties are respected.

(c) [~~(b)~~] Documentary evidence to be offered during a [~~telephone~~] hearing held via telephone, videoconference, or other electronic means must be delivered by the proponent to all parties and to the administrative law judge prior to the hearing.

(d) [~~(c)~~] For [~~In~~] a [~~telephone~~] hearing held via telephone, videoconference, or other electronic means, the administrative law judge may consider the following as a failure to appear if the conditions exist for more than 10 [~~20~~] minutes after the scheduled time for hearing:

(1) failure to connect to the hearing [~~answer the telephone~~];

(2) failure to be available on the designated platform for the hearing [~~free the telephone for a hearing~~]; or

(3) failure to be ready to proceed with the hearing as scheduled.

§9.34. Post-hearing Proceedings.

(a) Following the hearing, the administrative law judge shall prepare and serve a proposal for decision in accordance with Government Code, §2001.062.

(1) On a party's request, the administrative law judge shall allow the parties to file written briefs and proposed findings of fact and conclusions of law before preparing the proposal for decision.

(2) Unless the administrative law judge orders otherwise:

(A) exceptions and briefs must be filed not later than the 15th day after the proposal for decision is issued; and

(B) a reply must be filed not later than the 15th day after the exception or brief it responds to is filed.

(3) The administrative law judge shall review all exceptions and replies and notify the referring agency and parties whether the judge recommends any changes to the proposal for decision.

(b) After the period under subsection (a)(2) has expired, the administrative law judge shall submit the proposal for decision and the materials listed in Government Code, §2001.060, to the agency head(s). On review, the agency head(s) may:

(1) adopt the proposal for decision in whole or in part;

(2) modify and adopt the proposal for decision in whole or in part;

(3) decline to adopt the proposal for decision in whole or in part;

(4) remand the proceeding for further examination by the administrative law judge, including for the limited purpose of receiving additional briefing or evidence from the parties on specific issues; or

(5) take another lawful and appropriate action with regard to the case.

[~~(a) Following the hearing the administrative law judge upon request shall give the parties an opportunity to file written briefs and proposed findings of fact and conclusions of law. Pursuant to Government Code, §2001.062, the administrative law judge shall review these materials and all evidence and testimony, and prepare a proposal for decision containing a statement of the reasons for the proposed decision and of each finding of fact and conclusion of law necessary to the proposed decision. The administrative law judge shall also prepare a proposed final order for the agency head to sign adopting the proposed decision. Upon completion, the administrative law judge shall serve copies of the proposal for decision and proposed final order on all parties and give each adversely affected party an opportunity to file exceptions and present briefs. If a party files exceptions or presents briefs, the administrative law judge shall give an opportunity to other parties to file replies to the exceptions or briefs. Exceptions, replies to exceptions, and related briefs must be filed within deadlines established by the administrative law judge. The administrative law judge may amend the proposal for decision and proposed final order in response to the exceptions, replies, or briefs submitted. If the administrative law judge makes substantive revisions, the administrative law judge shall circulate the amended proposal for decision and proposed final order to the parties for additional exceptions and briefs before submitting the proposal for decision and the proposed final order based thereon to the agency head(s) for approval.~~

~~(b) After the administrative law judge has circulated the proposal for decision and proposed order to the parties and the parties have had an opportunity to file exceptions and briefs in the manner provided in subsection (a) of this section, the administrative law judge shall submit the proposal for decision and proposed order together with all materials listed in Government Code, §2001.060, to the agency head(s) for review. No additional briefs may be submitted after the case is under submission to the agency head(s) for decision unless requested by the agency head(s). The agency head(s) may:~~

~~(1) adopt the proposal for decision and proposed final order, in whole or in part;~~

~~(2) modify and adopt the proposal for decision and proposed final order, in whole or in part;~~

~~(3) decline to adopt the proposal for decision and proposed final order, in whole or in part;~~

~~(4) remand the proceeding for further examination by the administrative law judge, including for the limited purpose of receiving additional briefing or evidence from the parties on specific issues; or~~

~~(5) take another lawful and appropriate action with regard to the case.~~]

(c) – (d) (No change.)

§9.37. Sanctions.

(a) On the judge's own motion [~~Sua sponte~~] or on motion of a party and after notice and an opportunity for a hearing and subject to approval by the agency head on behalf of which the hearing is being conducted, the administrative law judge may impose appropriate sanctions as provided by subsection (b) of this section against a party or its representative for:

(1) filing a motion or pleading that is groundless and brought:

(A) in bad faith;

(B) for the purpose of harassment; or

(C) for any other improper purpose, such as to cause unnecessary delay or needless increase in the cost of the proceeding;

(2) abuse of the discovery process in seeking, making, or resisting discovery; or

(3) failure to obey an order of the administrative law judge.

(b) (No change).

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B.

Texas Department of Banking

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Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

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To: Finance Commission Members

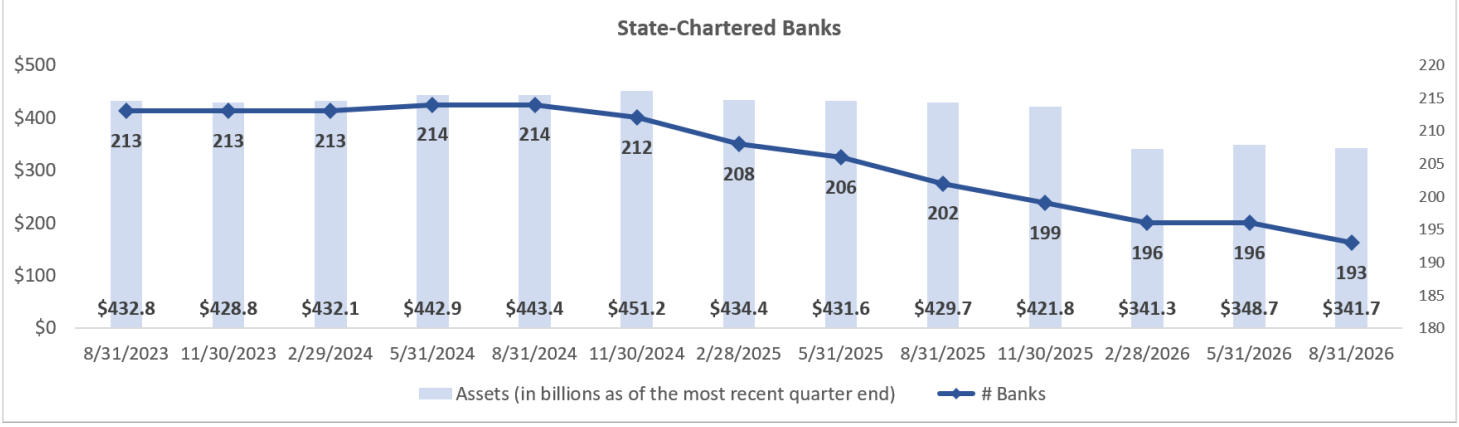
From: Jared Whitson, Deputy Commissioner of Bank and Trust Supervision

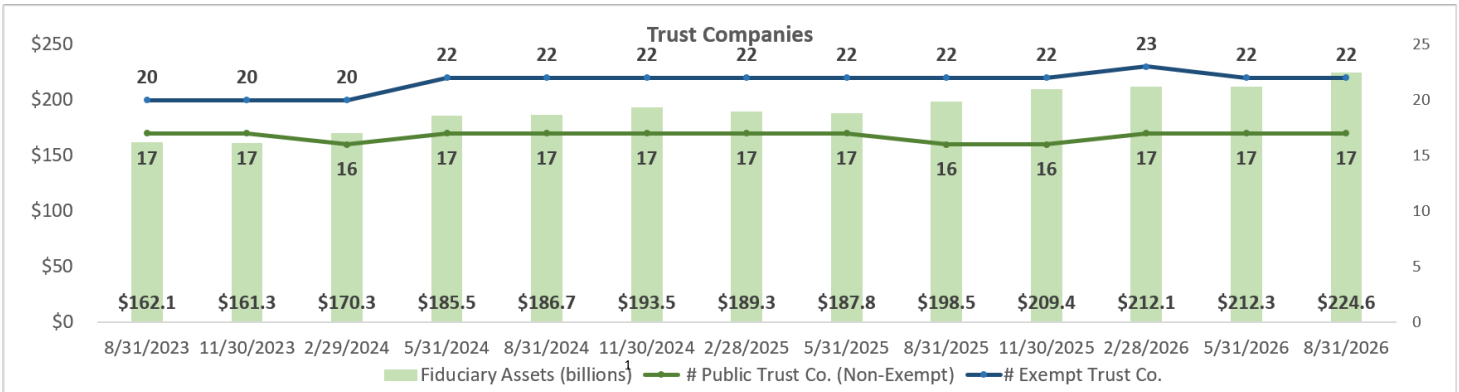
Date: October 1, 2026

Subject: Summary of the Bank & Trust Supervision Division Activities

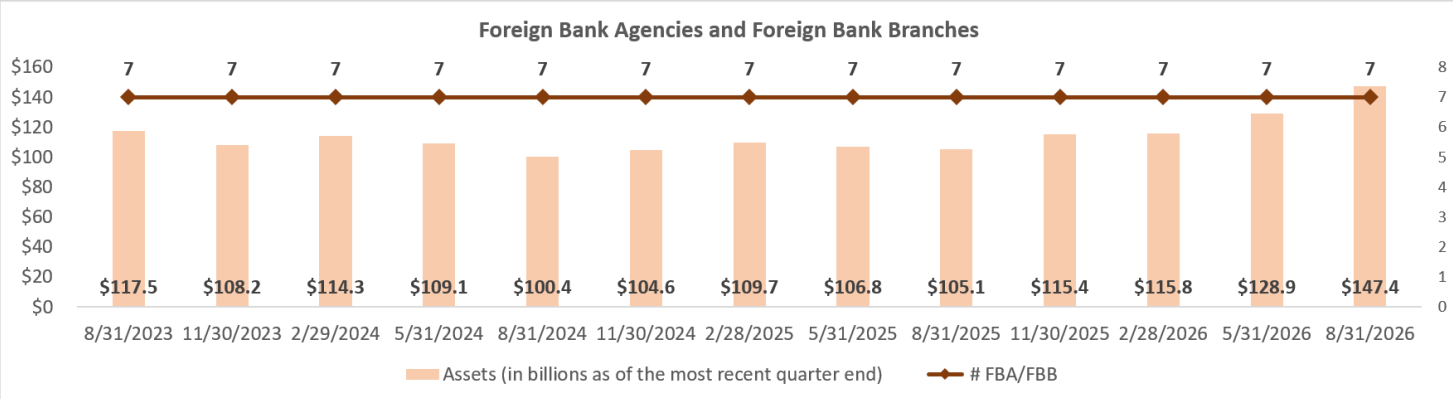
Bank and Trust Supervision – Industry Profiles

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

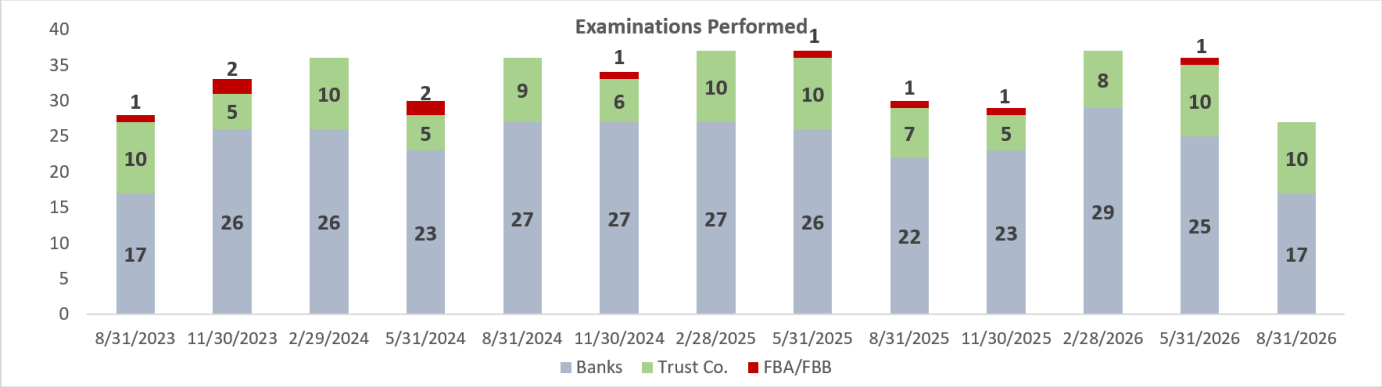


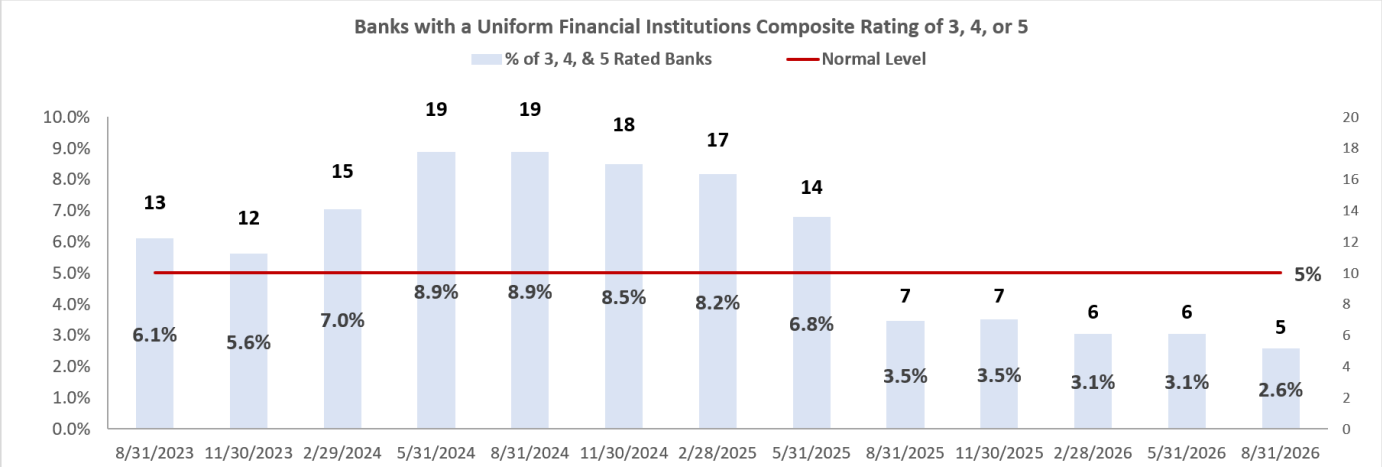


[1]*Fiduciary Assets for public trust companies (non-exempt) only as of the most recent quarter end.*



The reduction in state-chartered banks and assets over the past year is due to M&A activity. However, this appears to have stablized, and we are in active discussions with organziations interested in a state charter.

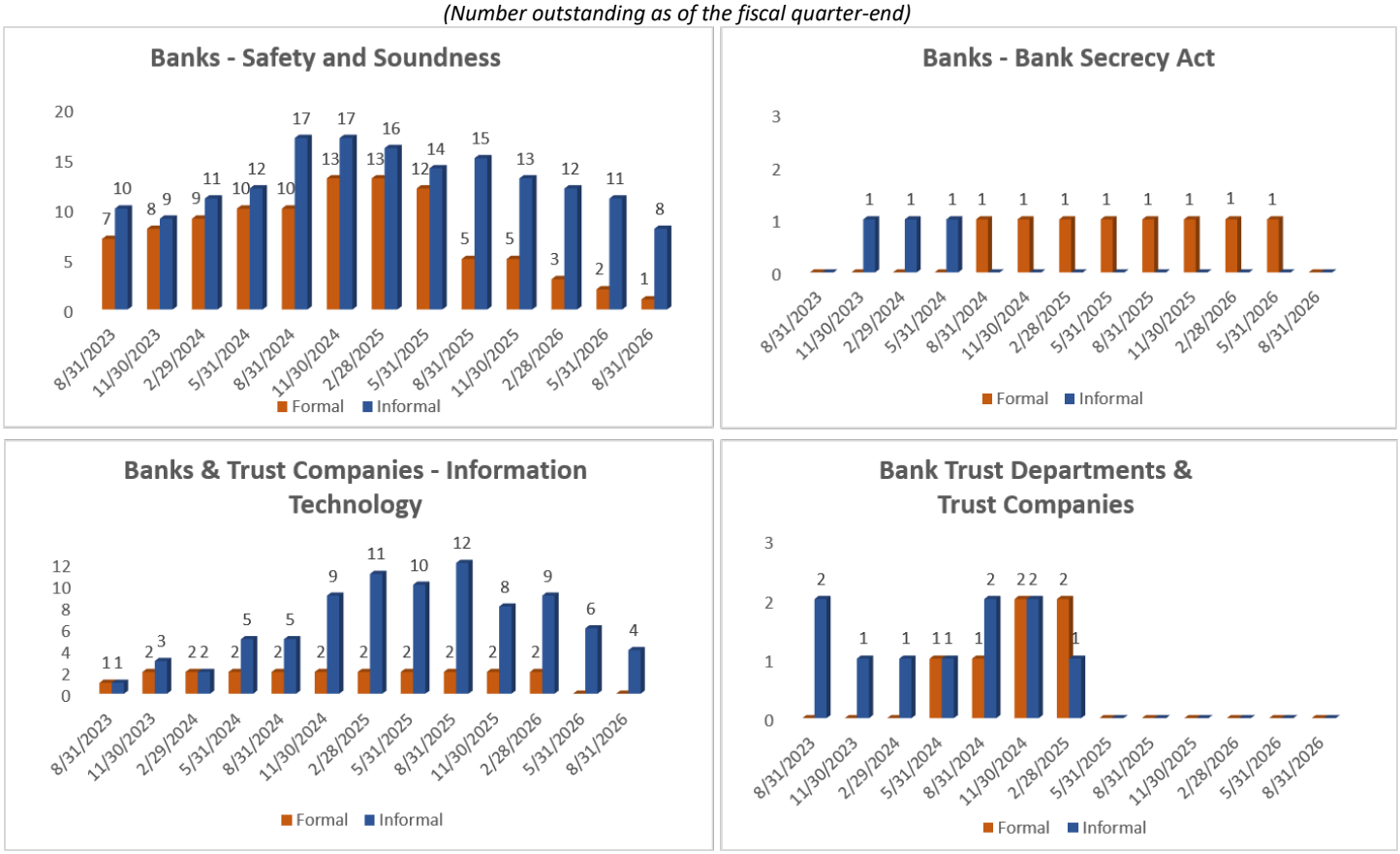




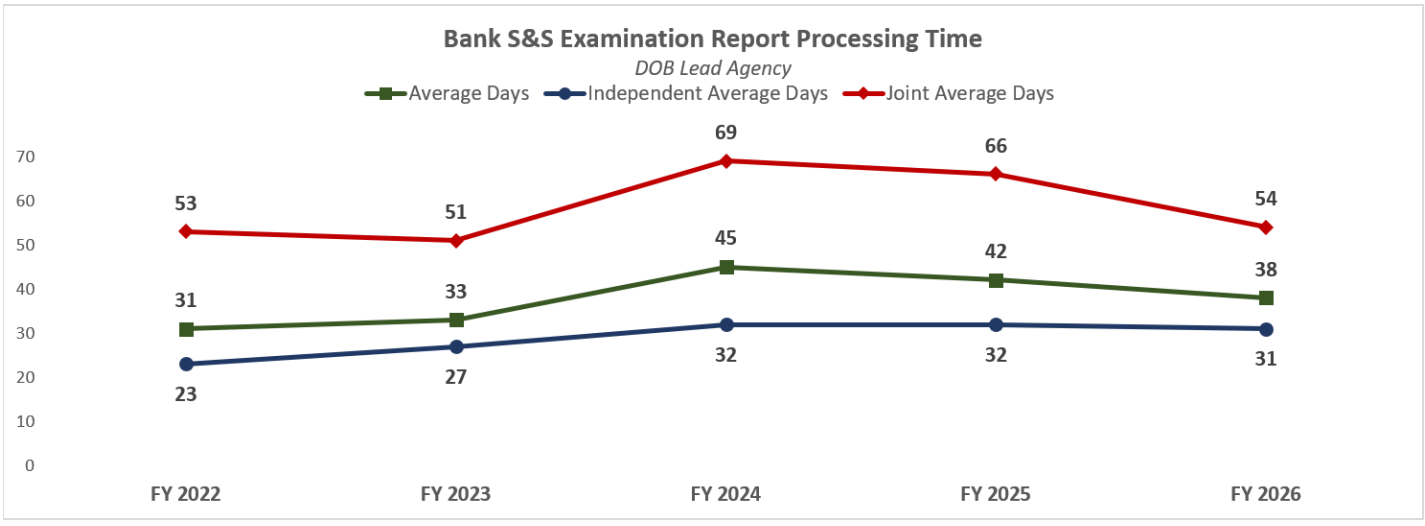
The Department considers any bank with a Uniform Financial Institutions Composite Rating of 3, 4, or 5, to be a problem bank. As illustrated above, the number of problem banks declined from 19 in August 2024 to five in August 2026 and remains stable and below the normal range of 5% of the total number of institutions. The reduction is primarily due to M&A activity, improved risk management practices, and financial performance of banks.

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.



The chart above depicts the number of days necessary to complete the processing of bank safety and soundness reports measured from the time the examination staff leaves the bank until a report is mailed to the bank. Reports for joint examinations on average take longer to process, primarily because joint examinations are typically conducted on larger banks and in problem institutions. Larger banks are typically more complex, and problem institution reports are more voluminous, and the vetting and report review process is more time consuming. Finally, the processing time is extended due to two regulators needing time to review and edit the report.

Compliance with Examination Priorities

Percent of examinations conducted within Department guidelines.

Entity Type	FY 2025	FY 2026
Commercial Banks	90%	89%
IT	82%	92%
Trust Departments	87%	100%
Foreign Banks *(FRB)*	100%	100%
Trust Companies *(DOB)*	100%	100%
IT	33%	82%

Examination categories with examinations not conducted within guidelines for FY 2026 include:

- *Bank Examinations – 15 exams past due by an average of 20 days.*
- *IT Examinations of Banks – 11 exams past due by an average of 20 days.*
- *IT Examinations of Trust Companies – 2 exams past due by an average of 39 days.*

IT examination priorities have improved since the prior fiscal year due to improved IT functions at our regulated entities.

Division Highlights

- **General Areas of Focus:**
    - The Department continues monitoring policy changes at the federal banking agencies and their potential impact on our operations.
    - The importance of proper cyber-hygiene continues to be stressed with our regulated entities.
    - 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 (CRE) concentrations warrant robust risk management practices, including market monitoring and analysis, credit underwriting and administration, and portfolio stress testing.
    - The Department is monitoring government tariffs, geopolitical events, and their potential impact on the banking sector.
- **Special Operations and Conferences**:
    - Review Examiner (RE) Melissa Dvoracek represented the Department as an instructor at the Texas Tech Banking School in Lubbock, Texas, on August 10, 2026. She taught two classes, the first course was for One-Year Banking School, and the second class was for their newly created Director's Boot Camp.

- Commissioner Charles G. Cooper and Regional Director (RD) Greg Wisian represented the Department at Sam Houston State University (SHSU), James B. Bexley Texas Bankers Executive Leadership Series in Huntsville, Texas, on August 19, 2026. Commissioner Cooper was a panelist discussing regulatory hot topics.

- Commissioner Cooper, Executive Deputy Commissioner (EDC) Wendy Rodriguez, and staff attended the Conference of State Bank Supervisors (CSBS) Board Meetings and Strategic Planning Meeting in Gulfport, Mississippi, beginning on August 24, 2026.

- Financial Examiners Dustin Bradford and Shelby Henry represented the Department at the Texas Tech Banking School in Lubbock, Texas, on September 9, 2026. They provided an overview of the Department and what a career with the agency looks like.

- RE Humberto Garcia represented the Department as a regulatory panelist at the Concentrate 2026 Conference in Austin, Texas, on September 15, 2026. The topics centered around best practices and regulatory expectations regarding CRE concentrations.

- RE Travis Graham represented the Department as a panelist at the Texas Banker Association (TBA) sponsored Real Estate Lending School held in Georgetown, Texas, on September 16, 2026.

- Commissioner Cooper, EDC Rodriguez, Bank and Trust Supervision Deputy Commissioner Jared Whitson and staff represented the Department at the Independent Bankers Association (IBAT) Convention in San Antonio, beginning on September 19, 2026. Commissioner Cooper was a panelist on a regulatory panel.

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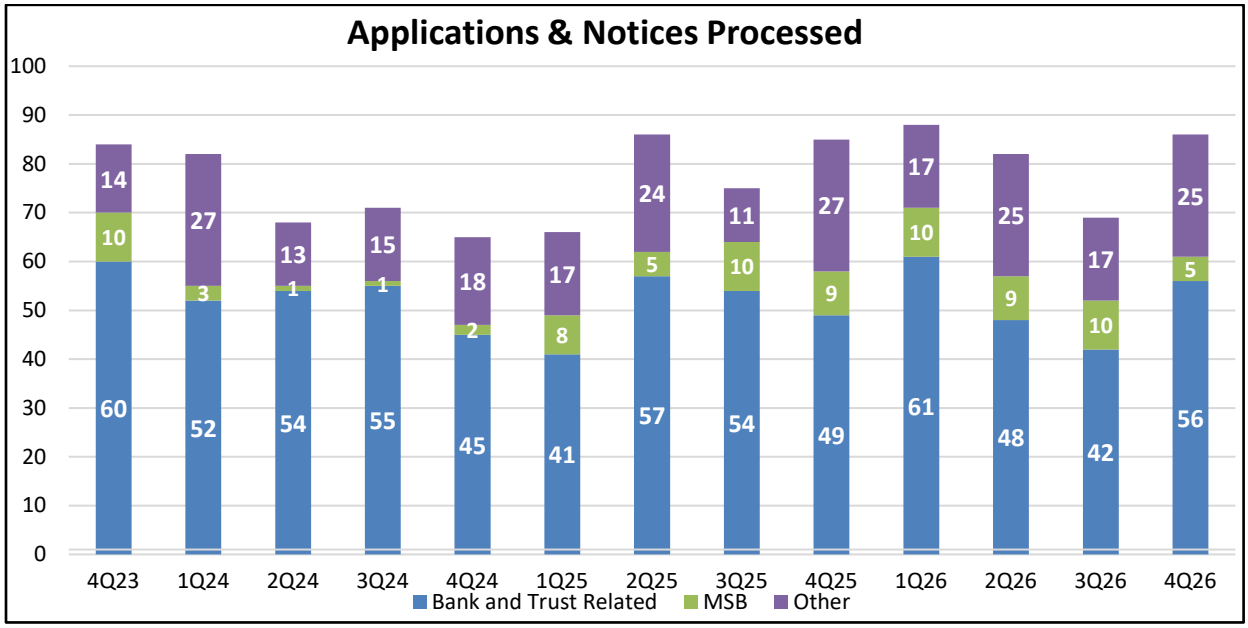
Charles G. Cooper
Commissioner

To: Finance Commission Members

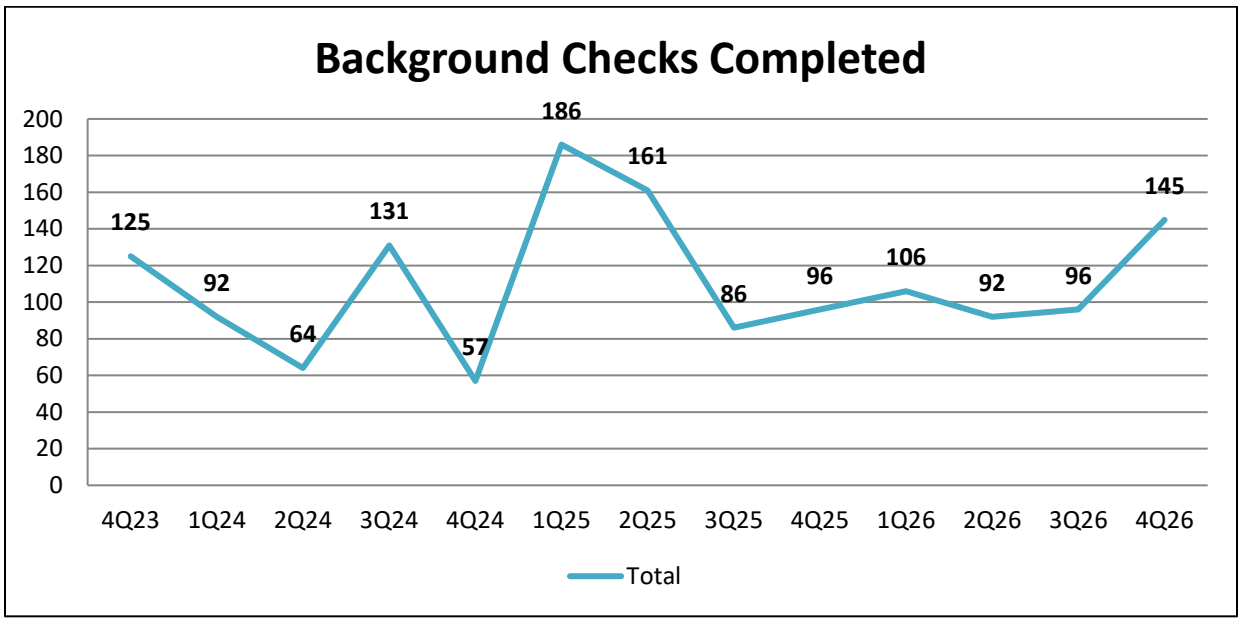
From: Lea Saunders, Corporate Analyst

Date: September 30, 2026

Subject: Summary of Corporate Division Activities



Information on a Fiscal Quarter Basis.



Information on a Fiscal Quarter Basis.

Applications and Notices Under Review							
Entities	**June 30, 2026**	**Received**	***Returned**	**Processed**	**August 31, 2026**	**# Change**	**% Change**
Bank	13	39	-	29	23	10	77%
MSB	38	9	5	2	40	2	5%
Other	0	15	-	12	3	3	-
Trust	2	5	-	0	7	5	250%
Total	53	68	5	43	73	20	38%

*Incomplete MSB applications which were returned.

The number of open filings under review increased 38% compared to the level reported at the last Finance Commission meeting. The volume of bank filings received was relatively consistent, while the inflow of MSB filings remained elevated. Trust filing activity also increased. Staffing vacancies continue to present workload challenges for the division.

Division Highlights

- **Personnel:** Recruiting efforts continue for the division's Director position. The position was refreshed and will be posted in additional recruiting sites to broaden the search. Applications received for the Corporate Analyst position are being reviewed. Meanwhile, the division continues to receive additional assistance from Bank & Trust Supervision and Non-Depository Supervision to manage the workload.
- **Significant Applications:** Since the last report, the following significant bank and trust applications have been received:
    - Texas Patriot Bank, Frisco, Texas has applied for a de novo Texas state bank charter [estimated gain in state banking assets of approximately $139.0 million].
    - Bank Elevated, Frisco, Texas has applied for a de novo bank Texas state bank charter [estimated gain in state banking assets of approximately $937.9 million].
- **Charter, Conversion, and Merger Activity:** Since the last report, the following transactions have consummated:
    - *Banks*
        - The First State Bank, Columbus, Texas merged with and into First National Bank of Bastrop, Bastrop, TX [estimated loss in state banking assets of approximately $153.0 million].
    - *Trust Companies*
        - None

Charles G. Cooper
Commissioner

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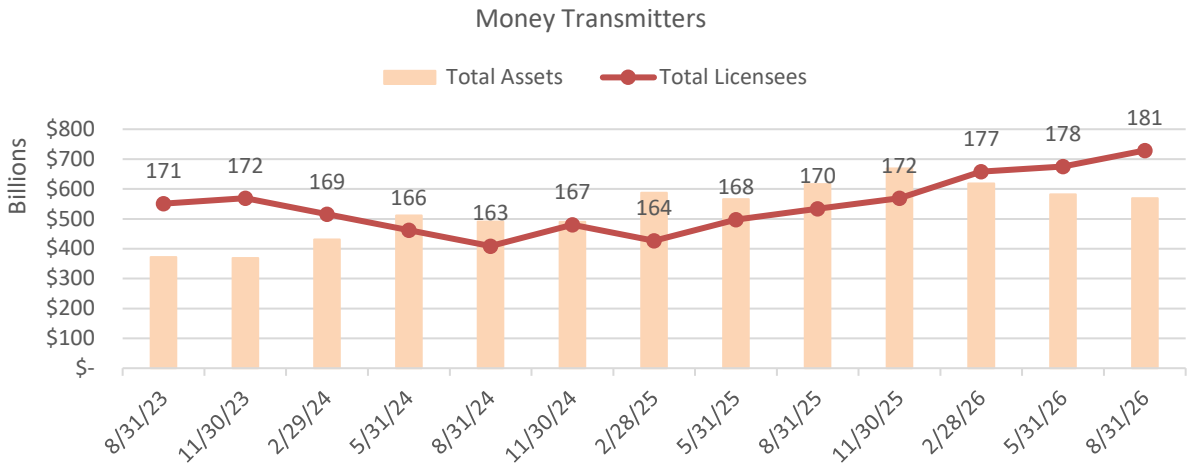
To: Finance Commission Members

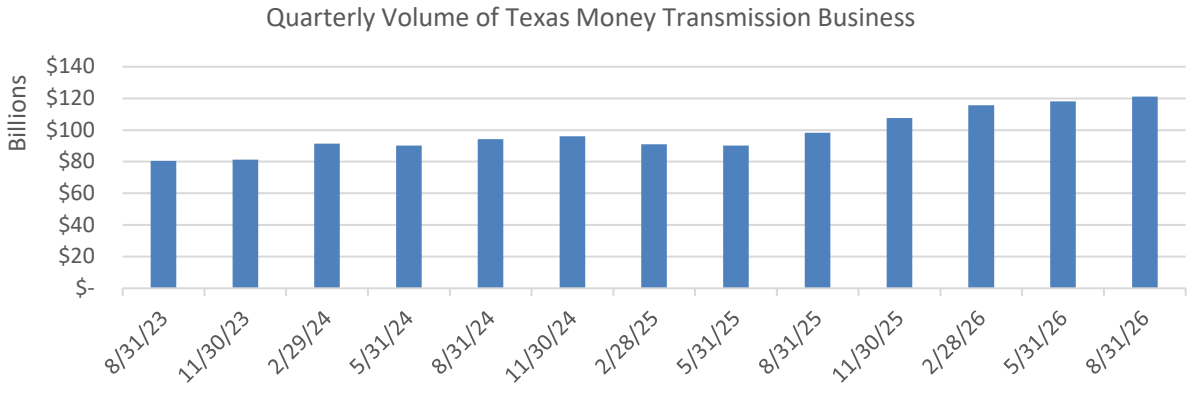
From: Jesus "Jesse" Saucillo, Deputy Commissioner of Non-Depository Supervision (DC)

Date: October 1, 2026

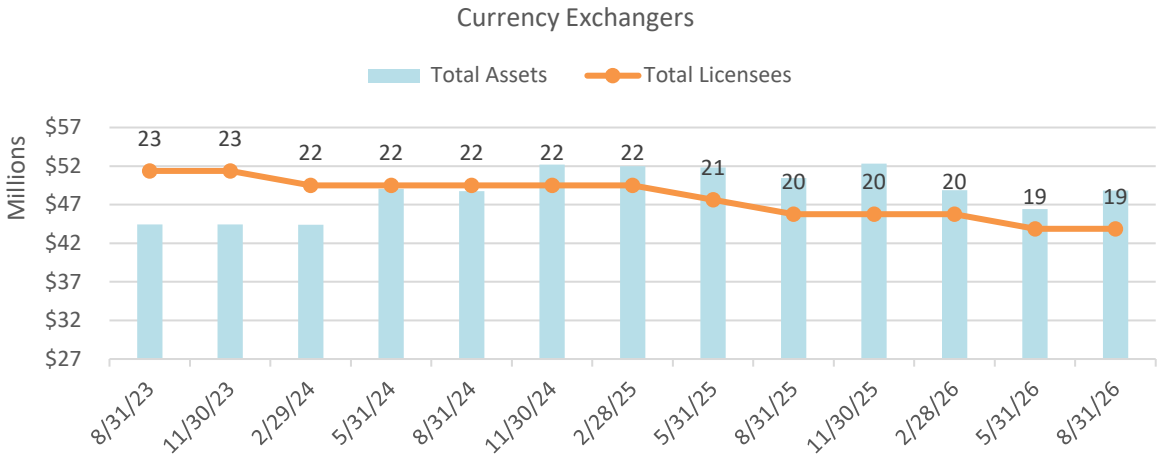
Subject: Summary of Non-Depository Supervision (NDS) Activities

Non-Depository Supervision – Industry Profiles

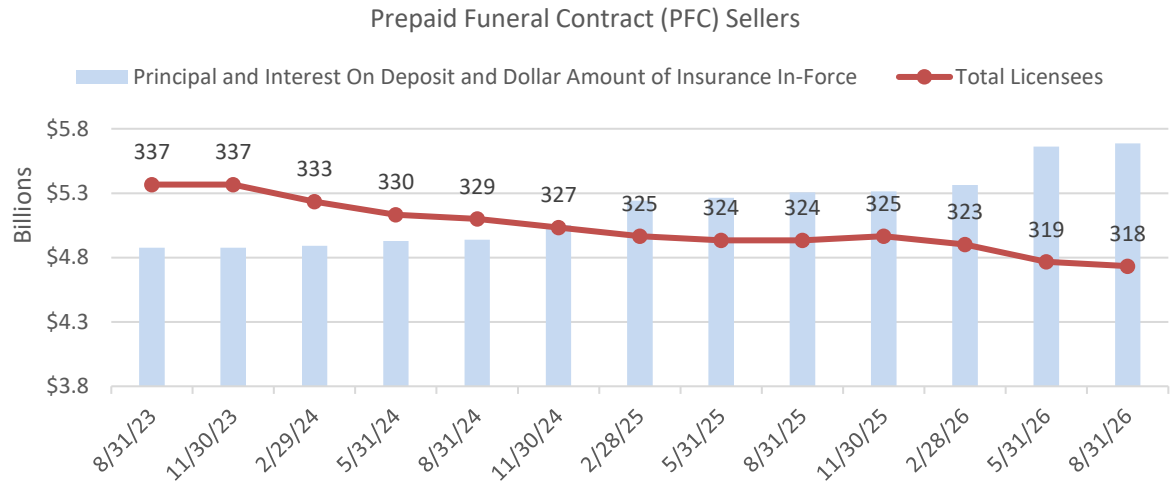


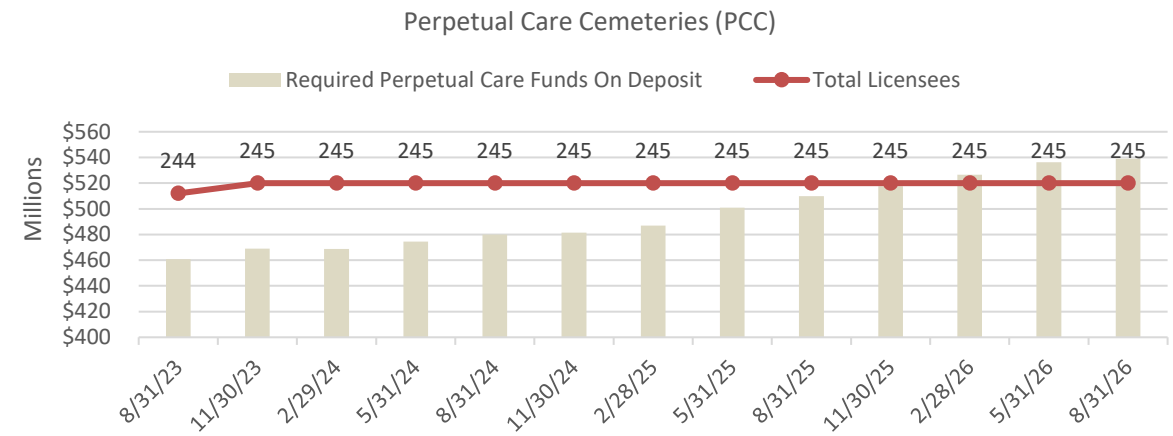


Total assets and Texas money transmission volume noted above are primarily based on the information reported by license holders on the Nationwide Multistate Licensing System (NMLS) Money Services Business (MSB) Call Reports as of the preceding calendar quarter. Texas remains one of the states with the highest money transmission volume, with quarterly volume increasing over the last six quarters. During the fourth quarter of fiscal year 2026, three new money transmission licenses were issued, and no licenses were closed. Of the three new licenses issued, one offers cryptocurrency-related products and services, while the other two offer traditional money transmission and merchant payment services, respectively.



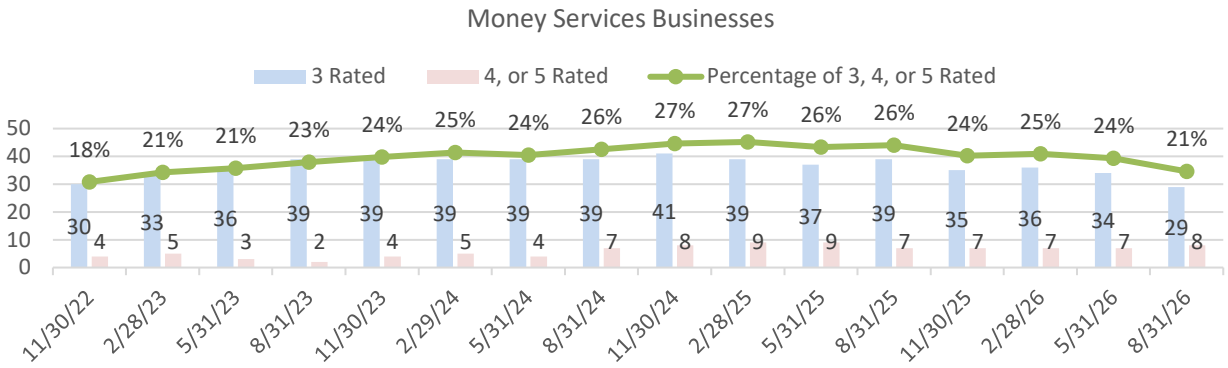
Total assets noted above are based on annual and quarterly reports provided by currency exchange licensees. The number of currency exchange licensees in the fourth quarter remains unchanged since the previous quarter. The quarter-over-quarter difference in total assets did not indicate any significant anomalies.



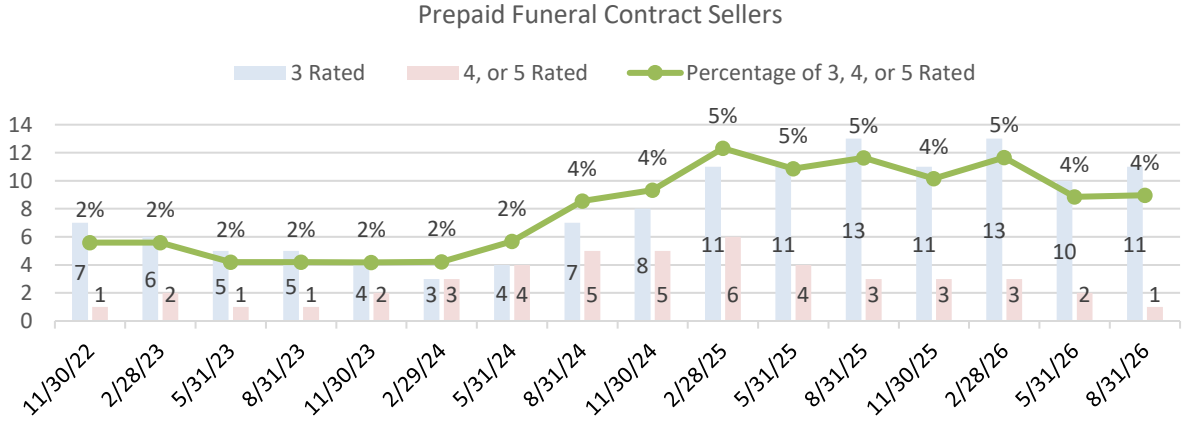


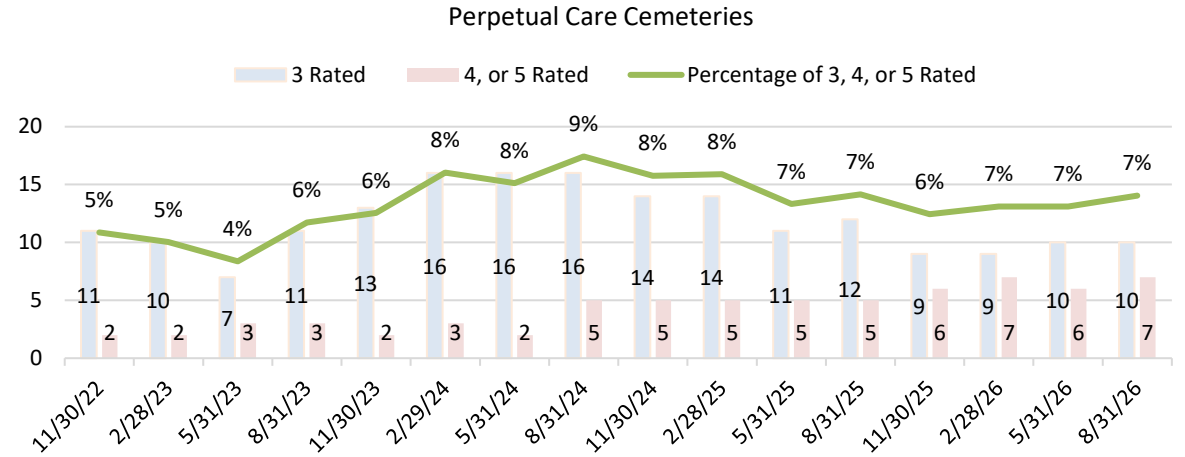
PFC and PCC fund balances noted above are based on the most current examination data. The increase in the total PFC funds on deposit and policies in-force, and perpetual care funds on deposit are attributed to growth from investments and standard operational sales.

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



As noted above, the percentage of MSBs rated 3, 4, or 5 has been relatively high but has decreased slightly in the last three quarters. The most common issues resulting in these ratings include financial condition concerns, poor management oversight, and Bank Secrecy Act / Anti-Money Laundering compliance deficiencies. While NDS considers 4 and 5 rated MSBs comparable to the term "problem" utilized by Bank and Trust Supervision; 3, 4, and 5 rated, MSBs require additional resources due to shorter examination cycles, ongoing offsite monitoring, and additional coordination with the legal division and other state regulators as part of the nationwide state supervisory process.





The number of 3, 4, and 5 rated PFC and PCC license holders has remained relatively consistent, representing a lower percentile for each industry with no systemic issues identified during routine examinations conducted by departmental staff.

Examinations Performed

ENTITY TYPE	FY 2025 (Sept. 2024 – Aug. 2025)	FY 2026 (Sept. 2025 – Aug 2026)
MSB	82	78
MSB Limited Scope	2	1
MSB Accepted other State	7	22
PFC	214	214
PFC Limited Scope	4	1
PCC	142	149
PCC Limited Scope	5	2
Total	**456**	**467**

Noncompliance with Examination Priorities (Past Due)

ENTITY TYPE	FY 2025 (As of Aug. 2025)	FY 2026 (As of Aug 2026)
MSB	7	16
PFC	14	5
PCC	6	14

Division Highlights

- **Industry Areas of Focus**
    - As of August 31, 2026, the Department reflected a net increase of 11 money transmission (MT) license holders. Approximately 40% of newly approved MTs during FY 2026 involved cryptocurrency related product offerings. The Department expects the number of MSB license holders to continue its upward trend in FY 2027. NDS staff are actively assisting the Corporate Division in the review of MSB applications and are expected to continue assisting through the end of FY 2027.
    - The quarter-over-quarter decline in money transmitters' total assets reflected was primarily driven by decreases in the market value of cryptocurrencies held by existing MSBs. Because of these price fluctuations, the impact of cryptocurrency pricing on license holders' balance sheets, corporate treasury strategies, and overall financial condition is monitored on an ongoing basis.
    - The number of CEX license holders declined by one during this fiscal year. CEX license holders have expressed declining profitability concerns and increasing operational expenses.
    - The decline in the number of PFC permit holders is primarily driven by the ongoing decision of trust-funded licensees to convert their PFCs to insurance-funded contracts. Notably, Departmental examinations of insurance-funded licensees are typically more complex, requiring additional examiner resources.

- **Examination Activities:**
    - The division met the *Quarterly Output Measure – Number of Licensees Examined* in the fourth quarter of Fiscal Year 2026. This measure was achieved despite ongoing financial examiner vacancies and MSB financial examiners assisting with the review of new MSB

applications. The ability to leverage and accept examinations of lower risk licensees conducted by other states and the respective reports of examinations allows the Department to effectively and efficiently supervise MSB licensees. The quarterly review of MSB call reports and other information also ensures the Department proactively identifies potential areas of concern.

- As reflected in the table above, 467 examinations were conducted in FY2026, which is an increase of 11 examinations compared to FY 2025. The number of past-due examinations increased primarily in the MSB industry correlates with the increase in the number of MSB licensees. Below is the summary of the actions regarding the past due examinations:
  - Of the 16 past due MSB examinations:
    - Eight were conducted in September 2026; three will be conducted in October 2026; three will be conducted in November 2026; and the remaining two were delayed to coordinate with other MSB state regulators. Existing MSB examiner vacancies coupled with the increase in MSB licensees attributed to this increase.
  - All five past due PFC examinations were conducted in September 2026.
  - Of the 14 past due PCC examinations:
  - Seven were conducted in September 2026; three will be conducted in October 2026; and the remaining four are scheduled to be conducted in November 2026.

- **Recruitment:**
  - The division continues to prioritize the recruitment of examiners and is currently in the process of interviewing candidates to fill the MSB and PFC/PCC examiner vacancies. In FY 2026, the Department posted several examiner job notices and made job offers to select candidates. The division is in the second phase of interviews to fill both PFC/PCC and MSB examiner vacancies. Currently, the division is training one PFC/PCC and three MSB examiners hired in FY 2026. Completing the training of these examiners and the potential hiring of additional examiners will provide the division with the necessary resources to timely perform the increasingly complex examinations of MSB licensees.

- **Events:**
  - On September 14, 2026, Deputy Commissioner Saucillo and Department staff attended the 2026 Money Transmitter Regulators Association (MTRA) Annual Conference and School in Albuquerque, New Mexico. The conference was attended by MSB state regulators as well as industry representatives. Deputy Commissioner Saucillo is a member of the MTRA Board of Directors, and the Department is a primary contributor to the multi-state examination process, with MSB examiners assisting in the development of examination policies and procedures impacting the industry.
  - Since the previous Finance Commission meeting memorandum, enforcement actions were taken against three MSBs for conducting unlicensed MSB activities in Texas. The division is also collaborating with the legal division and MSB state regulators on other matters related to NDS.

Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

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512-475-1300 /877-276-5554
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Memorandum

To: Finance Commission Members

From: Pam Pennington, Human Resources Manager

Date: October 1, 2026

Subject: Summary of the Human Resources Division Activities

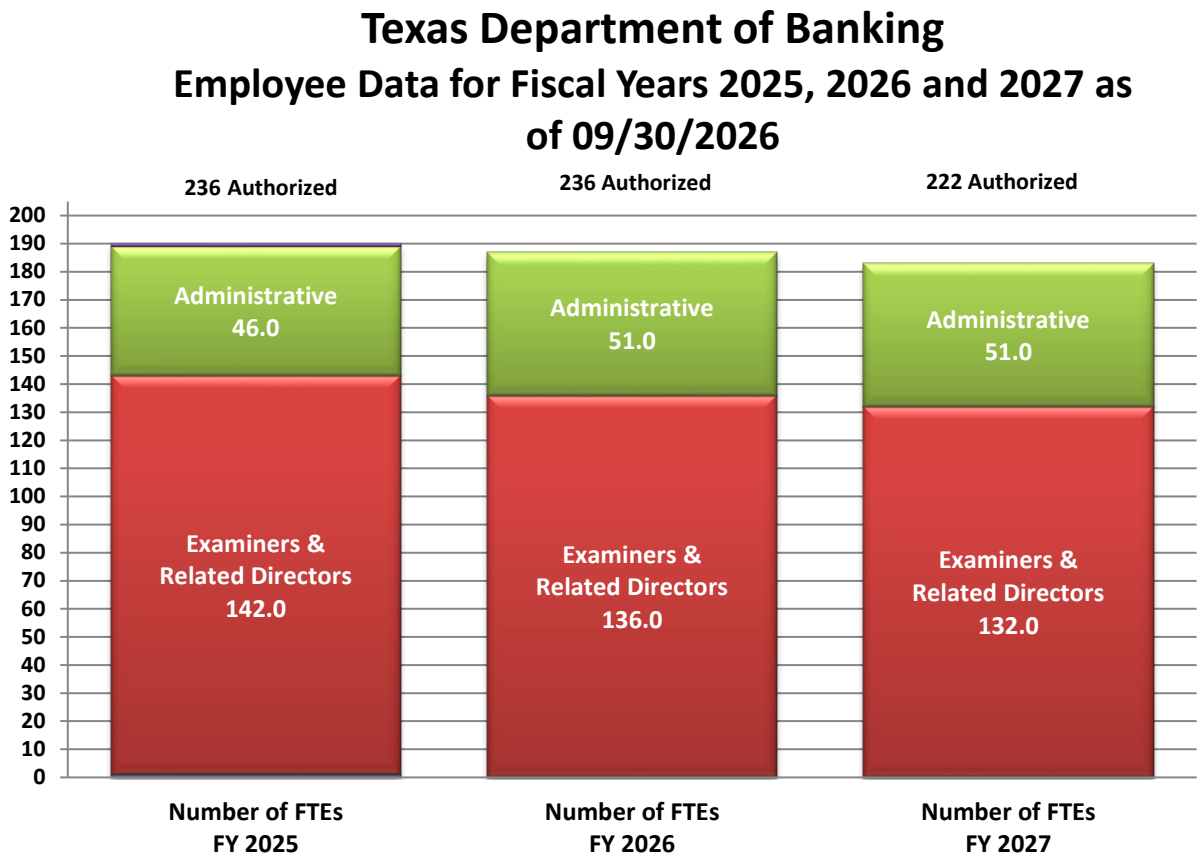
Active Postings				
Number of Positions	***Position***	***Division***	***Status***	***Activities***
1	Director IV – VI: Director of Corporate Activities	Corporate	Open Until Filled	Recruiting
1	Compliance Analyst I	DSS	Open Until Filled	Recruiting
1	Editor II	DSS	Open Until Filled	Recruiting
1	Law Clerk (Part-Time 50%)	Legal	Open Until Filled	Recruiting
4	Financial Examiner VI-VII: Commercial Bank Examiner	Bank and Trust	Open Until Filled	Recruiting
4	Financial Examiner IV-V: Commercial Bank Examiner	Bank and Trust	Open Until Filled	Recruiting
1	Financial Examiner VIII: Chief Trust Examiner	Bank and Trust	Open Until Filled	Recruiting
2	Financial Examiner IV – VII: IT Security Examiner	Bank and Trust	Open Until Filled	Interviewing
1	Financial Examiner I: Asst. Commercial (San Antonio)	Bank and Trust	Closing October 2, 2026	Recruiting
2	Financial Examiner I: Asst. Commercial (Dallas)	Bank and Trust	Closing October 2, 2026	Recruiting
2	Financial Examiner I: Asst. Commercial (Houston)	Bank and Trust	Closing October 2, 2026	Recruiting
1	Financial Examiner I: Asst. IT Security Examiner	Bank and Trust- IT	Closing October 2, 2026	Recruiting

Status of Postings that Closed before October 1, 2026				
Number of Positions	***Position***	***Division***	***Status***	***Activities***
1	Regional Review Examiner	Bank and Trust	August 6, 2026	Filled
1	Senior Accountant V-VI	Administrative Services	August 7, 2026	Reposting
1	Financial Examiner I: PFC PCC Examiner	NDS	August 29, 2026	Interviewing
2	Financial Examiner I-II: MSB Examiner	NDS	August 29, 2026	Interviewing
2	Financial Examiner III: Asst. IT Security Examiner	Bank and Trust – IT	September 1, 2026	Reposted
4	Financial Examiner VI-VII: Commercial Bank Examiner	Bank and Trust	September 1,2026	Reposted
4	Financial Examiner IV-V: Commercial Bank Examiner	Bank and Trust	September 1, 2026	Reposted

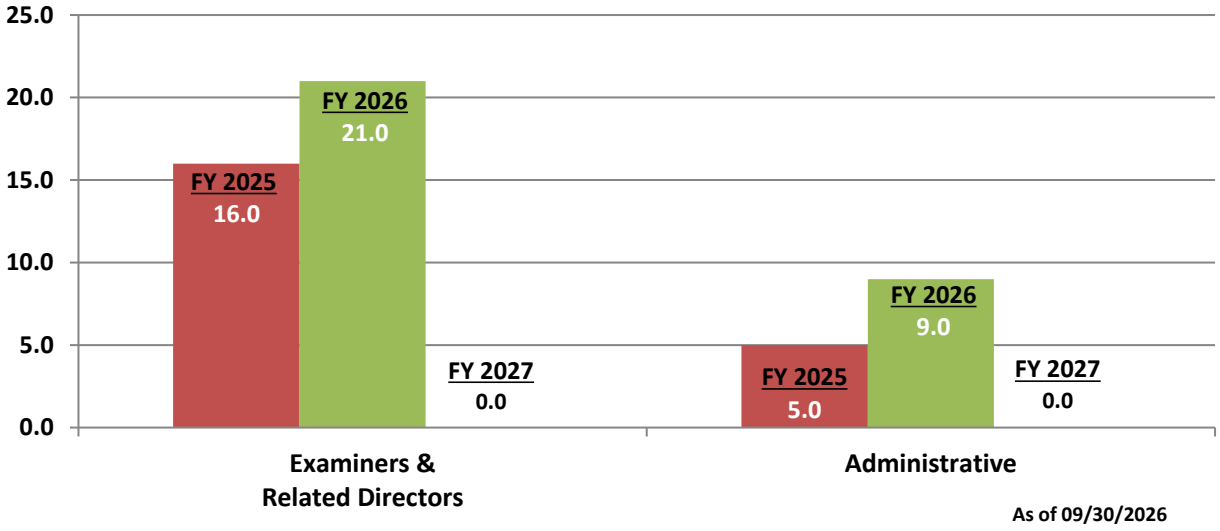
1	Financial Examiner III-IV: MSB Examiner	NDS	September 2, 2026	Interviewing
1	Corporate Analyst I	Corporate	September 8, 2026	Reviewing
1	Corporate Analyst III-IV	Corporate	September 8, 2026	Reviewing
2	Financial Examiner III: Asst. IT Security Examiner	Bank and Trust – IT	September 16, 2026	Closed
1	Legal Assistant II-III	Legal	September 18, 2026	Interviewing
2	Financial Examiner I-II: MSB Examiner (Internal Only)	NDS	September 22, 2026	Reviewing

Division Activities:

- *Supervisor Performance Evaluations:*
  - Annual Supervisory Evaluations were released and completed in September 2026.
- *New Employee Orientation (NEO):*
  - Will be held on November 2, 2026: two Financial Examiner IV from the Bank and Trust Supervision Division are expected to be in attendance.
- *Career Fairs:*
  - Personnel from the regional offices attended 21 career fairs in fiscal year 2026.

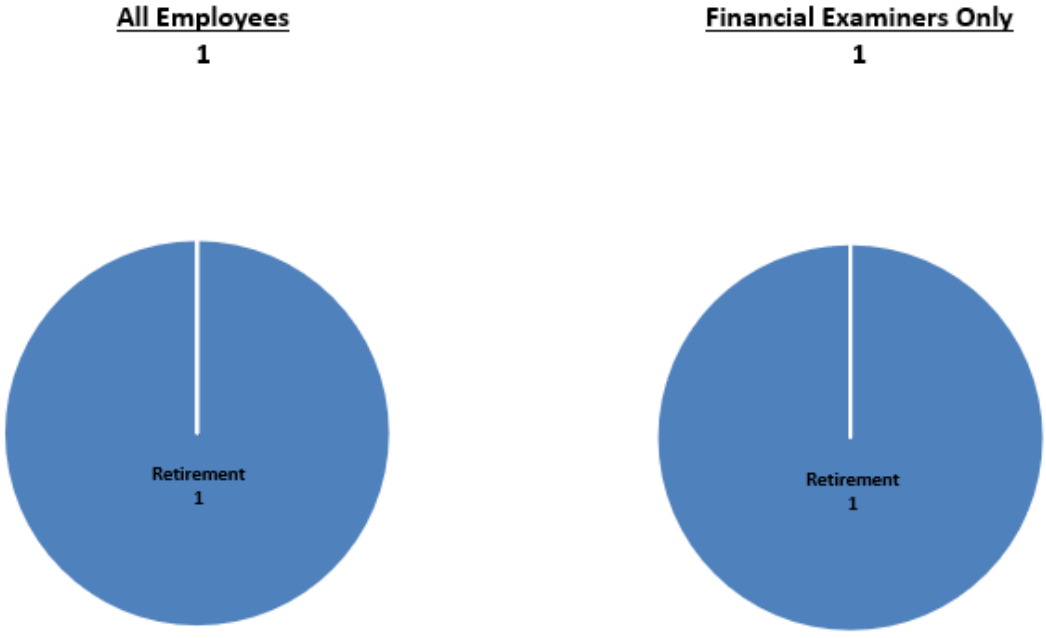


New Hire Data for Fiscal Years 2025, 2026, and 2027



As of 09/30/2026

FY 2027 Employee Turnover Reasons



As of 09/30/2026

ACTUAL PERFORMANCE FOR OUTCOME MEASURES

TEXAS DEPARTMENT OF BANKING

FISCAL YEAR 2026

8/31/2026

Actual Performance for Outcome Measures
Fiscal Year 2026
For Period Ending August 2026

Type/Strategy/Measure	2026 Target	2026 YTD	Percent of Annual Target	
Outcome Measures - Key				
1-1 QUALITY BANK REGULATION				
1. % BANKS EXAMINED	95.00%	93.38%	98.29%	
1-2 QUALITY NON-BANK REGULATION				
1. % MSB LICENSEES EXAMINED	90.00%	91.16%	101.29%	
2. % PFC LICENSEES EXAMINED	95.00%	98.41%	103.59%	
3. % PCC LICENSEES EXAMINED	95.00%	94.21%	99.17%	
1-3 APPLICATION PROCESSING				
1. % B&T, MSB, PCSEA APPS COMPLETED	95.00%	96.54%	101.62%	
1-4-1 APPLICATION PROCESSING				
1. % WRITTEN COMPLAINTS CLOSED	100.00%	100.00%	100.00%	
1-5 OPERATIONAL EFFICIENCY				
1. % REGULAR EMPLOYEES SEPARATED	13.00%	19.35%	148.85%	*
FY 26 turnover was higher than target due to non-work related factors affecting staff and external labor force competition with private sector employers.				
3. % ACTUAL EXPENDITURES TO BUDGETED	95.00%	96.40%	101.47%	

*Note: Variance of 5% from target require explanation.

ACTUAL PERFORMANCE FOR EXPLANATORY MEASURES

TEXAS DEPARTMENT OF BANKING

FISCAL YEAR 2026

8/31/2026

Actual Performance for Explanatory Measures
Fiscal Year 2026
For Period Ending August 2026

Type/Strategy/Measure	2026 Target	2026 YTD	Percent of Annual Target
Explanatory Measure - Key			
1-1-1 BANK EXAMINATION			
1. % BANKS CLASSIFIED SAFE & SOUND	95.00%	97.41%	102.54%

*Note: Variance of 5% from target require explanation.

ACTUAL PERFORMANCE FOR OUTPUT/EFFICIENCY MEASURES

TEXAS DEPARTMENT OF BANKING

FISCAL YEAR 2026

8/31/2026

Department of Banking
Actual Performance for Output Measures
Fiscal Year 2026

Type/Strategy/Measure	2026 Target	2026 Actual	2026 YTD	Percent of Annual Target		Comparable Historical Data for the same time period FY2025	FY2024	FY2023	FY2022
Output Measures-Key									
1-1-1 Bank Examination									
1. # Bank Examinations Performed									
Quarter 1	96	23	23	23.96%					
Quarter 2	96	29	52	54.17%					
Quarter 3	96	25	77	80.21%					
Quarter 4	96	17	94	97.92%		102	102	88	99
2. # Foreign/Trust/IT Examinations Performed									
Quarter 1	220	45	45	20.45%					
Quarter 2	220	68	113	51.36%					
Quarter 3	220	57	170	77.27%					
Quarter 4	220	44	214	97.27%		228	215	228	234
1-2-1 Non-Bank Examination									
1. # NDS Licensees Examined									
Quarter 1	490	117	117	23.88%					
Quarter 2	490	118	235	47.96%					
Quarter 3	490	111	346	70.61%					
Quarter 4	490	121	467	95.31%		456	462	465	486
1-3-1 Application Processing									
1. # License Applications Completed									
Quarter 1	317	95	95	29.97%					
Quarter 2	317	85	180	56.78%					
Quarter 3	317	69	249	78.55%					
Quarter 4	317	90	339	106.94%	*	318	305	360	364

The number of filings were primarily the result of Office Closures and Subsidiary filings.

*Varies by 5% or more from target.

ACTUAL PERFORMANCE FOR NON-KEY MEASURES

TEXAS DEPARTMENT OF BANKING

FISCAL YEAR 2026

8/31/2026

Actual Performance for Non-Key Measures
Fiscal Year 2026
For Period Ending August 2026

Type/Strategy/Measure	2026 Target	2026 YTD	Percent of Annual Target
Non-Key Measures			
1-1-1 BANK EXAMINATION			
2. % FOREIGN BANK AGENCIES EXAMINED	100.00%	100.00%	100.00%
3. % TRUST COMPANIES EXAMINED	95.00%	100.00%	105.26%
The number of trust companies receiving examinations when due exceeded the target due to increased proficiency among trust specialists and the trust function being fully staffed for most of the fiscal year			
4. % PROBLEM INSTITUTIONS WITH APPROPRIATE SUPERVISORY ACTIONS IN PLACE	100.00%	100.00%	100.00%
5. CERTIFICATE OF ACCREDITATION BY CSBS MAINTAINED IN GOOD STANDING	YES	YES	YES
8. AVERAGE COST PER BANK EXAMINATION	$40.20	$57.18	142.24%
The cost per million in assets regulated is higher than projected due to a reduction in assets resulting from M&A activity, including the acquisition of a large regional bank by an out-of-state institution.			
9. ASSETS EXAMINED PER EXAMINER DAY (IN MILLIONS)	$9.90	$8.85	89.39%
Assets examined per examiner day are below target, primarily due to a reduction in assets examined resulting from M&A activity, including the acquisition of a large regional bank by an out-of-state institution.			
11. # STATE-CHARTERED BANKS IN TEXAS	196	193	98.47%
12. TOTAL ASSETS (IN BILLIONS) IN TEXAS STATE-CHARTERED BANKS	$437.50	$341.70	78.10%
Texas state-charted bank assets are below target due to M&A activity, including the acquisition of a large regional bank by an out-of-state institution.			
1-2-1 NON-BANK EXAMINATION			
4. % PCC AND PFC APPLICATIONS COMPLETED WITHIN STATUTORY PERIOD	95.00%	100.00%	105.26%
The Division exceeded the FY 2026 target due to retaining knowledgeable staff, including obtaining assistance from PFC/PCC examiners to coordinate the timely processing of applications.			
5. CERTIFICATE OF MSB ACCREDITATION BY CSBS MAINTAINED IN GOOD STANDING	YES	YES	YES
7. AVERAGE DIRECT COST PER PFC AND PCC LICENSEE EXAMINATION	$3,500.00	$3,552.00	101.49%
8. AVERAGE DIRECT COST PER MSB LICENSEE EXAMINATION	$20,000.00	$17,945.00	89.73%
The Division's average cost per MSB examination was less than the target amount in FY26 mainly due to the division operating with less staff than budgeted. Several financial examiner vacancies remained throughout FY26 resulting in lower examination costs.			
9. DOLLAR AMOUNT (IN BILLIONS) OF PREPAID FUNERAL CONTRACTS IN FORCE	$5.2	$5.6	107.69%
The increase in the dollar amount of PFC in force was due to higher than expected industry activity and market conditions. For FY27, the target amount was increased.			

Actual Performance for Non-Key Measures
Fiscal Year 2026
For Period Ending August 2026

Type/Strategy/Measure	2026 Target	2026 YTD	Percent of Annual Target
Non-Key Measures			
10. NUMBER OF NDS LICENSEES	765	763	99.74%
11. PERCENTAGE OF NDS LICENSEES CLASSIFIED SAFE AND SOUND	95.00%	97.81%	102.96%
1-3-1 APPLICATION PROCESSING			
2. # WRITTEN COMPLAINTS CLOSED	220	238	108.18%
More complaints were received than the historical average. The intake of complaints is derived from the needs of the public and therefore cannot be theoretically projected. When supporting documentation is not submitted with a complaint, the case is considered an inquiry, reducing the number of written complaints to resolve.			
1-4-1 REGULATORY OVERSIGHT			
3. # FC MEETINGS CONVENED	6	6	100.00%
1-5-1 OPERATIONAL EFFICIENCY			
2. % REGULAR EMPLOYEES SEPARATED (EXCLUDING RETIREMENTS)	10.00%	15.69%	156.90%
FY26 turnover is higher than target due to nonwork related factors affecting staff and external labor force competition with private sector employers.			

*Note: Variance of 5% from target require explanation.

Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

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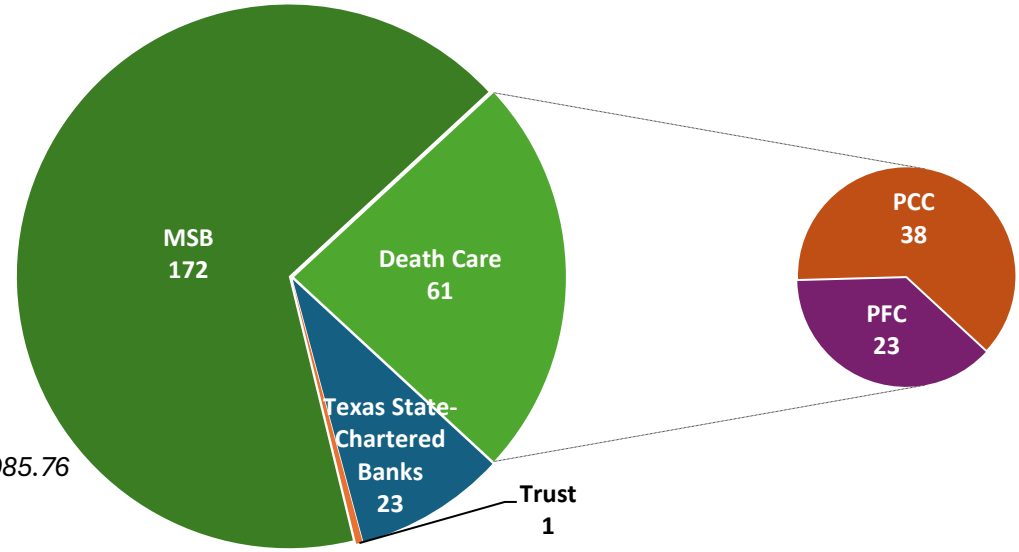
To: Finance Commission Members

From: Lilliana R. Abbassi, Director of Strategic Support

Date: September 30, 2026

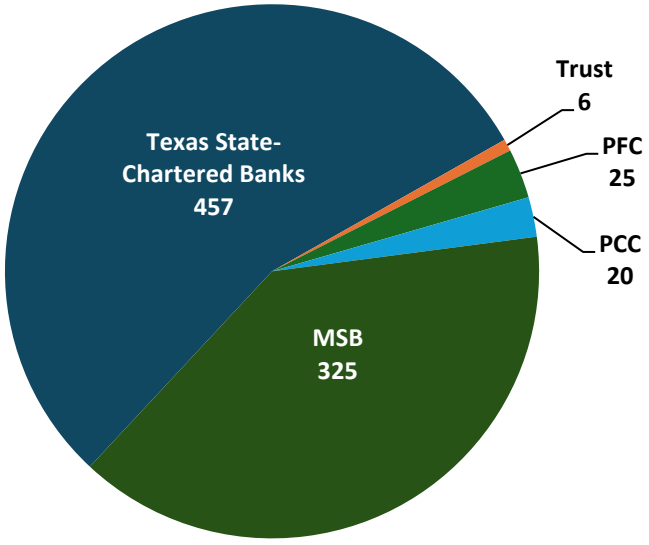
Subject: Summary of the Strategic Support Division Activities

Jurisdictional Written Complaints
September 2025 - August 2026



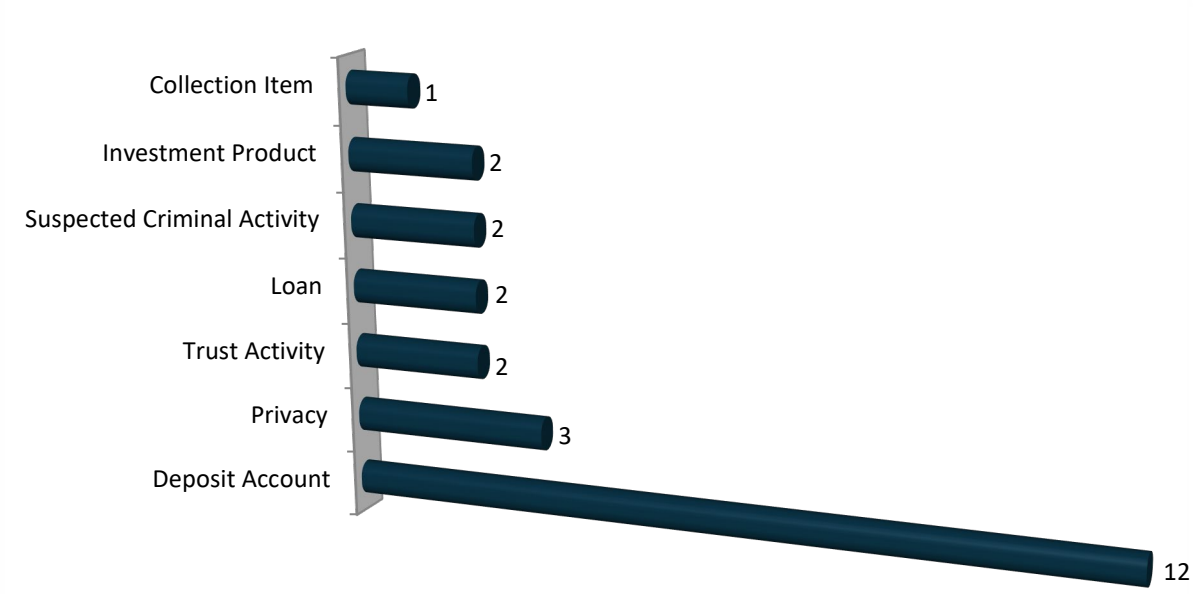
Recoveries = *$228,985.76*
Total = *257*

Inquiries on Jurisdictional Entities
September 2025 - August 2026



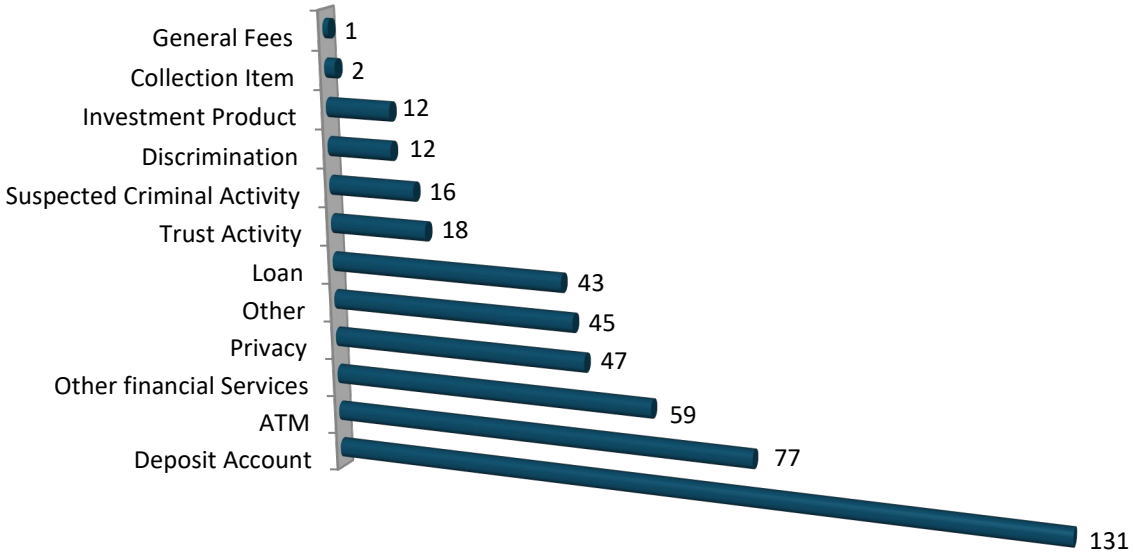
Total = *833*

State-Chartered Bank and Trust Companies
Written Complaints by Type
September 2025 - August 2026



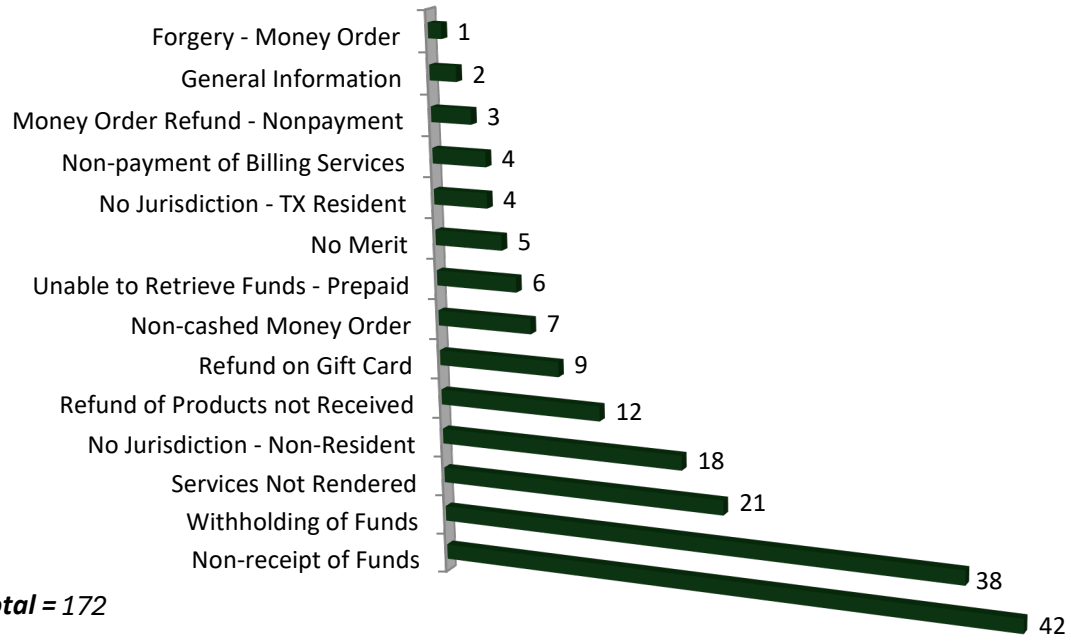
Total = *24*

State-Chartered Bank and Trust Companies
Inquiries by Type
September 2025 - August 2026



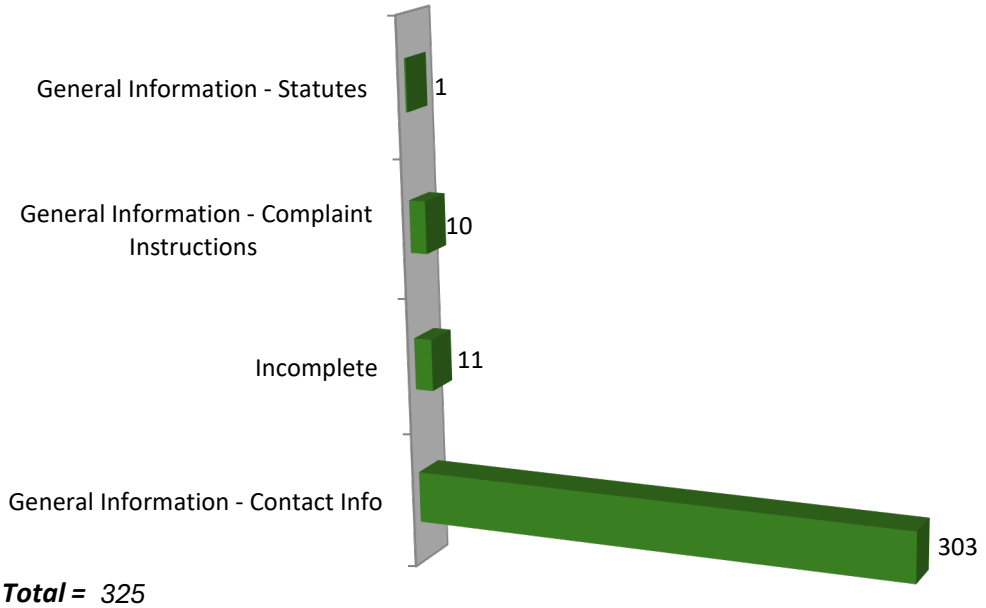
Total = *463*

Money Services Business
Written Complaints by Type
September 2025 - August 2026



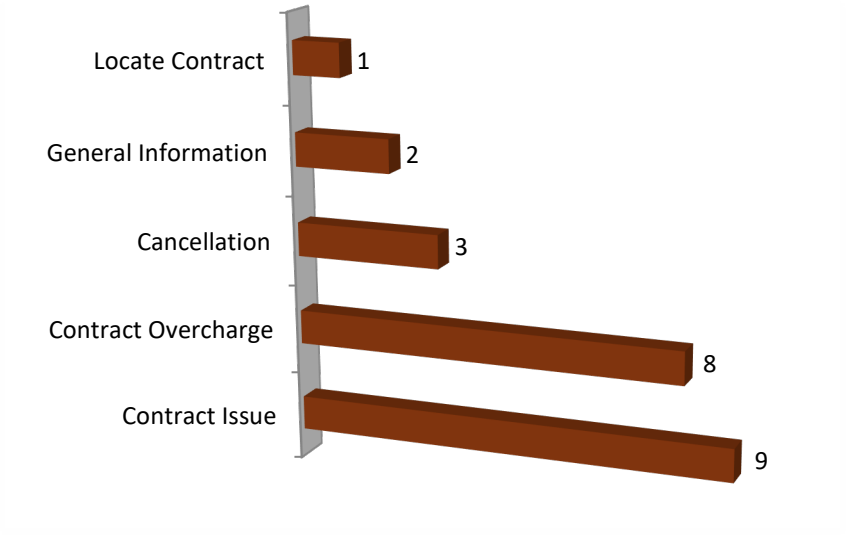
Total = *172*

Money Services Business
Inquiries by Type
September 2025 - August 2026



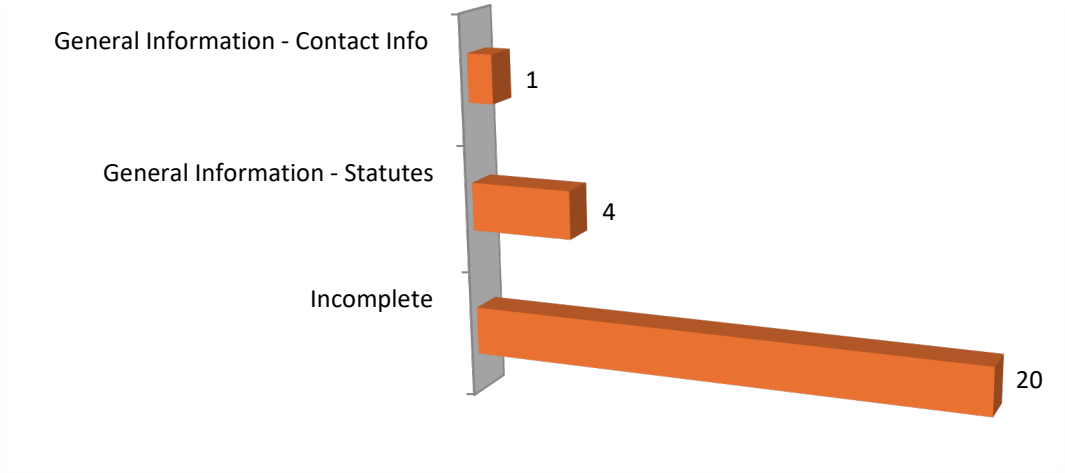
Total = *325*

Prepaid Funeral Contract Sellers
Written Complaints by Type
September 2025 - August 2026



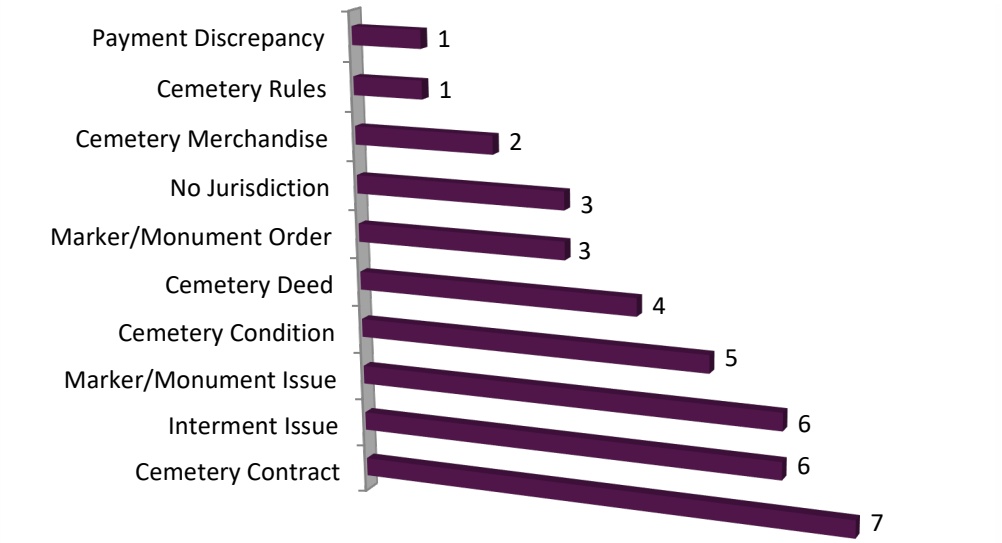
Total = *23*

Prepaid Funeral Contract Sellers
Inquiries by Type
September 2025 - August 2026



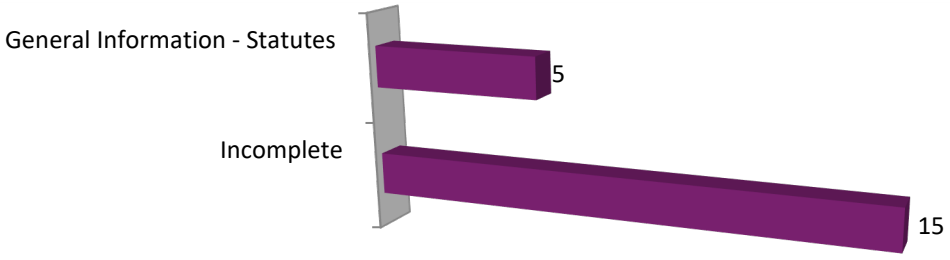
Total = *25*

Perpetual Care Cemeteries
Written Complaints by Type
September 2025 - August 2026



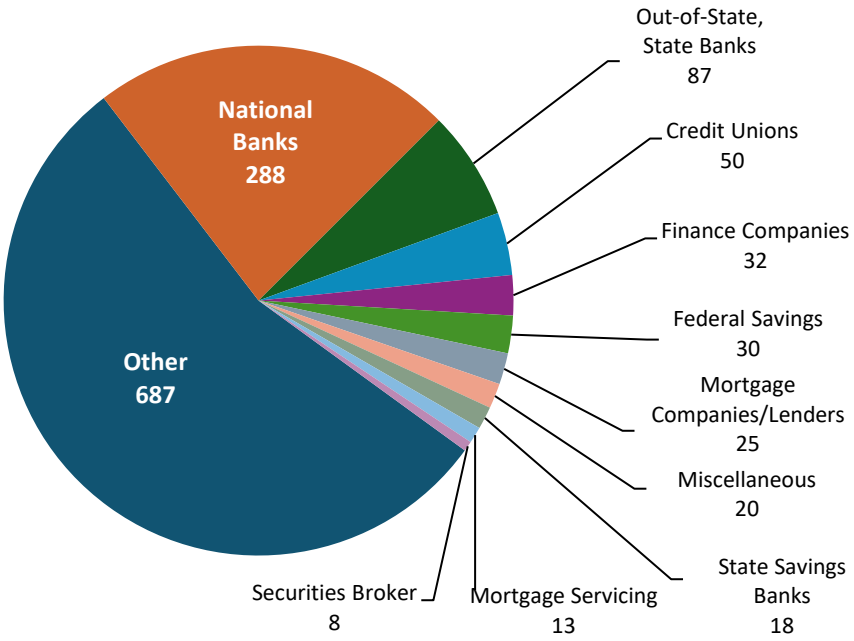
Total = *38*

Perpetual Care Cemeteries
Inquiries by Type
September 2025 - August 2026



Total = *20*

Complaints and Inquiries Against Non-Jurisdictional Entities
September 2025 - August 2026



Total = *1,258*

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

Complaint Activities Information by Quarter

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
State-Chartered Banks				
Avg. Number of Days to Close a Written Complaint	18	24[1]	29	37
Percentage of Written Complaints Resolved Within 90 days	100%	100%	100%	100%
Number of Written Complaints Resolved	5[1]	2[1]	9	7
Trust				
Avg. Number of Days to Close a Written Complaint	N/A	28	N/A	N/A
Percentage of Written Complaints Resolved Within 90 days	N/A	100%	N/A	N/A
Number of Written Complaints Resolved	N/A	1	0	0
PFC/PCC				
Avg. Number of Days to Close a Written Complaint	40	28[1]	18	34
Percentage of Written Complaints Resolved Within 90 days	100%	100%	100%	100%
Number of Written Complaints Resolved	8	6	9	29
MSB				
Avg. Number of Days to Close a Written Complaint	26	18	22	16
Percentage of Written Complaints Resolved Within 90 days	100%	100%	100%	100%
Number of Written Complaints Resolved	36	26	48	52

[1] *Data was restated in June 2026 Finance Commission report.*

Closed Account Notification System (CANS) Activity

September 1, 2023 – September 30, 2026

Entity	Enrolled	Compromised Accounts Reported
Texas State-Chartered Banks	165	233
Texas State-Chartered Savings Banks	19	27
Federal Savings Banks	2	0
State Credit Unions	135	375
Federal Credit Unions	229	290
National Banks	125	24
Out-of-State State-Chartered Banks	13	16
Out-of-State National Banks	6	0
Total	**752**	**964**

Bank Examination Testing System (BETS) Activity

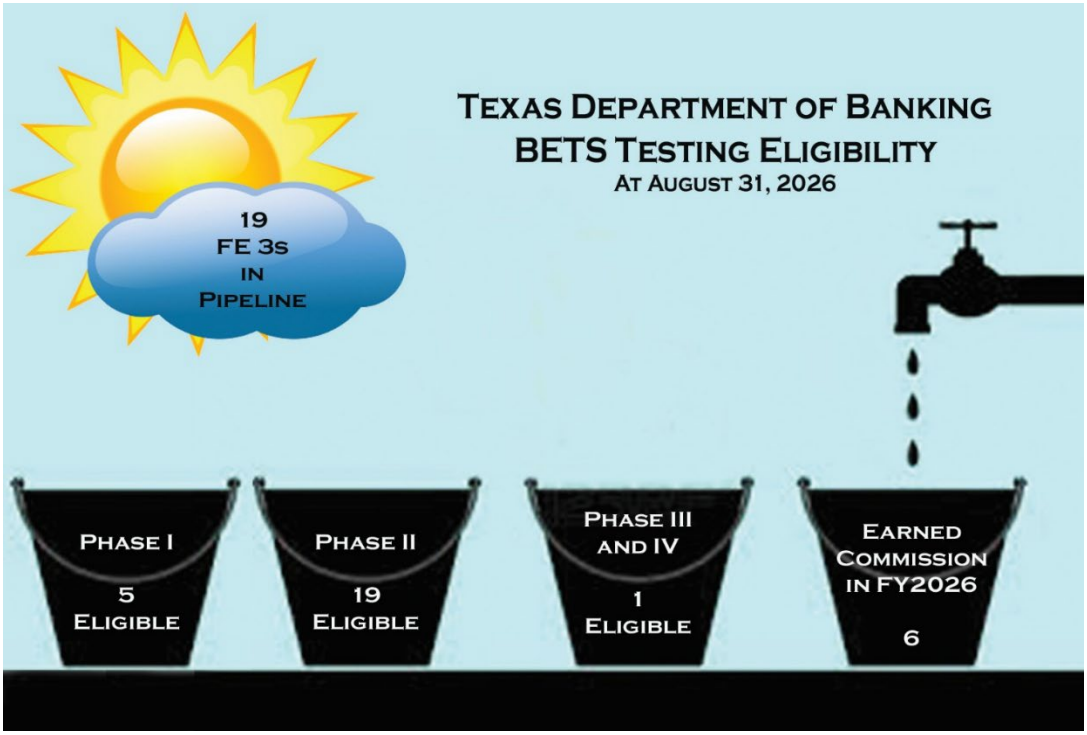
Number of Candidates Passing Each Phase

	FY 2024	FY 2025	FY 2026	FY 2027 As of 9/30/2026
I. General Knowledge	8	11	8	1
II. Loan Analysis	5	2	3	0
III. Panel	4	5	6	0
IV. Test Bank	3	6	6	0
Total FE3	14	21	22	22

Promotions

Commissioned Examiners	4	5*	6	0

**One credit specialist successfully completed the process in March 2025.*

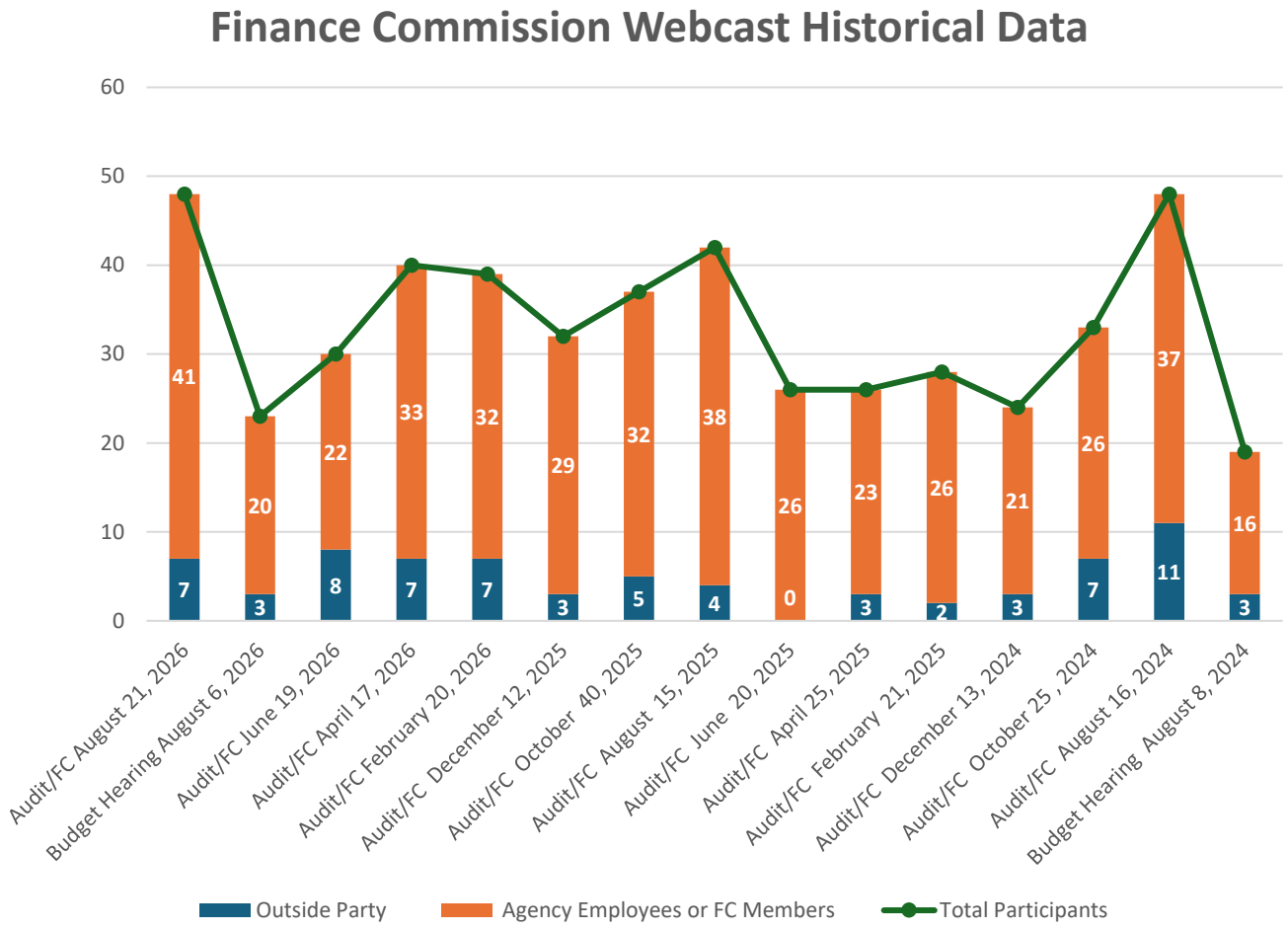


Other Divisional Items:

- *Publications:*
    - The following were issued with June 30, 2026, financial data:
        - Agency Profile – An overview of the Department and its regulated and licensed entities.
        - Texas Banking Activity – Contains all state and national banking activity in Texas.
        - Top 100 Banks – List of Texas banks by asset size.
- *Training*:
    - The Financial Examiner II internal school was held September 28 – October 2, 2026, in Dallas, Texas for commercial examiners.
    - The Effective Meetings with Management school will be held November 2– 6, 2026, in Dallas, Texas for commercial examiners.
- *Policy Revisions/Updates:*
    - Supervisory Memorandums (SM)
        - SM 1003 Examination Frequency for State-Chartered Banks (September)
- *Examination Procedure Revisions/Updates:*
    - Bank of Anytown, a sample Report of Examination for commercial examiners (September)
    - Examiner Bulletin for Guidelines for Imaging Examination Work Papers (September)
    - Examiner Bulletin Guidelines for Asset Quality Write-Ups in Reports of Examination (September)
    - Information Technology Risk Examination (InTREx) Support and Delivery (August)
    - InTREx Baseline Work Program (August)
    - IT Request List (August)
    - Examination reference materials for Commercial and Trust (August, September)

Website Statistics for Fiscal Year 2026*:*

- The Department of Banking website had 506,411 unique pageviews of the homepage. The top three pages were the Entity Search (27,410 views), Applications & Forms (13,711 views) and Contact Us (11,806 views). The Financial Education webpage had 1,668 pageviews during the same period. Users are accessing the site via Desktop (245,081), mobile (49,019), tablet devices (909) and smart tv (9).
- The Finance Commission website had 163,515 Views. The top three visited pages were the Home Page (20,829 Views), Finance Commission Meetings (4,351 pageviews), and Regulatory References (4,500 Views). Users are accessing the site via desktop (92,861), mobile (3,806), and tablet devices (61) and smart tv (3).
- The Texas Prepaid Funeral Contracts website had 197,421 pageviews of the homepage. The top three pages after the home page were General Information (10,651 pageviews), Prepaid Planning Brochure (10,347 pageviews) and Contract Forms (9.949 pageviews). Users are accessing the site via desktop (61,391), mobile (16,433), tablet devices (536) and smart tv (1).


Finance Commission Webcast Historical Data
60
50
40
30
20
10
0
41
20
22
33
32
29
32
38
26
23
26
21
26
37
16
7
3
8
7
7
3
5
4
0
3
2
3
7
11
3
Audit/FC August 21, 2026
Budget Hearing August 6, 2026
Audit/FC June 19, 2026
Audit/FC April 17, 2026
Audit/FC February 20, 2026
Audit/FC December 12, 2025
Audit/FC October 40, 2025
Audit/FC August 15, 2025
Audit/FC June 20, 2025
Audit/FC April 25, 2025
Audit/FC February 21, 2025
Audit/FC December 13, 2024
Audit/FC October 25 , 2024
Audit/FC August 16, 2024
Budget Hearing August 8, 2024
Outside Party
Agency Employees or FC Members
Total Participants

Charles G. Cooper
Commissioner

TEXAS DEPARTMENT OF BANKING

2601 North Lamar Blvd., Austin, Texas 78705
512-475-1300 /877-276-5554
www.dob.texas.gov

To: Finance Commission Members

From: Robert Nichols, General Counsel

Date: September 30, 2026

Subject: Legal Division Update

Orders Issued August 1, 2026 – September 30, 2026

The Commissioner issued five enforcement orders during this period:

Bank and Trust Supervision

- Prohibition Order issued August 20, 2026; Rose Ellerman, Houston, Texas
- Prohibition Consent Order issued September 23, 2026; Jesse Romo, San Antonio, Texas

Non-Depository Supervision

- Consent Order issued September 1, 2026; Lockeson Escrow, Inc. D/B/A Guntab, San Jose, California
- Consent Order issued September 11, 2026; OKX, Inc., F/K/A Okcoin USA, Inc., Houston, Texas
- Consent Order issued September 23, 2026; Triple A Technologies Pte Ltd, Singapore

Public Information Requests

From August 1, 2026, through September 30, 2026, staff received and responded to 25 requests for public information addressed to the Department of Banking and received seven inquiries through the "Ask a Question" feature. During the same period, we received four public information requests addressed to the Finance Commission.

Gifts

Commissioner Cooper attended the 2026 IBAT Annual Convention in San Antonio, Texas, September 19-22, 2026. The registration fee of $795 was waived for the Commissioner because he participated in the convention's Regulator Outlook Panel.

Texas Regulatory Efficiency Office Review (TREO)

TREO and the Department finalized the recommendations for Finance Commission specific rules and the rules are pending adoption. As required by Texas Government Code § 465.151, TREO will prepare and submit an activities and legislative recommendations report to the Texas Legislature by December 1, 2026, which will lead to accomplishing recommended legislative

goals. The Department has also collaborated with TREO regarding recommendations for agency specific rules and is beginning the editing process for the currently planned set of rule amendments.

FY 2026 Quarterly Order Activity

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

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	0	2	4	4
Cease & Desist	0	0	0	0
Final Order after hearing	0	0	0	0
Total	0	2	4	4

PERPETUAL CARE CEMETERY				
Consent Order	2	0	0	0
Cease & Desist	0	0	1	0
Refusal to Renew Cert/Auth	0	0	0	0
Final Order after Hearing	0	0	0	0
Total	2	0	1	0

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

3. Discussion of and Possible Vote to Take Action on the Adoption of Amendments to Repeal 7 TAC, Part 1, Chapter 3, § 3.112, Concerning What will the Department Charge for Providing Public Information.

PURPOSE: Repeal of Chapter 3, § 3.112 is in response to the Texas Regulatory Efficiency Office's collaborative process aimed at removing unnecessary language and improving rule readability. The proposed rule will repeal § 3.112 in its entirety because the requirements for public information charges are already established by § 552.261 of the Texas Public Information Act (Tex. Gov't Code § 552.261), the rule is unnecessary and its repeal will not affect any substantive right of the public.

RECOMMENDED ACTION: No comments were received regarding the proposed amendments to repeal 7 TAC § 3.112. The Department recommends that the Commission approve the adoption of amendments to repeal without changes to the proposal as previously published in the *Texas Register*.

RECOMMENDED MOTION: I move that we adopt the amendments to repeal 7 TAC § 3.112 without changes to the proposal as previously published in the *Texas Register*.

Title 7. Banking and Securities
Part 1. Finance Commission of Texas
Chapter 3. State Bank Regulation
7 TAC § 3.112

The Finance Commission of Texas (the commission), on behalf of the Texas Department of Banking (the department), adopts the repeal of § 3.112, concerning What Will the Department Charge for Providing Public Information. The adopted repeal implements a recommendation stemming from the Texas Regulatory Efficiency Office's collaborative process aimed at removing unnecessary language and improving rule readability. The repeal is adopted without changes to the proposed text as published in the September 11, 2026, issue of the *Texas Register* (51 TexReg 6257). The repealed rule will not be republished.

The adopted repeal is necessary because rule 3.112 is duplicative and the requirements for public information charges are already established by § 552.261 of the Texas Public Information Act (*Tex. Gov't Code § 552.261*).

The department received no comments regarding the adoption of this repeal.

The adopted repeal is authorized by Texas Finance Code §31.003, which provides that the Commission may adopt rules to implement and clarify Finance Code, Title 3, Subtitle A.

No statute is affected by the proposed repeal.

<rule>

[~~*§3.112. What Will the Department Charge for Public Information*?~~

~~(a) If you request the department to provide copies or allow inspection of public information in the possession of the department, you may be required to pay the charges and meet other requirements specified by the Texas Attorney General.~~

~~(b) The department may reduce or waive an applicable charge under subsection (a) of this section, in the discretion of the commissioner, if the cost of collecting the charge will exceed the amount of the charge or a public benefit will result from the reduction or waiver.~~]

4. Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 2, Chapter 11, Concerning Miscellaneous, Resulting from Rule Review

PURPOSE: Texas Government Code §2001.039 requires a state agency to review each of its rules every four years and readopt, readopt with amendments, or repeal a rule based upon the agency's rule review and its determination as to whether the reasons for initially adopting the rules continue to exist.

Notice of the proposed review of 7 TAC, Part 2, Chapter 11, was published in the *Texas Register* as required on August 28, 2026 (51 TexReg 5853). The Department received no comments regarding the review.

The Department believes the reasons for initially adopting the rules in Chapter 11 continue to exist and those rules should be readopted.

RECOMMENDED ACTION: The Department requests that the Commission find that the reasons for initially adopting the rules in 7 TAC, Part 2, Chapter 11, continue to exist and that the Commission readopt these rules.

RECOMMENDED MOTION: I move that we find that the reasons for initially adopting the rules in 7 TAC, Part 2, Chapter 11, continue to exist, and that those rules be readopted.

Adopted Rule Review

On behalf of the Finance Commission of Texas (commission), the Texas Department of Banking (department) has completed the review of Texas Administrative Code, Title 7, Part 2, Chapter 11 (Miscellaneous), comprised of §§11.10 - 11.12, 11.37.

Notice of the review of Chapter 11 was published in the August 28, 2026 issue of the *Texas Register* (51 TexReg 5853). No comments were received in response to the notice.

The commission believes the reasons for initially adopting Chapter 11 continue to exist and readopts these sections in accordance with the requirements of Texas Government Code, §2001.039. However, certain revisions may be appropriate. Proposed amendments, if any, will be published in the *Texas Register* at a later date.

This concludes the review of Chapter 11, as required by Texas Government Code, §2001.039.

5. Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 2, Chapter 26, Concerning Perpetual Care Cemeteries, Resulting from Rule Review

PURPOSE: Texas Government Code §2001.039 requires a state agency to review each of its rules every four years and readopt, readopt with amendments, or repeal a rule based upon the agency's rule review and its determination as to whether the reasons for initially adopting the rules continue to exist.

Notice of the proposed review of 7 TAC, Part 2, Chapter 26, was published in the *Texas Register* as required on August 28, 2026 (51 TexReg 5854). The Department received no comments regarding the review.

The Department believes the reasons for initially adopting the rules in Chapter 26 continue to exist and those rules should be readopted.

RECOMMENDED ACTION: The Department requests that the Commission find that the reasons for initially adopting the rules in 7 TAC, Part 2, Chapter 26, continue to exist and that the Commission readopt these rules.

RECOMMENDED MOTION: I move that we find that the reasons for initially adopting the rules in 7 TAC, Part 2, Chapter 26, continue to exist, and that those rules be readopted.

Adopted Rule Review

On behalf of the Finance Commission of Texas (commission), the Texas Department of Banking (department) has completed the review of Texas Administrative Code, Title 7, Part 2, Chapter 26 (Perpetual Care Cemeteries), comprised of §§26.1 - 26.6, 26.11, 26.12.

Notice of the review of Chapter 26 was published in the August 28, 2026 issue of the *Texas Register* (51 TexReg 5854). No comments were received in response to the notice.

The commission believes the reasons for initially adopting Chapter 26 continue to exist and readopts these sections in accordance with the requirements of Texas Government Code, §2001.039. However, certain revisions may be appropriate. Proposed amendments, if any, will be published in the *Texas Register* at a later date.

This concludes the review of Chapter 26, as required by Texas Government Code, §2001.039.

6. Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 2, Chapter 27, Concerning Applications, Resulting from Rule Review

PURPOSE: Texas Government Code §2001.039 requires a state agency to review each of its rules every four years and readopt, readopt with amendments, or repeal a rule based upon the agency's rule review and its determination as to whether the reasons for initially adopting the rules continue to exist.

Notice of the proposed review of 7 TAC, Part 2, Chapter 27, was published in the *Texas Register* as required on August 28, 2026 (51 TexReg 5854). The Department received no comments regarding the review.

The Department believes the reasons for initially adopting the rules in Chapter 27 continue to exist and those rules should be readopted.

RECOMMENDED ACTION: The Department requests that the Commission find that the reasons for initially adopting the rules in 7 TAC, Part 2, Chapter 27, continue to exist and that the Commission readopt these rules.

RECOMMENDED MOTION: I move that we find that the reasons for initially adopting the rules in 7 TAC, Part 2, Chapter 27, continue to exist, and that those rules be readopted.

Adopted Rule Review

On behalf of the Finance Commission of Texas (commission), the Texas Department of Banking (department) has completed the review of Texas Administrative Code, Title 7, Part 2, Chapter 27 (Applications), comprised of §27.1.

Notice of the review of Chapter 27 was published in the August 28, 2026 issue of the *Texas Register* (51 TexReg 5854). No comments were received in response to the notice.

The commission believes the reasons for initially adopting Chapter 27 continue to exist and readopts these sections in accordance with the requirements of Texas Government Code, §2001.039. However, certain revisions may be appropriate. Proposed amendments, if any, will be published in the *Texas Register* at a later date.

This concludes the review of Chapter 27, as required by Texas Government Code, §2001.039.

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C.

Office of Consumer Credit Commissioner

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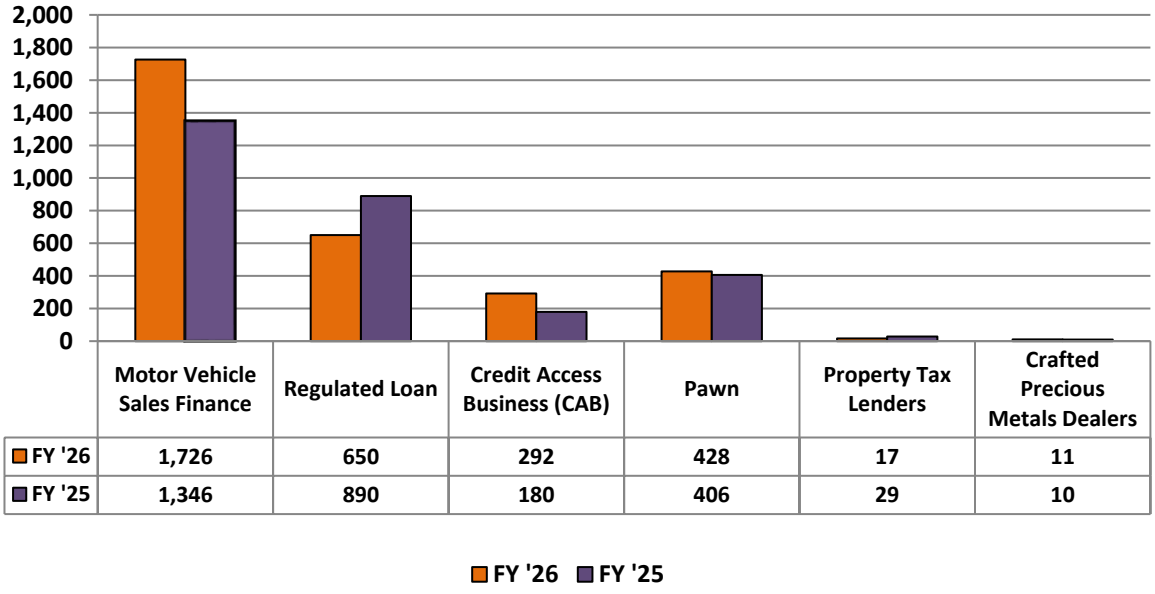
Consumer Protection and Consumer Assistance Report

The OCCC completed 3,124 examinations in FY 2026, exceeding the annual target of 2,700 by 15.7%. Enhancements to the examination process increased efficiency and reduced the average examination time across all industries by about 15% less than in FY 2025. Throughout FY '26, every license type maintained a compliance rate above 85%, reflecting strong overall regulatory compliance.

A primary focus over the last fiscal year was the refinement of exam practices in SES. The department completed all regulated lending and property tax lending exams in SES and will continue expanding the use of the system in FY 2027. The department anticipates that all Credit Access Business exams will be completed in SES during FY '27.

Exam staff remained actively engaged in multistate examination initiatives throughout FY '26 and expect this work to continue in FY '27. Professional development also remains a priority. Exam and Consumer Assistance staff attended the virtual annual Examiner Conference and Training School on September 16-18. Additionally, two examiners attended the NACCA Examiner Training School at the end of September. The OCCC is also currently planning additional training focused on Credit Access Business exams.

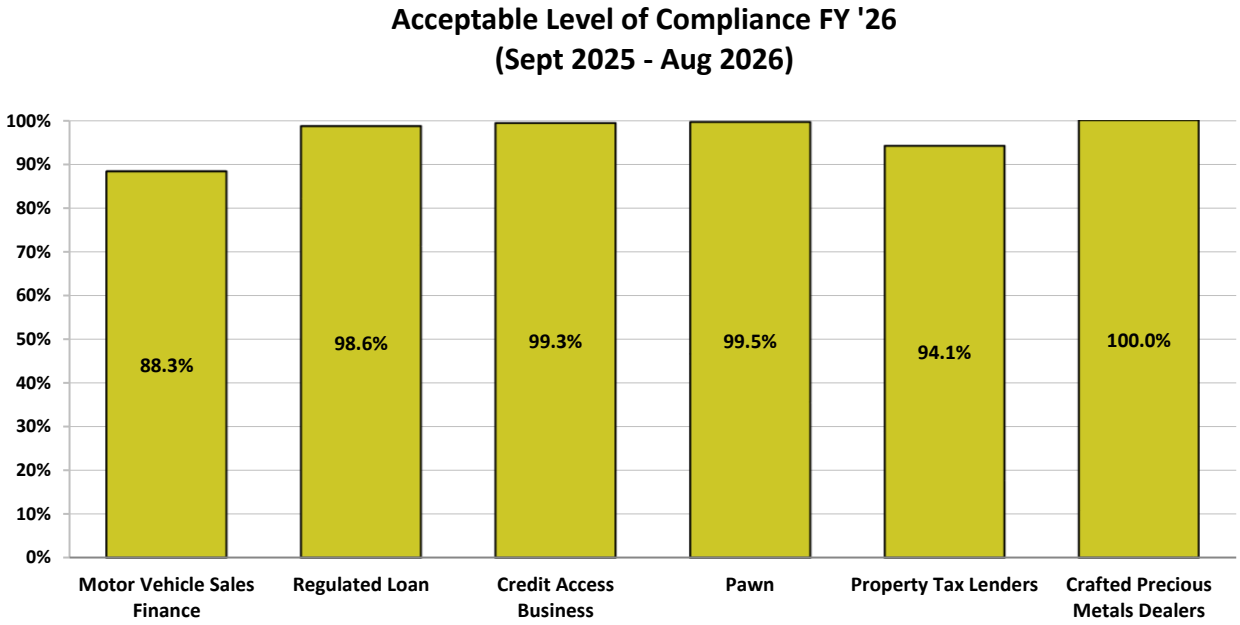
Examinations Conducted: Sept - Aug
Fiscal Year Comparison

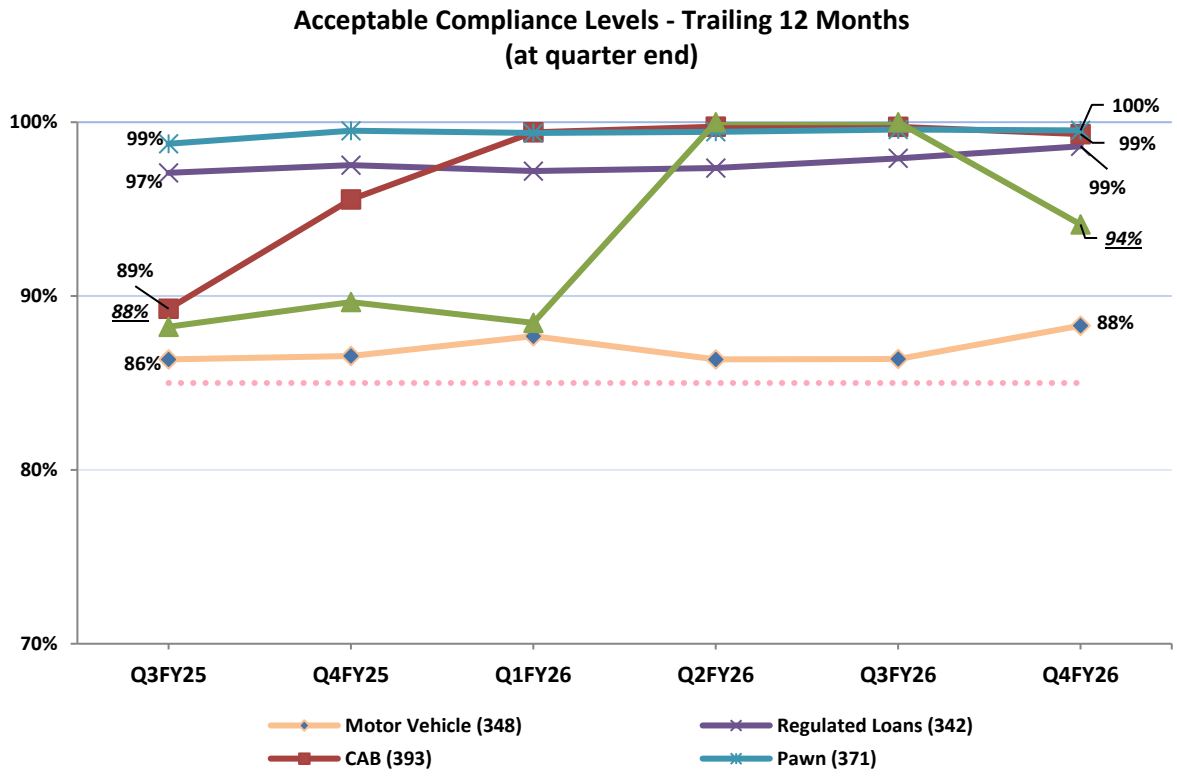


	Motor Vehicle Sales Finance	Regulated Loan	Credit Access Business (CAB)	Pawn	Property Tax Lenders	Crafted Precious Metals Dealers
FY '26	1,726	650	292	428	17	11
FY '25	1,346	890	180	406	29	10

Acceptable Level of Compliance - FY 2026

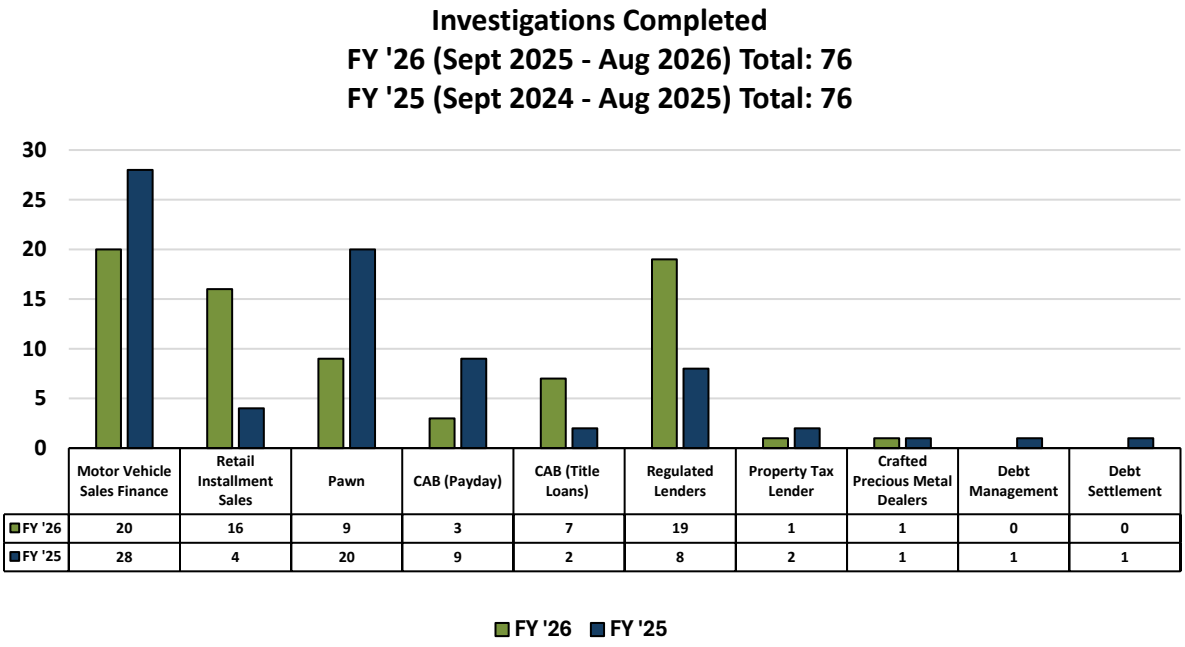
Fiscal year to date, all industry areas are above an 85% acceptable level of compliance.





Investigations

Matching the performance of the prior year, 76 investigations were completed from September 1, 2025 through August 31, 2026.



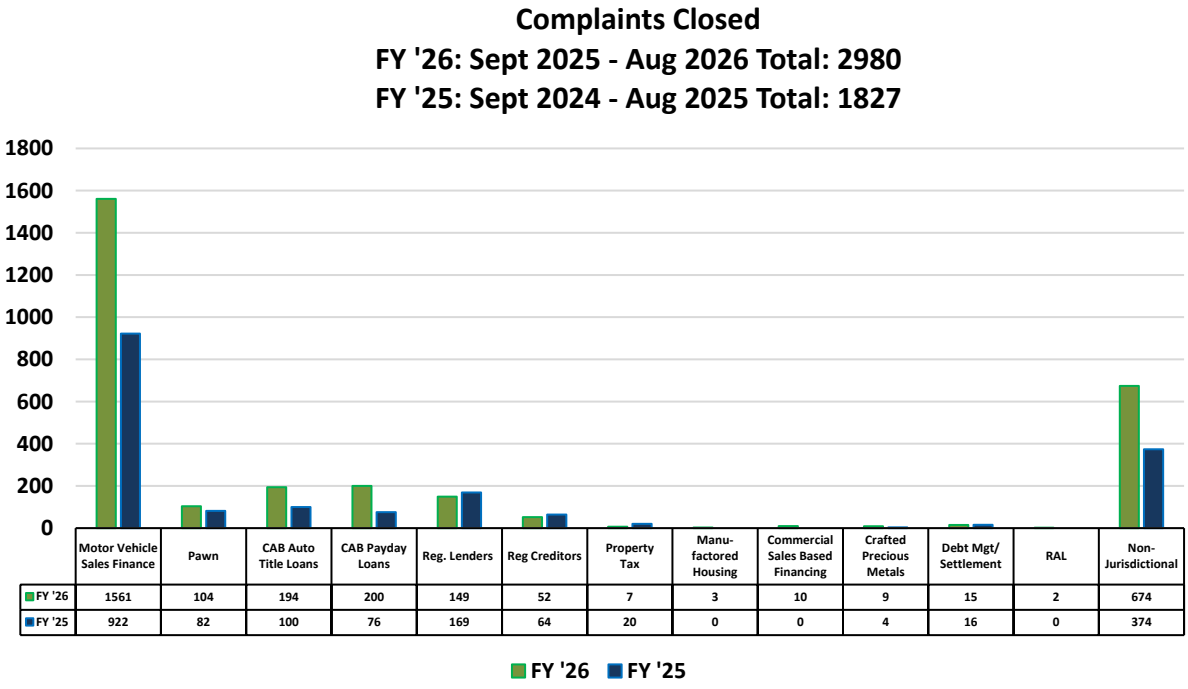
Offsite Monitoring

Offsite Monitoring activity continued to make steady progress through the fourth quarter. During FY '26, the department completed 268 plain language reviews and closed 275 debt cancellation agreement reviews within the required timelines. Additionally, 39 documentary fee filings were received and 18 were closed. At fiscal year-end, 42 documentary fee filings remained outstanding.

Plain Language	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	FY 2026
Received	48	42	47	41	178
Closed	49	103	63	53	268
DCA					
Received	66	67	61	68	262
Closed	80	61	69	65	275
Doc Fee					
Received	20	12	6	1	39
Closed	0	11	6	1	18

Consumer Assistance

During FY '26, the OCCC closed 2,980 complaints, a substantial increase from the 1,827 complaints closed in FY '25. This growth reflects a 63.1% increase in complaint closures compared to the prior year. The top area of jurisdictional complaints was Motor Vehicle Sales Finance, followed by Credit Access Businesses, Regulated Lenders, and Pawnshops. Motor Vehicle Sales Finance complaints accounted for 52.4% of all complaints and increased approximately 58% from FY '25. The second largest category was CAB complaints at 13.2% collectively, separately this was 6.7% for payday loans and 6.5% for title loans. The third largest category is Regulated Lending at 5%. The fourth largest complaint category was Pawnshops at 3.5%.



	Motor Vehicle Sales Finance	Pawn	CAB Auto Title Loans	CAB Payday Loans	Reg. Lenders	Reg Creditors	Property Tax	Manu-factored Housing	Commercial Sales Based Financing	Crafted Precious Metals	Debt Mgt/ Settlement	RAL	Non-Jurisdictional
FY '26	1561	104	194	200	149	52	7	3	10	9	15	2	674
FY '25	922	82	100	76	169	64	20	0	0	4	16	0	374

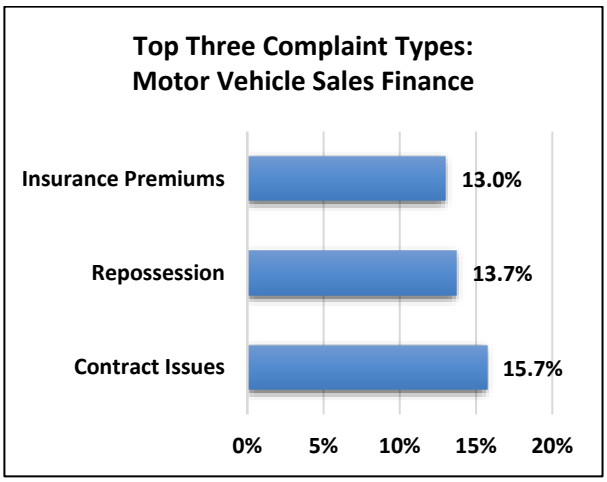
Performance Measures for Fiscal Year 2026: Number of Complaints Closed by Source (Table 1), Subject (Table 2), and Disposition (Table 3)

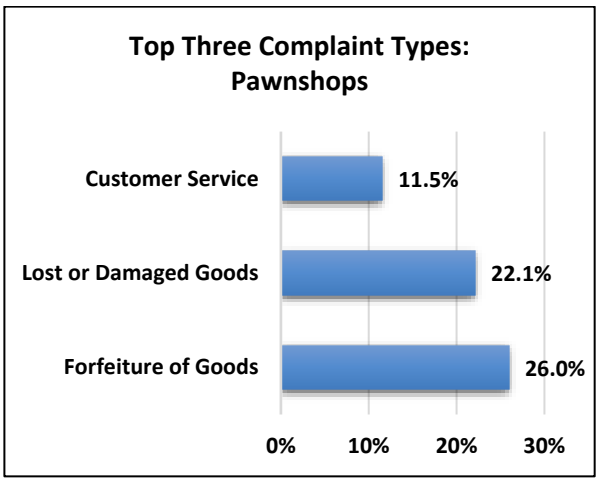
Source of Complaint	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Email	140	130	153	189
In Person	1	2	1	0
Mail	84	54	43	51
Phone	190	65	85	57
Referral	10	6	10	17
Website	308	401	413	570
Total	733	658	705	884

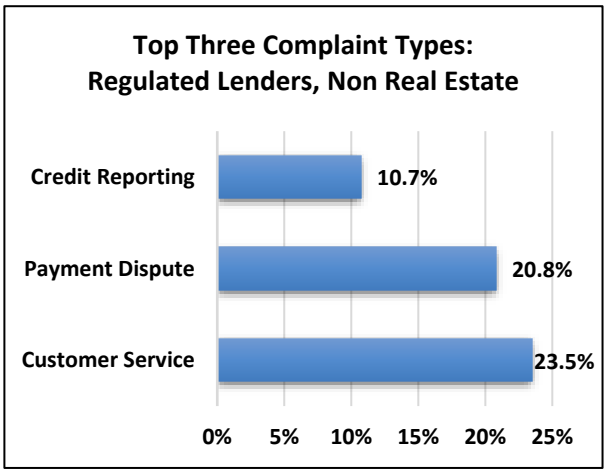
Subjects	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Motor Vehicle Sales Finance	418	356	372	415
CAB Payday Loans	35	34	47	82
CAB Auto Title Loans	38	37	52	67
Regulated Lenders	25	34	33	57
Pawn	20	22	34	28
Registered Creditors	7	18	11	16
Crafted Precious Metal Dealers	2	1	3	3
Manufactured Housing	2	1	0	0
Property Tax Lenders	0	1	5	1
Debt Management/Settlement	3	1	5	6
Commercial Sales Based Finance	4	4	2	0
Refund Anticipation Loan	0	0	1	1
Commercial Motor Vehicle Finance	1	0	0	0
Non-Jurisdictional	178	149	140	208
Total	733	658	705	884

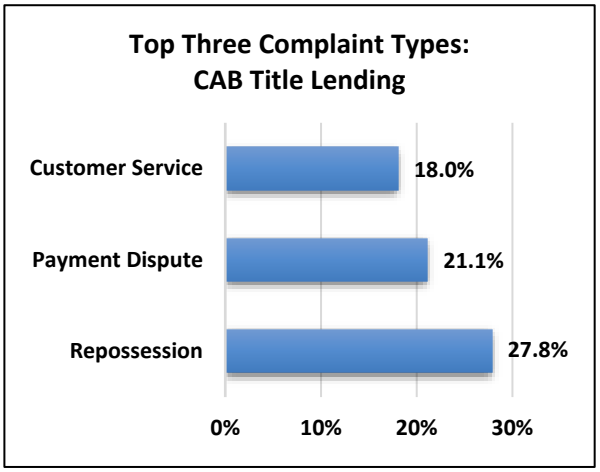
Disposition	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Closed with Explanation	174	258	298	399
Closed with Monetary	45	53	59	65
Closed with Non-Monetary	41	52	49	58
Referred to Investigations	5	8	5	4
Referred- Non-Jurisdictional	175	148	140	209
Cancelled by Complainant	293	139	154	149
Invalid	0	0	0	0
Total	733	658	705	884

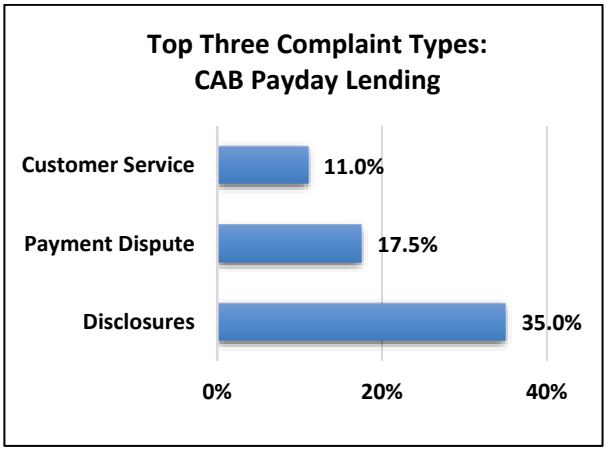
The following charts represent the top three complaint areas per license type.





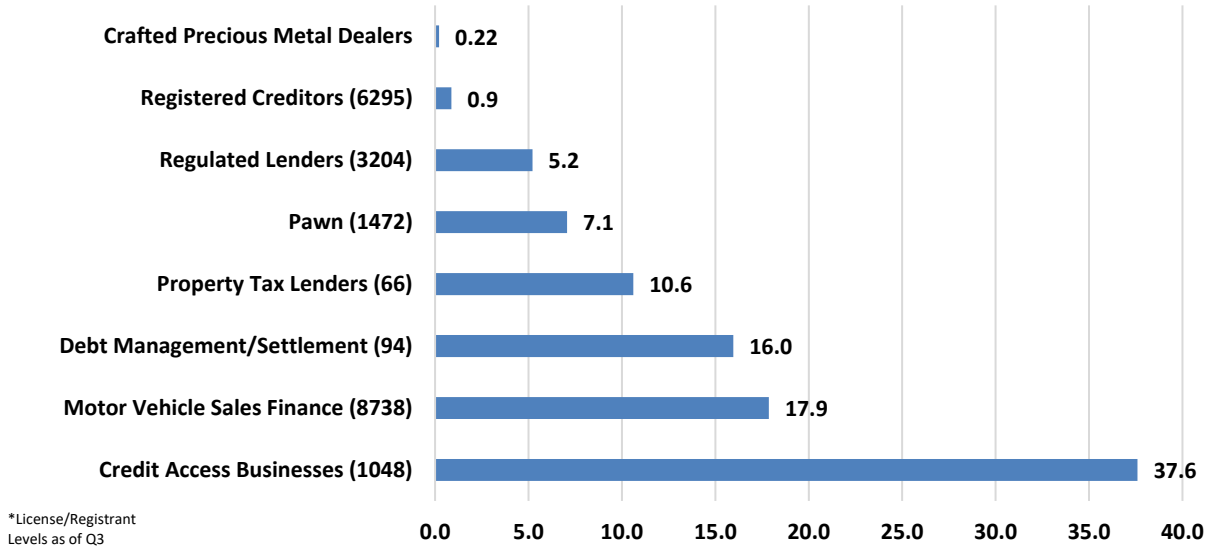






Comparison of complaints processed to the number of active license or registrant population is noted on the chart below. For this reporting period, the highest ratio of complaints to active licenses/registrants is Credit Access Businesses, followed by Motor Vehicle Sales Finance, Debt Management/Debt Settlement, and Property Tax Lenders. Property Tax Lenders and Debt Management/Settlement have a small number of licenses/registrations, which results in large complaint ratios. Additionally, in FY '26 a large group of Credit Access Business complaints were received from a single entity.

Ratio of Complaints to Total Active Licenses and Registrants*
FY '26: September 2025 - August 2026

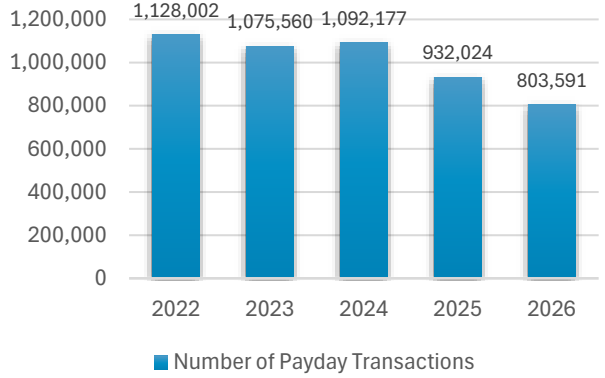


Performance Measures for Fiscal Year 2026

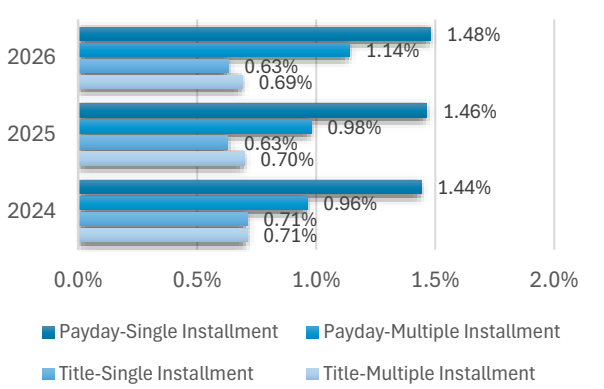
Production Targets and Priorities	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Percentage of Written Complaints Closed within 90 days	94.7%	86.2%	88.5%	89.7%
Average Number of Days to Close a Complaint	45.8	56.3	51.8	49.1
Number of Complaints Closed	733	658	705	884

Credit Access Business Quarterly Reporting Update

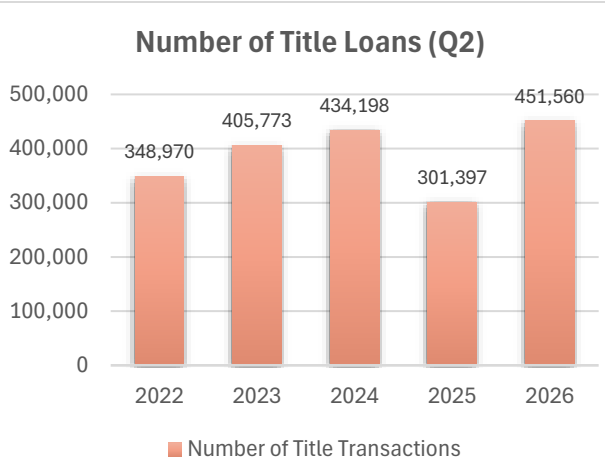
Credit Access Businesses (CABs) submitted quarterly transactional reports through Q2 2026. The first-page dashboard summarizes loan volume, vehicle repossessions, and average fees per $100 borrowed. The final page provides detailed historical comparisons by loan type and repayment structure.



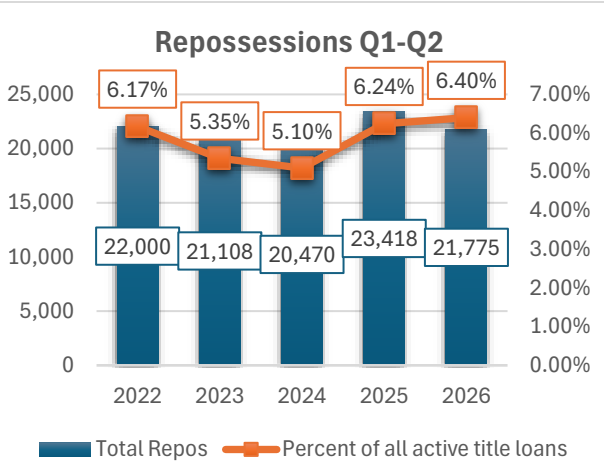
Q1–Q2 payday loan volume totaled 803,591 in 2026, down 14% from 2025 and 28% from 2022. Multiple-installment loans represented 93% of new payday loans.



In 2026, average daily fee rates ranged from 0.63% for single-installment title loans to 1.48% for single-installment payday loans. At 1.48%, a $500 two-week loan would incur approximately $103.60 in fees.



Q1–Q2 title loan volume increased 50%, from 301,397 in 2025 to 451,560 in 2026. The variation was primarily attributable to single-installment title loan refinances.



Repossessions decreased 7%, from 23,418 in 2025 to 21,775 in 2026. However, the repossession rate increased from 6.24% to 6.40%, the highest rate shown.

.

Detailed CAB Metrics: Q1–Q2 Historical Comparisons

Data Highlights (All Loan Types) Q1-Q2 Comparison	2026	2025	2024	2023	2022	2021
Number of new payday loans	647,675	726,400	782,891	809,989	820,368	708,826
Number of new auto title loans	90,070	114,629	117,662	107,534	105,843	90,573
Percentage of payday loans due in multiple installments	93%	93%	90%	90%	83%	70%
Percentage of auto title loans due in multiple installments	64%	45%	36%	44%	48%	45%
Number of vehicles repossessed under all auto title loans	21,775	23,418	20,519	21,108	22,000	23,473
Total number of locations reporting activity	854	854	1,151	1,233	1,347	1,454
Payday Loans Q1-Q2	**Single Installment**			**Multiple Installment**		
	2026	**2025**	**2024**	**2026**	**2025**	**2024**
Number of consumers obtaining loans	28,748	35,748	54,040	531,832	594,703	600,210
Number of new loans	42,202	53,189	80,207	605,473	673,211	702,684
Number of total refinances[1]	55,236	67,758	87,112	100,680	137,866	222,174
Average loan amount	$570	$551	$515	$592	$593	$664
Average fee per $100 borrowed	$28	$27	$27	$149	$136	$114
Average original term (in days)	19	19	19	131	139	119
Average Fee Converted to a Daily Rate[2]	1.48%	1.46%	1.44%	1.14%	0.98%	0.96%
Title Loans Q1-Q2	**Single Installment**			**Multiple Installment**		
	2026	**2025**	**2024**	**2026**	**2025**	**2024**
Number of consumers obtaining loans	27,570	43,061	51,364	53,814	45,736	39,976
Number of new loans	32,589	63,190	74,884	57,481	51,439	42,778
Number of total refinances[1]	298,356	132,705	274,294	63,134	54,063	44,058
Average loan amount	$1,945	$1,640	$1,429	$1,398	$1,471	$1,560
Average fee per $100 borrowed	$19	$19	$21	$111	$109	$108
Average original term (in days)	30	30	30	161	157	152
Average Fee Converted to a Daily Rate[2]	0.63%	0.63%	0.71%	0.69%	0.70%	0.71%

[1] Loan and refinance counts are calculated by summing the quarterly Form 10F reports.

[2] Based on reported averages, this measure divides the average fee per dollar borrowed by the average original term. Multiplying the result by 365 provides only an approximation of an annual percentage rate. The actual annualized cost may be significantly higher when principal declines with each multiple-installment payment but total fees remain unchanged.

Licensing Department Report- October 2026

Mirand Diamond, Director of Licensing, Finance & HR
Lindsey Anderman, Licensing Manager

Renewal

The Licensing Department is preparing for upcoming renewal activities. The annual NMLS renewal cycle begins November 1, 2026, for Property Tax Lenders, Credit Access Businesses, Regulated Lenders, Motor Vehicle Sales Finance, and Commercial Motor Vehicle Sales Finance. The renewal period in NMLS ends December 31.

Registered Creditor renewals will open in ALECS on October 1, 2026, and ends November 30.

Application Processing

The department processed 145 Other Trade Name (OTN) applications and 3,869 Amendments throughout FY26. Amendment volume increased by approximately 102% compared to FY25, rising from 1,918 to 3,869 amendments processed by Licensing staff. The increase is primarily driven by the ongoing efforts to transition additional licensed industry types from ALECS to NMLS, resulting in increased amendment activity as licensees update information and complete system migration requirements. This activity demonstrates continued progress toward licensing modernization and data integrity.

Other Updates

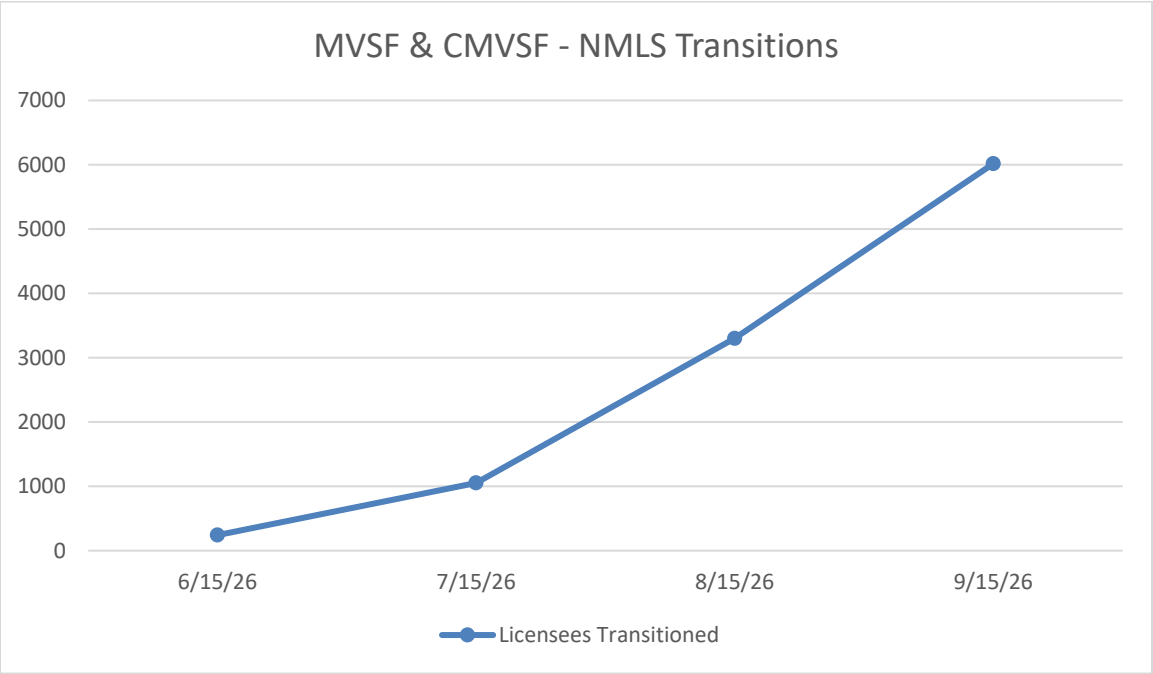
Transition to NMLS

The transition of license types to the Nationwide Multistate Licensing System (NMLS) continues to make steady progress. The transition periods for Property Tax Lenders, Regulated Lenders, and Credit Access Businesses have concluded, although staff continue to process a limited number of remaining Regulated Lender and Credit Access Business transition applications.

The transition period for Motor Vehicle Sales Finance (MVSF) and Commercial Motor Vehicle Sales Finance (CMVSF) licenses began on June 1, 2026. During the initial transition period, 5,896 MVSF and CMVSF licensees successfully transitioned to NMLS as of August 31, 2026, which is approximately 67% of total active and inactive licenses. To provide additional time for licensees to complete the process, the transition deadline was extended from August 31, 2026, to September 30, 2026. Staff continue to monitor application volume and work closely with licensees, stakeholders, and industry groups to facilitate timely completion of the transition process.

Extensive outreach efforts continue to support licensees throughout the transition, including webinars, virtual office hours, direct phone calls, letters, postcards, and frequent email communications. These

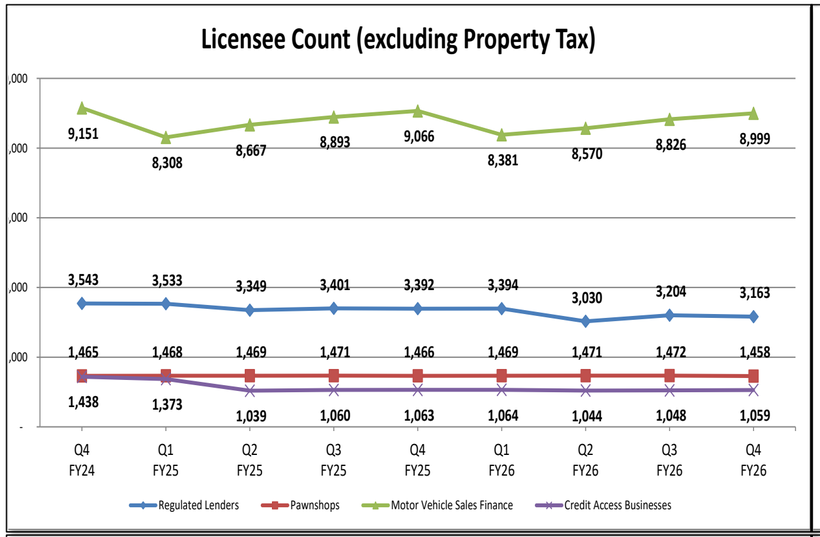
efforts are intended to ensure licensees are informed of transition requirements, deadlines, and available resources, and to facilitate a smooth migration to NMLS.

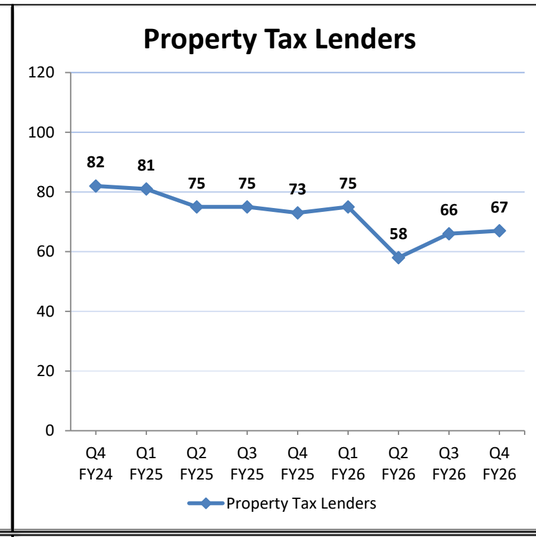


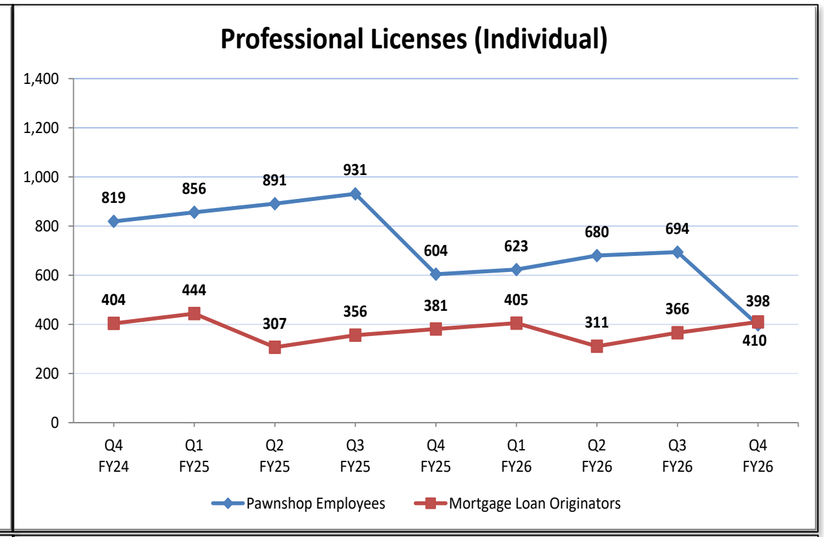
New Registration Type

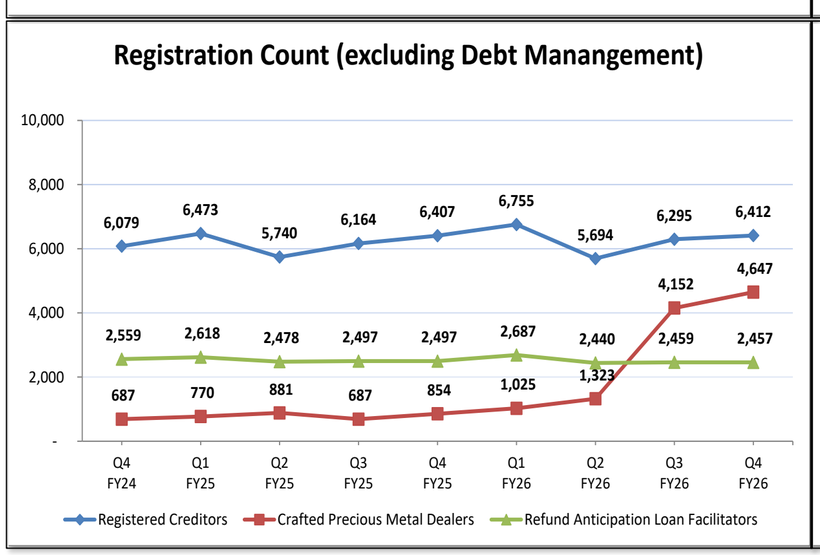
Legislation passed during the 2025 Legislative Session requires the registration of Commercial Sales-Based Financing providers with the OCCC. The new registration program launched in NMLS on September 1, 2026, and applications are currently being accepted. To date, a few applications have been submitted. Registration is required by December 31, 2026.

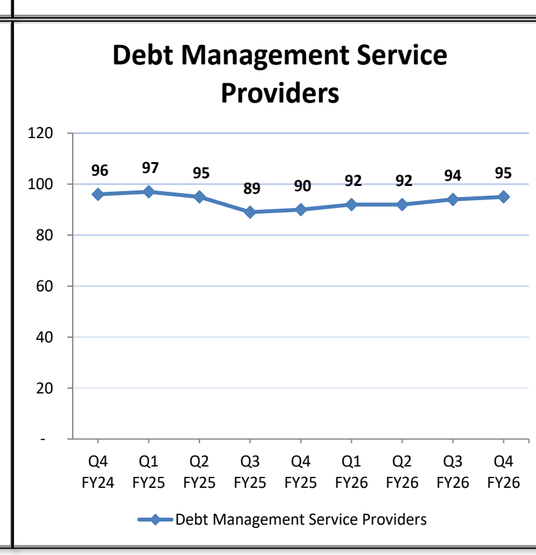
Number of OCCC Regulated Entities
Quarterly Comparison FY 24-26

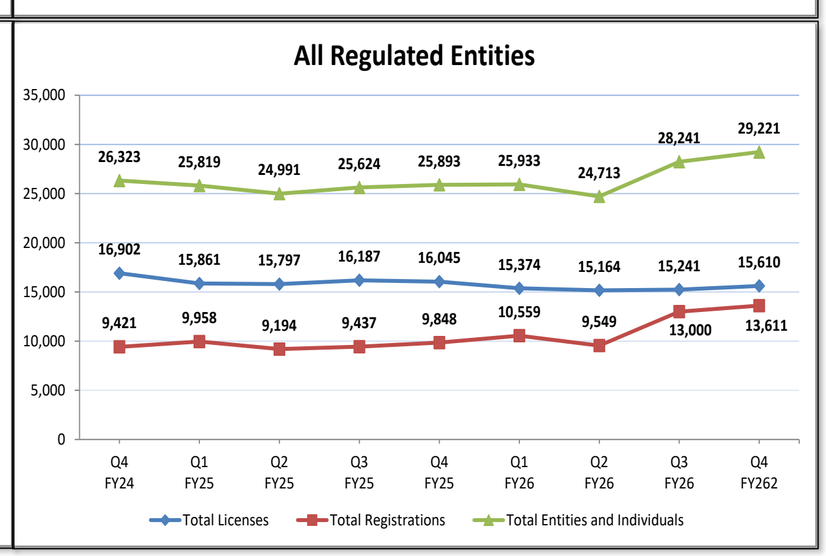












ADMINISTRATION REPORT

FINANCIAL EDUCATION AND TFEE

The agency provided direct educational services to 736 individuals during FY '26. During this reporting period, the OCCC collaborated with the Department of Banking for a webinar entitled Digital Financial Tools. This webinar provided participants with practical information on digital banking services, personal finance applications, online security, and resources designed to help consumers manage their finances safely and effectively. Staff have been invited to present at the 2026 Family Financial Literacy Summit in November and continue to pursue additional speaking opportunities to increase awareness of OCCC programs and services among Texans.

The 2024-2025 TFEE Impact Report has been published and is available in the accompanying materials. Overall, during the 2024-2025 cycle, TFEE reimbursed nearly $672,000 in grant funds and more than 11,600 Texans were served through more than 6,800 direct contact hours. The agency is currently processing reimbursement reports for the first grant cycle for 2026-2027 and compiling the first Semi-Annual report.

COMMUNICATION

In September, the agency hosted its Annual Consumer Protection Conference and Training School, providing professional development opportunities for agency staff. The event facilitated knowledge sharing, regulatory updates, and training designed to support consistent and effective practices. The OCCC kicked off the State Employee Charitable Campaign on September 1 and plans to support the campaign through fundraising activities designed to encourage employee participation and giving.

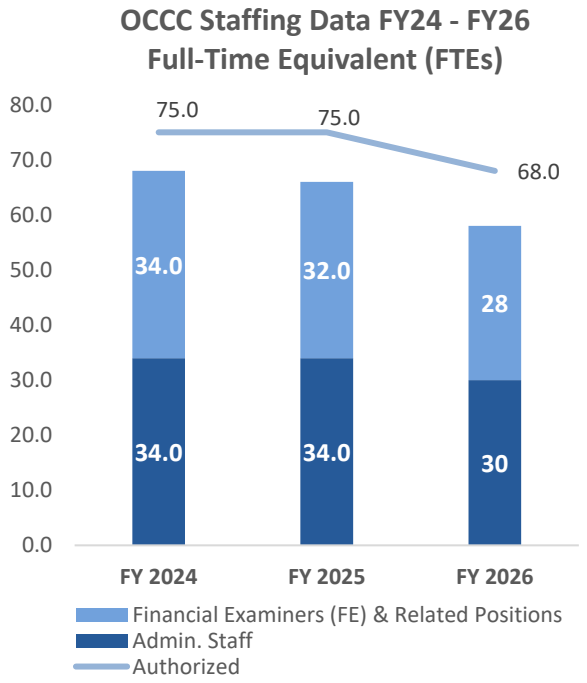
The OCCC continues to communicate with stakeholders, and staff have provided presentations to regulated entities and other groups as follows:

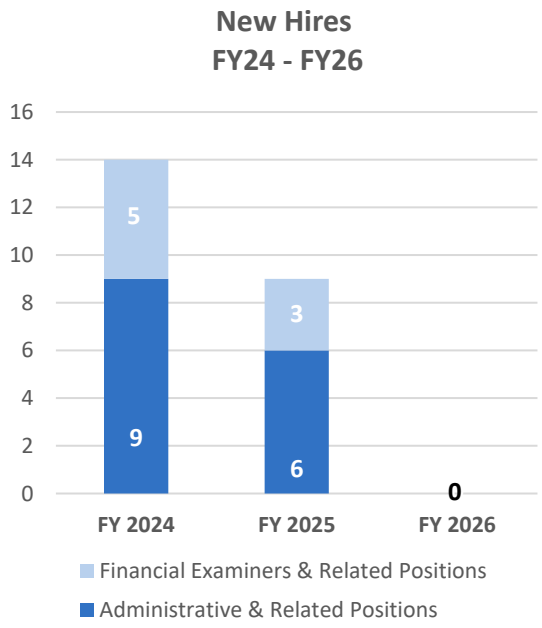
- On August 6, 2026, Financial Examiners Traweek and Verrett hosted a webinar for automobile dealers sponsored by the Texas Department of Motor Vehicles.
- On August 27, 2026, Financial Examiners Brooks and Traweek presented at the Auto Auction Seminar hosted by Auto Auction Dealer Management System.
- On September 9, 2026, Director Graham attended an SES Advisory Group Meeting.

- On September 21, 2026, Commissioner Pettijohn, General Counsel Nance, Director Diamond, Director Graham, Licensing Manager Anderman, Assistant General Counsel Spalding, and Assistant General Counsel Vedanarayanan conducted a Motor Vehicle Licensing and Recordkeeping Rules Webinar.
- On September 22, 2026, Commissioner Pettijohn, General Counsel Nance, Director Graham, Deputy Director Hubenthal, Financial Examiner Baker, Assistant General Counsel Spalding, and Assistant General Counsel Vedanarayanan conducted a Plain Language Rule Review Webinar.
- On September 29 - October 2, 2026, General Counsel Nance attended and presented at the National Association of Consumer Credit Administrators (NACCA) Consumer Services and Examiners' School in Albuquerque, New Mexico.

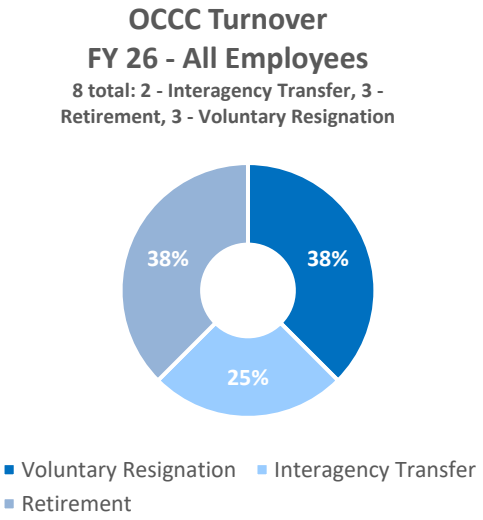
HUMAN RESOURCES

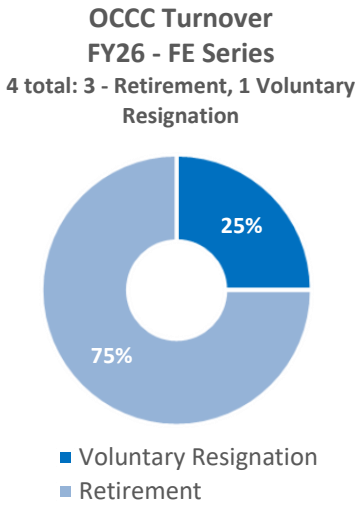
As of August 31, 2026, the OCCC is staffed with a total of 58 FTEs. The following charts represent staffing data for fiscal years 2024-2026.





The turnover ratio as of August 31, 2026, is 11.8%. The charts below represent FY26 data.





INFORMATION TECHNOLOGY

Area	
• Equipment	• Ordered and received laptops for the next phase of scheduled hardware refresh cycle. Initiated device configuration and deployment preparations to support endpoint fleet replacement. • Completed annual asset inventory. No abnormal findings.
• Software	• Development of annual reporting software to receive industry submissions.
• Agency Support	• Continuing expansion of SPARK, the agency's centralized, a non-administrative IT service portal. Current capabilities include asset stewardship tracking, employee onboarding and offboarding requests, and access to the IT policy library. The platform is designed to support future enhancements and evolving operational needs.
• Cybersecurity training and associated topics	• The Security and Policy Coordinating Committee members completed their enhanced training goals for FY'26. • Bi-weekly email phishing tests are ongoing.

ACCOUNTING

Financial Reporting

The fourth quarter of FY 26 ended on August 31, and the quarterly financial statement is presented elsewhere in this packet.

Annual Financial Report

The accounting team continued work on analysis, document compilation and closing journal voucher entries for the annual financial report, which was due October 1.

Audit

The Comptroller of Public Accounts concluded work on a desk audit of duplicate payments. No issues were identified with the sample requested of the OCCC.

Work on risk assessments has also commenced for the annual internal audit by Garza, Gonzalez & Associates.

Other Items

The Veterans Workforce Summary report and the management-to-staff ratio report to the State Auditor's Office were submitted in September.

The Multiple Worksite quarterly report is due in October.

OFFICE OF CONSUMER CREDIT COMMISSIONER
EXECUTIVE SUMMARY

As of August 31, 2026

	FY 2024	FY 2025	FISCAL YEAR 2026				
			1st QTR	2nd QTR	3rd QTR	4th QTR	FYTD
CONSUMER PROTECTION							
Monies Returned (000)	6,683	6,639	446	695	695	3,848	5,684
Regulated Lenders Examinations	821	890	7	289	179	175	650
Property Tax Lender Examinations	8	29	0	6	5	6	17
Pawnshop Examinations	399	406	128	145	80	75	428
Motor Vehicle Examinations	1,344	1,346	408	353	503	462	1,726
Credit Access Businesses Examinations	427	180	245	3	5	39	292
Crafted Precious Metal Dealers	10	10	1	8	1	1	11
CONSUMER ASSISTANCE							
Telephone Complaints Received	377	499	181	69	101	25	376
Written Complaints Received	922	1,493	586	581	741	706	2,614
Total Complaints Closed	1,263	1,827	733	658	705	884	2,980
% of Written Complaints Closed within 90 Calendar Days	96.7%	95.1%	94.7%	86.2%	88.5%	89.7%	89.7%
ENFORCEMENT ACTIONS							
Enforcement Cases Opened	117	140	27	5	29	67	128
Enforcement Cases Closed	147	102	51	27	19	5	102
LICENSING AND REGISTRATION							
Licenses							
Regulated Lender Licenses	3,543	3,392	3,394	3,030	3,204	3,163	3,163
Pawnshop Licenses	1,465	1,466	1,469	1,471	1,472	1,458	1,458
Pawnshop Employee Licenses	819	604	623	680	694	398	398
Commercial MV Sales Fin. Licenses	75	82	80	82	88	104	104
Motor Vehicle Sales Finance Licenses	9,076	8,984	8,301	8,448	8,738	8,895	8,895
Property Tax Lender Licenses	82	73	75	58	66	67	67
Mortgage Loan Originators	404	381	405	311	366	410	410
Credit Access Business Licenses	1,438	1,063	1,064	1,044	1,048	1,059	1,059
Registrations							
Registered Creditors	6,079	6,407	6,755	5,694	6,295	6,412	6,755
Crafted Precious Metal Dealers	687	854	1,025	1,323	4,152	4,647	1,025
Debt Management Service Providers	96	90	92	92	94	95	92
Refund Anticipation Loan Facilitators	2,559	2,497	2,687	2,440	2,459	2,457	2,687
Applications							
Business -- New	1,046	1,161	353	218	380	291	1,242
Business -- Change of Ownership	197	46	10	29	6	11	56
Pawnshop Employees -- New	231	189	24	43	19	33	119
HUMAN RESOURCES DATA							
Field Examiners Staffing	34	32	30	28	28	28	28
Total Staffing	68	66	63	61	58	58	58

Actual Performance for Key Outcome & Efficiency Measures

Type/Strategy/Measure	2026 Target	2026 YTD	Percent of Annual Target	
Outcome Measures-Key				
CONSUMER PROTECTION				
A.1 CONSUMER COMPLAINTS				
1. % WRITTEN COMPLAINTS CLOSED WITHIN 90 DAYS *Despite a significant increase in complaint volume, the department exceeded its target by leveraging staff from other areas to assist with complaint processing.*	85%	89.7%	105.5%	*
A.2 ENSURE COMPLIANCE				
1. % EXAMINATIONS REPORTING ACCEPTABLE LEVEL OF COMPLIANCE *The agency's ongoing outreach and education efforts helped licensees better understand and comply with regulatory requirements.*	85%	93.0%	109.4%	*
2. MONIES RETURNED TO CONSUMERS *Monies returned to consumers exceeded projections due to strong regulatory oversight. Restitution amounts are difficult to predict, but the higher total demonstrates the agency's strong efforts in protecting consumers.*	$5,000,000	$5,683,997	113.7%	*
EFFECTIVE LICENSING & REGISTRATION				
B.1 1. % BUSINESS LICENSE APPLICATIONS PROCESSED WITHIN 60 DAYS *The transition of multiple license types to the Nationwide Multistate Licensing System (NMLS) contributed to the delay in processing applications within the targeted timeframe.*	75%	45.0%	60.0%	*
EFFICIENT AND EFFECTIVE AGENCY OPERATION				
C.1 1. % REGULAR EMPLOYEES SEPARATED FROM AGENCY *Turnover remained below the projected rate of 15%, reflecting stronger retention*	15%	11.80%	78.7%	
Efficiency Measures-Key				
CONSUMER PROTECTION				
A.1 1. AVERAGE NUMBER OF DAYS TO CLOSE AN ENFORCEMENT ACTION *Legal staff was able to close cases more efficiently than the target, with a majority of respondents complying with enforcement orders.*	100	95	95.0%	*
EFFECTIVE LICENSING & REGISTRATION				
B.1 2. AVERAGE PROCESSING TIME (DAYS) FOR BUSINESS LICENSE APPS *Application processing times exceeded the established target primarily to the transition of multiple license types to the Nationwide Multistate Licensing System (NMLS). The process required a significant allocation of staff resources to support the transition of licensees into the new system. These efforts, combined with reduced staffing levels, temporarily limited processing capacity and increased application review times.*	60	87	145%	*

* Varies by 5% or more from quarterly or year-end targets.

Office of Consumer Credit Commissioner
Actual Performance for Output Measures
Fiscal Year 2026

Type/Strategy/Measure	2026 Target	2026 Actual	2026 YTD	Percent of Annual Target	
Output Measures-Key					
CONSUMER PROTECTION					
1-1-1 Complaint Resolution					
1. # Complaints Closed					
Quarter 1	1,750	733	733	41.9%	*
Complaint processing activity has exceeded targets, driven by higher than-anticipated complaint volume.					
Quarter 2	1,750	658	1,391	79.5%	*
Complaint activity has exceeded agency goals due to a a higher than expected volume of complaints.					
Quarter 3	1,750	705	2,096	119.8%	*
Complaint resolutions exceeded year-to-date targets due to sustained higher-than-expected complaint volume and continued processing efficiency.					
Quarter 4	1,750	884	2,980	170.3%	*
Complaint closures exceeded the fiscal year target due to a substantial increase in complaint volume.					
2-1-1 Examination and Enforcement					
1. # Examinations Completed					
Quarter 1	2,700	789	789	29.2%	
Quarter 2	2,700	804	1,593	59.0%	
Quarter 3	2,700	773	2,366	87.6%	*
Examinations completed exceeded year-to-date targets due to efficiencies in completing enterprise examinations finalized during the quarter.					
Quarter 4	2,700	758	3,124	115.7%	*
Process improvements and examination efficiencies enabled the agency to complete more examinations than originally forecasted.					
EFFECTIVE LICENSING & REGISTRATION					
2-2-1 Licensing and Registration					
1. # Business License Applications Processed					
Quarter 1	1,200	363	363	30.3%	
Quarter 2	1,200	247	610	50.8%	
Quarter 3	1,200	386	996	83.0%	*
Business license applications processed are ahead of schedule due to some NMLS efficiencies such as quicker respsonse times from applicants and a higher volume of complete applications submitted.					
Quarter 4	1,200	302	1,298	108.2%	*
Business license application processing exceeded expectations due to NMLS efficiencies, including faster applicant response times and a higher volume of complete applications received.					
FINANCIAL EDUCATION					
3-3-1 Financial Education					
1. # People Receiving Direct Educational Services					
Quarter 1	650	22	22	3.4%	*
The agency received fewer class requests than forecasted. Anticipated second-quarter requests are expected to align with targets.					
Quarter 2	650	316	338	52.0%	
Quarter 3	650	224	562	86.5%	*
Performance is higher than forecasted due to increased requests for financial education events.					
Quarter 4	650	174	736	113.2%	*
Attendance at educational events exceeded expectations, resulting in more individuals receiving direct educational services than forecasted.					

*Varies by 5% or more from target.

OCCC Actual Performance for Non-Key Measures
Fiscal Year 2026
For Period Ending August 31, 2026

Type/Strategy/Measure		2026 Target	2026 YTD	Percent of Annual Target
Non-Key Measures				
A. CONSUMER PROTECTION				
A.1.1	AVERAGE NUMBER OF DAYS FOR ALL COMPLAINTS TO REACH FINAL DISPOSITION	**60**	53	88.3%
A.1.2	AVERAGE NUMBER OF DAYS TO CLOSE A COMPLAINT	**45**	51.3	114.0%
	While complaint volume increased significantly during the fiscal year, the average processing time remained only slightly above target.			
A.1.3	AVERAGE COST PER COMPLAINT	**$160**	$77.50	48.4%
A.2.1	AVERAGE COST PER EXAMINATION	**$1,600**	$1,164.50	72.8%
A.2.2	% OF LICENSED LOCATIONS AND REGISTERED OFFICES EXAMINED ANNUALLY	**18%**	21.2%	117.8%
A.2.3	NUMBER OF INVESTIGATIONS COMPLETED	**75**	76	101.3%
A.3.2	% OF ENFORCEMENT ACTIONS CLOSED WITHIN TARGETED TIMEFRAME	**75%**	84%	112.0%
A.3.3	NUMBER OF ENFORCEMENT ACTIONS TAKEN AND CLOSED BY FINAL ORDER	**150**	95	63.3%
	Legal staff received fewer enforcement referrals than anticipated and received referrals for some cases later than anticipated. This measure counts only cases closed by final order, but some cases were closed without a final order.			
A.3.4	NUMBER OF CONTESTED CASES DOCKETED AT SOAH	**3**	0	0.0%
	Legal staff received fewer hearing requests than anticipated, and was able to resolve the majority of cases with compliance and without the need to docket a contested case at SOAH.			
A.3.5	NUMBER OF COMPLIANCE AIDS AND TOOLS PUBLISHED	**30**	23	76.7%
	The OCCC received fewer requests for compliance aids and tools than anticipated.			
A.3.6	NUMBER OF INDUSTRY STAKEHOLDER AND OUTREACH EVENTS HOSTED OR ATTENDED BY OCCC STAFF	**30**	48	160.0%
B. EFFECTIVE LICENSING AND REGISTRATION				
B.1.1	AVERAGE PROCESSING TIME (DAYS) FOR PAWNSHOP EMPLOYEE APPS	**38**	67	56.7%
	Variances in licensing performance measures were influenced by differences in application volume and processing workflows across programs. Pawnshop employee applications are processed through ALECS using a different review process than NMLS.			
B.1.2	AVERAGE PROCESSING TIME (DAYS) FOR RMLO APPS	**30**	20	150.0%
B.1.3	NUMBER OF PAWNSHOP EMPLOYEE LICENSE APPLICATIONS PROCESSED	**200**	145	72.5%
	The variance was due to fewer applications received			
B.1.4	NUMBER OF RMLO APPLICATIONS PROCESSED	**225**	308	136.9%
C. FINANCIAL EDUCATION				
C.2	PERCENTAGE OF TFEE AWARD RECIPIENTS WHO ACHIEVED THEIR CONSUMER PARTICIPATION GOAL AT THE TIME OF GRANT COMPLETION	**100%**	70.0%	70.0%
	Overall performance was strong, with 7 of 10 grantees meeting goals. Although 3 grantees did not meet targets, they demonstrated meaningful progress even with unexpected challenges.			
D. EFFICIENT AND EFFECTIVE AGENCY OPERATION				
D.1	PERCENTAGE OF ACTUAL EXPENDITURES TO BUDGETED EXPENDITURES	**94%**	89.0%	94.7%
	In FY 26, the OCCC intentionally decreased spending, mostly in the categories of personnel costs and travel, due to certain revenue budgetary constraints.			
D.2.1	PERCENTAGE OF PUBLIC INFORMATION REQUESTS ADDRESSED WITHIN 5 BUSINESS DAYS	**80%**	77.0%	96.3%
D.2.2	NUMBER OF PUBLIC INFORMATION REQUESTS CLOSED	**140**	161	115.0%
D.2.3	NUMBER OF PUBLIC INFORMATION REQUESTS WITHDRAWN	**5**	10	200.0%
	The OCCC had some requests that were considered withdrawn for failing to pay an invoice or respond to requests for narrowing or clarification.			
D.2.4	AVERAGE NUMBER OF DAYS TO ADDRESS A PUBLIC INFORMATION REQUEST	**3**	3.6	120.0%
	Requests required more time on average than anticipated because of the high volume of requests, as well as needing to meet additional personnel responsibilities with existing staff.			
D.2.5	NUMBER OF PUBLIC INFORMATION REQUESTS RECEIVED	**145**	188	129.7%
	The OCCC received more public information requests than anticipated, including requests originating from complaints and requests that appear to have been assisted by AI.			

* Varies by 5% or more from target.

Legal Department Report

Matthew Nance, General Counsel

October 2026

Enforcement Report

Contested Cases

As of September 30, 2026, the OCCC has no pending contested cases before the State Office of Administrative Hearings (SOAH).

Enforcement Case Highlights

Multistate consent order on mortgage servicing violations

In August 2026, the OCCC and 47 other state regulators entered a settlement agreement and consent order with NewRez LLC, a mortgage servicing company. Under the settlement, NewRez agreed to pay $15.5 million, including $4.5 million to impacted borrowers as well as penalties and costs. The OCCC was one of nine state agencies that conducted a multistate examination of NewRez in 2022. During the examination, state examiners found that NewRez had improperly imposed force-placed insurance on borrowers with active homeowner's insurance policies, which is a violation of federal Regulation X, 12 C.F.R. § 1024.37. NewRez agreed to implement enhanced monitoring for loans with force-placed insurance and to implement other actions to strengthen controls.

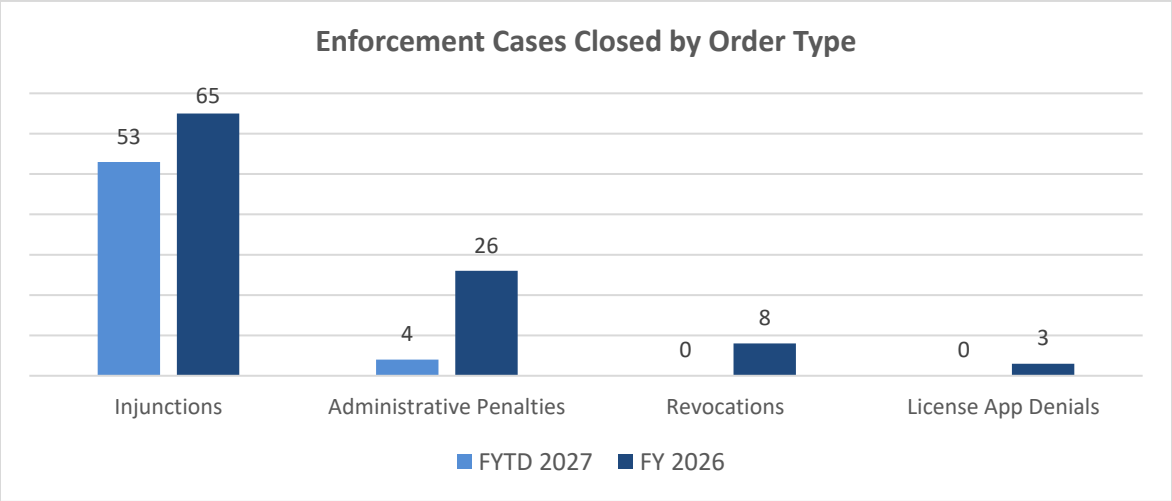
Orders on reporting violations

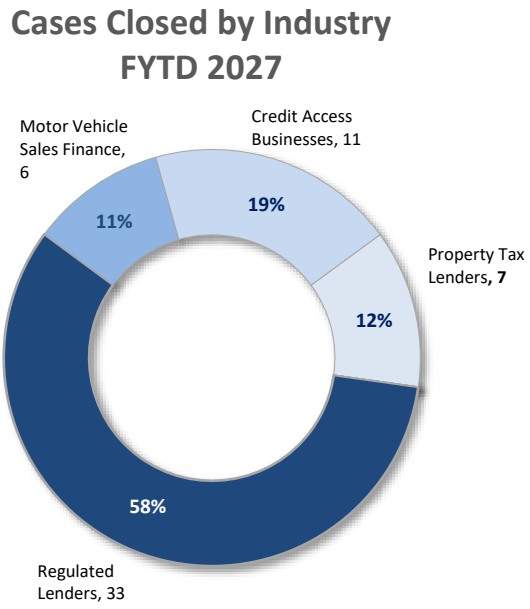
The Texas Finance Code and its implementing rules require regulated lenders and credit access businesses to file periodic reports with the OCCC describing transaction activity. If a licensee violates this requirement, the OCCC's typical practice is to send an injunction for the first violation, followed by administrative penalties for subsequent violations. In July 2026, the OCCC issued 42 enforcement orders against regulated lenders for failing to file 2025 annual reports by the deadline of May 1, 2026. In August 2026, the OCCC issued 14 orders against credit access businesses for failing to file 2026 first quarter reports by the deadline of April 30, 2026.

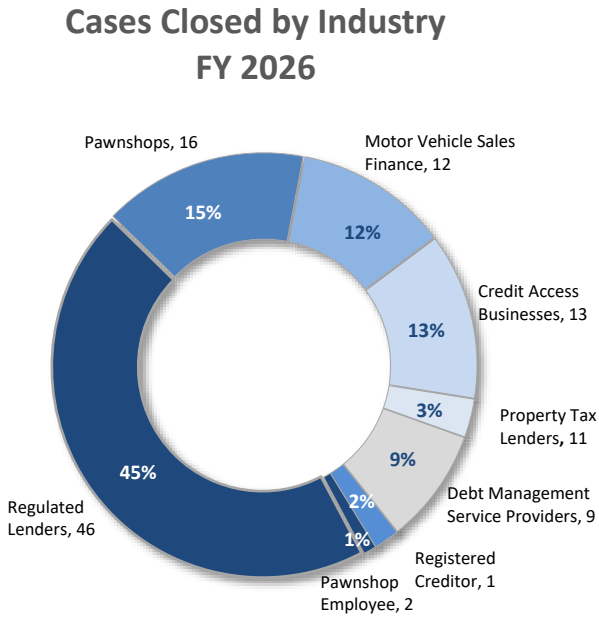
Enforcement Case Tracking

The following table includes enforcement case tracking information for FY 2027 to date (September 1, 2026, through September 30, 2026) and FY 2026 (September 1, 2025, through August 31, 2026).

Enforcement Case Tracking Information	FYTD 2027	FY 2026
Enforcement Cases Opened	1	128
Enforcement Cases Closed	57	102
Enforcement Cases Closed by Final Order	50	95
Average Number of Days to Close an Enforcement Action	112	95
Contested Cases Docketed at SOAH	0	0







Rulemaking

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

- Adoption of amendments to 7 TAC Chapter 83, Subchapter B, concerning licensing and recordkeeping requirements for credit access businesses.
- Readoption of 7 TAC Chapter 90 (relating to plain language requirements for regulated lenders), as well as proposed amendments to that chapter, resulting from rule review.
- Proposed amendments to 7 TAC Chapter 84 (relating to motor vehicle sales finance), to implement the transition to NMLS and update recordkeeping requirements.

At the December meeting, the OCCC intends to present the following rule actions:

- Adoption of amendments to 7 TAC Chapter 90, resulting from rule review.
- Adoption of amendments to 7 TAC Chapter 84, to implement the transition to NMLS and update recordkeeping requirements.
- Proposed amendments to 7 TAC Chapters 83, 84, 85, 86, 87, 88, and 89, relating to license and registration assessment modernization.

In May 2026, the OCCC received a request from the Texas Regulatory Efficiency Office (TREO) to perform a self-evaluation regulatory efficiency review of the OCCC's rules. In June and July, the OCCC prepared an initial self-evaluation review, met with TREO, and sought feedback from stakeholders. In August and September, the OCCC provided additional feedback to TREO in response to the review.

Advisory Guidance

From August 1, 2026, to September 30, 2026, the OCCC did not issue any advisory bulletins.

From August 1, 2026, to September 30, 2026, the OCCC did not receive any requests for official interpretations of the Texas Finance Code. As of September 30, 2026, there were no pending requests for official interpretations of the Texas Finance Code.

Public Information Requests

Public Information Tracking Information	FYTD 2027	FY 2026
Public Information Requests Received	27	188
Public Information Requests Closed	17	161
Public Information Requests Withdrawn	0	10
Public Information Requests Referred to Office of Attorney General	1	2
Average Number of Days to Address a Public Information Request	6.5	3.6

On June 12, 2026, the OCCC referred a public information request to the Office of the Attorney General (OAG) regarding information about a licensed motor vehicle sales finance company (OR-26-031413). The requested information included license files, consumer complaints, and any examination or investigation files for the company. In its referral to the OAG, the OCCC argued that portions of the complaint information should be withheld under the common law of privacy, and that any examination or investigation information is confidential under Texas Finance Code Section 14.2015 and other law. On

September 8, 2026, the OCCC received a letter ruling from the OAG allowing the OCCC to withhold the submitted and marked information (OR2026-038674).

On June 26, 2026, the OCCC referred a public information request to the OAG regarding information about a licensed regulated lender (OR-26-034307). The requested information included complaints against the company and the company's most recent "compliance report." In its referral to the OAG, the OCCC argued that portions of the complaint information should be withheld under the common law of privacy, and that any examination information is confidential under Section 14.2015 of the Texas Finance Code and other law. On September 8, the OCCC received a letter ruling from the OAG allowing the OCCC to withhold the submitted and marked information (OR2026-038607).

On September 24, 2026, the OCCC referred a public information request to the OAG regarding information included in a consumer complaint (OR-26-053159). The requested information included the requestor's own complaint. The information referred to the OAG included sensitive communications discussing the consumer's behavior. In its referral to the OAG, the OCCC argued that portions of the complaint information should be withheld under the common law right to physical safety, and Texas Government Code Section 552.152 (excluding information that may risk the physical safety of public employees).

Gifts Received by the OCCC

From August 1, 2026, to September 30, 2026, the OCCC received no gifts.

C. OFFICE OF CONSUMER CREDIT COMMISSIONER

3. Discussion of and Possible Vote to Take Action on the Adoption of Amendments in 7 TAC, Part 5, Chapter 83, Subchapter B, Rules for Credit Access Businesses

PURPOSE: The purposes of the rule changes to 7 TAC Chapter 83, Subchapter B are to implement the OCCC's transition to the NMLS licensing system for credit access businesses, to remove rule text that is no longer necessary, and to make other technical corrections and updates related to licensing and recordkeeping.

RECOMMENDED ACTION: The OCCC requests that the Finance Commission approve the adoption of the amendments in 7 TAC Chapter 83, Subchapter B.

RECOMMENDED MOTION: I move that the Finance Commission approve the adoption of the amendments in 7 TAC Chapter 83, Subchapter B.

Texas Administrative Code

Title 7. Banking and Securities

Part 5. Office of Consumer Credit Commissioner

Chapter 83. Regulated Lenders and Credit Access Businesses

Subchapter B. Rules for Credit Access Businesses

The Finance Commission of Texas (commission) adopts amendments to §83.3001 (relating to Definitions), §83.3002 (relating to Filing of New Application), §83.3003 (relating to Transfer of License; New License Application on Transfer of Ownership), §83.3006 (relating to Updating Application and Contact Information), §83.3007 (relating to Processing of Application), §83.3008 (relating to Relocation of Licensed Offices), §83.3009 (relating to License Inactivation or Voluntary Surrender), §83.3011 (relating to Applications and Notices as Public Records), §83.4002 (relating to License Term, Renewal, and Expiration), §83.4003 (relating to Denial, Suspension, or Revocation Based on Criminal History), and §83.5003 (relating to Files and Records Required); and adopts the repeal of §83.3004 (relating to Change in Form or Proportionate Ownership), §83.3005 (relating to Amendments to Pending Application), and §83.4001 (relating to License Display) in 7 TAC Chapter 83, concerning Regulated Lenders and Credit Access Businesses.

The commission adopts the amendments to §83.3001, §83.3006, §83.3007, §83.3008, §83.4002, and §83.5003, and adopts the repeal of §83.3004, §83.3005, and §83.4001, without changes to the proposed text as published in the September 4, 2026, issue of the *Texas Register* (51 TexReg 5955).

The commission adopts the amendments to §83.3002, §83.3003, §83.3009, §83.3011, and §83.4003 with changes to the proposed text as published in the September 4, 2026, issue of the *Texas Register* (51 TexReg 5955).

Summary of Adopted Rule Changes

The rules in 7 TAC Chapter 83, Subchapter B govern credit access businesses. In general, the purposes of the adopted rule changes to 7 TAC Chapter 83, Subchapter B are to implement the OCCC's transition to the NMLS licensing system for credit access businesses, to remove rule text that is no longer necessary, and to make other technical corrections and updates related to licensing and recordkeeping. The adopted rule changes also incorporate recommendations from the Texas Regulatory Efficiency Office.

Adopted amendments and repeals in §83.3001 through §83.4003 implement the OCCC's transition to the NMLS system. The Nationwide Multistate Licensing System (NMLS) is an online platform used by state financial regulatory agencies to manage licenses, including license applications and renewals. NMLS was created in 2008. The federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 explains that the purposes of NMLS include increasing uniformity and reducing regulatory burden. SAFE Act, 12 USC §5101. Each state currently uses NMLS for licensing individual RMLOs, and states are increasingly using the system to license consumer finance companies. NMLS is managed by the Conference of State Bank

Supervisors and is subject to ongoing modernization efforts and enhancements.

Under Texas Finance Code, §14.109, the OCCC is authorized to require use of NMLS for certain license and registration types, including credit access business licenses under Texas Finance Code, Chapter 393. The OCCC has begun a phased process of migrating license groups from ALECS (the OCCC's previous licensing platform) to NMLS. In 2026, a majority of licensed credit access businesses completed their transition to NMLS. The OCCC believes that moving to NMLS will improve the user experience of the licensing system and promote efficiency. This is particularly true for entities that hold licenses with the OCCC and with another state agency, because these entities will be able to manage multiple licenses through NMLS.

Adopted amendments to §83.3001 replace the term "principal party" with "key individual" to be consistent with the terminology in NMLS.

Adopted amendments to §83.3002 streamline license application requirements and refer to instructions that the OCCC has published through NMLS. Currently, §83.3002 contains a detailed list of license application items, with requirements that differ based on the applicant's entity type (e.g., partnership, corporation, limited liability company). In addition to ensuring consistency with NMLS, the amendments significantly simplify §83.3002, and ensure that an applicant can easily read and understand the rule. Since the proposal, additional changes have been made to §83.3002(b) and (c). First, a change has been made at §83.3002(b)(3) to simplify the text referring to a business operating plan. Second, a change has been made at §83.3002(b)(5) to simplify the rule by consolidating management and ownership information into a single organizational chart (rather than listing both a management chart and organizational chart). Third, changes have been made at §83.3002(b)(12) and §83.3002(c)(4) to correct references to §83.3003 and add a missing period. An amendment at §83.3002(d) explains that the OCCC may require additional, clarifying, or supplemental information to determine that the applicant meets statutory licensing requirements. An amendment at §83.3002(e) explains that an applicant must immediately amend a pending application if any information changes requiring a materially different response, replacing language that will be removed from §83.3006(a), as explained later in this preamble.

Adopted amendments to §83.3003 streamline and simplify requirements for transfer of ownership and license transfer to ensure consistency with NMLS. In §83.3003(b)(3), amendments to the definition of "transfer of ownership" streamline the definition of "transfer of ownership" while maintaining references to changes in management or control of a business, and also maintaining current exclusions relating to changes in proportionate ownership and relocations of transactions. Going forward in NMLS, the OCCC anticipates that changes to the identifies of a single company's owners will be handled through the advance change notice process, as explained later in this preamble in the discussion of adopted amendments to §83.3006. An amendment to §83.3003(c) explains that to transfer a license, a transferor may request surrender of its license after the OCCC approves the transferee's new license application on transfer of ownership. Since the proposal, a change has been made to §83.3003(e)(5)(C) to specify that a request for permission to operate must include an acknowledgment

that upon approval, the transferor will immediately "request surrender or inactivation" of its license, ensuring consistency with the revised surrender process in §83.3009. Other amendments throughout §83.3003 ensure consistency with this revised transfer process. Since the proposal, changes have been made throughout §83.3003 to use the phrase "of this section" after each reference to another subsection of §83.3003, in order to comply with *Texas Register* guidelines.

The adoption repeals §83.3004, which currently requires licensees to notify the OCCC of changes to organizational form, mergers resulting in creation of a new or different surviving entity, and certain changes in proportionate ownership. Going forward in NMLS, the OCCC anticipates that these changes will be handled through the advance change notice process, as explained later in this preamble in the discussion of adopted amendments to §83.3006. Therefore, §83.3004 will no longer be necessary.

The adoption repeals §83.3005, which currently requires license applicants to provide supplemental information to the OCCC on request. Because of the adopted amendment at §83.3002(d) explaining the OCCC may require additional information, §83.3005 will no longer be necessary.

Adopted amendments to §83.3006 consolidate and simplify the types of required notifications that a licensee must provide to the OCCC when a change occurs. In §83.3006(a), the amendments list advance change notices. NMLS uses the term "advance change notice" to refer to notifications that must be provided on or before the date of the change, in accordance with an agency's written instructions. As explained in the adopted amendments to §83.3006(a), this includes changes to the legal name of the entity, the legal status of the entity, names of key individuals, branch location addresses, and other listed items. In §83.3006(b), amendments list notifications that are required not later than 30 days after the licensee has knowledge of the information. These items include bankruptcies of the licensee or its direct owners, because a bankruptcy is a significant event that may impact the financial responsibilities of a licensee and its ability to address compliance issues. These items also include notifications of data breaches affecting at least 250 Texas residents. Data security is a crucial issue. The OCCC's 2027-2031 strategic plan includes action items to "[p]romote cybersecurity awareness and best practices among regulated entities" and "[m]onitor cybersecurity incidents and remediation efforts reported by regulated entities." Recent data breaches affecting financial institutions highlight the urgent need for vigilance in this industry. The notification amendments will help ensure that the OCCC can monitor this crucial issue.

Adopted amendments to §83.3007 revise license application processing requirements to be consistent with NMLS and with the statute at Texas Finance Code, §393.607. An amendment at §83.3007(d) explains that a license application may be considered withdrawn if a complete application has not been filed within 30 days after a notice of deficiency has been sent to the applicant, consistent with how license applications are processed in NMLS. Amendments at §83.3007(d) specify that if the eligibility requirements for a license have not been met, the OCCC will send a notice of intent to deny the license application, as described by Texas Finance Code, §393.607(b). An amendment removes current §83.3007(f), regarding disposition of fees, because this language

unnecessarily duplicates language in §83.3010 (regarding Fees). Amendments to §83.3007(f) clarify the 30-day target period to process a license application and the 30-day target period to set a requested hearing on an application denial, in accordance with Texas Finance Code, §393.607(c)-(d).

Adopted amendments to §83.3008 revise requirements for notice of relocation of licensed offices. The adoption removes current §83.3008(a), because the requirement to notify the OCCC of a branch office relocation is being moved to §83.3006(a) as an advance change notice, as discussed earlier in this preamble.

Adopted amendments to §83.3009 revise requirements for license surrender. The amendments explain that a licensee may surrender a license by providing the information required by the OCCC's written instruction, in accordance with Texas Finance Code, §393.617, and that a surrender is effective when the OCCC approves the surrender. Since the proposal, a change has been made to the last sentence of §83.3009(c) to specify that an approved surrender will result in cancellation of the license.

Adopted amendments to §83.3011 remove a sentence about the return of original documents filed with a license application. This sentence is no longer necessary because the OCCC no longer accepts original paper documents with a license application. Since the proposal, a change has been made to correct the name of the Texas State Library and Archives Commission in §83.3011.

The adoption repeals §83.4001, which describes the requirement to display a license. This section is unnecessary because it duplicates the statutory license display requirement at Texas Finance Code, §393.610. Going forward, licensees may comply with the statutory license display requirement by printing out company license information from NMLS.

Adopted amendments to §83.4002 revise requirements for license renewal. An amendment at §83.4002(b) explains that a licensee must maintain an active account in NMLS (or a designated successor system) in order to maintain and renew a license, and that renewal may be unavailable to a licensee that fails to maintain an active account. An amendment at §83.4002(d) specifies that the OCCC may send notice of delinquency of an annual assessment fee electronically through NMLS or by email to the primary company contact, removing current language that refers to a "master file" address under the OCCC's current system.

Adopted amendments to §83.4003 would revise criminal history review requirements to explain that the OCCC will obtain criminal history record information through NMLS and to use the term "key individual." Since the proposal, a change has been made to replace the term "principal parties" with "key individuals" in §83.4003(a).

Adopted amendments to §83.5004 update recordkeeping requirements for credit access businesses. Currently, provisions throughout §83.5004 refer to both paper and electronic recordkeeping systems. Amendments throughout §83.5004 simplify and rearrange this language to refer to electronic recordkeeping systems before referring to paper systems, based on licensees' increasing use of electronic systems rather than paper systems. Amendments at §83.5004(5) merge provisions related to websites and advertising, and include common language for the retention period, in order to make these provisions more concise and easier to

understand. Additional amendments to §83.5004 relate to data security recordkeeping. An amendment at §83.5004(10)(A) specifies that licensees must maintain written policies and procedures for an information security program to protect consumers' customer information, as required by the Federal Trade Commission's Safeguards Rule, 16 C.F.R. part 314. Another amendment at §83.5004(10)(B) specifies that if a licensee maintains customer information concerning 5,000 or more consumers, then the licensee must maintain a written incident response plan and written risk assessments, as required by 16 C.F.R. §314.4. An amendment at §83.5004(11) specifies that licensees must maintain data breach notifications to consumers and to the Office of the Attorney General under Texas Business & Commerce Code, §521.053. As discussed earlier in this preamble, data security is a crucial issue. The adopted data security recordkeeping amendments will help ensure that the OCCC can monitor this crucial issue.

Public Comments

The OCCC distributed an early precomment draft of proposed changes to interested stakeholders for review. The OCCC received one precomment from an association of credit access businesses, which supported the proposed changes. The OCCC appreciates the thoughtful input of stakeholders.

The OCCC received no official comments on the proposed rule changes after publication in the *Texas Register*.

Statutory Authority and Affected Provisions

The rule changes are adopted under Texas Finance Code, §393.622, which authorizes the commission to adopt rules to enforce and administer Texas Finance Code, Chapter 393, Subchapter G. In addition, the rule changes relating to the NMLS transition are adopted under Texas Finance Code, §14.109, which authorizes the OCCC to require that a person submit information through NMLS if the information is required under a rule adopted under Texas Finance Code, Chapter 393. The rule changes relating to the NMLS transition are also adopted under Texas Finance Code, §11.304, which authorizes the commission to adopt rules to ensure compliance with Texas Finance Code, Chapter 14, which includes Texas Finance Code, §14.109.

The statutory provisions affected by the adoption are contained in Texas Finance Code, Chapter 393.

Rule Text

Division 3. Application Procedures

§83.3001. Definitions

Words and terms used in this chapter that are defined in Texas Finance Code, Chapter 393, have the same meanings as defined in Chapter 393. The following words and terms, when used in this subchapter, will have the following meanings, unless the context clearly indicates otherwise.

(1) Key individual--An individual owner, officer, director, or employee with a substantial relationship to the lending business of an applicant or licensee. The following are key individuals:

(A) any individual who is a direct owner of 10% or more of an applicant or licensee;

(B) any individual who is a control person or executive officer of an

applicant or licensee, including an individual who has the power to direct management or policies of a company (e.g., president, chief executive officer, general partner, managing member, vice president, treasurer, secretary, chief operating officer, chief financial officer); and

(C) an individual designated as a key individual where necessary to fairly assess the applicant or licensee's financial responsibility, experience, character, general fitness, and sufficiency to command the confidence of the public and warrant the belief that the business will be operated lawfully and fairly.

(2) [~~(1)~~] Net assets--The total value of acceptable assets used or designated as readily available for use in the business, less liabilities, other than those liabilities secured by unacceptable assets. Unacceptable assets include, but are not limited to, goodwill, unpaid stock subscriptions, lines of credit, notes receivable from an owner, property subject to the claim of homestead or other property exemption, and encumbered real or personal property to the extent of the encumbrance. Generally, assets are available for use if they are readily convertible to cash within 10 business days. Debt that is either unsecured or secured by current assets may be subordinated to the net asset requirement pursuant to an agreement of the parties providing that the creditor forfeits its security priority and any rights it may have to current assets in the amount of $25,000. Debt subject to such a subordination agreement would not be an applicable liability for purposes of calculating net assets.

(3) NMLS--The Nationwide Multistate Licensing System. [~~(2) Parent entity--A direct owner of a licensee or applicant.~~]

[~~(3) Principal party--An adult individual with a substantial relationship to the applicant by ownership of more than 10% of the applicant, or having control of the proposed credit access business of the applicant. The following individuals are principal parties:~~]

[~~(A) a proprietor;~~]

[~~(B) general partners;~~]

[~~(C) officers of privately held corporations, to include the chief executive officer or president, the chief operating officer or vice president of operations, the chief financial officer or treasurer, and those with substantial management responsibility for credit access operations or compliance with Texas Finance Code, Chapter 393;~~]

[~~(D) directors of privately held corporations;~~]

[~~(E) individuals associated with publicly held corporations designated by the applicant as follows:~~]

[~~(i) officers as provided by subparagraph (C) of this paragraph (as if the corporation were privately held); or~~]

[~~(ii) three officers or similar employees with significant involvement in the corporation's activities governed by Texas Finance Code, Chapter 393. One of the persons designated must be responsible for assembling and providing the information required on behalf of the applicant and must sign the application for the applicant;~~]

[~~(F) managers or voting members of a limited liability company;~~]

[~~(G) trustees and executors; and~~]

[~~(H) individuals designated as principal parties where necessary to fairly assess the applicant's financial responsibility, experience, character, general fitness, and sufficiency to command the confidence of the public and warrant the belief that the business will be operated lawfully and fairly as required by the commissioner.~~]

§83.3002. Filing of New Application

(a) NMLS. In order to submit a credit access business license application, an applicant must submit a complete, accurate, and truthful license application through NMLS (or a successor system designated by the OCCC), using the current form prescribed by the OCCC. An application is complete when it conforms to the OCCC's written instructions and necessary fees have been paid. The OCCC has made application checklists available through NMLS, outlining the necessary information for a license application. [~~An application for issuance of a new credit access business license must be submitted in a format prescribed by the commissioner at the date of filing and in accordance with the commissioner's instructions. The commissioner may accept the use of prescribed alternative formats to facilitate multistate uniformity of applications or in order to accept approved electronic submissions. Appropriate fees must be filed with the application and the application must include the following:~~]

[~~(1) Required application information. All questions must be answered.~~]

[~~(A) Application for license.~~]

[~~(i) Location information. A physical street address must be listed for the applicant's proposed address, or if the applicant will have no such location, a statement to that effect must be provided. For applicants with a proposed location in Texas, a post office box or a mail box location at a private mail-receiving service generally may not be used. If the address has not yet been determined or if the application is for an inactive license, then the application must so indicate.~~]

[~~(ii) Compliance officer. The application must list a compliance officer. The compliance officer must be an individual responsible for overseeing compliance, and must be authorized to receive and respond to communications from the OCCC.~~]

[~~(iii) Registered agent. The registered agent must be provided by each applicant. The registered agent is the person or entity to whom any legal notice may be delivered. The agent must be a Texas resident and list an address for legal service. If the registered agent is a natural person, the address must be a different address than the licensed location address. If the applicant is a corporation or a limited liability company, the registered agent should be the one on file with the Office of the Texas Secretary of State. If the registered agent is not the same as the agent filed with the Office of the Texas Secretary of State, then the applicant must submit a certification from the secretary of the company identifying the registered agent.~~]

[~~(iv) Owners and principal parties.~~]

[~~(I) Proprietorships. The applicant must disclose the name of any individual holding an ownership interest in~~

~~the business and the name of any individual responsible for operating the business. If requested, the applicant must also disclose the names of the spouses of these individuals.~~]

[~~(II) General partnerships. Each partner must be listed and the percentage of ownership stated. If a general partner is wholly or partially owned by a legal entity and not a natural person, a narrative or diagram must be included that lists the names and titles of all meeting the definition of "managerial official," as contained in Texas Business Organizations Code, §1.002, and a description of the ownership of each legal entity must be provided. General partnerships that register as limited liability partnerships should provide the same information as that required for general partnerships.~~]

[~~(III) Limited partnerships. Each partner, general and limited, fulfilling the requirements of items (-a-) - (-c-) of this subclause must be listed and the percentage of ownership stated.~~]

[~~(-a-) General partners. The applicant should provide the complete ownership, regardless of percentage owned, for all general partners. If a general partner is wholly or partially owned by a legal entity and not a natural person, a narrative or diagram must be included that lists the names and titles of all meeting the definition of "managerial official," as contained in Texas Business Organizations Code, §1.002, and a description of the ownership of each legal entity must be provided.~~]

[~~(-b-) Limited partners. The applicant should provide a complete list of all limited partners owning 10% or more of the partnership.~~]

[~~(-c-) Limited partnerships that register as limited liability partnerships. The applicant should provide the same information as that required for limited partnerships.~~]

[~~(IV) Corporations. Each officer and director must be named. Each shareholder holding 10% or more of the voting stock must be named if the corporation is privately held. If a parent corporation is the sole or part owner of the proposed business, a narrative or diagram must be included that describes each level of ownership of 10% or greater.~~]

[~~(V) Limited liability companies. Each "manager," "officer," and "member" owning 10% or more of the company, as those terms are defined in Texas Business Organizations Code, §1.002, and each agent owning 10% or more of the company must be listed. If a member is a legal entity and not a natural person, a narrative or diagram must be included that describes each level of ownership of 10% or greater.~~]

[~~(VI) Trusts or estates. Each trustee or executor, as appropriate, must be listed.~~]

[~~(B) Disclosure questions. All applicable questions must be answered. Questions requiring a "yes" answer must be accompanied by an explanatory statement and any appropriate documentation requested.~~]

[~~(C) Personal information.~~]

[~~(i) Personal affidavit. Each individual meeting the definition of "principal party" as defined in §83.3001 of~~

~~this title (relating to Definitions) or who is a person responsible for day-to-day operations must provide a personal affidavit. All requested information must be provided.~~]

[~~(ii) Personal questionnaire. Each individual meeting the definition of "principal party" as defined in §83.3001 of this title or who is a person responsible for day-to-day operations must provide a personal questionnaire. Each question must be answered. If any question, except question 1, is answered "yes," an explanation must be provided.~~]

[~~(iii) Employment history. Each individual meeting the definition of "principal party" as defined in §83.3001 of this title or who is a person responsible for day-to-day operations must provide an employment history. Each principal party should provide a continuous 10-year history, accounting for time spent as a student, unemployed, or retired. The employment history must also include the individual's association with the entity applying for the license.~~]

[~~(D) Additional requirements.~~]

[~~(i) Statement of experience. Each applicant should provide a statement setting forth the details of the applicant's prior experience in the credit access business. If the applicant or its principal parties do not have significant experience in the same type of credit access business as planned for the prospective licensee, the applicant must provide a written statement explaining the applicant's relevant business experience or education, why the commissioner should find that the applicant has the requisite experience, and how the applicant plans to obtain the necessary knowledge to operate lawfully and fairly.~~]

[~~(ii) Business operating plan. Each applicant must provide a brief narrative to the application explaining the type of operation that is planned. This narrative should discuss each of the following topics:~~]

[~~(I) the source of customers;~~]

[~~(II) the purpose(s) of the extensions of consumer credit;~~]

[~~(III) the size of the extensions of consumer credit;~~]

[~~(IV) the source of working capital for planned operations;~~]

[~~(V) the types of consumer credit products to be extended to consumers, as advertised by the business; and~~]

[~~(VI) the contractual loan term, in days, of each consumer credit product to be offered to consumers.~~]

[~~(iii) Statement of records. Each applicant must provide a statement of where records of Texas transactions will be maintained. If these records will be maintained at a location outside of Texas, the applicant must acknowledge responsibility for the travel cost associated with examinations in addition to the assessment fees or agree to make all records available for examination in Texas.~~]

[~~(E) Consent form. Each applicant must submit a consent form signed by an authorized individual. Electronic signatures will be accepted in a manner approved by the commissioner. The following are authorized individuals:~~]

[~~(i) If the applicant is a proprietor, the owner must sign.~~]

[~~(ii) If the applicant is a partnership, one general partner must sign.~~]

[~~(iii) If the applicant is a corporation, an authorized officer must sign.~~]

[~~(iv) If the applicant is a limited liability company, an authorized member or manager must sign.~~]

[~~(v) If the applicant is a trust or estate, the trustee or executor, as appropriate, must sign.~~]

[~~(2) Other required filings.~~]

[~~(A) Fingerprints.~~]

[~~(i) For all persons meeting the definition of "principal party" as defined in §83.3001 of this title, a complete set of legible fingerprints must be provided. All fingerprints should be submitted in a format prescribed by the OCCC and approved by the Texas Department of Public Safety and the Federal Bureau of Investigation.~~]

[~~(ii) For limited partnerships, if the owners and principal parties under paragraph (1)(A)(iv)(III)(-a-) of this section does not produce a natural person, the applicant must provide a complete set of legible fingerprints for individuals who are associated with the general partner as principal parties.~~]

[~~(iii) For entities with complex ownership structures that result in the identification of individuals to be fingerprinted who do not have a substantial relationship to the proposed applicant, the applicant may submit a request to fingerprint three officers or similar employees with significant involvement in the proposed business. The request should describe the relationship and significant involvement of the individuals in the proposed business. The OCCC may approve the request, seek alternative appropriate individuals, or deny the request.~~]

[~~(iv) For individuals who have previously been licensed by the OCCC and are principal parties of entities currently licensed, fingerprints are generally not required if the fingerprints are on record with the OCCC, are less than 10 years old, and have been processed by both the Texas Department of Public Safety and the Federal Bureau of Investigation. Upon request, individuals and principal parties previously licensed by the OCCC may be required to submit a new set of fingerprints in order to complete the OCCC's records.~~]

[~~(v) For individuals who have previously submitted fingerprints to another state agency (e.g., Texas Department of Savings and Mortgage Lending), fingerprints are still required to be submitted under Texas Finance Code, §14.152. Fingerprints cannot be disclosed to others, except as authorized by Texas Government Code, §560.002.~~]

[~~(B) Entity documents.~~]

[~~(i) Partnerships. A partnership applicant must submit a complete and executed copy of the partnership agreement. This copy must be signed and dated by all partners. If the applicant is a limited partnership or a limited liability partnership, provide evidence of filing with the Office of the Texas Secretary of State.~~]

[~~(ii) Corporations. A corporate applicant, domestic or foreign, must provide the following documents:~~]

[~~(I) a complete copy of the certificate of formation or articles of incorporation, with any amendments;~~]

[~~(II) a certification from the secretary of the corporation identifying the current officers and directors as listed in the owners and principal parties section of the application for license form;~~]

[~~(III) if the registered agent is not the same as the agent on file with the Office of the Texas Secretary of State, a certification from the secretary of the corporation identifying the registered agent;~~]

[~~(IV) if requested, a copy of the relevant portions of the bylaws addressing the required number of directors and the required officer positions for the corporation;~~]

[~~(V) if requested, a copy of the minutes of corporate meetings that record the election of all current officers and directors as listed in the owners and principal parties section of the application for license form.~~]

[~~(iii) Publicly held corporations. In addition to the items required for corporations, a publicly held corporation must file the most recent 10K or 10Q for the applicant or for the parent company.~~]

[~~(iv) Limited liability companies. A limited liability company applicant, domestic or foreign, must provide the following documents:~~]

[~~(I) a complete copy of the articles of organization;~~]

[~~(II) a certification from the secretary of the company identifying the current officers and directors as listed in the owners and principal parties section of the application for license form;~~]

[~~(III) if the registered agent is not the same as the agent on file with the Office of the Texas Secretary of State, a certification from the secretary of the company identifying the registered agent;~~]

[~~(IV) if requested, a copy of the relevant portions of the operating agreement or regulations addressing responsibility for operations;~~]

[~~(V) if requested, a copy of the minutes of company meetings that record the election of all current officers and directors as listed in the owners and principal parties section of the application for license form.~~]

[~~(v) Trusts. A copy of the relevant portions of the instrument that created the trust addressing management of the trust and operations of the applicant must be filed with the application.~~]

[~~(vi) Estates. A copy of the instrument establishing the estate must be filed with the application.~~]

[~~(vii) Foreign entities. In addition to the items required by this section, a foreign entity must provide a certificate of authority to do business in Texas, if applicable.~~]

[~~(C) Financial statement and supporting financial information.~~]

[~~(i) All entity types. The financial statement must be dated no earlier than 90 days prior to the date of application. Applicants may also submit audited financial statements dated within one year prior to the application date in lieu of completing the Supporting Financial Information. All financial statements must be certified as true, correct, and complete, and must comply with generally accepted accounting principles (GAAP).~~]

[~~(ii) Sole proprietorships. Sole proprietors must complete all sections of the Personal Financial Statement and the Supporting Financial Information, or provide a personal financial statement that contains all of the same information requested by the Personal Financial Statement and the Supporting Financial Information. The Personal Financial Statement and Supporting Financial Information must be as of the same date.~~]

[~~(iii) Partnerships. A balance sheet for the partnership itself as well as each general partner must be submitted. In addition, the information requested in the Supporting Financial Information must be submitted for the partnership itself and each general partner. All of the balance sheets and Supporting Financial Information documents for the partnership and all general partners must be as of the same date.~~]

[~~(iv) Corporations and limited liability companies. Corporations and limited liability companies must file a balance sheet. The information requested in the Supporting Financial Information must be submitted. The balance sheet and Supporting Financial Information must be as of the same date. Financial statements are generally not required of related parties, but may be required if the commissioner believes they are relevant. The financial information for the corporate or limited liability company applicant should contain no personal financial information.~~]

[~~(v) Trusts and estates. Trusts and estates must file a balance sheet. The information requested in the Supporting Financial Information must be submitted. The balance sheet and Supporting Financial Information must be as of the same date. Financial statements are generally not required of related parties, but may be required if the commissioner believes they are relevant. The financial information for the trust or estate applicant should contain no personal financial information.~~]

[~~(D) Assumed name certificates. For any applicant that does business under an "assumed name" as that term is defined in Texas Business and Commerce Code, §71.002, an Assumed Name Certificate must be filed as provided in this subparagraph.~~]

[~~(i) Unincorporated applicants. Unincorporated applicants using or planning to use an assumed name must file an assumed name certificate with the county clerk of the county where the proposed business is located in compliance with Texas Business and Commerce Code, Chapter 71. An applicant must provide a copy of the assumed name certificate that shows the filing stamp of the county clerk or, alternatively, a certified copy.~~]

[~~(ii) Incorporated applicants. Incorporated applicants using or planning to use an assumed name must file an assumed name certificate in compliance with Texas Business and Commerce Code, Chapter 71. Evidence of the filing bearing the filing stamp of the Office of the Texas Secretary of~~

~~State must be submitted or, alternatively, a certified copy.~~]

[~~(E) Third-party lender organizations. As required by Texas Finance Code, §393.604(a)(4), each applicant must provide the names, physical addresses, and telephone numbers of the third-party lender organizations with which the business contracts to provide services or from which the business arranges extensions of consumer credit.~~]

[~~(F) Bond. The commissioner may require a bond under Texas Finance Code, §393.605, if the commissioner finds that this would serve the public interest. If a bond is required, the commissioner will give written notice to the applicant. Should a bond not be submitted within 40 calendar days of the date of the commissioner's notice, any pending application may be denied.~~]

[~~(3) Subsequent applications for branch offices.~~]

[~~(A) Branch applications received after 90 days from last new or transfer license approval. If the applicant is currently licensed and filing an application for a new office after 90 days from its last new or transfer license approval, the applicant must submit a new application as provided by this section. Required information need not be resubmitted if the information on file with the OCCC is current and valid. All fees for new licenses required by §83.3010(a) of this title (relating to Fees) must be paid for each new branch location.~~]

[~~(B) Branch applications received within 90 days from last new or transfer license approval. If the applicant is currently licensed and filing an application for a new office within 90 days from its last new or transfer license approval, and no action, fact, or information has changed that would require a materially different answer than that given in the last new or transfer license application, the applicant must provide the following information:~~]

[~~(i) the branch consent form verifying that there have been no changes from the last application, signed by an authorized individual as provided by paragraph (1)(E) of this section;~~]

[~~(ii) the location information and responsible person for each new branch location, as provided by paragraph (1)(A)(i) and (ii) of this section;~~]

[~~(iii) the fees required by §83.3010(a) of this title must be paid for each new branch location, with the exception of the $200 investigation fee;~~]

[~~(iv) if requested, a new financial statement as provided in paragraph (2)(C) of this section; and~~]

[~~(v) if requested, any other information required by the commissioner that may be necessary to process the branch application.~~]

[~~(C) Last new or transfer license approval. For purposes of this section, a subsequent branch application filed under subparagraph (B) of this paragraph does not qualify as the "last new or transfer license approval."~~]

(b) Company license application. A company license application will include the following information and any other information listed in the OCCC's written instructions:

(1) A company form including the name of the applicant entity, contact information, registered agent, location of books and records, bank account information, legal status, and responses to disclosure questions.

(2) An individual form for each key individual, including name, contact information, and responses to disclosure questions.

(3) A business operating plan.

(4) An organizational chart showing the applicant's management divisions, officers, and ownership information for any affiliates, subsidiaries, and parent companies.

(5) A statement of experience detailing prior experience relevant to the license sought.

(6) A certificate of formation or other formation document.

(7) Any assumed names or other trade names that the applicant will use, and an assumed name certificate for each assumed name or other trade name.

(8) Franchise tax account information showing that the applicant entity is authorized to do business in Texas.

(9) Financial statement and supporting financial information complying with generally accepted accounting principles (GAAP). The OCCC may require a bank confirmation to confirm account balance information with financial institutions.

(A) If a financial statement is unaudited, then it should be dated no earlier than 90 days before the application date.

(B) If a financial statement is audited, then it should be dated no earlier than one year before the application date.

(10) The applicant's credit services organization certificate issued by the Texas Secretary of State.

(11) The name, physical address, and phone number of each third-party lender organization with which the applicant contracts to provide services or from which the business arranges extensions of consumer credit, as described by Texas Finance Code, §393.604(a)(4).

(12) For a license application involving a transfer of ownership, documentation of the transfer of ownership as described by §83.3003 of this title (relating to Transfer of License; New License Application on Transfer of Ownership).

(c) Branch license application. A branch license application will include the following information and any other information listed in the OCCC's written instructions:

(1) A branch form including the address of the branch, contact details, and business activities.

(2) Any assumed name or other trade name that the applicant will use, and an assumed name certificate for each assumed name or other trade name.

(3) A financial statement and supporting financial information, as described by subsection (b)(9) of this section.

(4) For a license application involving a transfer of ownership, documentation of the transfer of ownership as described by §83.3003 of this title.

(d) Supplemental information. The OCCC may require additional, clarifying, or supplemental information or documentation as necessary or appropriate to determine that an applicant meets the licensing requirements of Texas Finance Code, Chapter 393.

(e) Amendments to pending application. An applicant must immediately amend a pending application if any information changes requiring a materially different response from information provided in the original application.

§83.3003. Transfer of License; New License Application on Transfer of Ownership

(a) Purpose. This section describes the license application requirements when a licensed entity transfers [~~its license or~~] ownership of the entity. If a transfer of ownership occurs, the transferee must submit [~~either a license transfer application or~~] a new license application on transfer of ownership under this section.

(b) Definitions. The following words and terms, when used in this section, will have the following meanings:

(1) License transfer--A sale, assignment, or transfer of a credit access business license.

(2) Permission to operate--A temporary authorization from the OCCC, allowing a transferee to operate under a transferor's license while final approval is pending for a license transfer application or a new license application on transfer of ownership.

(3) Transfer of ownership--Any purchase or acquisition of control of a licensed entity (including acquisition by gift, devise, or descent), or a substantial portion of a licensed entity's assets, where a substantial change in management or control of the business occurs. The term does not include a change in proportionate ownership that results in the exact same owners still owning the business (unless an owner that previously held less than 10% obtains an interest of 10% or more) [~~as defined in §83.3004 of this title (relating to Change in Form or Proportionate Ownership)~~]. Transfer of ownership includes the following:

(A) an existing owner of a sole proprietorship relinquishes that owner's entire interest in a license or an entirely new entity has obtained an ownership interest in a sole proprietorship license;

[~~(B) any purchase or acquisition of control of a licensed general partnership, in which a partner relinquishes that owner's entire interest or a new general partner obtains an ownership interest;~~]

[~~(C) any change in ownership of a licensed limited partnership interest in which:~~]

[~~(i) a limited partner owning 10% or more relinquishes that owner's entire interest;~~]

[~~(ii) a new limited partner obtains an ownership interest of 10% or more;~~]

[~~(iii) a general partner relinquishes that owner's entire interest; or~~]

[~~(iv) a new general partner obtains an ownership interest (transfer of ownership occurs regardless of the percentage of ownership exchanged of the general partner);~~]

[~~(D) any change in ownership of a licensed corporation in which:~~]

[~~(i) a new stockholder obtains 10% or more of the outstanding voting stock in a privately held corporation;~~]

[~~(ii) an existing stockholder owning 10% or more relinquishes that owner's entire interest in a privately held corporation;~~]

[~~(iii) any purchase or acquisition of control of 51% or more of a company that is the parent or controlling stockholder of a licensed privately held corporation occurs; or~~]

[~~(iv) any stock ownership changes that result in a change of control (i.e., 51% or more) for a licensed publicly held corporation occur;~~]

[~~(E) any change in the membership interest of a licensed limited liability company:~~]

[~~(i) in which a new member obtains an ownership interest of 10% or more;~~]

[~~(ii) in which an existing member owning 10% or more relinquishes that member's entire interest; or~~]

[~~(iii) in which a purchase or acquisition of control of 51% or more of any company that is the parent or controlling member of a licensed limited liability company occurs;~~]

(B) [~~(F)~~] any transfer of a substantial portion of the assets of a licensed entity under which a new entity controls business at a licensed location; and

(C) [~~(G)~~] any other purchase or acquisition of control of a licensed entity, or a substantial portion of a licensed entity's assets, where a substantial change in management or control of the business occurs.

(4) Transferee--The entity that controls business at a licensed location after a transfer of ownership.

(5) Transferor--The licensed entity that controls business at a licensed location before a transfer of ownership.

(c) License transfer approval. No credit access business license may be sold, transferred, or assigned without the written approval of the OCCC, as provided by Texas Finance Code, §393.620. To transfer a license, a transferor may request surrender after the OCCC approves the transferee's new license application on transfer of ownership. A license transfer is complete [~~approved~~] when the OCCC has approved the transferee's new license application and the transferor's license surrender [~~issues its final written approval of a license transfer application~~].

(d) Timing. No later than 30 days after the event of a transfer of ownership, the transferee must file a complete [~~license transfer application or~~] new license application on transfer of ownership in accordance with subsection (e) of this

section. A transferee may file an application before this date.

(e) Application requirements.

(1) Generally. This subsection describes the application requirements for [~~a license transfer application or~~] a new license application on transfer of ownership. A transferee must submit the application in a format prescribed by the OCCC. The OCCC may accept prescribed alternative formats to facilitate multistate uniformity of applications or in order to accept approved electronic submissions. The transferee must pay appropriate fees in connection with the application.

(2) Documentation of transfer of ownership. The application must include documentation evidencing the transfer of ownership. The documentation should include one or more of the following:

(A) a copy of the asset purchase agreement when only the assets have been purchased;

(B) a copy of the purchase agreement or other evidence relating to the acquisition of the equity interest of a licensee that has been purchased or otherwise acquired;

(C) any document that transferred ownership by gift, devise, or descent, such as a probated will or a court order; or

(D) any other documentation evidencing the transfer event.

(3) Application information for new licensee. If the transferee does not hold a credit access business license at the time of the application, then the application must include the information required for new license applications under §83.3002 of this title (relating to Filing of New Application). The instructions in §83.3002 of this title apply to these filings.

(4) Application information for transferee that holds a license. If the transferee holds a credit access business license at the time of the application, then the application must include amendments to the transferee's original license application describing the information that is unique to the transfer event, including disclosure questions, owners and principal parties, and a new financial statement, as provided in §83.3002 of this title. The instructions in §83.3002 of this title apply to these filings. The responsible person at the new location must file a personal affidavit, personal questionnaire, and employment history, if not previously filed. Other information required by §83.3002 of this title need not be filed if the information on file with the OCCC is current and valid.

(5) Request for permission to operate. The application may include a request for permission to operate. The request must be in writing and signed by the transferor and transferee. The request must include all of the following:

(A) a statement by the transferor granting authority to the transferee to operate under the transferor's license while final approval of the application is pending;

(B) an acknowledgement that the transferor and transferee each accept responsibility to any consumer and to the OCCC for any acts performed under the license while the permission to operate is in effect; and

(C) if the application is a new license application on transfer of ownership, an acknowledgement that the transferor will immediately request surrender or inactivation of [~~inactivate~~] its license if the OCCC approves the application.

(f) Permission to operate. If the application described by subsection (e) of this section includes a request for permission to operate and all required information, and the transferee has paid all fees required for the application, then the OCCC may issue a permission to operate to the transferee. A request for permission to operate may be denied even if the application contains all of the required information. The denial of a request for permission to operate does not create a right to a hearing. If the OCCC grants a permission to operate, the transferor must cease operating under the authority of the license. Two companies may not simultaneously operate under a single license. A permission to operate terminates if the OCCC denies an application described by subsection (e) of this section.

(g) Transferee's authority to engage in business. If a transferee has filed a complete application including a request for permission to operate as described by subsection (e) of this section, by the deadline described by subsection (d) of this section, then the transferee may engage in business as a credit access business. However, the transferee must immediately cease doing business if the OCCC denies the request for permission to operate or denies the application. If the OCCC denies the application, then the transferee has a right to a hearing on the denial, as provided by §83.3007(d) of this title (relating to Processing of Application).

(h) Responsibility.

(1) Responsibility of transferor. Before the transferee begins performing credit access business activity under a license, the transferor is responsible to any consumer and to the OCCC for all credit access business activity performed under the license.

(2) Responsibility of transferor and transferee. If a transferee begins performing credit access business activity under a license before the OCCC's final approval of an application described by subsection (e) of this section, then the transferor and transferee are each responsible to any consumer and to the OCCC for activity performed under the license during this period.

(3) Responsibility of transferee. After a transferee begins performing credit access business activity under a license, the transferee is responsible to any consumer and to the OCCC for all credit access business activity performed under the license. The transferee is responsible for any transactions that it purchases from the transferor. In addition, if the transferee receives a license transfer, then the transferee's responsibility includes all activity performed under the license before the license transfer.

[~~*§83.3004. Change in Form or Proportionate Ownership*~~]

[~~(a) Organizational form. When any licensee or parent of a licensee changes the organizational form of its business (e.g., from corporation to limited partnership), the licensee must advise the commissioner of the change in writing within 10 calendar days after the change, by filing a license amendment and paying the required fees as provided in §83.3010 of this title (relating to Fees). In addition, the licensee must submit a~~

~~copy of the relevant portions of the organizational document for the new entity (e.g., articles of conversion and partnership agreement) addressing the ownership and management of the new entity.~~]

[~~(b) Merger.~~]

[~~(1) If a licensee is a party to a merger that results in a new or different surviving entity other than the licensee, then the merger is a transfer of ownership, and the licensee must file a license transfer application or a new license application on transfer of ownership pursuant to §83.3003 of this title (relating to Transfer of License; New License Application on Transfer of Ownership).~~]

[~~(2) If a licensee's parent entity is a party to a merger that leads to the creation of a new entity or results in a different surviving parent entity, the licensee must advise the commissioner of the change in writing within 10 calendar days after the change, by filing a license amendment and paying the required fees as provided in §83.3010 of this title. Mergers or transfers of other entities with a beneficial interest beyond the parent entity level only require notification within 10 calendar days in accordance with the OCCC's instructions.~~]

[~~(c) Proportionate ownership.~~]

[~~(1) A change in proportionate ownership that results in the exact same owners still owning the business, and does not meet the requirements described in paragraph (2) of this subsection, does not require a transfer. Such a proportionate change in ownership does not require the filing of a license transfer application or a new license application on transfer of ownership, but does require notification when the cumulative ownership change to a single entity or individual amounts to 10% or greater. No later than 10 calendar days following the actual change, the licensee is required to notify the commissioner in writing of the change in proportionate ownership by filing a license amendment and paying the required fees as provided in §83.3010 of this title. This section does not apply to a publicly held corporation that has filed with the OCCC the most recent 10K or 10Q filing of the licensee or the publicly held parent corporation, although a license transfer application or a new license application on transfer of ownership may be required under §83.3003 of this title.~~]

[~~(2) A proportionate change in which an owner that previously held under 10% obtains an ownership interest of 10% or more, requires a license transfer application or a new license application on transfer of ownership under §83.3003 of this title.~~]

[~~*§83.3005. Amendments to Pending Application*~~]

[~~Upon request, each applicant must provide information supplemental to that contained in the applicant's original application documents.~~]

§83.3006. <u>*Required Notifications*</u> [~~*Updating Application and Contact Information*~~]

(a) <u>Advance change notice. No later than the date of the change (or an earlier date specified in the OCCC's written instructions), a licensee must notify the OCCC of a change to any of the following information provided in the original license application:</u> [~~Applicant's updates to license application information. Before a license application is approved, an applicant must report to the OCCC any information that would require a materially different answer than that given in~~

~~the original license application and that relates to the qualifications for license within 10 calendar days after the person has knowledge of the information.~~]

(1) legal name of entity;

(2) any assumed names of entity;

(3) legal status of entity (e.g., change in organizational form from partnership to corporation); or

(4) names of direct owners or indirect owners;

(5) names of affiliates or subsidiaries;

(6) names of any key individuals;

(7) main address; or

(8) address of any branch location.

(b) Other required notifications. No later than 30 days after the licensee has knowledge of the information, a licensee must report the following information to the OCCC: [~~Licensee's updates to license application information. A licensee must report to the OCCC any information that would require a different answer than that given in the original license application within 30 calendar days after the licensee has knowledge of the information, if the information relates to any of the following:~~]

(1) any civil or regulatory actions against the licensee or key individuals that were not disclosed in the original application and would require a different answer than that given in the original license application [~~the names of principal parties~~];

(2) the names of third-party lender organizations;

(3) criminal history of the licensee or key individuals that was not disclosed in the original application;

(4) any bankruptcy of the licensee or a direct owner [~~actions by regulatory agencies~~]; or

(5) any breach of system security under Texas Business & Commerce Code, §521.053, affecting at least 250 residents of this state [~~court judgments~~].

(c) Contact information. Each applicant or licensee is responsible for ensuring that all contact information on file with the OCCC is current and correct, including all mailing addresses, all phone numbers, and all email [~~e-mail~~] addresses. The OCCC may send notices to the mailing address or email address on file. It is a best practice for licensees to regularly review contact information on file with the OCCC to ensure that it is current and correct.

§83.3007. Processing of Application

(a) Initial review. A response to an incomplete application will ordinarily be made within 14 calendar days of receipt stating that the application is incomplete and specifying the information required for acceptance.

(b) Complete application. An application is complete when:

(1) it conforms to the rules and published instructions;

(2) all fees have been paid; and

(3) all requests for additional information have been satisfied.

(c) Failure to complete application and deemed withdrawal. If a complete application has not been filed within 30 calendar days after notice of deficiency has been sent to the applicant, the application may be considered withdrawn [~~denied~~].

(d) Notice of intent to deny application. If an applicant files a complete license application but the OCCC does not find that the eligibility requirements for a license have been met, then the OCCC will send a notice of intent to deny the license application to the applicant.

(e) Hearing. An affected applicant has 30 calendar days from the date of the notice of intent to deny the license application to request in writing a hearing to contest the denial. This hearing will be conducted pursuant to the Administrative Procedure Act, Texas Government Code, Chapter 2001, and the rules of procedure applicable under §9.1(a) of this title (relating to Application, Construction, and Definitions), before an administrative law judge who will recommend a decision to the commissioner. The commissioner will then issue a final decision after review of the recommended decision.

[~~(f) Denial. If an application has been denied, the assessment fee will be refunded to the applicant. The investigation fee and the fingerprint processing fee in §83.3010 of this title (relating to Fees) will be forfeited.~~]

(f) [~~(g)~~] Processing time.

(1) A license application will ordinarily be approved or denied within [~~a maximum of~~] 30 calendar days after the date of filing of a completed application.

(2) When a hearing is requested following an initial license application denial, the hearing will ordinarily be scheduled for a date [~~held~~] within 30 calendar days after a request for a hearing is made unless the parties agree to an extension of time. A final decision approving or denying the license application will be made after receipt of the proposal for decision from the administrative law judge.

(3) Exceptions. More time may be taken where good cause exists, as defined by Texas Government Code, §2005.004, for exceeding the established time periods in paragraphs (1) and (2) of this subsection.

§83.3008. Relocation of Licensed Offices

[~~(a) Filing requirements. A licensee may move the licensed office from the licensed location to any other location by paying the appropriate fees and giving notice of intended relocation to the commissioner not less than 30 calendar days prior to the anticipated moving date. Notification must be provided by filing a license amendment or an approved electronic submission as prescribed by the commissioner. The notice must include the contemplated new address of the licensed office, the approximate date of relocation, a copy of the notice to consumers, and the applicable fee as outlined in §83.3010 of this title (relating to Fees).~~]

(a) [~~(b)~~] Notice to consumers. Written notice of a relocation of an office, or of transactions as outlined in subsection (b) [~~(c)~~] of this section, must be mailed to all consumers with active accounts at least five calendar days prior to the date of relocation. Notices must identify the licensee, provide

both old and new addresses, provide both old and new telephone numbers, and state the date relocation is effective. The notice to consumers can be waived or modified by the commissioner when it is in the public interest. A request for waiver or modification must be submitted in writing for approval. In lieu of notification by mail, a licensee may provide notice to a consumer by reasonable signage, electronic mail, text messaging, or other electronic means if a consumer has approved electronic notices, or by any other means the commissioner may approve.

(b) [~~(c)~~] Relocation of transactions. If the licensee is only relocating or transferring transactions from one licensed location to another licensed location, the licensee must comply with subsection (a) [~~(b)~~] of this section and provide, if transferred to more than one location, a list of transactions relocated or transferred. This list of relocated or transferred transactions must include the contract number and the full name of the consumer.

§83.3009. License Inactivation or Voluntary Surrender

(a) Inactivation of active license. A licensee may cease operating under a credit access business license and choose to inactivate the license. A license may be inactivated by giving notice of the cessation of operations not less than 30 calendar days prior to the anticipated inactivation date. Notification must be provided by filing a license amendment or an approved electronic submission as prescribed by the OCCC. The notice must include the new mailing address for the license, the effective date of the inactivation, and the fee for amending the license. A licensee must continue to pay the yearly renewal fees for an inactive license as outlined in §83.3010 of this title (relating to Fees), or the license will expire as described by §83.4002 of this title (relating to License Term and Annual Renewal).

(b) Activation of inactive license. A licensee may activate an inactive license by giving notice of the intended activation not less than 30 calendar days prior to the anticipated activation date. Notification must be provided by filing a license amendment or an approved electronic submission as prescribed by the OCCC. The notice must include the contemplated new address of the licensed office, the approximate date of activation, and the fee for amending the license as outlined in §83.3010 of this title.

(c) Voluntary surrender of license. Subject to §83.4005(b) of this title (relating to Effect of Revocation, Suspension, or Surrender of License), a licensee may request voluntary [~~voluntarily~~] surrender of a license by providing the information required by the OCCC's written instructions [~~written notice of the cessation of operations, a request to surrender the license, and by submitting the license certificate~~]. A surrender is effective when the OCCC approves the surrender. An approved [~~A voluntary~~] surrender will result in cancellation of the license.

§83.3011. Applications and Notices as Public Records

Once a license application or notice is filed with the OCCC, it becomes a "state record" under Texas Government Code, §441.180(11), and "public information" under Government Code, §552.002. Under Government Code, §441.190, §441.191 and §552.004, the original applications and notices must be preserved as "state records" and "public information" unless destroyed with the approval of the director and librarian of the Texas State Library and Archives [~~and~~

~~Library~~] Commission under Government Code, §441.187. [~~Under Government Code, §441.191, the OCCC may not return any original documents associated with a credit access business license application or notice to the applicant or licensee.~~] An individual may request copies of a state record under the authority of the Texas Public Information Act, Government Code, Chapter 552.

Division 4. License

[*~~§83.4001. License Display~~*]

[~~(a) In-person sales. Licenses must be prominently displayed in a licensee's office in a conspicuous location visible to the general public.~~]

[~~(b) Internet sales. For business conducted through the Internet, a credit access business must fulfill one of the following two options on any website maintained by the business and on any website where the business advertises to or transacts with the public:~~]

[~~(1) include a complete copy of its license in a prominent and conspicuous location which may be accessible via a direct link; or~~]

[~~(2) include the following information in a prominent and conspicuous location:~~]

[~~(A) name of the licensed business followed by the phrase "credit access business";~~]

[~~(B) license number of the business;~~]

[~~(C) address of the licensed location of the business; and~~]

[~~(D) a statement that the licensed business is regulated by the Office of Consumer Credit Commissioner, 2601 North Lamar Boulevard, Austin, Texas 78705-4207.~~]

§83.4002. License Term, Renewal, and Expiration

(a) License term and renewal. A new license is effective from the date of its issuance until December 31. A license must be renewed annually to remain effective. After renewal, a license is effective for a term of one year, from January 1 to December 31.

(b) NMLS. To maintain and renew a license, a licensee must maintain an active account in NMLS (or a successor system designated by the OCCC). The OCCC may make renewal unavailable to a licensee that fails to maintain an active account.

(c) [~~(b)~~] Due date for annual assessment fee. The annual assessment fee is due by December 1 of each year.

(d) [~~(c)~~] Notice of delinquency. If a licensee does not pay the annual assessment fee, the OCCC will send a notice of delinquency. Notice of delinquency is given when the OCCC sends the notice electronically through NMLS or by email to the primary company contact. [~~:~~]

[~~(1) by mail to the address on file with the OCCC as a master file address; or~~]

[~~(2) by e-mail to the address on file with the OCCC as a master file e-mail address, if the licensee has provided a master file e-mail address.~~]

(e) [~~(d)~~] Expiration. If a licensee does not pay the annual assessment fee, the license will expire on the later of:

(1) December 31 of each year; or

(2) the 16th day after notice of delinquency is given under subsection (d) [~~(c)~~] of this section.

§83.4003. Denial, Suspension, or Revocation Based on Criminal History

(a) Criminal history record information. After an applicant submits a complete license application, including all required fingerprints, and pays the fees required by §83.3010 of this title (relating to Fees), the OCCC will investigate the applicant and its key individuals [~~principal parties~~]. The OCCC will obtain criminal history record information through NMLS [~~from the Texas Department of Public Safety and the Federal Bureau of Investigation based on the applicant's fingerprint submission~~]. The OCCC will continue to receive information on new criminal activity reported after the license application has [~~fingerprints have~~] been initially processed.

(b) Disclosure of criminal history. The applicant must disclose all criminal history information required to file a complete application with the OCCC. Failure to provide any information required as part of the application or requested by the OCCC reflects negatively on the belief that the business will be operated lawfully and fairly. The OCCC may request additional criminal history information from the applicant, including the following:

(1) information about arrests, charges, indictments, and convictions of the applicant and its key individuals [~~principal parties~~];

(2) reliable documents or testimony necessary to make a determination under subsection (c) of this section, including letters of recommendation from prosecution, law enforcement, and correctional authorities;

(3) proof that the applicant has maintained a record of steady employment, has supported the applicant's dependents, and has otherwise maintained a record of good conduct; and

(4) proof that all outstanding court costs, supervision fees, fines, and restitution as may have been ordered have been paid or are current.

(c) (No change.)

(d) Crimes related to character and fitness. The OCCC may deny a license application if the OCCC does not find that the financial responsibility, experience, character, and general fitness of the applicant are sufficient to command the confidence of the public and warrant the belief that the business will be operated lawfully and fairly, as provided by Texas Finance Code, §393.607(a). In conducting its review of character and fitness, the OCCC will consider the criminal history of the applicant and its key individuals [~~principal parties~~]. If the applicant or a key individual [~~principal party~~] has been convicted of an offense described by subsections (c)(1) or (f)(1) of this section, this reflects negatively on an applicant's character and fitness. The OCCC may deny a license application based on other criminal history of the applicant or its key individuals [~~principal parties~~] if, when the application is considered as a whole, the agency does not

find that the financial responsibility, experience, character, and general fitness of the applicant are sufficient to command the confidence of the public and warrant the belief that the business will be operated lawfully and fairly. The OCCC will, however, consider the factors identified in subsection (c)(2) - (3) of this section in its review of character and fitness.

(e) - (f) (No change.)

Division 5. Operational Requirements

§83.5004. Files and Records Required

A licensee must maintain records for each transaction under Texas Finance Code, Chapter 393, and make those records available to the OCCC for examination. The records required by this section may be maintained by using an electronic recordkeeping system, a paper or manual recordkeeping system, [~~electronic recordkeeping system, optically imaged recordkeeping system,~~] or a combination of these types of systems, unless otherwise specified. All records must be prepared and maintained in accordance with generally accepted accounting principles. If federal law requirements for record retention are different from the provisions contained in this section, the federal law requirements prevail only to the extent of the conflict with the provisions of this section.

(1) (No change.)

(2) Consumer's transaction file. A licensee must maintain an electronic or [~~a~~] paper [~~or electronic~~] transaction file for each individual transaction under Texas Finance Code, Chapter 393, or be able to produce this information within a reasonable amount of time. The transaction file must contain documents that show the licensee's compliance with applicable state and federal law, including Texas Finance Code, Chapter 393. If a substantially equivalent electronic record for any of the following documents exists, a paper copy of the record does not have to be included in the transaction file if the electronic record can be accessed upon request.

(A) - (C) (No change.)

(3) - (4) (No change.)

(5) Website, [~~and~~] online disclosures, and advertisements. [~~If a licensee maintains a website, it must make the website available to the OCCC for inspection. The website must include a fee schedule to show the licensee's compliance with §83.6003(b) of this title, and applicable consumer disclosures to show the licensee's compliance with §83.6007(f) of this title. If a licensee amends the website's fee schedule, consumer disclosures, or method of accessing the fee schedule or consumer disclosures, the licensee must maintain documentation of the previous version of the website to show compliance with §83.6003(b) of this title and §83.6007(f) of this title. This must include the home page, any pages used in accessing the fee schedule and disclosures, and copies of the previously used fee schedule and disclosures. The licensee must maintain this documentation for one year from the date of amendment or until the next examination by OCCC staff, whichever is later. This paragraph does not require a licensee to maintain previously used pages of the website that were not the home page or pages used in accessing the fee schedule and consumer disclosures. The licensee may maintain the documentation of previous versions of the website at a centralized location other than the licensed location or~~

~~branch office. In this case, the documentation must be maintained for one year from the date of amendment or until the OCCC's next examination of the centralized location, whichever is later. However, upon the OCCC's request, the licensee must have the ability to promptly obtain or access copies of the complete documentation so that the OCCC can examine it.~~]

(A) If a licensee maintains a website, it must make the website available to the OCCC for inspection. The website must include a fee schedule to show the licensee's compliance with §83.6003(b) of this title, and applicable consumer disclosures to show the licensee's compliance with §83.6007(f) of this title.

(B) If a licensee amends a website's fee schedule, consumer disclosures, or method of accessing the fee schedule or consumer disclosures, the licensee must maintain documentation of the previous version of the website to show compliance with §83.6003(b) of this title and §83.6007(f) of this title. This must include the home page, any pages used in accessing the fee schedule and disclosures, and copies of the previously used fee schedule and disclosures.

(C) A licensee must maintain records of any advertisements and solicitations, including examples of all written and electronic communications soliciting transactions (including advertisements at the place of business, scripts of radio and television broadcasts, and reproductions of billboards and signs not at the licensed place of business). If any language other than English is used in any advertising material, a true and correct translation must be maintained along with the advertising material.

(D) Information described in subparagraphs (A) through (C) of this paragraph must be maintained for one year from the last date of the information's publication or issuance, or until the next examination by OCCC staff, whichever is later. A licensee may maintain the information at a centralized location that the licensee has designated for maintaining books and records. Upon the OCCC's request, the licensee must have the ability to promptly obtain or access copies of the complete documentation so that the OCCC can examine it.

[~~(6) Advertisements. A licensee must maintain advertising and solicitation records, including examples of all written and electronic communications soliciting transactions (including advertisements at the place of business, scripts of radio and television broadcasts, and reproductions of billboards and signs not at the licensed place of business) for one year from the date of use or until the next examination by OCCC staff, whichever is later. If any language other than English is used in any advertising material, a true and correct translation must be maintained along with the advertising material. The licensee may maintain the documentation of advertising at a centralized location other than the licensed location or branch office. In this case, the documentation must be maintained for one year from the date of amendment or until the OCCC's next examination of the centralized location, whichever is later. However, upon the OCCC's request, the licensee must have the ability to promptly obtain or access copies of the complete documentation so that the OCCC can examine it.~~]

(6) [~~(7)~~] Adverse action records. Each licensee must maintain adverse action records for all applications relating to Texas

Finance Code, Chapter 393 transactions. Adverse action records must be maintained according to the record retention requirements in Regulation B, 12 C.F.R. §1002.12(b). The current retention period is 25 months for consumer credit. These records include the loan application, any written or recorded information used in evaluating the application, the adverse action notice (if required), the notice of incompleteness (if applicable), and counteroffer notice (if applicable).

(7) [~~(8)~~] Index of transfers, assignments, and sales. The licensee must maintain (or be able to produce within a reasonable period of time) an index of all loans transferred, assigned, or sold to or from another person, including a third-party lender, or to a different location of the licensee. Each record in the index must be retained for four years from the date of the transaction, or two years from the date of the final entry made on the consumer's account, whichever is later. (For transfers from the licensee, the date of transfer is the date of the final entry.)

(8) [~~(9)~~] Index of litigation, criminal charges, and repossessions. A licensee must maintain (or be able to produce within a reasonable period of time) an index of each litigation action and criminal charge or referral filed by or against the licensee, as well as each repossession initiated by the licensee. The index must show the consumer's name, account number, and date of action. Each record in the index must be retained for a period of four years from the date of the transaction, or two years from the date of the final entry made on the consumer's account, whichever is later.

(9) [~~(10)~~] Registration and surety bond records. A licensee must maintain documentation of its registration as a credit services organization with the Texas Secretary of State, including its registration statement and registration certificate, to show its compliance with Texas Finance Code, §393.101. A licensee must maintain complete documentation of any surety bond obtained by the licensee under Texas Finance Code, §393.401, and any surety bond required by the OCCC under Texas Finance Code, §393.605. If a registration or surety bond terminates, the licensee must maintain the documentation for one year after the date of termination or until the next examination by OCCC staff, whichever is later.

(10) Information security program. A licensee must maintain the following for an information security program:

(A) written policies and procedures for an information security program to protect consumers' customer information under the Federal Trade Commission's Safeguards Rule, 16 C.F.R. part 314; and

(B) if a licensee maintains customer information concerning 5,000 or more consumers, a written incident response plan and written risk assessments under 16 C.F.R. §314.4.

(11) Data breach notifications. A licensee must maintain the following for data breach notifications:

(A) the text of any data breach notification provided to consumers, including any notification under Texas Business & Commerce Code, §521.053, for a period of four years from the date of the notification; and

(B) any data breach notification provided to a government agency, including any notification provided to the Office of the Attorney General under Texas Business & Commerce Code, §521.053, for a period of four years from the date of the notification.

(12) [~~(11)~~] Official correspondence file. A licensee must maintain an official correspondence file, including all communications from the OCCC, copies of correspondence and reports addressed to the OCCC (including quarterly and annual reports), examination reports issued by the OCCC, and notices of relocation described by §83.3008 of this title (relating to Relocation of Licensed Office).

(13) [~~(12)~~] General business records. A licensee must maintain any other business records showing its compliance with applicable law, including accounting records showing that the licensee maintains net assets required by Texas Finance Code, §393.611, records used to compile quarterly and annual reports, records of disbursement of funds between the licensee and third-party lenders, receipts, bank statements, and any master insurance policies.

Certification

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

Issued in Austin, Texas on October 16, 2026.

Matthew J. Nance
General Counsel
Office of Consumer Credit Commissioner

C. OFFICE OF CONSUMER CREDIT COMMISSIONER

4. Discussion of and Possible Vote to Take Action on the Readoption of 7 TAC, Part 5, Chapter 90, Concerning Chapter 342, Plain Language Contract Provisions, Resulting from Rule Review

PURPOSE: Pursuant to Texas Government Code, §2001.039, the OCCC has completed the review of 7 TAC Chapter 90, and believes that the reasons for initially adopting the rules contained in these subchapters continue to exist.

RECOMMENDED ACTION: The OCCC requests that the Finance Commission readopt 7 TAC Chapter 90 following rule review, because the reasons for the rules continue to exist.

RECOMMENDED MOTION: I move that the Finance Commission readopt 7 TAC Chapter 90 following rule review, because the reasons for the rules continue to exist.

Title 7. Banking and Securities
Part 5. Office of Consumer Credit Commissioner
Chapter 90. Chapter 342, Plain Language Contract Provisions

The Finance Commission of Texas (commission) has completed the rule review of Texas Administrative Code, Title 7, Part 5, Chapter 90, concerning Chapter 342, Plain Language Contract Provisions, in its entirety. The rule review was conducted under Texas Government Code, §2001.039.

Before publishing notice of the review in the *Texas Register*, the OCCC issued an advance notice of rule review, requesting informal comments from stakeholders on the review of 7 TAC Chapter 90. The OCCC received two informal comments. Both comments request changes to the Flesch-Kincaid grade level requirements in §90.104 (relating to Non-Standard Contract Filing Procedures). Based on these comments, the commission is separately considering proposed amendments to §90.104. One comment also proposes adding a requirement in §90.104 that the OCCC must approve or disapprove a non-standard contract no later than the 30th day after receipt of a complete submission of the contract. While the OCCC makes a concerted effort to promptly review non-standard loan contracts, the commission and the OCCC believe that the additional text is unnecessary and goes beyond the requirements of Texas Finance Code, §341.502.

Notice of the review of 7 TAC Chapter 90 was published in the August 7, 2026, issue of the *Texas Register* (51 TexReg 5255). The commission received no official comments in response to that notice.

As a result of the rule review, the commission finds that the reasons for initially adopting the rules in 7 TAC Chapter 90 continue to exist, and readopts this chapter in accordance with the requirements of Texas Government Code, §2001.039.

C. OFFICE OF CONSUMER CREDIT COMMISSIONER

5. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment of Amendments in 7 TAC, Part 5, Chapter 84, Concerning Motor Vehicle Installment Sales

PURPOSE: The purposes of the proposed rule changes to 7 TAC Chapter 84 are to implement the OCCC's transition to the NMLS licensing system for motor vehicle sales finance companies and commercial motor vehicle sales finance companies, and to make other technical corrections and updates related to licensing and recordkeeping.

RECOMMENDED ACTION: The OCCC requests that the Finance Commission approve the amendments to 7 TAC Chapter 84 for publication in the *Texas Register*.

RECOMMENDED MOTION: I move that the Finance Commission approve for publication and comment the amendments to 7 TAC Chapter 84.

Texas Administrative Code

Title 7. Banking and Securities

Part 5. Office of Consumer Credit Commissioner

Chapter 84. Motor Vehicle Installment Sales

The Finance Commission of Texas (commission) proposes amendments to §84.601 (relating to Definitions), §84.602 (relating to Filing of New Application), §84.604 (relating to Transfer of License; New License Application on Transfer of Ownership), §84.607 (relating to Updating Application and Contact Information), §84.608 (relating to Processing of Application), §84.610 (relating to License Inactivation or Voluntary Surrender), §84.613 (relating to Denial, Suspension, or Revocation Based on Criminal History), §84.615 (relating to Applications and Notices as Public Records), §84.617 (relating to License Term, Renewal, and Expiration), and §84.708 (relating to Files and Records Required (Retail Sellers Collecting Installments on Retail Installment Sales Contracts)); and proposes the repeal of §84.603 (relating to New Registered Offices), §84.605 (relating to Change in Form or Proportionate Ownership), §84.606 (relating to Amendments to Pending Application), §84.609 (relating to Relocation of Licensed Offices), §84.612 (relating to Implementation Provisions of Licensing), §84.616 (relating to License Display), §84.707 (relating to Files and Records Required (Retail Sellers Assigning Retail Installment Sales Contracts)), and §84.709 (relating to Files and Records Required (Holders Taking Assignment of Retail Installment Sales Contracts)) in 7 TAC Chapter 84, concerning Motor Vehicle Installment Sales.

Summary of Proposed Rule Changes

The rules in 7 TAC Chapter 84 govern motor vehicle retail installment transactions. In general, the purposes of the proposed rule changes to 7 TAC Chapter 84 are to implement the OCCC's transition to the NMLS licensing system for motor vehicle sales finance companies and commercial motor vehicle sales finance companies, and to make other technical corrections and updates related to licensing and recordkeeping. The proposed rule changes also incorporate recommendations from the Texas Regulatory Efficiency Office.

Proposed amendments and repeals in §84.601 through §84.617 would implement the OCCC's transition to the NMLS system. The Nationwide Multistate Licensing System (NMLS) is an online platform used by state financial regulatory agencies to manage licenses, including license applications and renewals. NMLS was created in 2008. The federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 explains that the purposes of NMLS include increasing uniformity and reducing regulatory burden. SAFE Act, 12 USC §5101. Each state currently uses NMLS for licensing individual RMLOs, and states are increasingly using the system to license consumer finance companies. NMLS is managed by the Conference of State Bank Supervisors and is subject to ongoing modernization efforts and enhancements.

Under Texas Finance Code, §14.109, the OCCC is authorized to require use of NMLS for motor vehicle sales finance licenses under Texas Finance Code, Chapter 348. The

OCCC has begun a phased process of migrating license groups from ALECS (the OCCC's previous licensing platform) to NMLS. The OCCC believes that moving to NMLS will improve the user experience of the licensing system and promote efficiency.

Proposed amendments to §84.601 would replace the term "registered office" with "branch," and would replace the term "principal party" with "key individual," in order to be consistent with the terminology in NMLS. Other proposed amendments would specify that terms used in Texas Finance Code, Chapter 353 apply to the licensing rules, and would remove definitions that are no longer necessary because the terms are used in sections being repealed by this proposal.

Proposed amendments to §84.602 would streamline license application requirements and refer to instructions that the OCCC has published through NMLS. Currently, §84.602 contains a detailed list of license application items, with requirements that differ based on the applicant's entity type (e.g., partnership, corporation, limited liability company). In addition to ensuring consistency with NMLS, the proposed amendments would significantly simplify §84.602 and ensure that an applicant can easily read and understand the rule. Proposed amendments at §84.602(c) describe the requirements for a branch license application, which will replace the current requirements for a registered office. A proposed amendment at §84.602(d) explains that the OCCC may require additional, clarifying, or supplemental information to determine that the applicant meets statutory licensing requirements. A proposed amendment at §84.602(e) explains that an applicant must immediately amend a pending application if any information changes requiring a materially different response, replacing language that would be removed from §84.606, as explained later in this preamble.

The proposal would repeal §84.603, which currently describes requirements for an application for a registered office. These provisions will no longer be necessary, because they will be replaced by the new provisions at §84.602(c) regarding branch licenses, as discussed earlier in this preamble. Under Texas Finance Code, §348.501(b) and §353.501(b), licensees are required to ensure that each location where retail installment transactions are made, held, serviced, or collected is licensed. Because the statute specifies this requirement, it is not necessary to repeat the requirement in the text of the rule.

Proposed amendments to §84.604 would streamline and simplify requirements for transfer of ownership and license transfer to ensure consistency with NMLS. In §84.604(b)(3), proposed amendments to the definition of "transfer of ownership" would streamline the definition of "transfer of ownership" while maintaining references to changes in management or control of a business, and also maintaining current exclusions relating to changes in proportionate ownership and relocations of transactions. Going forward in NMLS, the OCCC anticipates that changes to the identifies of a single company's owners will be handled through the advance change notice process, as explained later in this preamble in the discussion of proposed amendments to §84.604. A proposed amendment to §84.604(c) would explain that to transfer a license, a transferor may request surrender of its license after the OCCC approves the transferee's new license application on transfer of ownership. Other proposed amendments throughout §84.604

would ensure consistency with revised transfer and licensing processes.

The proposal would repeal §84.605, which currently requires licensees to notify the OCCC of changes to organizational form, mergers resulting in creation of a new or different surviving entity, and certain changes in proportionate ownership. Going forward in NMLS, the OCCC anticipates that these changes will be handled through the advance change notice process, as explained later in this preamble in the discussion of proposed amendments to §84.607. Therefore, §84.605 will no longer be necessary.

The proposal would repeal §84.606, which currently requires license applicants to provide supplemental information to the OCCC on request. Because of the proposed amendment at §84.602(d) explaining the OCCC may require additional information, §84.606 will no longer be necessary.

Proposed amendments to §84.607 would consolidate and simplify the types of required notifications that a licensee must provide to the OCCC when a change occurs. In §84.607(a), the proposed amendments would list advance change notices. NMLS uses the term "advance change notice" to refer to notifications that must be provided on or before the date of the change, in accordance with an agency's written instructions. As explained in the proposed amendments to §84.607(a), this includes changes to the legal name of the entity, the legal status of the entity, names of key individuals, branch location addresses, and other listed items. In §84.607(b), proposed amendments would list notifications that are required not later than 30 days after the licensee has knowledge of the information. These items include bankruptcies of the licensee or its direct owners, because a bankruptcy is a significant event that may impact the financial responsibilities of a licensee and its ability to address compliance issues. These items also include notifications of data breaches affecting at least 250 Texas residents. Data security is a crucial issue. The OCCC's 2027-2031 strategic plan includes action items to "[p]romote cybersecurity awareness and best practices among regulated entities" and "[m]onitor cybersecurity incidents and remediation efforts reported by regulated entities." Recent data breaches affecting financial institutions highlight the urgent need for vigilance in this industry. The proposed notification amendments will help ensure that the OCCC can monitor this crucial issue.

Proposed amendments to §84.608 would revise license application processing requirements to be consistent with NMLS. A proposed amendment at §84.608(c) would explain that a license application may be considered withdrawn if a complete application has not been filed within 30 days after a notice of deficiency has been sent to the applicant, consistent with how license applications are processed in NMLS. A proposed amendment would remove current §84.608(f), regarding disposition of fees, because this language unnecessarily duplicates language in Texas Finance Code, §348.505 and §353.505. Proposed amendments at §86.608(f) would clarify the 60-day target period to process a license application and the 60-day target period to set a requested hearing on an application denial, in accordance with Texas Finance Code, §348.504(c)-(d) and §353.504(c)-(d).

The proposal would repeal §84.609, which currently requires licensees to notify the OCCC of any relocation of a licensed location or registered office. The requirement to notify the OCCC of a main address

relocation or branch office relocation will be moved to §84.607(a) as an advance change notice, as discussed earlier in this preamble.

Proposed amendments to §84.610 would revise requirements for license surrender. The proposed amendment would explain that a licensee may surrender a license by providing the information required by the OCCC's written instruction, in accordance with Texas Finance Code, §348.510 and §353.510, and that a surrender is effective when the OCCC approves the surrender.

The proposal would repeal §84.612, which is an implementation provision specifying that the statutory licensing requirement in Texas Finance Code, Chapter 348 was effective September 1, 2002, and that transactions before that effective date must comply with the provisions that were previously in effect. This rule is no longer necessary because of the amount of time that has passed since 2002, and because the licensing requirement's effective date is memorialized in Chapter 348's legislative history.

Proposed amendments to §84.613 would revise criminal history review requirements to explain that the OCCC will obtain criminal history record information through NMLS and to use the term "key individual." A proposed amendment to §84.613(f) would correct a citation to Texas Finance Code, §353.508.

Proposed amendments to §84.615 would remove a sentence about the return of original documents filed with a license application. This sentence is no longer necessary because the OCCC no longer accepts original paper documents with a license application. Another proposed amendments to §84.614 would correct a reference to the name of the Texas State Library and Archives Commission.

The proposal would repeal §84.616, which describes the requirement to display a license. This section is unnecessary because it contemplates a paper license at a physical location. Going forward, license information will be publicly available online through NMLS.

Proposed amendments to §84.617 would revise requirements for license renewal. A proposed amendment at §84.617(b) would explain that a licensee must maintain an active account in NMLS (or a designated successor system) in order to maintain and renew a license, and that renewal may be unavailable to a licensee that fails to maintain an active account. A proposed amendment at §84.617(d) would specify that the OCCC may send notice of delinquency of an annual assessment fee electronically through NMLS or by email to the primary company contact, removing current language that refers to a "master file" address under the OCCC's current system. Proposed amendments at §84.617(f) would remove language about the late filing fee for a registered office, and would specify that the reinstatement fee for a company or branch license is the fee under Texas Finance Code, §349.301 and §349.303(a).

The proposal would repeal §84.707, which currently describes recordkeeping requirements for retail sellers that assign retail installment sales contracts. This rule section overlaps substantially with §84.708. In order to streamline and simplify the text of the rules and minimize duplicative rule text, §84.707 will be repealed and consolidated into §84.708, as discussed in the next paragraph.

Proposed amendments to §84.708 would consolidate the recordkeeping requirements for motor vehicle sales finance licensees into a single rule, located at §84.708. Currently, §84.708 applies only to retail sellers collecting on retail installment sales contracts, but the current rule overlaps substantially with §84.707 and §84.709. Proposed amendments would simplify the title of the section and the text of §84.708(a) to apply generally to motor vehicle retail installment transactions. In order to maintain current recordkeeping requirements, proposed amendments throughout the section would limit certain provisions to retail sellers, and would limit certain provisions to licensees that hold, service, or collect on contracts. In particular, the provisions describing the contents of the retail installment sales transaction file at §84.708(e)(2) would be divided into paragraph (A) (describing records that all licensees must maintain), paragraph (B) (describing records that retail sellers must maintain), and paragraph (C) (describing records that licensees must maintain if they hold, service, or collect on contracts). Other changes throughout the section would reorganize and clarify text in order to streamline the rule while maintaining current requirements.

The proposal would repeal §84.709, which currently describes recordkeeping requirements for holders taking assignment of retail installment sales contracts. This rule section overlaps substantially with §84.708. In order to streamline and simplify the text of the rules and minimize duplicative rule text, §84.709 will be repealed and consolidated into §84.708, as discussed in the previous paragraph.

Fiscal Impact

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

Public Benefits and Costs

Christine Graham, Director of Consumer Protection, has determined that for each year of the first five years the proposed rule changes are in effect, the public benefits anticipated as a result of the changes will be that the commission's rules will be more easily understood by licensees required to comply with the rules. In particular, the rule changes governing the transition to the NMLS licensing system will better enable the OCCC use its existing authority under Texas Finance Code, §14.109, to use NMLS as a licensing system, resulting in an improved user experience, efficiency for multistate entities, and an improved ability for consumers to access data about business licenses. Transitioning to NMLS will help minimize the costs of updating the OCCC's legacy technological systems.

In general, the OCCC anticipates that any economic costs for persons required to comply with the proposed rule changes will be minimal. Following an NMLS transition period earlier in 2026, motor vehicle sales finance licensees and commercial motor vehicle sales finance licensees have transitioned to NMLS. During the NMLS transition period, the OCCC attempted to minimize costs by requiring existing licensees to provide only a core set of information and documents.

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

Government Growth Impact

During the first five years the proposed rule changes will be in effect, the rules will not create or eliminate a government program. Implementation of the rule changes will not require the creation of new employee positions or the elimination of existing employee positions. Implementation of the rule changes will not require an increase or decrease in future legislative appropriations to the OCCC, because the OCCC is a self-directed, semi-independent agency that does not receive legislative appropriations. The proposal does not require an increase or decrease in fees paid to the OCCC. The proposal would not create a new regulation. The proposal would expand §84.708 to consolidate recordkeeping requirements into a single rule. The proposal would both expand and limit current §84.607 by adding references to certain cybersecurity-related information and removing unnecessary rule text. The proposal would limit current §84.602, §84.604, and §84.615 by simplifying and streamlining current requirements. The proposal would repeal current §84.603, §84.605, §84.606, §84.609, §84.612, §84.616, §84.707, and §84.709. The proposed rule changes do not increase or decrease the number of individuals subject to the rule's applicability. The agency does not anticipate that the proposed rule changes will have an effect on the state's economy.

Public Comments

The OCCC distributed an early precomment draft of proposed changes to interested stakeholders for review. The OCCC received one precomment from an association of credit access businesses, which supported the proposed changes. The OCCC appreciates the thoughtful input of stakeholders.

Comments on the proposal may be submitted in writing to Matthew Nance, General Counsel, Office of Consumer Credit Commissioner, 2601 North Lamar Boulevard, Austin, Texas 78705 or by email to rule.comments@occc.texas.gov. The commission invites any comments with information related to the cost, benefit, or effect of the proposed rule changes, including any applicable data, research, or analysis, from any person required to comply with the proposed rule changes or any other interested person. To be considered, a written comment must be received on or before the 30th day after the date the proposal is published in the *Texas Register*. After the 30th day after the proposal is published in the *Texas Register*, no further written comments will be considered or accepted by the commission.

Statutory Authority and Affected Provisions

The rule changes are proposed under Texas Finance Code, §348.513, which authorizes the commission to adopt rules to enforce and administer Texas Finance Code, Chapter 348, and under Texas Finance Code §353.513, which authorizes the commission to adopt rules to enforce and administer Texas Finance Code, Chapter 353. The rule changes are also proposed under Texas Finance Code,

§11.304, which authorizes the commission to adopt rules to ensure compliance with Texas Finance Code, Chapter 14 and Title 4.

The statutory provisions affected by the proposal are contained in Texas Finance Code, Chapters 348 and 353.

Rule Text

Subchapter F. Licensing

§84.601. Definitions

Words and terms used in this chapter that are defined in Texas Finance Code, Chapter 348 or 353, have the same meanings as defined in Chapter 348 or 353. The following words and terms, when used in this chapter, will have the following meanings, unless the context clearly indicates otherwise.

[~~(1) Affiliate--A business entity directly or indirectly through one or more intermediaries that is under common control with the applicant or licensee.~~]

(1) [~~(2)~~] Applicant--An entity that has filed the required forms and fees to operate under a license from the Office of Consumer Credit Commissioner pursuant to Texas Finance Code, Chapter 348.

(2) Branch--A location other than the licensed location where a licensee will originate, service, or collect on retail installment sales contracts. A branch may also be referred to as a "registered office."

(3) Commissioner--The Consumer Credit Commissioner of the State of Texas.

(4) Key individual--An individual owner, officer, director, or employee with a substantial relationship to the business of an applicant or licensee. The following are key individuals:

(A) any individual who is a direct owner of 10% or more of an applicant or licensee;

(B) any individual who is a control person or executive officer of an applicant or licensee, including an individual who has the power to direct management or policies of a company (e.g., president, chief executive officer, general partner, managing member, vice president, treasurer, secretary, chief operating officer, chief financial officer); and

(C) an individual designated as a key individual where necessary to fairly assess the applicant or licensee's financial responsibility, experience, character, general fitness, and sufficiency to command the confidence of the public and warrant the belief that the business will be operated lawfully and fairly.

[~~(4) Foreign entity--An entity formed under the laws of a jurisdiction other than the State of Texas.~~]

(5) Licensed location--The central or main location of the entity.

(6) NMLS--The Nationwide Multistate Licensing System.

(7) [~~(6)~~] OCCC--The Office of Consumer Credit Commissioner of the State of Texas.

[~~(7) Principal party--An individual with a substantial relationship to the proposed business of the applicant. The following individuals are principal parties:~~]

[~~(A) a proprietor holding a 100% ownership interest;~~]

[~~(B) general partners;~~]

[~~(C) officers of privately held corporations, to include the chief executive officer or president, the chief operating officer or vice president of operations, and those with substantial responsibility for operations or compliance with Texas Finance Code, Chapter 348;~~]

[~~(D) directors of privately held corporations;~~]

[~~(E) individuals associated with publicly held corporations designated by the applicant as follows:~~]

[~~(i) officers as provided by subparagraph (C) of this paragraph (as if the corporation was privately held); or~~]

[~~(ii) three officers or similar employees with significant involvement in the corporation's activities governed by Texas Finance Code, Chapter 348. One of the persons designated must be responsible for assembling and providing the information required on behalf of the applicant and must sign the application for the applicant;~~]

[~~(F) voting members of a limited liability company;~~]

[~~(G) trustees and executors;~~]

[~~(H) officers of nonprofit organizations;~~]

[~~(I) individuals designated as principal parties where necessary to fairly assess the applicant's financial responsibility, experience, character, general fitness, and sufficiency to command the confidence of the public and warrant the belief that the business will be operated lawfully and fairly as required by the commissioner; and~~]

[~~(J) individuals may be accepted as principal parties in compliance with this paragraph upon approval by the commissioner for certain privately held entities with complex ownership structures. Three officers or similar employees with significant involvement in the entity's activities governed by Texas Finance Code, Chapter 348 may be designated upon approval by the commissioner.~~]

[~~(8) Privately held corporation--A corporation that is not publicly held.~~]

[~~(9) Publicly held corporation--A corporation:~~]

[~~(A) subject to the registration provisions of the Securities Act of 1933 in order to allow a public offering of voting stock; or~~]

[~~(B) owned directly or indirectly by a parent corporation that is subject to the registration provisions of the Securities Act of 1933.~~]

[~~(10) Registered offices--Each location other than the licensed location where a licensee will originate, service, or collect on retail installment sales contracts subject to Texas Finance Code, Chapter 348. The term also includes any additional assumed name that the licensee uses at a single location to engage in a Chapter 348 transaction.~~]

§84.602. Filing of New Application

(a) NMLS. In order to submit a motor vehicle sales finance license application under Texas Finance Code, Chapter 348, or a commercial motor vehicle sales finance license application under Texas Finance Code, Chapter 353, an applicant must submit a complete, accurate, and truthful license application through NMLS (or a successor system designated by the OCCC), using the current form prescribed by the OCCC. An application is complete when it conforms to the OCCC's written instructions and necessary fees have been paid. The OCCC has made application checklists available through NMLS, outlining the necessary information for a license application. [~~An application for issuance of a new motor vehicle sales finance license issued under Texas Finance Code, Chapter 348 or 353 must be submitted in a format prescribed by the commissioner at the date of filing and in accordance with the commissioner's instructions. The commissioner may accept the use of prescribed alternative formats in order to accept approved electronic submissions. Appropriate fees must be filed with the application, and the application must include the following:~~]

[~~(1) Required application information. All questions must be answered.~~]

[~~(A) Application for license.~~]

[~~(i) Location. A physical street address must be listed for the applicant's proposed licensed location. A post office box or a mail box location at a private mail receiving service generally may not be used. If the address has not yet been determined or if the application is for an inactive license, then the application must so indicate.~~]

[~~(ii) Compliance officer. The application must list a compliance officer. The compliance officer must be an individual responsible for overseeing compliance regarding the OCCC, and must be authorized to receive and respond to communications from the OCCC.~~]

[~~(iii) Registered agent. The registered agent must be designated by each applicant. The registered agent is the person or entity to whom any legal notice may be delivered. The agent must be a Texas resident and list an address for legal service. If the registered agent is a natural person, the address must be a different address than the licensed location address. If the applicant is a corporation or a limited liability company, the registered agent should be the one on file with the Office of the Texas Secretary of State. If the registered agent is not the same as the agent filed with the Office of the Texas Secretary of State, then the applicant must submit a certification from the secretary of the company identifying the registered agent.~~]

[~~(iv) List of registered offices. Each additional location, other than the licensed location shown on the application, must be listed. The applicant should provide the assumed name (DBA), physical address, telephone number, and the person responsible for day-to-day operations for each registered office. A registered office is required for any additional assumed name that the licensee uses at a single location to engage in a Texas Finance Code, Chapter 348 or 353 transaction.~~]

[~~(v) Owners and principal parties.~~]

[~~(I) Proprietorships. The applicant must disclose the name of the~~

~~individual holding a 100% ownership interest in the business and the name of any individual responsible for operating the business. If requested, the applicant must also disclose the names of the spouses of these individuals.~~]

[~~(II) General partnerships. Each partner must be listed and the percentage of ownership stated. If a general partner is wholly or partially owned by a legal entity and not a natural person, a narrative or diagram must be included that lists the names and titles of all meeting the definition of "managerial official," as contained in Texas Business Organizations Code, §1.002, and a description of the ownership of each legal entity must be provided. General partnerships that register as limited liability partnerships should provide the same information as that required for general partnerships.~~]

[~~(III) Limited partnerships. Each partner, general and limited, fulfilling the requirements of items (-a-) - (-c-) of this subclause must be listed and the percentage of ownership stated.~~]

[~~(-a-) General partners. The applicant should provide the complete ownership, regardless of percentage owned, for all general partners. If a general partner is wholly or partially owned by a legal entity and not a natural person, a narrative or diagram must be included that lists the names and titles of all meeting the definition of "managerial official," as contained in Texas Business Organizations Code, §1.002, and a description of the ownership of each legal entity must be provided.~~]

[~~(-b-) Limited partners. The applicant should provide a complete list of all limited partners owning 10% or more of the partnership.~~]

[~~(-c-) Limited partnerships that register as limited liability partnerships. The applicant should provide the same information as that required for limited partnerships.~~]

[~~(IV) Corporations. Each officer and director must be named. Each shareholder holding 10% or more of the voting stock must be named if the corporation is privately held. If a parent corporation is the sole or part owner of the proposed business, a narrative or diagram must be included that describes each level of ownership of 10% or greater.~~]

[~~(V) Limited liability companies. Each "manager," "officer," and "member" owning 10% or more of the company, as those terms are defined in Texas Business Organizations Code, §1.002, and each agent owning 10% or more of the company must be listed. If a member is a legal entity and not a natural person, a narrative or diagram must be included that describes each level of ownership of 10% or greater.~~]

[~~(VI) Trusts or estates. Each trustee or executor, as appropriate, must be listed.~~]

[~~(VII) Nonprofit organizations. Each officer must be listed.~~]

[~~(VIII) All entity types. If a parent entity is a different type of legal business entity than the applicant, the parent entity's owners and principal parties should be disclosed according to the parent's entity type.~~]

[~~(IX) Alternative filings for all entity types. The commissioner may also accept other filings submitted to a governmental authority that the commissioner deems to have information substantially equivalent in coverage and reliability to a filing under subclauses (I) - (VIII) of this clause.~~]

[~~(B) Disclosure questions. All applicable questions must be answered. Questions requiring a "yes" answer must be accompanied by an explanatory statement and any appropriate documentation requested.~~]

[~~(C) Personal information.~~]

[~~(i) Personal affidavit. Each individual meeting the definition of "principal party" as defined in §84.601 of this title (relating to Definitions) must provide a personal affidavit. All requested information must be provided.~~]

[~~(ii) Personal questionnaire. Each individual meeting the definition of "principal party" as defined in §84.601 of this title must provide a personal questionnaire. Each question must be answered. If any question, except question 1, is answered "yes," an explanation must be provided.~~]

[~~(iii) Employment history. Each individual meeting the definition of "principal party" as defined in §84.601 of this title must provide an employment history. Each principal party should provide a continuous 10-year history, accounting for time spent as a student, unemployed, or retired. The employment history must also include the individual's association with the entity applying for the license.~~]

[~~(D) Additional requirements.~~]

[~~(i) Statement of experience. Each applicant should provide information that relates to the applicant's prior experience in the motor vehicle sales finance business. If the applicant or its principal parties do not have significant experience in the same type of business as planned for the prospective licensee, the applicant must provide a written statement explaining the applicant's relevant business experience or education, why the commissioner should find that the applicant has the requisite experience, and how the applicant plans to obtain the necessary knowledge to operate lawfully and fairly.~~]

[~~(ii) Business operating plan. An applicant must attach a brief narrative to the application explaining:~~]

[~~(I) an estimate of how many motor vehicles will be financed by the applicant each year;~~]

[~~(II) whether the applicant will hold the retail installment sales contracts or whether the applicant will assign its retail installment sales contracts;~~]

[~~(III) whether the applicant will only be accepting contracts from another entity (assignor), and, if so, list the types of entities; and~~]

[~~(IV) whether the collections will occur at the licensed location.~~]

[~~(iii) Statement of records. Each applicant must provide a statement of where records of Texas transactions will be maintained. If these records will be maintained at a location outside of Texas, the applicant must acknowledge responsibility for the travel cost associated with~~

~~examinations in addition to the assessment fees or agree to make all records available for examination in Texas.~~]

[~~(E) Consent form. Each applicant must submit a consent form signed by an authorized individual. Electronic signatures will be accepted in a manner approved by the commissioner. The following are authorized individuals:~~]

[~~(i) If the applicant is a proprietor, the owner must sign.~~]

[~~(ii) If the applicant is a partnership, one general partner must sign.~~]

[~~(iii) If the applicant is a corporation, an authorized officer must sign.~~]

[~~(iv) If the applicant is a limited liability company, an authorized member or manager must sign.~~]

[~~(v) If the applicant is a trust or estate, the trustee or executor, as appropriate, must sign.~~]

[~~(F) Statement regarding previous installment transactions. Each applicant must submit a statement that it has or has not made or collected on any retail installment sales contract or accepted the cash payment for a motor vehicle in one or more installments from September 1, 2002, to date. This includes any contracts signed by applicant as seller that are subsequently assigned to a third party. If the applicant is purchasing another dealership and has permission to operate under an existing license, as described in §84.604 of this title (relating to Transfer of License; New License Application on Transfer of Ownership), the statement outlined by this subparagraph is not required. If the applicant has engaged in any of the referenced activities, the applicant must provide the following information:~~]

[~~(i) A list of all contracts used to finance the sale of a motor vehicle in one or more installments (whether the applicant was the original seller or whether the applicant became a holder). The list should include the name of the buyer, contract date, vehicle cash price, amount of down payment, net trade-in amount, total amount financed, payment frequency (monthly, semi-monthly, bi-weekly, weekly), total number of payments, and payment amount(s).~~]

[~~(ii) From the list provided by the applicant, copies of ten (10) complete files. The complete file includes, but is not limited to, the buyer's order, signed retail installment sales contract, payment history, certificate of title, and other documents related to that transaction. If there are fewer than ten (10) accounts, provide a complete copy of each file.~~]

[~~(2) Other required filings.~~]

[~~(A) Fingerprints.~~]

[~~(i) For all persons meeting the definition of "principal party" as defined in §84.601 of this title, a complete set of legible fingerprints must be provided. All fingerprints should be submitted in a format prescribed by the OCCC and approved by the Texas Department of Public Safety and the Federal Bureau of Investigation.~~]

[~~(ii) For limited partnerships, if the owners and principal parties under paragraph (1)(A)(v)(III)(~~a~~) of this section does not produce a natural person, the applicant must provide a complete set of legible fingerprints for individuals who are~~

~~associated with the general partner as principal parties.~~]

[~~(iii) For entities with complex ownership structures that result in the identification of individuals to be fingerprinted who do not have a substantial relationship to the proposed applicant, the applicant may submit a request to fingerprint three officers or similar employees with significant involvement in the proposed business. The request should describe the relationship and significant involvement of the individuals in the proposed business. The agency may approve the request, seek alternative appropriate individuals, or deny the request.~~]

[~~(iv) For individuals who have previously been licensed by the OCCC and principal parties of entities currently licensed, fingerprints are generally not required if the fingerprints are on record with the OCCC, are less than 10 years old, and have been processed by both the Texas Department of Public Safety and the Federal Bureau of Investigation. Upon request, individuals and principal parties previously licensed by the OCCC may be required to submit a new set of fingerprints in order to complete the OCCC's records.~~]

[~~(v) For individuals who have previously submitted fingerprints to another state agency (e.g., Texas Department of Motor Vehicles), fingerprints are still required to be submitted under Texas Finance Code, §14.152. Fingerprints cannot be disclosed to others, except as authorized by Texas Government Code, §560.002.~~]

[~~(B) Contract forms. The applicant must provide information regarding the retail installment sales contract forms it intends to use for retail installment sales transactions involving ordinary vehicles. The applicant does not have to provide retail installment sales contract forms involving commercial vehicles.~~]

[~~(i) Custom forms. If a custom contract form is to be prepared, a preliminary draft or proof that is complete as to format and content and which indicates the number and distribution of copies to be prepared for each transaction must be submitted.~~]

[~~(ii) Stock forms. If an applicant purchases or plans to purchase stock forms from a supplier, the applicant must include a statement that includes the supplier's name and address and a list identifying the forms to be used, including the revision date of the form, if any.~~]

[~~(C) Entity documents.~~]

[~~(i) Partnerships. A partnership applicant must submit a complete and executed copy of the partnership agreement. This copy must be signed and dated by all partners. If the applicant is a limited partnership or a limited liability partnership, provide evidence of filing with the Office of the Texas Secretary of State.~~]

[~~(ii) Corporations. A corporate applicant, domestic or foreign, must provide the following documents:~~]

[~~(I) a complete copy of the certificate of formation or articles of incorporation, with any amendments;~~]

[~~(II) a certification from the secretary of the corporation identifying the current officers and directors as listed in the owners and principal parties section of the application for license form;~~]

[~~(III) if the registered agent is not the same as the one on file with the Office of the Texas Secretary of State, a certification from the secretary of the corporation identifying the registered agent;~~]

[~~(IV) if requested, a copy of the relevant portions of the bylaws addressing the required number of directors and the required officer positions for the corporation;~~]

[~~(V) if requested, a copy of the minutes of corporate meetings that record the election of all current officers and directors as listed in the owners and principal parties section of the application for license form;~~]

[~~(VI) if requested, a certificate of good standing from the Texas Comptroller of Public Accounts.~~]

[~~(iii) Publicly held corporations. In addition to the items required for corporations, a publicly held corporation must file the most recent 10K or 10Q for the applicant or for the parent company.~~]

[~~(iv) Limited liability companies. A limited liability company applicant, domestic or foreign, must provide the following documents:~~]

[~~(I) a complete copy of the articles of organization;~~]

[~~(II) a certification from the secretary of the company identifying the current officers and directors as listed in the owners and principal parties section of the application for license form;~~]

[~~(III) if the registered agent is not the same as the one on file with the Office of the Texas Secretary of State, a certification from the secretary of the company identifying the registered agent;~~]

[~~(IV) if requested, a copy of the relevant portions of the operating agreement or regulations addressing responsibility for operations;~~]

[~~(V) if requested, a copy of the minutes of company meetings that record the election of all current officers and directors as listed in the owners and principal parties section of the application for license form;~~]

[~~(VI) if requested, a certificate of good standing from the Texas Comptroller of Public Accounts.~~]

[~~(v) Trusts. A copy of the relevant portions of the instrument that created the trust addressing management of the trust and operations of the applicant must be filed with the application.~~]

[~~(vi) Estates. A copy of the instrument establishing the estate must be filed with the application.~~]

[~~(vii) Foreign entities. In addition to the items required by this section, a foreign entity must provide a certificate of authority to do business in Texas, if applicable.~~]

[~~(viii) Nonprofit organizations. The applicant must provide a copy of the relevant portions of the instrument creating the nonprofit organization addressing management of the organization and operations of the applicant. A nonprofit applicant must also provide a copy of its filing with the Internal Revenue Service or other evidence to verify that the~~

~~applicant is a nonprofit organization exempt from taxation under Internal Revenue Code of 1986, §501(c)(3).~~]

[~~(ix) Formation document alternative. As an alternative to the entity-specific formation document applicable to the applicant's entity type (e.g., for a corporation, articles of incorporation), an applicant may submit a "certificate of formation" as defined in Texas Business Organizations Code, §1.002, if the certificate of formation provides the entity formation information required by this section for that entity type.~~]

[~~(D) Assumed name certificates. For any applicant that does business under an "assumed name" as that term is defined in Texas Business and Commerce Code, §71.002, an assumed name certificate must be filed as provided in this subparagraph.~~]

[~~(i) Unincorporated applicants. Unincorporated applicants using or planning to use an assumed name must file an assumed name certificate with the county clerk of the county where the proposed business is located in compliance with Texas Business and Commerce Code, Chapter 71. An applicant must provide a copy of the assumed name certificate that shows the filing stamp of the county clerk or, alternatively, a certified copy.~~]

[~~(ii) Incorporated applicants. Incorporated applicants using or planning to use an assumed name must file an assumed name certificate in compliance with Texas Business and Commerce Code, Chapter 71. Evidence of the filing bearing the filing stamp of the Office of the Texas Secretary of State must be submitted or, alternatively, a certified copy.~~]

[~~(3) Late filing. An applicant who desires to retroactively file a license application may do so by complying with Texas Finance Code, §349.303, and the rules adopted under this chapter.~~]

(b) Company license application. A company license application will include the following information and any other information listed in the OCCC's written instructions:

(1) A company form including the name of the applicant entity, contact information, registered agent, location of books and records, bank account information, legal status, and responses to disclosure questions.

(2) An individual form for each key individual, including name, contact information, and responses to disclosure questions.

(3) A business operating plan.

(4) An organizational chart showing the applicant's management divisions, officers, and ownership information for any affiliates, subsidiaries, and parent companies.

(5) A statement of experience detailing prior experience relevant to the license sought.

(6) A certificate of formation or other formation document.

(7) Any assumed names or other trade names that the applicant will use, and an assumed name certificate for each assumed name or other trade name.

(8) Franchise tax account information showing that the applicant entity is authorized to do business in Texas.

(9) A statement regarding previous motor vehicle retail installment transactions, with records for transactions that the applicant made, held, serviced, or collected before obtaining a license.

(10) For a license application involving a transfer of ownership, documentation of the transfer of ownership as described by §84.604 of this title (relating to Transfer of License; New License Application on Transfer of Ownership).

(c) Branch license application. A branch license application will include the following information and any other information listed in the OCCC's written instructions:

(1) A branch form including the address of the branch, contact details, and business activities.

(2) Any assumed name or other trade name that the applicant will use, and an assumed name certificate for each assumed name or other trade name.

(3) A statement regarding previous motor vehicle retail installment transactions at the branch, including the statement and information described by subsection (b)(10) of this section.

(4) For a license application involving a transfer of ownership at a branch, documentation of the transfer of ownership as described by §84.604 of this title.

(d) Supplemental information. The OCCC may require additional, clarifying, or supplemental information or documentation as necessary or appropriate to determine that an applicant meets the licensing requirements of Texas Finance Code, Chapter 348 or 353.

(e) Amendments to pending application. An applicant must immediately amend a pending application if any information changes requiring a materially different response from information provided in the original application.

(f) Late filing. An eligible applicant may obtain a company or branch license after the date on which the applicant was required to obtain the license by complying with Texas Finance Code, §349.301 and §349.303, and the rules adopted under this chapter.

[~~*§84.603. New Registered Offices*~~]

[~~(a) A licensee may conduct Texas Finance Code, Chapter 348 transactions at different locations or under additional assumed names at a single location by filing notice of a new registered office and paying the applicable fee.~~]

[~~(b) Notice of a new registered office must be filed before a licensee can engage in a Chapter 348 transaction at the different location or under the additional assumed name.~~]

[~~(1) Date registered office began conducting Chapter 348 transactions. If the registered office has commenced business, provide the date the registered office began conducting Texas Finance Code, Chapter 348 transactions. If the notice is filed in advance, provide the date the licensee anticipates commencing business under this registered office.~~]

[~~(2) License number of licensed location. Provide the license number shown~~

~~on the license of the licensed location issued by the Office of Consumer Credit Commissioner.~~]

[~~(3) Assumed name certificate. If the registered office is using an assumed name, as that term is defined in Texas Business and Commerce Code, §71.002, an assumed name certificate must be filed as provided in this paragraph.~~]

[~~(A) Unincorporated applicants. Unincorporated applicants using or planning to use an assumed name at a new registered office must file an assumed name certificate with the county clerk of the county where the proposed business is located in compliance with Texas Business and Commerce Code, Chapter 71. An applicant must provide a copy of the assumed name certificate that shows the filing stamp of the county clerk or, alternatively, a certified copy.~~]

[~~(B) Incorporated applicants. Incorporated applicants using or planning to use an assumed name at a new registered office must file an assumed name certificate in compliance with Texas Business and Commerce Code, Chapter 71. Evidence of the filing bearing the filing stamp of the Office of the Texas Secretary of State must be submitted or, alternatively, a certified copy.~~]

[~~(c) Late filing. A licensee who desires to retroactively register an office may do so by complying with Texas Finance Code, §349.302, and the rules adopted under this chapter.~~]

§84.604. Transfer of License; New License Application on Transfer of Ownership

(a) Purpose. This section describes the license application requirements when a licensed entity transfers [~~its license or~~] ownership of the entity. If a transfer of ownership occurs, the transferee must submit [~~either a license transfer application or~~] a new license application on transfer of ownership under this section.

(b) Definitions. The following words and terms, when used in this section, will have the following meanings:

[~~(1) Grandparent entity--A direct owner of a parent entity.~~]

(1) [~~(2)~~] License transfer--A sale, assignment, or transfer of a license under Texas Finance Code, Chapter 348 or 353.

[~~(3) Parent entity--A direct owner of a licensee or applicant.~~]

(2) [~~(4)~~] Permission to operate--A temporary authorization from the OCCC, allowing a transferee to operate under a transferor's license while final approval is pending for a license transfer application or a new license application on transfer of ownership.

(3) [~~(5)~~] Transfer of ownership--Any purchase or acquisition of control of a licensed entity (including acquisition by gift, devise, or descent), or a substantial portion of a licensed entity's assets, where a substantial change in management or control of the business occurs. The term does not include a change in proportionate ownership that results in the exact same owners still owning the business (unless an owner that previously held less than 10% obtains an interest of 10% or more). [~~as defined in §84.605 of this title (relating to Change in Form or Proportionate Ownership). The term does not include a change in ownership above the level of the~~

~~grandparent entity.~~] Transfer of ownership includes the following:

(A) an existing owner of a sole proprietorship relinquishes that owner's entire interest in a license or an entirely new entity has obtained an ownership interest in a sole proprietorship license;

[~~(B) any purchase or acquisition of control of a licensed general partnership, in which a partner relinquishes that owner's entire interest or a new general partner obtains an ownership interest;~~]

[~~(C) any change in ownership of a licensed limited partnership interest in which:~~]

[~~(i) a limited partner owning 10% or more relinquishes that owner's entire interest;~~]

[~~(ii) a new limited partner obtains an ownership interest of 10% or more;~~]

[~~(iii) a general partner relinquishes that owner's entire interest; or~~]

[~~(iv) a new general partner obtains an ownership interest (transfer of ownership occurs regardless of the percentage of ownership exchanged of the general partner);~~]

[~~(D) any change in ownership of a licensed corporation in which:~~]

[~~(i) a new stockholder obtains 10% or more of the outstanding voting stock in a privately held corporation;~~]

[~~(ii) an existing stockholder owning 10% or more relinquishes that owner's entire interest in a privately held corporation;~~]

[~~(iii) any purchase or acquisition of control of 51% or more of a company that is the parent entity or controlling stockholder of a licensed privately held corporation occurs; or~~]

[~~(iv) any stock ownership changes that result in a change of control (i.e., 51% or more) for a licensed publicly held corporation occur;~~]

[~~(E) any change in the membership interest of a licensed limited liability company:~~]

[~~(i) in which a new member obtains an ownership interest of 10% or more;~~]

[~~(ii) in which an existing member owning 10% or more relinquishes that member's entire interest; or~~]

[~~(iii) in which a purchase or acquisition of control of 51% or more of any company that is the parent entity or controlling member of a licensed limited liability company occurs;~~]

(B) [~~(F)~~] any transfer of a substantial portion of the assets of a licensed entity under which a new entity controls business at a licensed location; and

(C) [~~(G)~~] any other purchase or acquisition of control of a licensed entity, or a substantial portion of a licensed entity's assets, where a substantial change in management or control of the business occurs.

(4) [~~(6)~~] Transferee--The entity that controls business at a licensed location after a transfer of ownership.

(5) [~~(7)~~] Transferor--The licensed entity that controls business at a licensed location before a transfer of ownership.

(c) License transfer approval. No license may be sold, transferred, or assigned without the written approval of the OCCC, as provided by Texas Finance Code, §348.512 and §353.512. To transfer a license, a transferor may request surrender of its license after the OCCC approves the transferee's new license application on transfer of ownership. A license transfer is complete [~~approved~~] when the OCCC has approved the transferee's new license application and the transferor's license surrender [~~issues its final written approval of a license transfer application~~].

(d) Timing. No later than 30 days after the event of a transfer of ownership, the transferee must file a complete [~~license transfer application or~~] new license application on transfer of ownership in accordance with subsection (e) of this section. A transferee may file an application before this date.

(e) Application requirements.

(1) Generally. This subsection describes the application requirements for a license transfer application or a new license application on transfer of ownership. A transferee must submit the application in a format prescribed by the OCCC. The OCCC may accept prescribed alternative formats to facilitate multistate uniformity of applications or in order to accept approved electronic submissions. The transferee must pay appropriate fees in connection with the application.

(2) Documentation of transfer of ownership. The application must include documentation evidencing the transfer of ownership. The documentation should include one or more of the following:

(A) a copy of the asset purchase agreement when only the assets have been purchased;

(B) a copy of the purchase agreement or other evidence relating to the acquisition of the equity interest of a licensee that has been purchased or otherwise acquired;

(C) any document that transferred ownership by gift, devise, or descent, such as a probated will or a court order; or

(D) any other documentation evidencing the transfer event.

(3) Application information for new licensee. If the transferee does not hold a license at the time of the application, then the application must include the information required for new license applications under §84.602 of this title (relating to Filing of New Application). The instructions in §84.602 of this title apply to these filings.

(4) Application information for transferee that holds a license. If the transferee holds a license at the time of the application, then the application must include amendments to the transferee's original license application describing the information that is unique to the transfer event, including disclosure questions, owners, and key individuals [~~principal parties, and a new financial statement~~], as

provided in §84.602 of this title. The instructions in §84.602 of this title apply to these filings. Any key individual for [~~The responsible person at~~] the new location must file a complete individual form [~~personal affidavit, personal questionnaire, and employment history~~], if not previously filed. Other information required by §84.602 of this title need not be filed if the information on file with the OCCC is current and valid.

(5) Request for permission to operate. The application may include a request for permission to operate. The request must be in writing and signed by the transferor and transferee. The request must include all of the following:

(A) a statement by the transferor granting authority to the transferee to operate under the transferor's license while final approval of the application is pending;

(B) an acknowledgement that the transferor and transferee each accept responsibility to any consumer and to the OCCC for any acts performed under the license while the permission to operate is in effect; and

(C) if the application is a new license application on transfer of ownership, an acknowledgement that the transferor will immediately surrender or inactivate its license if the OCCC approves the application.

(f) Permission to operate. If the application described by subsection (e) of this section includes a request for permission to operate and all required information, and the transferee has paid all fees required for the application, then the OCCC may issue a permission to operate to the transferee. A request for permission to operate may be denied even if the application contains all of the required information. The denial of a request for permission to operate does not create a right to a hearing. If the OCCC grants a permission to operate, the transferor must cease operating under the authority of the license. Two companies may not simultaneously operate under a single license. A permission to operate terminates if the OCCC denies an application described by subsection (e) of this section.

(g) Transferee's authority to engage in business. If a transferee has filed a complete application including a request for permission to operate as described by subsection (e) of this section, by the deadline described by subsection (d) of this section, then the transferee may engage in business under Texas Finance Code, Chapter 348 or 353, as applicable. However, the transferee must immediately cease doing business if the OCCC denies the request for permission to operate or denies the application. If the OCCC denies the application, then the transferee has a right to a hearing on the denial, as provided by §84.608(d) of this title (relating to Processing of Application).

(h) Responsibility.

(1) Responsibility of transferor. Before the transferee begins performing motor vehicle sales finance activity under a license, the transferor is responsible to any consumer and to the OCCC for all motor vehicle sales finance activity performed under the license.

(2) Responsibility of transferor and transferee. If a transferee begins performing motor vehicle sales finance activity under a license before the OCCC's final approval of an application described by subsection (e) of this section, then the transferor and transferee are each responsible to any consumer and to

the OCCC for activity performed under the license during this period.

(3) Responsibility of transferee. After the OCCC's final approval of an application described by subsection (e) of this section, the transferee is responsible to any consumer and to the OCCC for all motor vehicle sales finance activity performed under the license. The transferee is responsible for any transactions that it purchases from the transferor. In addition, if the transferee receives a license transfer, then the transferee's responsibility includes all activity performed under the license before the license transfer.

[~~*§84.605. Change in Form or Proportionate Ownership*~~]

[~~(a) Organizational form. When any licensee or parent of a licensee desires to change the organizational form of its business (e.g., from proprietorship to corporation; or from corporation to limited partnership), the licensee must advise the commissioner in writing of the change within 14 calendar days by filing a license amendment and paying the required fees as provided in §84.611 of this title (relating to Fees). In addition, the licensee must submit a copy of the relevant portions of the organizational document for the new entity (e.g., articles of incorporation; or articles of conversion and partnership agreement) addressing the ownership and management of the new entity. Failure to meet the application filing deadline does not invalidate transactions unless the agency has obtained a contrary finding through the administrative process.~~]

[~~(b) Merger. A merger of a licensee is a change of ownership that results in a new or different surviving entity and requires the filing of a license transfer application or a new license application on transfer of ownership pursuant to §84.604 of this title (relating to Transfer of License; New License Application on Transfer of Ownership). If the merger of the parent entity of a licensee that leads to the creation of a new entity or results in a different surviving parent entity, the licensee must advise the commissioner of the change in writing within 14 calendar days after the change, by filing a license amendment and paying the required fees as provided in §84.611. Mergers or transfers of other entities with a beneficial interest beyond the parent entity level only require notification within 14 calendar days. Failure to meet the application filing deadline does not invalidate transactions unless the agency has obtained a contrary finding through the administrative process.~~]

[~~(c) Proportionate ownership.~~]

[~~(1) A change in proportionate ownership that results in the exact same owners still owning the business, and does not meet the requirements described in paragraph (2) of this subsection, does not require a transfer. Such a proportionate change in ownership does not require the filing of a license transfer application or a new license application on transfer of ownership, but does require notification when the cumulative ownership change to a single entity or individual amounts to 10% or greater. No later than 14 calendar days following the actual change, the licensee is required to notify the commissioner in writing of the change in proportionate ownership by filing a license amendment and paying the required fees as provided in §84.611 of this title. This subsection does not apply to a legal entity that has filed with the OCCC the most recent Form 10-K or 10-Q filing of the licensee or of the parent entity,~~

~~although a license transfer application or a new license application on transfer of ownership may be required under §84.604 of this title.~~]

[~~(2) A proportionate change in which an owner that previously held under 10% obtains an ownership interest of 10% or more, requires a license transfer application or a new license application on transfer of ownership under §84.604 of this title.~~]

[~~(3) Failure to meet the notification filing deadline does not invalidate transactions unless the agency has obtained a contrary finding through the administrative process.~~]

[~~*§84.606. Amendments to Pending Application*~~]

[~~Upon request, each applicant must provide information supplemental to that contained in the applicant's original application documents.~~]

§84.607. Required Notifications [~~*Updating Application and Contact Information*~~]

(a) Advance change notice. No later than the date of the change (or an earlier date specified in the OCCC's written instructions), a licensee must notify the OCCC of a change to any of the following information provided in the original license application: [~~Applicant's updates to license application information. Before a license application is approved, an applicant must report to the OCCC any information that would require a materially different answer than that given in the original license application and that relates to the qualifications for license within 14 calendar days after the person has knowledge of the information.~~]

(1) legal name of entity;

(2) any assumed names of entity;

(3) legal status of entity (e.g., change in organizational form from partnership to corporation);

(4) names of direct owners or indirect owners;

(5) names of affiliates or subsidiaries;

(6) names of any key individuals;

(7) main address; or

(8) address of any branch location.

(b) Other required notifications. No later than 30 days after the licensee has knowledge of the information, a licensee must report the following information to the OCCC: [~~Licensee's updates to license application information. A licensee must report to the OCCC any information that would require a different answer than that given in the original license application within 30 calendar days after the licensee has knowledge of the information, if the information relates to any of the following:~~]

(1) any civil or regulatory actions against the licensee or key individuals that were not disclosed in the original application and would require a different answer than that given in the original license application [~~the names of principal parties~~];

(2) criminal history of the licensee or key individuals that was not disclosed in the original application;

(3) any bankruptcy of the licensee or a direct owner [~~actions by regulatory agencies~~]; or

(4) any breach of system security under Texas Business & Commerce Code, §521.053, affecting at least 250 residents of this state [~~court judgments~~].

(c) Contact information. Each applicant or licensee is responsible for ensuring that all contact information on file with the OCCC is current and correct, including all mailing addresses, all phone numbers, and all email [~~e-mail~~] addresses. The OCCC may send notices to the mailing address or email address on file. It is a best practice for licensees to regularly review contact information on file with the OCCC to ensure that it is current and correct.

§84.608. Processing of Application

(a) Initial review. A response to an incomplete application will ordinarily be made within 14 calendar days of receipt stating that the application is incomplete and specifying the information required for acceptance.

(b) Complete application. An application is complete when:

(1) it conforms to the rules and published instructions;

(2) all fees have been paid; and

(3) all requests for additional information have been satisfied.

(c) Failure to complete application and deemed withdrawal. If a complete application has not been filed within 30 calendar days after notice of deficiency has been sent to the applicant, the application may be considered withdrawn [~~denied~~].

(d) Notice of intent to deny application. If the OCCC does not find that the eligibility requirements for a license have been met, then the OCCC will send a notice of intent to deny the license application to the applicant.

(e) Hearing. An affected applicant has 30 calendar days from the date of the notice of intent to deny the license application to request in writing a hearing to contest the denial. This hearing will be conducted pursuant to the Administrative Procedure Act, Texas Government Code, Chapter 2001, and the rules of procedure applicable under §9.1(a) of this title (relating to Application, Construction, and Definitions), before an administrative law judge who will recommend a decision to the commissioner. The commissioner will then issue a final decision after review of the recommended decision.

[~~(f) Denial. If an application has been denied, the assessment fee will be refunded to the applicant. The investigation fee and the fingerprint processing fee in §84.611 of this title (relating to Fees) will be forfeited.~~]

(f) [~~(g)~~] Processing time.

(1) A license application will ordinarily be approved or denied within [~~a maximum of~~] 60 calendar days after the date of filing of a completed application.

(2) When a hearing is requested following an initial license application denial, the hearing will ordinarily be scheduled for a date [~~held~~] within 60 calendar days after a request for a hearing is made unless the parties agree to an extension of time. A final decision approving or denying

the license application will be made after receipt of the proposal for decision from the administrative law judge.

(3) Exceptions. More time may be taken where good cause exists, as defined by Texas Government Code, §2005.004, for exceeding the established time periods in paragraphs (1) and (2) of this subsection.

[~~*§84.609. Relocation of Licensed Offices*~~]

[~~(a) Relocation of licensed location. A licensee may move a licensed location to any other location by paying the appropriate fees and giving notice of intended relocation to the commissioner not less than 10 calendar days prior to the anticipated moving date.~~]

[~~(b) Relocation of registered office. A licensee may move a registered office from the registered location to any other location by paying the appropriate fees and giving notice of intended relocation to the commissioner not less than 10 calendar days prior to the anticipated moving date.~~]

[~~(c) Notice requirements. Notification must be provided by filing a license amendment or an approved electronic submission as prescribed by the commissioner. The notice must include the contemplated new address of the licensed location or registered office, the approximate date of relocation, and the applicable fee as outlined in §84.611 of this title (relating to Fees). Failure to meet the notification deadline does not invalidate transactions unless the agency has obtained a contrary finding through the administrative process.~~]

§84.610. License Inactivation or Voluntary Surrender

(a) Inactivation of active license. A licensee may cease operating under a motor vehicle sales finance license and choose to inactivate the license. A license may be inactivated by giving notice of the cessation of operations not less than 10 calendar days prior to the anticipated inactivation date. Registered offices will be designated as closed when a license is inactivated. Notification must be provided by filing a license amendment or an approved electronic submission as prescribed by the OCCC. The notice must include the new mailing address for the license, the effective date of the inactivation, and the fee for amending the license. A licensee must continue to pay the yearly renewal fees for an inactive license as outlined in §84.611 of this title (relating to Fees), or the license will expire.

(b) Activation of inactive license. A licensee may activate an inactive license by giving notice of the intended activation not less than 10 calendar days prior to the anticipated activation date. Registered offices must be listed and appropriate fees paid upon activation of a license. Notification must be provided by filing a license amendment or an approved electronic submission as prescribed by the OCCC. The notice must include the contemplated new address of the licensed office, the approximate date of activation, and the fee for amending the license as outlined in §84.611 of this title.

(c) Voluntary surrender of license. Subject to subsection (d) [~~(e)~~] of this section, a licensee may request voluntary [~~voluntarily~~] surrender of a license by providing the information required by the OCCC's written instructions [~~written notice of the cessation of operations, a request to surrender the license, and by submitting the license certificate~~]. A surrender is effective when the OCCC approves the surrender. A

voluntary surrender will result in cancellation of the license.

(d) Surrendering to avoid administrative action. A licensee may not surrender a license after an administrative action has been initiated without the written agreement of the OCCC.

[~~*§84.612. Implementation Provisions of Licensing*~~]

[~~Effective date. The effective date of the statutory licensing requirement is September 1, 2002. After September 1, 2002, a motor vehicle seller may not engage in any retail installment sales transaction without a motor vehicle sales finance license granted under this title. Any motor vehicle seller engaging in a motor vehicle sales finance transaction prior to September 1, 2002, must comply with Texas Finance Code, §348.401 and §348.402, and 7 TAC, Part 1, Chapter 1, Subchapter P, as those provisions were in effect. Failure to comply with previously required registration provisions is grounds for denial of an application made under §84.608 of this title (relating to Processing of Application).~~]

84.613. Denial, Suspension, or Revocation Based on Criminal History

(a) Criminal history record information. After an applicant submits a complete license application, including all required fingerprints, and pays the fees required by §84.611 of this title (relating to Fees), the OCCC will investigate the applicant and its principal parties. The OCCC will obtain criminal history record information through NMLS [~~from the Texas Department of Public Safety and the Federal Bureau of Investigation based on the applicant's fingerprint submission~~]. The OCCC will continue to receive information on new criminal activity reported after the license application has [~~fingerprints have~~] been initially processed.

(b) Disclosure of criminal history. The applicant must disclose all criminal history information required to file a complete application with the OCCC. Failure to provide any information required as part of the application or requested by the OCCC reflects negatively on the belief that the business will be operated lawfully and fairly. The OCCC may request additional criminal history information from the applicant, including the following:

(1) information about arrests, charges, indictments, and convictions of the applicant and its key individuals [~~principal parties~~];

(2) reliable documents or testimony necessary to make a determination under subsection (c) of this section, including letters of recommendation from prosecution, law enforcement, and correctional authorities;

(3) proof that the applicant has maintained a record of steady employment, has supported the applicant's dependents, and has otherwise maintained a record of good conduct; and

(4) proof that all outstanding court costs, supervision fees, fines, and restitution as may have been ordered have been paid or are current.

(c) (No change.)

(d) Crimes related to character and fitness. The OCCC may deny a license application if the OCCC does not find that the

financial responsibility, experience, character, and general fitness of the applicant are sufficient to command the confidence of the public and warrant the belief that the business will be operated lawfully and fairly, as provided by Texas Finance Code, §348.504(a) and §353.504(a). In conducting its review of character and fitness, the OCCC will consider the criminal history of the applicant and its key individuals [~~principal parties~~]. If the applicant or a key individual [~~principal party~~] has been convicted of an offense described by subsections (c)(1) or (f)(1) of this section, this reflects negatively on an applicant's character and fitness. The OCCC may deny a license application based on other criminal history of the applicant or its key individuals [~~principal parties~~] if, when the application is considered as a whole, the agency does not find that the financial responsibility, experience, character, and general fitness of the applicant are sufficient to command the confidence of the public and warrant the belief that the business will be operated lawfully and fairly. The OCCC will, however, consider the factors identified in subsection (c)(2) - (3) of this section in its review of character and fitness.

(e) (No change.)

(f) Other grounds for denial, suspension, or revocation. The OCCC may deny a license application, or suspend or revoke a license, based on any other ground authorized by statute, including the following:

(1) a conviction for an offense listed in Texas Code of Criminal Procedure, art. 42A.054, or art. 62.001(6), as provided by Texas Occupations Code, §53.021(a)(2) - (3);

(2) errors or incomplete information in the license application;

(3) a fact or condition that would have been grounds for denying the license application, and that either did not exist at the time of the application or the OCCC was unaware of at the time of application, as provided by Texas Finance Code, §348.508(3) and §353.508(3); and

(4) any other information warranting the belief that the business will not be operated lawfully and fairly, as provided by Texas Finance Code, §§348.504(a), 348.508, 353.504(a), and 353.508. [~~353.5~~]

§84.615. Applications and Notices as Public Records

Once a license application or notice is filed with the OCCC, it becomes a "state record" under Texas Government Code, §441.180(11), and "public information" under Government Code, §552.002. In response to a public information request, to the extent permitted by Government Code, Chapter 552 and other applicable law, the OCCC will withhold information deemed confidential by law (e.g., social security numbers, criminal history information). Under Government Code, §§441.190, 441.191 and 552.004, the original applications and notices must be preserved as "state records" and "public information" unless destroyed with the approval of the director and librarian of the Texas State Library and Archives [~~and Library~~] Commission under Government Code, §441.187. [~~Under Government Code, §441.191, the OCCC may not return any original documents associated with a motor vehicle sales finance license application or notice to the applicant or licensee.~~] An individual may request copies of a state record under the authority of the Texas Public Information Act, Government Code, Chapter 552.

[~~*§84.616. License Display*~~]

[~~If a licensed location or registered office is open to the general public, then the licensee must prominently display the license in the location or office, in a conspicuous location visible to the general public. This requirement does not apply to a location or office that is not open to the general public (e.g., a servicing or collection office that operates exclusively online or by phone).~~]

§84.617. License Term, Renewal, and Expiration

(a) License term and renewal. A new license is effective from the date of its issuance until December 31. A license must be renewed annually to remain effective. After renewal, a license is effective for a term of one year, from January 1 to December 31.

(b) NMLS. To maintain and renew a license, a licensee must maintain an active account in NMLS (or a successor system designated by the OCCC). The OCCC may make renewal unavailable to a licensee that fails to maintain an active account.

(c) [~~(b)~~] Due date for annual assessment fee. The annual assessment fee is due by December 1 of each year.

(d) [~~(c)~~] Notice of delinquency. If a licensee does not pay the annual assessment fee, the OCCC will send a notice of delinquency. Notice of delinquency is given when the OCCC sends the notice electronically through NMLS or by email to the primary company contact [~~:~~]

[~~(1) by mail to the address on file with the OCCC as a master file address; or~~]

[~~(2) by e-mail to the address on file with the OCCC as a master file e-mail address, if the licensee has provided a master file e-mail address.~~]

(e) [~~(d)~~] Expiration. If a licensee does not pay the annual assessment fee, the license will expire on the later of:

(1) December 31 of each year; or

(2) the 16th day after notice of delinquency is given under subsection (c) of this section.

(f) [~~(e)~~] Reinstatement. As provided by Texas Finance Code, §349.301 and §349.303(a), if a company or branch license was in good standing when it expired, a person may reinstate the expired license not later than the 180th day after its expiration date by paying the annual assessment fee and a [~~$1,000~~] late filing fee. [~~The late filing fee for a registered office is $250 under Texas Finance Code, §349.302.~~]

Subchapter G. Examinations

[~~*§84.707 Files and Records Required (Retail Sellers Assigning Retail Installment Sales Contracts)*~~]

[~~(a) Applicability. The recordkeeping requirements of this section apply to retail sellers that immediately assign or transfer all retail installment sales contracts to another authorized creditor. If a retail seller collects any installments, excluding downpayments, on a retail installment sales contract, the retail seller must comply with the recordkeeping requirements established under §84.708 of this title (relating to Files and Records Required (Retail Sellers Collecting Installments on Retail Installment Sales Contracts)). The recordkeeping requirements of this section do not apply to motor vehicle retail installment sales transactions involving commercial vehicles.~~]

[~~(b) Records required for each retail installment sales transaction. Each licensee must maintain records with respect to the licensee's compliance with Texas Finance Code, Chapter 348 for each motor vehicle retail installment sales contract made, acquired, serviced, or held under Chapter 348 and make those records available for examination. This requirement includes any conditional delivery agreement or retail installment sales contract signed by a retail buyer for a vehicle that has been delivered, including contracts that are subsequently voided or canceled after a seller regains possession and ownership of the vehicle.~~]

[~~(c) Recordkeeping systems. The records required by this section may be maintained by using either an electronic recordkeeping system, a legible paper or manual recordkeeping system, or a combination of the preceding types of systems, unless otherwise specified by statute or regulation. Licensees may maintain records on one or more recordkeeping systems, so long as the licensee is able to integrate records pertaining to an account into one or more reports as required by this section. If federal law requirements for record retention are different from the provisions contained in this section, the federal law requirements prevail only to the extent of the conflict with the provisions of this section.~~]

[~~(d) Records required.~~]

[~~(1) Retail installment sales transaction report.~~]

[~~(A) General requirements. Each licensee must maintain records sufficient to produce a retail installment sales transaction report that contains a listing of each Texas Finance Code, Chapter 348 retail installment sales contract entered into by the licensee. The report is only required to include those retail installment sales contracts that are subject to the record retention period of paragraph (7) of this subsection.~~]

[~~(B) Recordkeeping systems. The retail installment sales transaction report can be maintained either as an electronic system or as a paper record, so long as the licensee can integrate the following information into a report. If the retail installment sales transaction report is maintained under a manual recordkeeping system, the retail installment sales transaction report must be updated within a reasonable time from the date the contract is entered into by the licensee.~~]

[~~(C) Dealer's Motor Vehicle Inventory Tax Statement option.~~]

[~~(i) A licensee may utilize a copy of the Dealer's Motor Vehicle Inventory Tax Statement (VIT Statement) submitted to the Texas Comptroller of Public Accounts to satisfy the requirements of this paragraph if the following two conditions are met when the VIT Statement is provided to the commissioner's representative:~~]

[~~(I) on a copy of the submitted VIT Statement, the licensee identifies (e.g., highlights, marks with abbreviations) which transactions were cash transactions and which were retail installment sales transactions; and~~]

[~~(II) the licensee supplements the VIT Statement with the identification of all transactions in which VIT was not charged or collected.~~]

[~~(ii) A licensee who assigns account numbers and utilizes the Dealer's Motor Vehicle Inventory Tax Statement option must provide the account numbers for all retail installment sales transactions contained in the VIT Statement.~~]

[~~(D) Required information. A retail installment sales transaction report must contain the following information:~~]

[~~(i) the date of contract or date of sale (day, month, and year);~~]

[~~(ii) the retail buyer's name(s);~~]

[~~(iii) a method of identifying the vehicle, such as the last six digits of the vehicle identification number or the stock number; and~~]

[~~(iv) the account number, if the retail seller assigns an account number.~~]

[~~(E) Sorting or filtering. Upon request, if a licensee maintains some or all transaction records electronically, the licensee must be able to sort or filter the retail installment transaction report by each of the following:~~]

[~~(i) the date of contract or date of sale;~~]

[~~(ii) the retail buyer's name(s);~~]

[~~(iii) the status of the transaction (open or closed); and~~]

[~~(iv) whether the transaction has been assigned to another person and the name of any assignee.~~]

[~~(2) Retail installment sales transaction file. A licensee must maintain an electronic or paper copy of a retail installment sales transaction file for each individual retail installment sales contract or be able to produce the same information within a reasonable amount of time. The retail installment sales transaction file must contain documents which show the licensee's compliance with applicable law. The required documents must show the licensee's compliance with Texas Finance Code, Chapter 348 and would accordingly include applicable state and federal laws and regulations, including the Truth in Lending Act. If a substantially equivalent electronic record for any of the following records exists, a paper copy of the record does not have to be included in the retail installment sales transaction file if the electronic record can be accessed upon request. The retail installment sales transaction file must include copies of the following records or documents, unless otherwise specified:~~]

[~~(A) for all retail installment sales transactions:~~]

[~~(i) the retail installment sales contract signed by the retail buyer and the retail seller as required by Texas Finance Code, §348.101;~~]

[~~(ii) if prepared by the retail seller, the purchase or buyer's order reflecting a written computation of the cash price of the vehicle and itemized charges, a description of the motor vehicle being purchased, and a description of each motor vehicle being traded in;~~]

[~~(iii) the credit application and any other written or recorded information used in evaluating the application;~~]

[~~(iv) the Texas Department of Motor Vehicles' Title Application Receipt (Form VTR-500-RTS) or similar document evidencing the disbursement of the sales tax, and fees for license, title, and registration of the vehicle;~~]

[~~(v) copies of other agreements or disclosures signed by the retail buyer applicable to the retail installment sales transaction; and~~]

[~~(vi) any records applicable to the retail installment transaction outlined by subparagraphs (B) - (P) of this paragraph.~~]

[~~(B) for a vehicle titled in Texas, a copy of the completed Texas Department of Motor Vehicles'/Texas Comptroller of Public Accounts' Application for Texas Certificate of Title (Form 130-U) signed by the retail buyer and seller that was filed with the appropriate county tax assessor-collector.~~]

[~~(C) for a vehicle titled outside of Texas, a copy of the application for certificate of title for the buyer or the properly assigned evidence of ownership to the buyer including the Texas Comptroller of Public Accounts' Texas Motor Vehicle Sales Tax Exemption Certificate (Form 14-312).~~]

[~~(D) for a retail installment sales transaction in which a power of attorney is necessary to transfer title to the buyer, a copy of the Texas Department of Motor Vehicles' Power of Attorney to Transfer a Motor Vehicle (Form VTR-271) or any other similar document used as a power of attorney.~~]

[~~(E) for a retail installment sales transaction involving a downpayment, a copy of any document relating to the downpayment including:~~]

[~~(i) receipts for cash downpayments;~~]

[~~(ii) promissory notes or other documents evidencing the retail buyer's agreement to pay the cash downpayment over time;~~]

[~~(iii) documents or forms signed by the retail buyer relating to a manufacturer's or distributor's rebate as permitted by the Texas Finance Code, §348.404(a); and~~]

[~~(iv) documents or forms evidencing the payoff of any trade-in vehicle shown on the retail installment sales contract as required by Texas Finance Code, §348.408(c).~~]

[~~(F) for a retail installment sales transaction involving a trade-in motor vehicle, a copy of the Texas Disclosure of~~

~~Equity in Trade-In Motor Vehicle required by Texas Finance Code, §348.0091 and §84.204 of this title (relating to Disclosure of Equity in Retail Buyer's Trade-in Motor Vehicle).~~]

[~~(G) for a retail installment sales transaction involving the disbursement of funds for money advanced pursuant to Texas Finance Code, §348.404(b) and (c), a copy of any document relating to the disbursement of funds for money advanced.~~]

[~~(H) for a retail installment sales transaction in which the licensee issues a certificate of insurance regarding insurance policies issued by or through the licensee in connection with the retail installment sales transaction, copies of the certificates of insurance.~~]

[~~(I) for a retail installment sales transaction in which the licensee issues a debt cancellation agreement, a complete copy of the debt cancellation agreement provided to the retail buyer, documentation of disbursement of the debt cancellation agreement fee to the retail seller or a third-party administrator, any written instruction from a holder to make a full or partial refund of the debt cancellation agreement fee, and documentation of any refund provided upon cancellation or termination of the debt cancellation agreement. As an alternative to maintaining a complete copy of the debt cancellation agreement in the retail installment sales transaction file, the licensee may maintain all of the following:~~]

[~~(i) in the retail installment sales transaction file, a copy of any page of the debt cancellation agreement with a signature, a transaction-specific term, the cost of the debt cancellation agreement, or any blank space that has been filled in;~~]

[~~(ii) in the licensee's general business files, a complete master copy of each debt cancellation agreement form used by the licensee during the period described by paragraph (7) of this subsection;~~]

[~~(iii) in the licensee's general business files, policies and procedures that show a verifiable method for ensuring that the master copy of the debt cancellation agreement accurately reflects the debt cancellation agreement used in each individual transaction.~~]

[~~(J) for a retail installment sales transaction in which the licensee issues a certificate of coverage regarding ancillary products issued by or through the licensee in connection with the retail installment sales transaction, records of the ancillary products (motor vehicle theft protection plans, service contracts, maintenance agreements, identity recovery service contracts, etc.) including all certificates of coverage.~~]

[~~(K) for a retail installment sales transaction where separate disclosures are required by federal or state law including the following:~~]

[~~(i) a transaction where disclosures required by the Truth in Lending Act are not incorporated into the text of the retail installment sales contract and the credit was extended for primarily for personal, family, or household purposes, a copy of the Truth in Lending statement required by Regulation Z, Truth in Lending, 12 C.F.R. §226.18;~~]

[~~(ii) a transaction involving a cosigner, the notice to cosigner required by the Federal Trade Commission's Credit~~

~~Practices Trade regulation, 16 C.F.R. §444.3.~~]

[~~(L) for a retail installment sales contract that has an itemized charge for the inspection of a used motor vehicle, access to a copy of the work order, inspection receipt, or other verifiable evidence that reflects that the inspection was performed including the date and cost of the inspection.~~]

[~~(M) for a retail installment sales transaction involving the sale of a trade-in credit agreement under Texas Finance Code, §348.125:~~]

[~~(i) a copy of the trade-in credit agreement and any written notice or disclosure provided to the retail buyer;~~]

[~~(ii) evidence of the contractual liability reimbursement policy in effect at the time of the trade-in credit agreement, as required by Texas Finance Code, §348.125(c); and~~]

[~~(iii) documentation of any refund provided upon cancellation of a trade-in credit agreement.~~]

[~~(N) for a retail installment sales transaction in which a retail buyer requests or receives a benefit under a trade-in credit agreement under Texas Finance Code, §348.125:~~]

[~~(i) a copy of the trade-in credit agreement;~~]

[~~(ii) evidence of the amount of any credit applied under the trade-in credit agreement; and~~]

[~~(iii) any documentation used to process a claim, including:~~]

[~~(I) any proof of insurance settlement documents obtained from the retail buyer;~~]

[~~(II) any accident record or vehicle condition report obtained to process a claim; and~~]

[~~(III) any supplemental claim records supporting the approval or denial of the claim.~~]

[~~(O) for a retail installment sales transaction in which a retail buyer requests or receives a benefit under a depreciation benefit optional member program under Texas Occupations Code, §1304.003(a)(2)(C):~~]

[~~(i) evidence of the amount of any credit applied under the depreciation benefit optional member program; and~~]

[~~(ii) any documentation obtained by the licensee to process the benefit.~~]

[~~(P) any conditional delivery agreement signed by the retail buyer or provided to the retail buyer.~~]

[~~(3) Assignment information.~~]

[~~(A) Required information. Assignment information must cover any Texas Finance Code, Chapter 348 retail installment sales contract made by or acquired by the licensee that is assigned from its licensed or registered location. The assignment information must show the name of the retail buyer, the account number or other unique number given to the retail buyer, the date of assignment, and the name and address to which the accounts are assigned.~~]

[(B) Electronic recordkeeping systems. If a licensee is able to produce an assignment report containing the required information provided in subparagraph (A) of this paragraph electronically without any additional programming costs, the licensee must produce the report upon request. If the licensee's software programs are unable to produce an assignment report containing the required information provided in subparagraph (A) of this paragraph, the licensee may maintain assignment information for each individual retail installment sales transaction in the retail installment sales transaction file. A licensee must be able to access assignment information for a specific transaction as requested by the commissioner's representative.]

[(C) Manual recordkeeping systems. If a licensee is not able to produce an assignment report as provided in subparagraph (B) of this paragraph, the licensee may maintain assignment information for each individual retail installment sales transaction in the retail installment sales transaction file. A licensee must be able to access assignment information for a specific transaction as requested by the commissioner's representative.]

[(4) General business and accounting records. General business and accounting records concerning retail installment sales transactions must be maintained. The licensee is not required to produce information protected under the attorney-client privilege or work product privilege. The business and accounting records must include receipts, documents, or other records for each disbursement made by the licensee at the retail buyer's direction or request, on his behalf, or for his benefit, that is charged to the retail buyer, including:]

[(A) Texas Comptroller of Public Accounts' Dealer Motor Vehicle Inventory Tax Statement (Form 50-246); and]

[(B) Texas Comptroller of Public Accounts' Texas Motor Vehicle Seller-Financed Sales Tax Report (Form 14-117).]

[(5) Adverse action records. Each licensee must maintain adverse action records regarding all applications relating to Texas Finance Code, Chapter 348 retail installment sales transactions. Adverse action records must be maintained according to the record retention requirements contained in Regulation B, Equal Credit Opportunity Act, 12 C.F.R. §1002.12(b). The current retention periods are 25 months for consumer credit and 12 months for business credit.]

[(6) Trade-in credit agreement records. Each licensee that enters a trade-in credit agreement or provides a benefit in connection with a trade-in credit agreement must:]

[(A) maintain a copy of any contractual liability reimbursement policy related to the trade-in credit agreement, as required by Texas Finance Code, §348.125(c); and]

[(B) maintain a register or be able to generate a report, paper or electronic, that reflects agreements that were either satisfied or denied. This register or report must show the name of the retail buyer, the account number, and the date of satisfaction or denial.]

[(7) Retention and availability of records. All books and records required by

~~this subsection must be available for inspection at any time by Office of Consumer Credit Commissioner staff, and must be retained for a period of four years from the date of the contract, two years from the date of the final entry made thereon by the licensee, whichever is later, or a different period of time if required by federal law. For licensees who assign retail installment sales contracts, the final entry may be the date of the assignment if the licensee makes no other entries on the account after the assignment. Upon notification of an examination pursuant to Texas Finance Code, §348.514(f), the licensee must be able to produce or access required books and records within a reasonable time at the licensed location or registered office specified on the license. The records required by this subsection must be available or accessible at an office in the state designated by the licensee except when the retail installment sales transactions are transferred under an agreement which gives the commissioner access to the documents. Documents may be maintained out of state if the licensee has in writing acknowledged responsibility for either making the records available within the state for examination or by acknowledging responsibility for additional examination costs associated with examinations conducted out of state.~~]

[~~(8) Information security program. A licensee must maintain written policies and procedures for an information security program to protect retail buyers' customer information, as required by the Federal Trade Commission's Safeguards Rule, 16 C.F.R. part 314. If a licensee maintains customer information concerning 5,000 or more consumers, then the licensee must maintain a written incident response plan and written risk assessments, as required by 16 C.F.R. §314.4.~~]

[~~(9) Data breach notifications. A licensee must maintain the text of any data breach notification provided to retail buyers, including any notification under Texas Business & Commerce Code, §521.053, for a period of four years from the date of the notification. A licensee must maintain any data breach notification provided to a government agency, including any notification provided to the Office of the Attorney General under Texas Business & Commerce Code, §521.053, for a period of four years from the date of the notification.~~]

§84.708. Files and Records Required [*~~(Retail Sellers Collecting Installments on Retail Installment Sales Contracts)~~*]

(a) Applicability. The recordkeeping requirements of this section apply to <u>motor vehicle retail installment sales transactions</u> [~~retail sellers that service or collect installments on retail installment sales contracts~~] involving ordinary vehicles. The recordkeeping requirements of this section do not apply to motor vehicle retail installment sales transactions involving commercial vehicles.

(b) Records required for each retail installment sales transaction. Each licensee must maintain records with respect to the licensee's compliance with Texas Finance Code, Chapter 348 for each motor vehicle retail installment sales contract made, acquired, serviced, or held under Chapter 348 and make those records available for examination. <u>For a retail seller, this</u> [~~This~~] requirement includes any conditional delivery agreement or retail installment sales contract signed by a retail buyer for a vehicle that has been delivered, including contracts that are subsequently voided or canceled after a seller regains possession and ownership of the vehicle.

(c) Recordkeeping systems. The records required by this section may be maintained by using either an electronic recordkeeping system, a legible paper or manual recordkeeping system, or a combination of the preceding types of systems, unless otherwise specified by statute or regulation. Licensees may maintain records on one or more recordkeeping systems, so long as the licensee is able to integrate records pertaining to an account into one or more reports as required by this section. If federal law requirements for record retention are different from the provisions contained in this section, the federal law requirements prevail only to the extent of the conflict with the provisions of this section.

(d) Record search requirements for licensees servicing or collecting on retail installment sales contracts.

(1) Open retail installment sales transactions. A licensee that services or collects on retail installment sales contracts must be able to access or produce a list of all open retail installment sales transactions. If the list of open transactions is accessed through an electronic system, the licensee must be able to generate a separate report of open transactions. Alternatively, a licensee may provide a list containing open and closed retail installment sales transactions as long as the open transactions are designated as "open."

(2) Alphabetical search. A licensee that services or collects on retail installment sales contracts must be able to access records in alphabetical order by retail buyer name for open and closed transactions during the record retention period required by subsection (e)(10) of this section. A licensee may comply with the alphabetical requirement by providing the commissioner's representative files by retail buyer name upon request by the commissioner's representative.

(3) Sorting or filtering. Upon request, if a licensee services or collects on retail installment sales contracts and maintains some or all transaction records electronically, a licensee must be able to sort or filter a records search by each of the following:

(A) the date of contract or date of sale;

(B) the retail buyer's name(s);

(C) the status of the transaction (open or closed); and

(D) whether the transaction has been assigned to another person and the name of any assignee.

(e) Records required.

(1) Retail installment sales transaction report.

(A) General requirements. Each licensee must maintain records sufficient to produce a retail installment sales transaction report that contains a listing of each Texas Finance Code, Chapter 348 retail installment sales contract made, held, serviced, or collected [~~or acquired~~] by the licensee. The report is only required to include those retail installment sales contracts that are subject to the record retention period of paragraph (10) of this subsection.

(B) Recordkeeping systems. The retail installment sales transaction report can be maintained either an electronic system or as a paper record, so long as the licensee can integrate the following information into a

report. If the retail installment sales transaction report is maintained under a manual recordkeeping system, the retail installment sales transaction report must be updated within a reasonable time from the date the contract is made or acquired.

(C) Dealer's Motor Vehicle Inventory Tax Statement option for retail sellers.

(i) A licensee that is a retail seller may utilize a copy of the Dealer's Motor Vehicle Inventory Tax Statement (VIT Statement) submitted to the Texas Comptroller of Public Accounts to satisfy the requirements of this paragraph if the following two conditions are met when the VIT Statement is provided to the commissioner's representative:

(I) on a copy of the submitted VIT Statement, the licensee identifies (e.g., highlights, marks with abbreviations) which transactions were cash transactions and which were retail installment sales transactions; and

(II) the licensee supplements the VIT Statement with the identification of all transactions in which VIT was not charged or collected.

(ii) A licensee who assigns account numbers and utilizes the Dealer's Motor Vehicle Inventory Tax Statement option must provide the account numbers for all retail installment sales transactions contained in the VIT Statement.

(D) Required information. A retail installment sales transaction report must contain the following information:

(i) the date of contract or date of sale (day, month, and year);

(ii) the retail buyer's name(s);

(iii) a method of identifying the vehicle, such as the last six digits of the vehicle identification number or the stock number; and

(iv) the account number.

(E) Sorting or filtering. Upon request, a licensee must be able to sort or filter the retail installment transaction report by each of the following:

(i) the date of contract or date of sale;

(ii) the retail buyer's name(s);

(iii) the status of the transaction (open or closed); and

(iv) whether the transaction has been assigned to another person and the name of any assignee.

(2) Retail installment sales transaction file. A licensee must maintain an electronic or paper copy of a retail installment sales transaction file for each individual retail installment sales contract or be able to produce the same information within a reasonable amount of time. The retail installment sales transaction file must contain documents which show the licensee's compliance with applicable law. The required documents must show the licensee's compliance with Texas Finance Code, Chapter 348 and would accordingly include applicable state and federal laws and regulations, including the Truth in Lending Act. If a substantially equivalent electronic

record for any of the following records exists, a paper copy of the record does not have to be included in the retail installment sales transaction file if the electronic record can be accessed upon request. The retail installment sales transaction file must include copies of the following records or documents, unless otherwise specified:

(A) All licensees must maintain the following in the retail installment sales transaction file: [~~for all retail installment sales transactions~~]:

(i) the retail installment sales contract signed by the retail buyer and the retail seller as required by Texas Finance Code, §348.101;

[~~(ii) if prepared by the retail seller, the purchase or buyer's order reflecting a written computation of the cash price of the vehicle and itemized charges, a description of the motor vehicle being purchased, and a description of each motor vehicle being traded in;~~]

(ii) [~~(iii)~~] the credit application and any other written or recorded information used in evaluating the application;

(iii) [~~(iv)~~] the original certificate of title to the vehicle, a certified copy of the negotiable certificate of title, or a copy of the front and back of either the original or certified copy of the title;

(iv) for any vehicle titled in Texas, a copy of the completed Texas Department of Motor Vehicles'/Texas Comptroller of Public Accounts' Application for Texas Certificate of Title (Form 130-U) signed by the retail buyer and seller that was filed with the appropriate county tax assessor-collector.

[~~(v) the Texas Department of Motor Vehicles' Title Application Receipt (Form VTR-500-RTS) or similar document evidencing the disbursement of the sales tax, and fees for license, title, and registration of the vehicle;~~]

(v) for a retail installment sales transaction in which the licensee issues a certificate of insurance regarding insurance policies issued by or through the licensee in connection with the retail installment sales transaction, copies of the certificates of insurance.

(vi) for a retail installment sales transaction in which the licensee issues or takes assignment of a debt cancellation agreement, a complete copy of the debt cancellation agreement provided to the retail buyer, documentation of disbursement of the debt cancellation agreement fee to the retail seller or a third-party administrator, any written instruction to another person to make a full or partial refund of the debt cancellation agreement fee, and documentation of any refund provided upon cancellation or termination of the debt cancellation agreement. As an alternative to maintaining a complete copy of the debt cancellation agreement in the retail installment sales transaction file, the licensee may maintain all of the following:

(I) in the retail installment sales transaction file, a copy of any page of the debt cancellation agreement with a signature, a transaction-specific term, the cost of the debt cancellation agreement, or any blank space that has been filled in;

(II) in the licensee's general business files, a complete master copy of each debt cancellation agreement form used by the licensee during the period described by paragraph (10) of this subsection;

(III) in the licensee's general business files, policies and procedures that show a verifiable method for ensuring that the master copy of the debt cancellation agreement accurately reflects the debt cancellation agreement used in each individual transaction.

(vii) separate disclosures required by federal or state law, including the following:

(I) if disclosures required by the Truth in Lending Act are not incorporated into the text of the retail installment sales contract and the credit was extended for primarily for personal, family, or household purposes, a copy of the Truth in Lending statement required by Regulation Z, Truth in Lending, 12 C.F.R. §1026.18;

(II) if the transaction involves a cosigner, the notice to cosigner required by the Federal Trade Commission's Credit Practices Trade regulation, 16 C.F.R. §444.3.

(viii) [~~(vi)~~] copies of other agreements or disclosures signed by the retail buyer applicable to the retail installment sales transaction. [~~; and~~]

[~~(vii) any records applicable to the retail installment transaction outlined by subparagraphs (B) - (U) of this paragraph.~~]

(B) If the licensee is the retail seller, then the licensee must maintain the following in the retail installment sales transaction file: [~~for a vehicle titled in Texas, a copy of the completed Texas Department of Motor Vehicles'/Texas Comptroller of Public Accounts' Application for Texas Certificate of Title (Form 130-U) signed by the retail buyer and seller that was filed with the appropriate county tax assessor-collector.~~]

(i) if prepared by the retail seller, the purchase or buyer's order reflecting a written computation of the cash price of the vehicle and itemized charges, a description of the motor vehicle being purchased, and a description of each motor vehicle being traded in;

(ii) the Texas Department of Motor Vehicles' Title Application Receipt (Form VTR-500-RTS) or similar document evidencing the disbursement of the sales tax, and fees for license, title, and registration of the vehicle;

(iii) for a vehicle titled outside of Texas, a copy of the application for certificate of title for the buyer or the properly assigned evidence of ownership to the buyer including the Texas Comptroller of Public Accounts' Texas Motor Vehicle Sales Tax Exemption Certificate (Form 14-312).

(iv) for a retail installment sales transaction in which a power of attorney is necessary to transfer title to the buyer, a copy of the Texas Department of Motor Vehicles' Power of Attorney to Transfer a Motor Vehicle (Form VTR-271) or any other similar document used as a power of attorney.

(v) for a retail installment sales transaction involving a downpayment, a

copy of any record or document relating to the downpayment including:

(I) receipts for cash downpayments;

(II) promissory notes or other documents evidencing the retail buyer's agreement to pay the cash downpayment over time;

(III) documents or forms signed by the retail buyer relating to a manufacturer's or distributor's rebate as permitted by Texas Finance Code, §348.404(a); and

(IV) documents or forms evidencing the payoff of any trade-in vehicle shown on the retail installment sales contract as required by Texas Finance Code, §348.408(c).

(vi) for a retail installment sales transaction involving a trade-in motor vehicle, a copy of the Texas Disclosure of Equity in Trade-In Motor Vehicle required by Texas Finance Code, §348.0091 and §84.204 of this title (relating to Disclosure of Equity in Retail Buyer's Trade-in Motor Vehicle).

(vii) for a retail installment sales contract that has an itemized charge for the inspection of a new or used motor vehicle, a copy of or access to the work order, inspection receipt, or other verifiable evidence that reflects that the inspection was performed including the date and cost of the inspection.

(viii) any conditional delivery agreement signed by the retail buyer or provided to the retail buyer.

(ix) for a retail installment sales transaction involving the disbursement of funds for money advanced pursuant to Texas Finance Code, §348.404(b) and (c), a copy of any document, form, or agreement relating to the disbursement of funds for money advanced.

(x) for a retail installment sales transaction in which the licensee issues a certificate of coverage regarding ancillary products issued by or through the licensee in connection with the retail installment sales transaction, records of the ancillary products (motor vehicle theft protection plans, service contracts, maintenance agreements, identity recovery service contracts, etc.) including all certificates of coverage.

(xi) for a retail installment sales transaction involving the sale of a trade-in credit agreement under Texas Finance Code, §348.125:

(I) a copy of the trade-in credit agreement and any written notice or disclosure provided to the retail buyer;

(II) evidence of the contractual liability reimbursement policy in effect at the time of the trade-in credit agreement, as required by Texas Finance Code, §348.125(c); and

(III) documentation of any refund provided upon cancellation of a trade-in credit agreement.

(xii) for a retail installment sales transaction in which a retail buyer requests or receives a benefit under a trade-in credit agreement under Texas Finance Code, §348.125:

(I) a copy of the trade-in credit agreement;

(II) evidence of the amount of any credit applied under the trade-in credit agreement; and

(III) any documentation used to process a claim, including:

(-a-) any proof of insurance settlement documents obtained from the retail buyer;

(-b-) any accident record or vehicle condition report obtained to process a claim; and

(-c-) any supplemental claim records supporting the approval or denial of the claim.

(xiii) for a retail installment sales transaction in which a retail buyer requests or receives a benefit under a depreciation benefit optional member program under Texas Occupations Code, §1304.003(a)(2)(C):

(I) evidence of the amount of any credit applied under the depreciation benefit optional member program; and

(II) any documentation obtained by the licensee to process the benefit.

(C) If the licensee holds, services, or collects on the retail installment sales contract, then the licensee must maintain the following in the retail installment sales transaction file: [~~for a vehicle titled outside of Texas, a copy of the application for certificate of title for the buyer or the properly assigned evidence of ownership to the buyer including the Texas Comptroller of Public Accounts' Texas Motor Vehicle Sales Tax Exemption Certificate (Form 14-312).~~]

(i) for a retail installment sales transaction that has been repaid in full, evidence of the discharge or release of lien as prescribed by 43 TAC §217.106 (relating to Discharge of Lien).

(ii) for a retail installment sales transaction in which the licensee agrees to defer all or part of one or more payments:

(I) a copy of any written deferment agreement; and

(II) any written notice to the retail buyer regarding a deferment under Texas Finance Code, §348.114(c).

(iii) for a retail installment sales transaction involving a repossession, the records required by subsection (f) of this section.

(ii) for a retail installment sales transaction involving insurance claims for credit life, credit accident and health, credit property, credit involuntary unemployment, collateral protection, or credit gap insurance:

(I) if the licensee does not negotiate or transact insurance claims on behalf of the retail buyer, records are not required to be maintained under this clause.

(II) if the licensee negotiates or transacts insurance claims on behalf of the retail buyer, supplemental insurance records, to the extent received by the licensee, supporting the settlement or denials of claims reported in the insurance

loss records provided by paragraph (6) of this subsection including:

(-a-) Credit life insurance claims. The supplemental insurance records for credit life insurance claims must include the death certificate or other written records relating to the death of the retail buyer; proof of loss or claim form that discloses the amount of indebtedness at the time of death; check copies or electronic payment receipts that reflect the gross amount of the claim paid, including the amount of insurance benefits paid to beneficiaries other than the licensee which is in excess of the net amount necessary to pay the indebtedness; and the amount that is paid to beneficiaries other than the licensee.

(-b-) Credit accident and health insurance claims. The supplemental insurance records for credit accident and health insurance claims must include any written records relating to the disability, including statements from the physician, employer, and retail buyer; the proof of loss or claim form filed by the retail buyer; and copies of the checks or electronic payment receipts reflecting disability payments paid by the insurance carrier.

(-c-) Credit involuntary unemployment insurance claims. The supplemental insurance records for credit involuntary unemployment insurance claims must include any written document relating to the termination, layoff, or dismissal of the retail buyer; the proof of loss or claim form filed by the retail buyer; copies of the checks or electronic payment receipts reflecting the payment of the claim by the insurance carrier; and any other pertinent written record relating to the involuntary unemployment insurance claim.

(-d-) Collateral protection insurance claims. The supplemental insurance records for collateral protection insurance claims must include the law enforcement report, fire department report, or other written record reflecting the loss or destruction of any covered motor vehicle; the proof of loss or claim form filed by the retail buyer; copies of the checks or electronic payment receipts reflecting the payment of the claim by the insurance carrier; and any other pertinent written record relating to the collateral protection insurance claim.

(-e-) Credit gap insurance claims. The supplemental insurance records for credit gap insurance claims must include the gap insurance claim form; proof of loss and settlement check from the retail buyer's basic comprehensive, collision, or uninsured/underinsured policy or other parties' liability insurance policy for the settlement of the insured total loss of the motor vehicle; documents that provide verification of the retail buyer's primary insurance deductible; if the accident was investigated by a law enforcement officer, a copy of the offense or police report filed in connection with the total loss of the motor vehicle; if the accident was not investigated by a law enforcement officer, a copy of any law enforcement crash report form filed in connection with the total loss of the motor vehicle; and copies of the checks reflecting the settlement amount paid by the licensee for the gap insurance claim.

(iii) for a retail installment sales transaction involving the cancellation of a full or partial balance under a debt cancellation agreement for total loss or theft of an ordinary vehicle:

(I) the licensee must maintain copies of the following records on debt cancellation agreements for total loss or theft of ordinary vehicles that include insurance coverage as part of the retail buyer's responsibility to the holder:

(-a-) supplemental claim records supporting the settlement or denials of claims reported in the debt cancellation agreement loss records provided by paragraph (7) of this subsection including the debt cancellation request form;

(-b-) proof of loss and settlement payment from the retail buyer's primary comprehensive, collision, or uninsured/underinsured policy or other parties' liability insurance policy for the settlement of the insured total loss of the motor vehicle;

(-c-) documents that provide verification of the retail buyer's primary insurance deductible;

(-d-) if the accident was investigated by a law enforcement officer, a copy of the offense or police report filed in connection with the total loss of the motor vehicle;

(-e-) if the accident was not investigated by a law enforcement officer, a copy of the Texas Department of Public Safety's "Crash Report" (Form CR-2) filed in connection with the total loss of the motor vehicle; and

(-f-) evidence of the credit for the debt cancellation applied to the account or a copy of the check reflecting the balance canceled by the licensee; or

(II) the licensee must maintain copies of the following records on debt cancellation agreements for total loss or theft of ordinary vehicles in which the holder bears complete responsibility for the balance canceled after the total loss or theft:

(-a-) if the accident was investigated by a law enforcement officer, a copy of the offense or police report filed in connection with the total loss of the motor vehicle;

(-b-) if the accident was not investigated by a law enforcement officer, a copy of the Texas Department of Public Safety's "Crash Report" (Form CR-2) filed in connection with the total loss of the motor vehicle; and

(-c-) any records relating to the denial of the cancellation of the balance under the debt cancellation agreement for total loss or theft of any ordinary vehicle.

[~~(D) for a retail installment sales transaction in which a power of attorney is necessary to transfer title to the buyer, a copy of the Texas Department of Motor Vehicles' Power of Attorney to Transfer a Motor Vehicle (Form VTR-271) or any other similar document used as a power of attorney.~~]

[~~(E) for a retail installment sales transaction involving a downpayment, a copy of any record or document relating to the downpayment including:~~]

[~~(i) receipts for cash downpayments;~~]

[~~(ii) promissory notes or other documents evidencing the retail buyer's~~

~~agreement to pay the cash downpayment over time;~~]

[~~(iii) documents or forms signed by the retail buyer relating to a manufacturer's or distributor's rebate as permitted by Texas Finance Code, §348.404(a); and~~]

[~~(iv) documents or forms evidencing the payoff of any trade-in vehicle shown on the retail installment sales contract as required by Texas Finance Code, §348.408(c).~~]

[~~(F) for a retail installment sales transaction involving a trade-in motor vehicle, a copy of the Texas Disclosure of Equity in Trade-In Motor Vehicle required by Texas Finance Code, §348.0091 and §84.204 of this title (relating to Disclosure of Equity in Retail Buyer's Trade-in Motor Vehicle).~~]

[~~(G) for a retail installment sales contract that has an itemized charge for the inspection of a new or used motor vehicle, a copy of or access to the work order, inspection receipt, or other verifiable evidence that reflects that the inspection was performed including the date and cost of the inspection.~~]

[~~(H) for a retail installment sales transaction involving the disbursement of funds for money advanced pursuant to Texas Finance Code, §348.404(b) and (c), a copy of any document, form, or agreement relating to the disbursement of funds for money advanced.~~]

[~~(I) for a retail installment sales transaction in which the licensee issues a certificate of insurance regarding insurance policies issued by or through the licensee in connection with the retail installment sales transaction, copies of the certificates of insurance.~~]

[~~(J) for a retail installment sales transaction in which the licensee issues a debt cancellation agreement, a complete copy of the debt cancellation agreement provided to the retail buyer, documentation of disbursement of the debt cancellation agreement fee to the retail seller or a third-party administrator, any written instruction to another person to make a full or partial refund of the debt cancellation agreement fee, and documentation of any refund provided upon cancellation or termination of the debt cancellation agreement. As an alternative to maintaining a complete copy of the debt cancellation agreement in the retail installment sales transaction file, the licensee may maintain all of the following:~~]

[~~(i) in the retail installment sales transaction file, a copy of any page of the debt cancellation agreement with a signature, a transaction-specific term, the cost of the debt cancellation agreement, or any blank space that has been filled in;~~]

[~~(ii) in the licensee's general business files, a complete master copy of each debt cancellation agreement form used by the licensee during the period described by paragraph (10) of this subsection;~~]

[~~(iii) in the licensee's general business files, policies and procedures that show a verifiable method for ensuring that the master copy of the debt cancellation agreement accurately reflects the debt cancellation agreement used in each individual transaction.~~]

[~~(K) for a retail installment sales transaction in which the licensee issues a~~

~~certificate of coverage regarding ancillary products issued by or through the licensee in connection with the retail installment sales transaction, records of the ancillary products (motor vehicle theft protection plans, service contracts, maintenance agreements, identity recovery service contracts, etc.) including all certificates of coverage.~~]

[~~(L) for a retail installment sales transaction involving insurance claims for credit life, credit accident and health, credit property, credit involuntary unemployment, collateral protection, or credit gap insurance:~~]

[~~(i) if the licensee does not negotiate or transact insurance claims on behalf of the retail buyer, records are not required to be maintained under this subparagraph.~~]

[~~(ii) if the licensee negotiates or transacts insurance claims on behalf of the retail buyer, supplemental insurance records, to the extent received by the licensee, supporting the settlement or denials of claims reported in the insurance loss records provided by paragraph (6) of this subsection including:~~]

[~~(I) Credit life insurance claims. The supplemental insurance records for credit life insurance claims must include the death certificate or other written records relating to the death of the retail buyer; proof of loss or claim form that discloses the amount of indebtedness at the time of death; check copies or electronic payment receipts that reflect the gross amount of the claim paid, including the amount of insurance benefits paid to beneficiaries other than the licensee which is in excess of the net amount necessary to pay the indebtedness; and the amount that is paid to beneficiaries other than the licensee.~~]

[~~(II) Credit accident and health insurance claims. The supplemental insurance records for credit accident and health insurance claims must include any written records relating to the disability, including statements from the physician, employer, and retail buyer; the proof of loss or claim form filed by the retail buyer; and copies of the checks or electronic payment receipts reflecting disability payments paid by the insurance carrier.~~]

[~~(III) Credit involuntary unemployment insurance claims. The supplemental insurance records for credit involuntary unemployment insurance claims must include any written document relating to the termination, layoff, or dismissal of the retail buyer; the proof of loss or claim form filed by the retail buyer; copies of the checks or electronic payment receipts reflecting the payment of the claim by the insurance carrier; and any other pertinent written record relating to the involuntary unemployment insurance claim.~~]

[~~(IV) Collateral protection insurance claims. The supplemental insurance records for collateral protection insurance claims must include the law enforcement report, fire department report, or other written record reflecting the loss or destruction of any covered motor vehicle; the proof of loss or claim form filed by the retail buyer; copies of the checks or electronic payment receipts reflecting the payment of the claim by the insurance carrier; and any other pertinent written record relating to the collateral protection insurance claim.~~]

[~~(V) Credit gap insurance claims. The supplemental insurance records for credit gap insurance claims must include the gap insurance claim form; proof of loss~~

and settlement check from the retail buyer's basic comprehensive, collision, or uninsured/underinsured policy or other parties' liability insurance policy for the settlement of the insured total loss of the motor vehicle; documents that provide verification of the retail buyer's primary insurance deductible; if the accident was investigated by a law enforcement officer, a copy of the offense or police report filed in connection with the total loss of the motor vehicle; if the accident was not investigated by a law enforcement officer, a copy of any law enforcement crash report form filed in connection with the total loss of the motor vehicle; and copies of the checks reflecting the settlement amount paid by the licensee for the gap insurance claim.]

[(M) for a retail installment sales transaction involving the cancellation of a full or partial balance under a debt cancellation agreement for total loss or theft of an ordinary vehicle:]

[(i) the licensee must maintain copies of the following records on debt cancellation agreements for total loss or theft of ordinary vehicles that include insurance coverage as part of the retail buyer's responsibility to the holder:]

[(I) supplemental claim records supporting the settlement or denials of claims reported in the debt cancellation agreement loss records provided by paragraph (7) of this subsection including the debt cancellation request form;]

[(II) proof of loss and settlement payment from the retail buyer's primary comprehensive, collision, or uninsured/underinsured policy or other parties' liability insurance policy for the settlement of the insured total loss of the motor vehicle;]

[(III) documents that provide verification of the retail buyer's primary insurance deductible;]

[(IV) if the accident was investigated by a law enforcement officer, a copy of the offense or police report filed in connection with the total loss of the motor vehicle;]

[(V) if the accident was not investigated by a law enforcement officer, a copy of the Texas Department of Public Safety's "Crash Report" (Form CR-2) filed in connection with the total loss of the motor vehicle; and]

[(VI) evidence of the credit for the debt cancellation applied to the account or a copy of the check reflecting the balance canceled by the licensee; or]

[(ii) the licensee must maintain copies of the following records on debt cancellation agreements for total loss or theft of ordinary vehicles in which the holder bears complete responsibility for the balance canceled after the total loss or theft:]

[(I) if the accident was investigated by a law enforcement officer, a copy of the offense or police report filed in connection with the total loss of the motor vehicle;]

[(II) if the accident was not investigated by a law enforcement officer, a copy of the Texas Department of Public Safety's "Crash Report" (Form CR-2) filed in connection with the total loss of the motor vehicle; and]

[~~(III) any records relating to the denial of the cancellation of the balance under the debt cancellation agreement for total loss or theft of any ordinary vehicle.~~]

[~~(N) for a retail installment sales transaction where separate disclosures are required by federal or state law including the following:~~]

[~~(i) a transaction where disclosures required by the Truth in Lending Act are not incorporated into the text of the retail installment sales contract and the credit was extended for primarily for personal, family, or household purposes, a copy of the Truth in Lending statement required by Regulation Z, Truth in Lending, 12 C.F.R. §1026.18;~~]

[~~(ii) a transaction involving a cosigner, the notice to cosigner required by the Federal Trade Commission's Credit Practices Trade regulation, 16 C.F.R. §444.3.~~]

[~~(O) for a retail installment sales transaction that has been repaid in full, evidence of the discharge or release of lien as prescribed by 43 TAC §217.106 (relating to Discharge of Lien).~~]

[~~(P) for a retail installment sales transaction involving a repossession, the records required by subsection (f) of this section.~~]

[~~(Q) for a retail installment sales transaction in which the licensee agrees to defer all or part of one or more payments:~~]

[~~(i) a copy of any written deferment agreement; and~~]

[~~(ii) any written notice to the retail buyer regarding a deferment under Texas Finance Code, §348.114(e).~~]

[~~(R) for a retail installment sales transaction involving the sale of a trade in credit agreement under Texas Finance Code, §348.125:~~]

[~~(i) a copy of the trade in credit agreement and any written notice or disclosure provided to the retail buyer;~~]

[~~(ii) evidence of the contractual liability reimbursement policy in effect at the time of the trade in credit agreement, as required by Texas Finance Code, §348.125(c); and~~]

[~~(iii) documentation of any refund provided upon cancellation of a trade-in credit agreement.~~]

[~~(S) for a retail installment sales transaction in which a retail buyer requests or receives a benefit under a trade in credit agreement under Texas Finance Code, §348.125:~~]

[~~(i) a copy of the trade in credit agreement;~~]

[~~(ii) evidence of the amount of any credit applied under the trade in credit agreement; and~~]

[~~(iii) any documentation used to process a claim, including:~~]

[~~(I) any proof of insurance settlement documents obtained from the retail buyer;~~]

[~~(II) any accident record or vehicle condition report obtained to process a claim; and~~]

[~~(III) any supplemental claim records supporting the approval or denial of the claim.~~]

[~~(T) for a retail installment sales transaction in which a retail buyer requests or receives a benefit under a depreciation benefit optional member program under Texas Occupations Code, §1304.003(a)(2)(C):~~]

[~~(i) evidence of the amount of any credit applied under the depreciation benefit optional member program; and~~]

[~~(ii) any documentation obtained by the licensee to process the benefit.~~]

[~~(U) any conditional delivery agreement signed by the retail buyer or provided to the retail buyer.~~]

(3) Account record for each retail installment sales contract (including payment and collection contact history). A licensee that holds, services, or collects on retail installment contracts must maintain a separate electronic or paper record [~~must be maintained~~] covering each retail installment sales contract. The electronic or paper account record must be readily available by reference to either a retail buyer's name or account number.

(A) Required information. The account record for each retail installment sales contract must contain at least the following information, unless stated otherwise:

(i) account number as recorded in the retail installment sales transaction report;

(ii) date of contract;

(iii) name and address of retail buyer;

(iv) payment history information:

(I) itemized payment entries showing date payment received; dual postings are acceptable if date of posting is other than date of receipt;

(II) for a transaction using the true daily earnings method, if requested during an examination or investigation, a breakdown for each payment showing the amount applied toward principal, time price differential, late charges, and any other charges;

(III) if requested during an examination or investigation, a payoff amount that denotes amounts applied to principal, time price differential, default, deferment, or other authorized charges;

(v) for a retail installment sales contract where the licensee receives or issues a refund of insurance charges, debt cancellation agreements, or authorized ancillary products, a licensee is responsible for maintaining sufficient documentation of any refund including final entries and is also responsible for providing refunds to the retail buyer or correctly applying refunds to the retail buyer's account. Refund amounts must be itemized to show:

(I) time price differential refunded, if any;

(II) the amount of any insurance charges refunded;

(III) the amount of any debt cancellation agreement fees refunded;

(IV) the amount of any authorized ancillary products charges refunded;

(vi) collection contact history, including a written record of:

(I) all collection contacts made by a licensee with the retail buyer or any other person in connection with the collection of amounts due under a motor vehicle retail installment sales contract;

(II) all collection contacts made by the retail buyer with the licensee in connection with the collection of amounts due under a motor vehicle retail installment sales contract;

(III) for the collection contacts in subclauses (I) and (II) of this clause, the written record must include the date, method of contact, contacted party, person initiating the contact, and a summary of the contact;

(IV) copies of individual collection notices or letters or references to standard collection letters sent to the retail buyer.

(B) Recommended information. In addition to the required information under subparagraph (A) of this paragraph, it is recommended that the account record for each retail installment sales contract contain the following information:

(i) retail installment sales contract payment schedule and terms itemized to show:

(I) number of installments;

(II) due date of installments;

(III) amount of each installment; and

(IV) maturity date;

(ii) telephone number of retail buyer;

(iii) names and addresses of co-retail buyer or other obligors, if any;

(iv) amount financed;

(v) total time price differential charge;

(vi) total of payments;

(vii) amount of premium charges for insurance products;

(viii) amount of fees charged for debt cancellation agreements.

(C) Corrective entries. A licensee may make corrective entries to the account record for each retail installment sales contract if the corrective entry is justified. A licensee must maintain the reason and supporting documentation for each corrective entry made to the account record. The reason for the corrective entry may be recorded in the collection contact history of the account record. The supporting documentation justifying the corrective entry can be

maintained in the individual account record for each retail installment sales contract or properly stored and indexed in a licensee's optically imaged recordkeeping system. If a licensee manually maintains the account record, the licensee must properly correct an improper entry by drawing a single line through the improper entry and entering the correct information above or below the improper entry. No erasures or other obliterations may be made on the payments received or collection contact history section of the manual account record for each retail installment sales contract.

(4) Assignment information.

(A) Required information. Assignment information must cover any Texas Finance Code, Chapter 348 retail installment sales contract made by or acquired by the licensee that is assigned from its licensed [~~or registered~~] location. The assignment information must show the name of the retail buyer, the account number or other unique number given to the retail buyer, the date of assignment, and the name and address to which the accounts are assigned.

(B) Electronic recordkeeping systems. If a licensee is able to produce an assignment report containing the required information provided in subparagraph (A) of this paragraph electronically without any additional programming costs, the licensee must produce the report upon request. If the licensee's software programs are unable to produce an assignment report containing the required information provided in subparagraph (A) of this paragraph, the licensee may maintain assignment information for each individual retail installment sales transaction in the retail installment sales transaction file. A licensee must be able to access assignment information for a specific transaction as requested by the commissioner's representative.

(C) Manual recordkeeping systems. If a licensee is not able to produce an assignment report as provided in subparagraph (B) of this paragraph, the licensee may maintain assignment information for each individual retail installment sales transaction in the retail installment sales transaction file. A licensee must be able to access assignment information for a specific transaction as requested by the commissioner's representative.

(D) Securitization or financing exception. If the servicing rights are retained by the licensee, then the licensee is not required to include in the assignment report retail installment sales transactions that were assigned to a legal entity as part of a securitization agreement. A licensee is also not required to include in the assignment report retail installment sales transactions that have been pledged as collateral for a bona fide financing arrangement to the licensee.

(5) General business and accounting records. General business and accounting records concerning retail installment sales transactions must be maintained. The licensee is not required to produce information protected under the attorney-client privilege or work product privilege. The business and accounting records must include receipts, documents, or other records for each disbursement made by the licensee at the retail buyer's direction or request, on his behalf, or for his benefit, that is charged to the retail buyer, including:

(A) for a retail seller, the Texas Comptroller of Public Accounts' Dealer Motor Vehicle Inventory Tax Statement (Form 50-246);

(B) for a retail seller, the Texas Comptroller of Public Accounts' Texas Motor Vehicle Seller-Financed Sales Tax Report (Form 14-117); and

(C) repossession, sequestration, disposition, or legal fees relating to repossession, sequestration, or disposition.

(6) Insurance loss records. Each licensee who negotiates or transacts the filing of insurance claims must maintain a register or be able to generate a report, electronic or paper, reflecting information to the extent received by the licensee on credit life, credit accident and health, credit property, credit involuntary unemployment, and single-interest insurance claims whether paid or denied by the insurance carrier. If the reason for the denial of a credit life insurance or credit accident and health insurance claim is based upon the medical records of the retail buyer, supplemental records supporting the denial of the claim must be made available upon request.

(7) Debt cancellation agreement for total loss or theft loss records. Each licensee who cancels entire balances or who cancels only partial balances under debt cancellation agreements must maintain a register or be able to generate a report, paper or electronic, that reflects agreements that were either satisfied or denied. This register or report must show the name of the retail buyer, the account number, an indication of whether the agreement was satisfied or denied (e.g., "paid," "denied"), and the date of satisfaction or denial.

(8) Adverse action records. Each licensee must maintain adverse action records regarding all applications relating to Texas Finance Code, Chapter 348 retail installment sales transactions. Adverse action records must be maintained according to the record retention requirements contained in Regulation B, Equal Credit Opportunity Act, 12 C.F.R. §1002.12(b). The current retention periods are 25 months for consumer credit and 12 months for business credit.

(9) Trade-in credit agreement records. Each licensee that enters a trade-in credit agreement or provides a benefit in connection with a trade-in credit agreement must:

(A) maintain a copy of any contractual liability reimbursement policy related to the trade-in credit agreement, as required by Texas Finance Code, §348.125(c); and

(B) maintain a register or be able to generate a report, paper or electronic, that reflects agreements that were either satisfied or denied. This register or report must show the name of the retail buyer, the account number, and the date of satisfaction or denial.

(10) Retention and availability of records. All books and records required by this subsection must be available for inspection at any time by Office of Consumer Credit Commissioner staff, and must be retained for a period of four years from the date of the contract, two years from the date of the final entry made thereon, whichever is later, or a different period of time if required by federal law. Upon notification of an examination pursuant to Texas Finance Code, §348.514(f), the licensee must be able to produce or access required books and records within a reasonable time at the licensed location or registered office

specified on the license. The records required by this subsection must be available or accessible at an office in the state designated by the licensee except when the retail installment sales transactions are transferred under an agreement which gives the commissioner access to the documents. Documents may be maintained out of state if the licensee has in writing acknowledged responsibility for either making the records available within the state for examination or by acknowledging responsibility for additional examination costs associated with examinations conducted out of state.

(f) Repossession records <u>for licensees that repossess vehicles</u>.

(1) Repossession report. A licensee must be able to access or produce a list of all retail installment sales transactions involving repossession by the licensee. If the list of repossessions is accessed through an electronic system, the licensee must be able to generate a separate report of repossessions. If the repossession report is maintained under a manual recordkeeping system, the licensee must maintain a current list of accounts in repossession. A manual repossession report must be updated within a reasonable time from the date of repossession. The repossession report must include the retail buyer's name, account number, and date of repossession. If accounts have been subsequently assigned, the assignment must be noted in the repossession report as well as on the record of assigned accounts as prescribed in subsection (e)(4) of this section.

(2) Required information. For a retail installment sales transaction involving the repossession of the vehicle, the following records must be maintained, unless otherwise specified:

(A) a condition report indicating the condition of the collateral, if prepared by the licensee, the licensee's agent, or any independent contractor hired to perform the repossession;

(B) any invoices or receipts for any reasonable and authorized out-of-pocket expenses that are assessed to the buyer and incurred in connection with the repossession or sequestration of the vehicle including cost of storing, reconditioning, and reselling the vehicle;

(C) for a vehicle disposed of in a public or private sale as permitted by the Texas Business and Commerce Code, §9.610, the following documents:

(i) one of the three following notices:

(I) for a transaction not involving consumer goods, a copy of any Notification of Disposition of Collateral letter sent to the retail buyer and other obligors as required by Texas Business and Commerce Code, §9.613;

(II) for a transaction involving consumer goods, a copy of any Notice of Our Plan to Sell Property as sent to the retail buyer and other obligors as required by Texas Business and Commerce Code, §9.614; or

(III) a copy of the waiver of the notice of intended disposition prescribed by subclause (I) or (II) of this clause, as applicable, signed by the retail buyer and other obligors after default;

(ii) copies of evidence of the type or manner of private sale that was conducted. These records must show that the

manner of the disposition was commercially reasonable, such as circumstances surrounding a dealer only auction, internet sale or other type of private disposition;

(iii) copies of evidence of the type or manner of public sale that was conducted. These records must show that the manner of the disposition was commercially reasonable, such as documentation of the date, place, manner of sale of the vehicle, and amounts received for disposition of the vehicle;

(iv) the bill of sale showing the name and address of the purchaser of the repossessed collateral and the purchase price of the vehicle;

(v) for a disposition or sale of collateral creating a surplus balance, a copy of the check representing the payment of the surplus balance paid to the retail buyer or other person entitled to the surplus;

(vi) for a disposition or sale of collateral resulting in a surplus or deficiency, a copy of the explanation of calculation of surplus or deficiency as required by Texas Business and Commerce Code, §9.616, if applicable;

(vii) a copy of the waiver of the deficiency letter if the retail seller elects to waive the deficiency balance in lieu of sending the explanation of calculation of surplus or deficiency form, if applicable;

(D) for a vehicle disposed of using the strict foreclosure method as permitted by the Texas Business and Commerce Code, §9.620 and §9.621, the following documents:

(i) one of the three following notices;

(I) for a transaction not involving consumer goods and where less than 60% of the cash price of the vehicle has been paid, a copy of the notice of proposal to accept collateral in full or partial satisfaction of the obligation;

(II) for a transaction involving consumer goods, a copy of the notice of proposal to accept collateral in full satisfaction of the obligation; or

(III) for a transaction where more than 60% of the cash price of the vehicle has been paid, a copy of the debtor or obligor's waiver of compulsory disposition of collateral signed by the retail buyers and other obligors after default;

(ii) for a transaction where the retail buyer rejects the offer under clause (i)(I) or (II) of this subparagraph, a copy of the retail buyer's signed objection to retention of the collateral;

(iii) copies of the records reflecting the partial or total satisfaction of the obligation; and

(E) for a vehicle disposed by another authorized method pursuant to the Texas Business and Commerce Code, Chapter 9, a copy of any and all records or documents relating to the disposition of the collateral

(g) Information security program. A licensee must maintain written policies and procedures for an information security program to protect retail buyers' customer information, as required by the Federal Trade Commission's Safeguards Rule, 16 C.F.R.

part 314. If a licensee maintains customer information concerning 5,000 or more consumers, then the licensee must maintain a written incident response plan and written risk assessments, as required by 16 C.F.R. §314.4.

(h) Data breach notifications. A licensee must maintain the text of any data breach notification provided to retail buyers, including any notification under Texas Business & Commerce Code, §521.053, for a period of four years from the date of the notification. A licensee must maintain any data breach notification provided to a government agency, including any notification provided to the Office of the Attorney General under Texas Business & Commerce Code, §521.053, for a period of four years from the date of the notification.

[~~*§84.709. Files and Records Required (Holders Taking Assignment of Retail Installment Sales Contracts)*~~]

[~~(a) Applicability. The recordkeeping requirements of this section apply to holders who are not retail sellers that service or collect installments on retail installment sales contracts involving ordinary vehicles. The recordkeeping requirements of this section do not apply to motor vehicle retail installment sales transactions involving commercial vehicles.~~]

[~~(b) Records required for each retail installment sales transaction. Each licensee must maintain records with respect to the licensee's compliance with Texas Finance Code, Chapter 348 for each motor vehicle retail installment sales contract made, acquired, serviced, or held under Chapter 348 and make those records available for examination.~~]

[~~(c) Recordkeeping systems. The records required by this section may be maintained by using either an electronic recordkeeping system, a legible paper or manual recordkeeping system, or a combination of the preceding types of systems, unless otherwise specified by statute or regulation. Licensees may maintain records on one or more recordkeeping systems, so long as the licensee is able to integrate records pertaining to an account into one or more reports as required by this section. If federal law requirements for record retention are different from the provisions contained in this section, the federal law requirements prevail only to the extent of the conflict with the provisions of this section.~~]

[~~(d) Record search requirements.~~]

[~~(1) Open retail installment sales transactions. A licensee must be able to access or produce a list of all open retail installment sales transactions. If the list of open transactions is accessed through an electronic system, the licensee must be able to generate a separate report of open transactions. Alternatively, a licensee may provide a list containing open and closed retail installment sales transactions as long as the open transactions are designated as "open."~~]

[~~(2) Alphabetical search. A licensee must be able to access records in alphabetical order by retail buyer name for open and closed transactions during the record retention period required by subsection (e)(9) of this section. A licensee may comply with the alphabetical requirement by providing the commissioner's representative files by retail buyer name upon request by the commissioner's representative.~~]

[~~(3) Sorting or filtering. Upon request, if a licensee maintains some or all transaction records electronically, a licensee must be able to sort or filter a records search by each of the following:~~]

[~~(A) the date of contract or date of sale;~~]

[~~(B) the retail buyer's name(s);~~]

[~~(C) the status of the transaction (open or closed); and~~]

[~~(D) whether the transaction has been assigned to another person and the name of any assignee.~~]

[~~(e) Records required.~~]

[~~(1) Retail installment sales transaction report. Each licensee must maintain records sufficient to produce a retail installment sales transaction report that contains a listing of each Texas Finance Code, Chapter 348 retail installment sales contract acquired by the licensee. The report is only required to include those retail installment sales contracts that are subject to the record retention period of paragraph (9) of this subsection. The retail installment sales transaction report can be maintained either as a paper record or may be generated from an electronic system or systems so long as the licensee can integrate the following information into a report. If the retail installment sales transaction report is maintained under a manual recordkeeping system, the retail installment sales transaction report must be updated within a reasonable time from the date the contract is acquired.~~]

[~~(A) A retail installment sales transaction report must contain the following information:~~]

[~~(i) the date of contract (day, month, and year);~~]

[~~(ii) the retail buyer's name(s);~~]

[~~(iii) a method of identifying the vehicle, such as the last six digits of the vehicle identification number or the stock number; and~~]

[~~(iv) the account number.~~]

[~~(B) Sorting or filtering. Upon request, a licensee must be able to sort or filter the retail installment transaction report by each of the following:~~]

[~~(i) the date of contract or date of sale;~~]

[~~(ii) the retail buyer's name(s);~~]

[~~(iii) the status of the transaction (open or closed); and~~]

[~~(iv) whether the transaction has been assigned to another person and the name of any assignee.~~]

[~~(2) Retail installment sales transaction file. A licensee must maintain an electronic or paper copy of a retail installment sales transaction file for each individual retail installment sales contract or be able to produce the same information within a reasonable amount of time. The retail installment sales transaction file must contain documents which show the licensee's compliance with applicable law. The~~

~~required documents must show the licensee's compliance with Texas Finance Code, Chapter 348 and would accordingly include applicable state and federal laws and regulations, including the Truth in Lending Act. If a substantially equivalent electronic record for any of the following records exists, a paper copy of the record does not have to be included in the retail installment sales transaction file if the electronic record can be accessed upon request. The retail installment sales transaction file must include copies of the following records or documents, unless otherwise specified:~~]

[~~(A) for all retail installment sales transactions:~~]

[~~(i) the retail installment sales contract signed by the retail buyer and the retail seller as required by Texas Finance Code, §348.101;~~]

[~~(ii) the credit application and any other written or recorded information used in evaluating the application;~~]

[~~(iii) the original certificate of title to the vehicle, a certified copy of the negotiable certificate of title, or a copy of the front of either the original or certified copy of the title; and~~]

[~~(iv) any records applicable to the retail installment transaction outlined by subparagraphs (B) - (J) of this paragraph.~~]

[~~(B) for a vehicle titled in Texas, a copy of the completed Texas Department of Motor Vehicles'/Texas Comptroller of Public Accounts' Application for Texas Certificate of Title (Form 130-U) signed by the retail buyer and seller that was filed with the appropriate county tax assessor-collector.~~]

[~~(C) for a retail installment sales transaction in which insurance policies are issued by or through the licensee in connection with the retail installment sales transaction, copies of the certificates of insurance.~~]

[~~(D) for a retail installment sales transaction in which the licensee issues or takes assignment of a debt cancellation agreement, a complete copy of the debt cancellation agreement provided to the retail buyer and any written instruction to another person to make a full or partial refund of the debt cancellation agreement fee, and any documentation that comes into the licensee's possession regarding a refund provided upon cancellation or termination of the debt cancellation agreement. As an alternative to maintaining a complete copy of the debt cancellation agreement in the retail installment sales transaction file, the licensee may maintain all of the following:~~]

[~~(i) in the retail installment sales transaction file, a copy of any page of the debt cancellation agreement with a signature, a transaction-specific term, the cost of the debt cancellation agreement, or any blank space that has been filled in;~~]

[~~(ii) in the licensee's general business files, a complete master copy of each debt cancellation agreement form used by the licensee during the period described by paragraph (9) of this subsection;~~]

[~~(iii) in the licensee's general business files, policies and procedures that show a verifiable method for ensuring that the master copy of the debt cancellation agreement accurately reflects the debt cancellation agreement used in each individual transaction.~~]

[~~(E) for a retail installment sales transaction involving insurance claims for credit life, credit accident and health, credit property, credit involuntary unemployment, collateral protection, or credit gap insurance:~~]

[~~(i) if the licensee does not negotiate or transact insurance claims on behalf of the retail buyer, records are not required to be maintained under this subparagraph.~~]

[~~(ii) if the licensee negotiates or transacts insurance claims on behalf of the retail buyer, supplemental insurance records, to the extent received by the licensee, supporting the settlement or denials of claims reported in the insurance loss records provided by paragraph (6) of this subsection including:~~]

[~~(I) Credit life insurance claims. The supplemental insurance records for credit life insurance claims must include the death certificate or other written records relating to the death of the retail buyer; proof of loss or claim form that discloses the amount of indebtedness at the time of death; check copies or electronic payment receipts that reflect the gross amount of the claim paid, including the amount of insurance benefits paid to beneficiaries other than the licensee which is in excess of the net amount necessary to pay the indebtedness; and the amount that is paid to beneficiaries other than the licensee.~~]

[~~(II) Credit accident and health insurance claims. The supplemental insurance records for credit accident and health insurance claims must include any written records relating to the disability, including statements from the physician, employer, and retail buyer; the proof of loss or claim form filed by the retail buyer; and copies of the checks or electronic payment receipts reflecting disability payments paid by the insurance carrier.~~]

[~~(III) Credit involuntary unemployment insurance claims. The supplemental insurance records for credit involuntary unemployment insurance claims must include any written document relating to the termination, layoff, or dismissal of the retail buyer; the proof of loss or claim form filed by the retail buyer; copies of the checks or electronic payment receipts reflecting the payment of the claim by the insurance carrier; and any other pertinent written record relating to the involuntary unemployment insurance claim.~~]

[~~(IV) Collateral protection insurance claims. The supplemental insurance records for collateral protection insurance claims must include the law enforcement report, fire department report, or other written record reflecting the loss or destruction of any covered motor vehicle; the proof of loss or claim form filed by the retail buyer; copies of the checks or electronic payment receipts reflecting the payment of the claim by the insurance carrier; and any other pertinent written record relating to the collateral protection insurance claim.~~]

[~~(V) Credit gap insurance claims. The supplemental insurance records for credit gap insurance claims must include the gap insurance claim form; proof of loss and settlement check from the retail buyer's basic comprehensive, collision, or uninsured/underinsured policy or other parties' liability insurance policy for the settlement of the insured total loss of the motor vehicle; documents that provide verification of the retail buyer's primary insurance deductible; if the accident was investigated by a law enforcement officer, a

~~copy of the offense or police report filed in connection with the total loss of the motor vehicle; if the accident was not investigated by a law enforcement officer, a copy of any law enforcement crash report form filed in connection with the total loss of the motor vehicle; and copies of the checks reflecting the settlement amount paid by the licensee for the gap insurance claim.~~]

[~~(F) for a retail installment sales transaction involving the cancellation of a full or partial balance under a debt cancellation agreement for total loss or theft of an ordinary vehicle, or involving the cancellation or termination of a debt cancellation agreement, the licensee must:~~]

[~~(i) maintain any documents that come into its possession relating to the creation, processing, resolution, cancellation, or termination of a debt cancellation agreement; and~~]

[~~(ii) upon request of the agency, cooperate in requesting and obtaining access to the type of documents described in clause (i) of this subparagraph that are not in its possession.~~]

[~~(G) for a retail installment sales transaction where separate disclosures are required by federal or state law including the following:~~]

[~~(i) a transaction where disclosures required by the Truth in Lending Act are not incorporated into the text of the retail installment sales contract and the credit was extended for primarily for personal, family, or household purposes, a copy of the Truth in Lending statement required by Regulation Z, Truth in Lending, 12 C.F.R. §1026.18;~~]

[~~(ii) a transaction involving a cosigner, the notice to cosigner required by the Federal Trade Commission's Credit Practices Trade regulation, 16 C.F.R. §444.3.~~]

[~~(H) for a retail installment sales transaction that has been repaid in full, evidence of the discharge or release of lien as prescribed by 43 TAC §217.106 (relating to Discharge of Lien).~~]

[~~(I) for a retail installment sales transaction involving repossession, the records required by subsection (f) of this section.~~]

[~~(J) for a retail installment sales transaction in which the licensee agrees to defer all or part of one or more payments:~~]

[~~(i) a copy of any written deferment agreement; and~~]

[~~(ii) any written notice to the retail buyer regarding a deferment under Texas Finance Code, §348.114(c).~~]

[~~(3) Account record for each retail installment sales contract (including payment and collection contact history). A separate electronic or paper record must be maintained covering each retail installment sales contract. The electronic or paper account record must be readily available by reference to either a retail buyer's name or account number.~~]

[~~(A) Required information. The account record for each retail installment sales contract must contain at least the following information, unless stated otherwise:~~]

[~~(i) account number as recorded in the retail installment sales transaction report;~~]

[~~(ii) date of contract;~~]

[~~(iii) name and address of retail buyer;~~]

[~~(iv) payment history information:~~]

[~~(I) itemized payment entries showing date payment received; dual postings are acceptable if date of posting is other than date of receipt;~~]

[~~(II) for a transaction using the true daily earnings method, if requested during an examination or investigation, a breakdown for each payment showing the amount applied toward principal, time price differential, late charges, and any other charges;~~]

[~~(III) if requested during an examination or investigation, a payoff amount that denotes amounts applied to principal, time price differential, default, deferment, or other authorized charges;~~]

[~~(v) for a retail installment sales contract where the licensee receives or issues a refund of insurance charges, debt cancellation agreements or authorized ancillary products, a licensee is responsible for maintaining sufficient documentation of any refund including final entries and is also responsible for providing refunds to the retail buyer or correctly applying refunds to the retail buyer's account. Refund amounts must be itemized to show:~~]

[~~(I) time price differential refunded, if any;~~]

[~~(II) the amount of any insurance charges refunded;~~]

[~~(III) the amount of debt cancellation agreement fees refunded;~~]

[~~(IV) the amount of any authorized ancillary products charges refunded;~~]

[~~(vi) collection contact history, including a written record of:~~]

[~~(I) all collection contacts made by a licensee with the retail buyer or any other person in connection with the collection of amounts due under a motor vehicle retail installment sales contract~~]

[~~(II) all collection contacts made by the retail buyer with the licensee in connection with the collection of amounts due under a motor vehicle retail installment sales contract;~~]

[~~(III) for the collection contacts in subclauses (I) and (II) of this clause, the written record must include the date, method of contact, contacted party, person initiating the contact, and a summary of the contact;~~]

[~~(IV) copies of individual collection notices or letters or references to standard collection letters sent to the retail buyer.~~]

[~~(B) Recommended information. In addition to the required information under subparagraph (A) of this paragraph, it is recommended that the account record for each retail installment sales contract contain the following information:~~]

[~~(i) retail installment sales contract payment schedule and terms itemized to show:~~]

[~~(I) number of installments;~~]

[~~(II) due date of installments;~~]

[~~(III) amount of each installment; and~~]

[~~(IV) maturity date;~~]

[~~(ii) telephone number of retail buyer;~~]

[~~(iii) names and addresses of co-retail buyer or other obligors, if any;~~]

[~~(iv) amount financed;~~]

[~~(v) total time price differential charge;~~]

[~~(vi) total of payments;~~]

[~~(vii) amount of premium charges for insurance products;~~]

[~~(viii) amount of fees charged for debt cancellation agreements.~~]

[~~(C) Corrective entries. A licensee may make corrective entries to the account record for each retail installment sales contract if the corrective entry is justified. A licensee must maintain the reason and supporting documentation for each corrective entry made to the account record. The reason for the corrective entry may be recorded in the collection contact history of the account record. The supporting documentation justifying the corrective entry can be maintained in the individual account record for each retail installment sales contract or properly stored and indexed in a licensee's optically imaged recordkeeping system. If a licensee manually maintains the account record, the licensee must properly correct an improper entry by drawing a single line through the improper entry and entering the correct information above or below the improper entry. No erasures or other obliterations may be made on the payments received or collection contact history section of the manual account record for each retail installment sales contract.~~]

[~~(4) Assignment report.~~]

[~~(A) Required information. A licensee must maintain or produce an assignment report, whether paper or electronic, including any Texas Finance Code, Chapter 348 retail installment sales contract made by or acquired by the licensee that is assigned from its licensed or registered location. The assignment report must show the name of the retail buyer, the account number or other unique number given to the retail buyer, the date of assignment, and the name and address to which the accounts are assigned.~~]

[~~(B) Securitization or financing exception. If the servicing rights are retained by the licensee, then the licensee is not required to include in the assignment report retail installment sales transactions that were assigned to a legal entity as part of a securitization agreement. A licensee is also not required to include in the assignment report retail installment sales transactions that have been pledged as collateral for a bona fide financing arrangement to the licensee.~~]

[~~(5) General business and accounting records. General business and accounting records concerning retail installment sales transactions must be maintained. The business and accounting records must include receipts, documents, or other records for each disbursement made by the licensee at the retail buyer's direction or request, on his behalf, or for his benefit, that is charged to the retail buyer, including repossession, sequestration, disposition, or legal fees relating to repossession, sequestration, or disposition. The licensee is not required to produce information protected under the attorney-client privilege or work product privilege.~~]

[~~(6) Insurance loss records. Each licensee who negotiates or transacts the filing of insurance claims must maintain a register or be able to generate a report, electronic or paper, reflecting information to the extent received by the licensee on credit life, credit accident and health, credit property, credit involuntary unemployment, and single-interest insurance claims whether paid or denied by the insurance carrier. If the reason for the denial of a credit life insurance or credit accident and health insurance claim is based upon the medical records of the retail buyer, supplemental records supporting the denial of the claim must be made available upon request.~~]

[~~(7) Debt cancellation agreement for total loss or theft loss records. Each licensee who cancels entire balances or who cancels only partial balances under debt cancellation agreements must maintain a register or be able to generate a report, paper or electronic, that reflects agreements that were either satisfied or denied. This register or report must show the name of the retail buyer, the account number, an indication of whether the agreement was satisfied or denied (e.g., "paid," "denied"), and the date of satisfaction or denial.~~]

[~~(8) Adverse action records. Each licensee must maintain adverse action records regarding all applications relating to Texas Finance Code, Chapter 348 retail installment sales transactions. Adverse action records must be maintained according to the record retention requirements contained in Regulation B, Equal Credit Opportunity Act, 12 C.F.R. §1002.12(b). The current retention periods are 25 months for consumer credit and 12 months for business credit.~~]

[~~(9) Retention and availability of records. All books and records required by this subsection must be available for inspection at any time by Office of Consumer Credit Commissioner staff, and must be retained for a period of four years from the date of the contract, two years from the date of the final entry made thereon, whichever is later, or a different period of time if required by federal law. Upon notification of an examination pursuant to Texas Finance Code, §348.514(f), the licensee must be able to produce or access required books and records within a reasonable time at the licensed location or registered office specified on the license. The records required by this subsection must be available or accessible at an office in the state designated by the licensee except when the retail installment sales transactions are transferred under an agreement which gives the commissioner access to the documents. Documents may be maintained out of state if the licensee has in writing acknowledged responsibility for either making the records available within the state for examination or by acknowledging responsibility for additional examination costs associated with examinations conducted out of state.~~]

[~~(f) Repossession records.~~]

[~~(1) Repossession report. A licensee must be able to access or produce a list of all retail installment sales transactions involving repossession by the licensee. If the list of repossessions is accessed through an electronic system, the licensee must be able to generate a separate report of repossessions. If the repossession report is maintained under a manual recordkeeping system, the licensee must maintain a current list of accounts in repossession. A manual repossession report must be updated within a reasonable time from the date of repossession. The repossession report must include the retail buyer's name, account number, and date of repossession. If accounts have been subsequently assigned, the assignment must be noted in the repossession report as well as on the record of assigned accounts as prescribed in subsection (e)(4) of this section.~~]

[~~(2) Required information. For a retail installment sales transaction involving the repossession of the vehicle, the following records must be maintained, unless otherwise specified:~~]

[~~(A) a condition report indicating the condition of the collateral, if prepared by the licensee, the licensee's agent, or any independent contractor hired to perform the repossession;~~]

[~~(B) any invoices or receipts for any reasonable and authorized out-of-pocket expenses that are assessed to the buyer and incurred in connection with the repossession or sequestration of the vehicle including cost of storing, reconditioning, and reselling the vehicle;~~]

[~~(C) for a vehicle disposed of in a public or private sale as permitted by the Texas Business and Commerce Code, §9.610, the following documents:~~]

[~~(i) one of the three following notices:~~]

[~~(I) for a transaction not involving consumer goods, a copy of any Notification of Disposition of Collateral letter sent to the retail buyer and other obligors as required by Texas Business and Commerce Code, §9.613;~~]

[~~(II) for a transaction involving consumer goods, a copy of any Notice of Our Plan to Sell Property as sent to the retail buyer and other obligors as required by Texas Business and Commerce Code, §9.614; or~~]

[~~(III) a copy of the waiver of the notice of intended disposition prescribed by subclause (I) or (II) of this clause, as applicable, signed by the retail buyer and other obligors after default;~~]

[~~(ii) copies of evidence of the type or manner of private sale that was conducted. These records must show that the manner of the disposition was commercially reasonable, such as circumstances surrounding a dealer only auction, internet sale or other type of private disposition;~~]

[~~(iii) copies of evidence of the type or manner of public sale that was conducted. These records must show that the manner of the disposition was commercially reasonable, such as documentation of the date, place, manner of sale of the vehicle, and amounts received for disposition of the vehicle;~~]

[~~(iv) the bill of sale showing the name and address of the purchaser of the repossessed collateral and the purchase price of the vehicle;~~]

[~~(v) for a disposition or sale of collateral creating a surplus balance, a copy of the check representing the payment of the surplus balance paid to the retail buyer or other person entitled to the surplus;~~]

[~~(vi) for a disposition or sale of collateral resulting in a surplus or deficiency, a copy of the explanation of calculation of surplus or deficiency as required by Texas Business and Commerce Code, §9.616, if applicable;~~]

[~~(vii) a copy of the waiver of the deficiency letter if the retail seller elects to waive the deficiency balance in lieu of sending the explanation of calculation of surplus or deficiency form, if applicable;~~]

[~~(D) for a vehicle disposed of using the strict foreclosure method as permitted by the Texas Business and Commerce Code, §9.620 and §9.621, the following documents:~~]

[~~(i) one of the three following notices;~~]

[~~(I) for a transaction not involving consumer goods and where less than 60% of the cash price of the vehicle has been paid, a copy of the notice of proposal to accept collateral in full or partial satisfaction of the obligation;~~]

[~~(II) for a transaction involving consumer goods, a copy of the notice of proposal to accept collateral in full satisfaction of the obligation; or~~]

[~~(III) for a transaction where more than 60% of the cash price of the vehicle has been paid, a copy of the debtor or obligor's waiver of compulsory disposition of collateral signed by the retail buyers and other obligors after default;~~]

[~~(ii) for a transaction where the retail buyer rejects the offer under clause (i)(I) or (II) of this subparagraph, a copy of the retail buyer's signed objection to retention of the collateral;~~]

[~~(iii) copies of the records reflecting the partial or total satisfaction of the obligation; and~~]

[~~(E) for a vehicle disposed by another authorized method pursuant to the Texas Business and Commerce Code, Chapter 9, a copy of any and all records or documents relating to the disposition of the collateral.~~]

[~~(g) Information security program. A licensee must maintain written policies and procedures for an information security program to protect retail buyers' customer information, as required by the Federal Trade Commission's Safeguards Rule, 16 C.F.R. part 314. If a licensee maintains customer information concerning 5,000 or more consumers, then the licensee must maintain a written incident response plan and written risk assessments, as required by 16 C.F.R. §314.4.~~]

[~~(h) Data breach notifications. A licensee must maintain the text of any data breach notification provided to retail buyers, including any notification under Texas Business & Commerce Code, §521.053, for a period of four years from the date of the notification. A licensee must maintain any data breach notification provided to a~~

~~government agency, including any notification provided to the Office of the Attorney General under Texas Business & Commerce Code, §521.053, for a period of four years from the date of the notification.~~]

Certification

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

Issued in Austin, Texas on October 16, 2026.

Matthew J. Nance
General Counsel
Office of Consumer Credit Commissioner

C. OFFICE OF CONSUMER CREDIT COMMISSIONER

6. Discussion of and Possible Vote to Take Action on the Proposal and Publication for Comment on Amendments in 7 TAC, Part 5, Chapter 90, Concerning Chapter 342, Plain Language Contract Provisions, Resulting from Rule Review

PURPOSE: The purpose of the proposed rule changes to 7 TAC Chapter 90 is to implement changes resulting from the commission's review of the chapter under Texas Government Code, §2001.039.

RECOMMENDED ACTION: The OCCC requests that the Finance Commission approve the amendments to 7 TAC Chapter 90 for publication in the *Texas Register*.

RECOMMENDED MOTION: I move that the Finance Commission approve for publication and comment the amendments to 7 TAC Chapter 90.

Texas Administrative Code

Title 7. Banking and Securities

Part 5. Office of Consumer Credit Commissioner

Chapter 90. Chapter 342, Plain Language Contract Provisions

The Finance Commission of Texas (commission) proposes amendments to §90.104 (relating to Non-Standard Contract Filing Procedures), §90.203 (relating to Model Clauses), §90.204 (relating to Model Contracts; Permissible Changes), §90.403 (relating to Model Clauses), and §90.404 (relating to Model Contracts; Permissible Changes); and proposes the repeal of §90.501 (relating to Purpose), §90.502 (relating to Contract Provisions), §90.503 (relating to Model Clauses), §90.504 (relating to Model Contracts; Permissible Changes), §90.601 (relating to Purpose), §90.602 (relating to Contract Provisions), §90.603 (relating to Model Clauses), and §90.604 (relating to Model Contracts; Permissible Changes) in 7 TAC Chapter 90, concerning Chapter 342, Plain Language Contract Provisions.

Summary of Proposed Rule Changes

The rules in 7 TAC Chapter 90 govern plain language contracts for regulated lenders. In general, the purpose of the proposed rule changes to 7 TAC Chapter 90 is to implement changes resulting from the commission's review of the chapter under Texas Government Code, §2001.039. The proposed rule changes also incorporate recommendations from the Texas Regulatory Efficiency Office.

Proposed amendments to §90.104 would adjust the maximum Flesch-Kincaid grade level for certain loan contracts. Under Texas Finance Code, §341.502(a), consumer loan contracts under Texas Finance Code, Chapter 342 must be "written in plain language designed to be easily understood by the average consumer." Under Texas Finance Code, §341.502(b), if a regulated lender uses a loan contract other than a model contract adopted by the commission, then the lender must submit the contract to the OCCC for review. Currently, §90.104 describes the requirements for submitting these non-standard contracts to the OCCC. The rule includes maximum Flesch-Kincaid grade levels for loan contracts. The Flesch-Kincaid grade level is a standard measure of readability corresponding to grade level, based on average sentence length and complexity. Proposed amendments to §90.104(c)(4) would adjust the maximum Flsech-Kincaid grade level score from 8 to 9 for loan contracts under Chapter 342, Subchapter F. The OCCC understands that the rule's current maximum grade level has created difficulties in preparing compliant Subchapter F loan contracts, and has limited lenders' ability to modernize their contracts while also including statutorily required disclosures. Adjusting the grade level to 9 would align the Subchapter F requirement with the requirement for Subchapter E loan contracts, while still helping to ensure that the loan contracts can be understood by the average consumer.

Proposed amendments to §90.203 would consolidate two versions of a model clause into a single figure. Currently, §90.203(b)(2) contains two different versions of the itemization of amount financed for Subchapter E loan contracts: one for loans where the administrative fee is financed, and

one for loans where the administrative fee is paid in cash. The proposed amendments at §90.203(b)(2) would create a new figure with brackets showing the additional text if the administrative fee is paid in cash. The new figure would combine current figures 7 TAC §90.203(b)(2)(A) and 7 TAC §90.203(b)(2)(B) while maintaining lenders' ability to use both versions of the clause.

Proposed amendments to §90.204 would revise the model contract for a Subchapter E true daily earnings loan. In the model contract at §90.204(a)(8), the proposed amendments would remove strikethrough text that was inadvertently left in the contract in a previous revision.

Proposed amendments to §90.403 would revise the model clause that contains the definition of "Electronic Funds Transfer" for a second-lien home equity loan security document. The amendments would streamline the definition by citing to the definition of "electronic fund transfer" under the Electronic Fund Transfer Act, 15 U.S.C. §1693a(7), and Regulation E, 12 C.F.R. §1005.3(b). A corresponding change would be made to the definition of "Electronic Funds Transfer" in the model contract located at §90.404(a)(9).

The proposal would repeal §90.501 through §90.604, which contain model clauses and contracts for second-lien purchase money loans and home improvement loans. The OCCC understands that regulated lenders do not commonly use these provisions for Chapter 342 loans.

Fiscal Impact

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

Public Benefits and Costs

Christine Graham, Director of Consumer Protection, has determined that for each year of the first five years the proposed rule changes are in effect, the public benefits anticipated as a result of the changes will be that the commission's rules will be more easily understood by licensees required to comply with the rules, and that licensees will experience fewer burdens in preparing loan contracts that comply with the rules, while also continuing to ensure that loan contracts are easily understood by consumers.

The OCCC does not anticipate economic costs to persons who are required to comply with the rule changes as proposed.

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

Government Growth Impact

During the first five years the proposed rule changes will be in effect, the rules will not create or eliminate a government program. Implementation of the rule changes will not require the creation of new employee

positions or the elimination of existing employee positions. Implementation of the rule changes will not require an increase or decrease in future legislative appropriations to the OCCC, because the OCCC is a self-directed, semi-independent agency that does not receive legislative appropriations. The proposal does not require an increase or decrease in fees paid to the OCCC. The proposal would not create a new regulation. The proposal would not expand an existing regulation. The proposal would limit current §90.104 by adjusting the maximum Flesch-Kincaid grade level for Chapter 342, Subchapter F loan contracts. The proposal would repeal current §90.501, §90.502, §90.503, §90.504, §90.601, §90.602, §90.603, and §90.604. The proposed rule changes do not increase or decrease the number of individuals subject to the rule's applicability. The agency does not anticipate that the proposed rule changes will have an effect on the state's economy.

Public Comments

In July 2022, the OCCC issued an advance notice of rule review, seeking informal feedback on the rule review. The OCCC received two informal comments on the advance notice: one from an association of consumer lenders and one from a regulated lender. Both informal comments support adjusting Flesch-Kincaid grade level requirements for non-standard loan contracts.

Notice of the review of 7 TAC Chapter 90 was published in the *Texas Register* on August 7, 2026 (51 TexReg 5255). The commission did not receive any official comments in response to the notice published in the *Texas Register*.

The OCCC distributed an early precomment draft of proposed changes to interested stakeholders for review, and then held a stakeholder meeting and webinar regarding the rule changes. The OCCC received one informal precomment on the rule text draft from an association of consumer lenders. The informal precomment supports the proposal to adjust the Subchapter F maximum Flesch-Kincaid grade level from 8 to 9.

Comments on the proposal may be submitted in writing to Matthew Nance, General Counsel, Office of Consumer Credit Commissioner, 2601 North Lamar Boulevard, Austin, Texas 78705 or by email to rule.comments@occc.texas.gov. The commission invites any comments with information related to the cost, benefit, or effect of the proposed rule changes, including any applicable data, research, or analysis, from any person required to comply with the proposed rule changes or any other interested person. To be considered, a written comment must be received on or before the 30th day after the date the proposal is published in the *Texas Register*. After the 30th day after the proposal is published in the *Texas Register*, no further written comments will be considered or accepted by the commission.

Statutory Authority and Affected Provisions

The rule changes are proposed under Texas Finance Code, §341.502, which authorizes the commission to adopt rules governing the form of plain language contracts for regulated loans. In addition, Texas Finance Code, §11.304 authorizes the Finance Commission to adopt rules necessary to supervise the OCCC and ensure compliance with Texas Finance Code, Title 4.

The statutory provisions affected by the proposal are contained in Texas Finance Code, Chapter 341.

Rule Text

Subchapter A. General Provisions

§90.104. Non-Standard Contract Filing Procedures

(a) - (b) (No change.)

(c) Contract filing requirements. Copies of the loan contract must be submitted in accordance with the OCCC's instructions and the following requirements:

(1) - (3) (No change.)

(4) Maximum Flesch-Kincaid score. The maximum Flesch-Kincaid Grade Level scores for Chapter 342 contract filings are:

[~~(A) grade 8 for Subchapter F (signature loans);~~]

(A) [~~(B)~~] grade 9 for Subchapter E (secured installment loans) and Subchapter F (signature loans);

(B) [~~(C)~~] grade 10 for Subchapter G, computed by scoring the note and security document in one continuous Microsoft Word document (home equity loans [~~, second lien purchase money loans, and second lien home improvement contracts~~]).

(d) (No change.)

Subchapter B. Secured Consumer Installment Loans (Subchapter E)

§90.203. Model Clauses

(a) (No change.)

(b) Model clauses for a Chapter 342, Subchapter E secured consumer installment loan contract.

(1) (No change.)

(2) Itemization of amount financed box. Two model clauses for the itemization of amount financed are presented in this paragraph. One is for use when the licensee finances an administrative fee. The other is for use when the administrative fee is paid in cash by the borrower. A licensee may delete portions applicable to any insurance premiums that are not financed and may also delete other inapplicable portions. The model clause options regarding the itemization of the amount financed read:

Attached Graphic *{See attached new figure 7 TAC §90.203(b)(2) using bracketed text to combine current figures 7 TAC §90.203(b)(2)(A) and 7 TAC §90.203(b)(2)(B).}*

[~~(A) For use when the administrative fee is financed:~~]

[~~Attached Graphic~~]

[~~(B) For use when the administrative fee is paid in cash:~~]

[~~Attached Graphic~~]

(3) - (28) (No change.)

§90.204. Model Contracts; Permissible Changes

(a) A licensee may consider making the following types of changes to the secured consumer installment loans plain language model clauses:

(1) - (7) (No change.)

(8) A sample model contract using the true daily earnings method is presented in the following example.

Attached Graphic *{See attached revised figure 7 TAC §90.204(a)(8) with current strikethrough text removed.}*

(9) (No change.)

(b) (No change.)

Subchapter D. Second Lien Home Equity Loans (Subchapter G)

§90.403. Model Clauses

(a) - (b) (No change.)

(c) Model clauses for the security document for a Chapter 342, Subchapter G second lien home equity loan contract.

(1) The model definitions section reads:

(A) - (J) (No change.)

(L) "Electronic Funds Transfer" has the meaning assigned to "electronic fund transfer" by the Electronic Fund Transfer Act (15 U.S.C. §1693a(7)) and Regulation E (12 C.F.R. §1005.3(b)), as amended. [~~means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, computer, or magnetic tape so as to order, instruct, or authorize a financial institution to debit or credit an account. The term includes point-of-sale transfers, automated teller machine transactions, transfers initiated by telephone, wire transfers, and automated clearinghouse transfers.~~]

(M) - (R) (No change.)

(2) - (37) (No change.)

§90.404. Model Contracts; Permissible Changes

(a) A licensee may consider making the following types of changes to the second lien home equity loans plain language model clauses:

(1) - (8) (No change.)

(9) A sample model security document is presented in the following example.

Attached Graphic *{See attached revised figure 7 TAC §90.404(a)(9) with revised definition of "Electronic Funds Transfer."}*

(b) (No change.)

[~~*Subchapter E. Second Lien Purchase Money Loans (Subchapter G)*~~]

[~~*§90.501. Purpose*~~]

[~~(a) The purpose of the rules contained in this subchapter is to provide a model plain language contract in English for Texas Finance Code, Chapter 342, Subchapter G purchase money loan transactions. The establishment of model provisions for these transactions will encourage use of simplified wording that will ultimately benefit consumers by making these contracts easier to understand. Use of the "plain language" model contract by a licensee is not mandatory. The licensee, however, may not use a contract other than a model contract~~

~~unless the licensee has submitted the contract to the OCCC in compliance with §90.104 of this title (relating to Non-Standard Contract Filing Procedures). The OCCC will issue an order disapproving the contract if the OCCC determines the contract does not comply with Texas Finance Code, §341.502 or rules adopted under this chapter. A licensee may not claim the OCCC's failure to disapprove a contract constitutes an approval.~~]

[~~(b) The provisions in this subchapter are intended to constitute a complete plain language Chapter 342, Subchapter G purchase money loan contract; however, a licensee is not limited to the contract provisions addressed by these rules.~~]

[*~~§90.502. Contract Provisions~~*]

[~~(a) A Chapter 342, Subchapter G purchase money loan transaction may include, but is not limited to, the following contract provisions to the extent not prohibited by law or regulation. If the licensee desires to exercise its rights under one of the following provisions, it must include that provision in the contract. A licensee who does not desire to apply a provision is not required to include it in the contract. For example, a licensee who does not assess a fee for dishonored checks may omit the fee for dishonored check clause. A licensee may also exclude non-relevant portions of a model clause. For example, a licensee who does not routinely finance certain insurance coverages may omit those non-applicable portions of the model clause. A Chapter 342, Subchapter G second lien purchase money loan transaction may contain the following provisions:~~]

[~~(1) Identification of the parties, including the name and address of each party and specifying the pronouns that designate the borrower and the lender, and the property address;~~]

[~~(2) A promise to pay;~~]

[~~(3) A late charge provision;~~]

[~~(4) A provision for after maturity interest;~~]

[~~(5) A prepayment clause;~~]

[~~(6) A provision specifying the finance charge earnings and refund method;~~]

[~~(7) A provision contracting for a fee for a dishonored check;~~]

[~~(8) A provision specifying the conditions causing default;~~]

[~~(9) A provision regarding property insurance;~~]

[~~(10) A credit insurance disclosure box;~~]

[~~(11) A provision regarding the mailing of notices to the borrower;~~]

[~~(12) A provision regarding the due on sale clause, notice of intent to accelerate, and notice of acceleration;~~]

[~~(13) A provision expressing no waiver of the lender's rights;~~]

[~~(14) A collection expenses clause;~~]

[~~(15) A provision providing for joint liability;~~]

[~~(16) A usury savings clause;~~]

[~~(17) A savings clause stating that if any part of the loan agreement is invalid, the rest remains valid;~~]

[~~(18) An integration clause stating that the contract supersedes all prior agreements and that the contract may not be changed by oral agreement;~~]

[~~(19) A provision stating that the property described in the loan agreement is subject to the lien of the security document;~~]

[~~(20) A provision specifying that federal law and Texas law apply to the contract;~~]

[~~(21) OCCC notice;~~]

[~~(22) A provision describing the collateral; and~~]

[~~(23) Signature blocks.~~]

[~~(b) The security document for a Chapter 342, Subchapter G second lien purchase money loan contract may contain the following provisions:~~]

[~~(1) A definitions section;~~]

[~~(2) A provision regarding the secured nature of the agreement;~~]

[~~(3) A provision regarding the transfer of rights in the property;~~]

[~~(4) Borrower and Lender's promise;~~]

[~~(5) A provision regarding late charges and prepayment of principal and interest;~~]

[~~(6) A provision regarding the funds for escrow items;~~]

[~~(7) A provision regarding charges and liens;~~]

[~~(8) A provision regarding property insurance;~~]

[~~(9) A provision regarding preservation, maintenance, protection, and inspection of the property;~~]

[~~(10) A provision regarding protection of the lender's interest in the property and rights under the security document;~~]

[~~(11) A provision regarding the assignment of miscellaneous proceeds and forfeiture;~~]

[~~(12) A provision specifying that the borrower is not released from liability if the licensee modifies the payment schedule;~~]

[~~(13) A provision regarding joint and several liability and specifying that the person who signs the contract grants ownership in the homestead and binds the person's successors and assigns;~~]

[~~(14) A provision regarding the extension of credit charges;~~]

[~~(15) A provision regarding the delivery of notices;~~]

[~~(16) A provision regarding the law governing the contract, stating that if any part of the contract is invalid, the rest of the contract remains valid;~~]

[~~(17) A provision regarding rules of clause construction;~~]

[~~(18) A provision specifying that the licensee will give the borrower a copy of all signed documents at the time the loan agreement is made;~~]

[~~(19) A provision regarding a transfer of interest in the property;~~]

[~~(20) A provision regarding the borrower's right to reinstate after acceleration;~~]

[~~(21) A provision regarding the sale of the loan, change of loan servicer, notice of grievance, and the lender's right to comply;~~]

[~~(22) A provision regarding hazardous substances;~~]

[~~(23) A provision regarding acceleration and remedies;~~]

[~~(24) A provision regarding the assignment of rents, appointment of receiver, and the lender in possession;~~]

[~~(25) A provision regarding the power of sale;~~]

[~~(26) A provision regarding the release of the lien securing the loan agreement;~~]

[~~(27) A provision regarding the lender's rights and the borrower's responsibilities;~~]

[~~(28) A provision regarding trustees and trustee liability;~~]

[~~(29) A default provision;~~]

[~~(30) A provision regarding subrogation;~~]

[~~(31) A provision regarding what happens if the sum secured and other charges violate applicable law;~~]

[~~(32) A request for notice of default and foreclosure under superior mortgages or security documents provision;~~]

[~~(33) Signature blocks;~~]

[~~(34) An acknowledgment; and~~]

[~~(35) A provision regarding notice of confidentiality rights.~~]

[~~(c) The provisions described in this section are separate from the TILA-RESPA integrated disclosures required under Regulation Z, 12 C.F.R. §§1026.19, 1026.37 and 1026.38.~~]

[*~~§90.503. Model Clauses~~*]

[~~(a) Generally. These model clauses are the plain language rendition of contract clauses that have typically been stated in technical legal terms. Nothing in this regulation prohibits a contract from including provisions that provide more favorable results for the borrower than those that would result from the use of a model clause.~~]

[~~(b) Model clauses for a Chapter 342, Subchapter G second lien purchase money loan contract.~~]

[~~(1) Identification.~~]

[~~(A) The model identification clause lists the account or contract number, the name and address of the lender, the date of the note, the name and address of the borrower, and the property address. It also lists the following items that must be~~

~~included on the promissory note under Regulation Z, 12 C.F.R. §1026.36(g):~~]

[~~(i) the lender's Nationwide Mortgage Licensing System and Registry identification number (labeled "Creditor/Lender NMLS ID");~~]

[~~(ii) the name of the individual residential mortgage loan originator with primary responsibility for the origination (labeled "Loan Originator"); and~~]

[~~(iii) the originator's Nationwide Mortgage Licensing System and Registry identification number (labeled "Loan Originator NMLS ID").~~]

[~~(B) The model clause identifying the pronouns used for the borrower and the lender reads: A word like "I" or "me" means each person who signs as a Borrower. A word like "you" or "your" means the Lender or "Note Holder". The Lender is _____. The Lender may sell or transfer this Note. The Lender or anyone who is entitled to receive payments under this Note is called the "Note Holder." You will tell me in writing who is to receive my payments."~~]

[~~(2) Promise to pay. One permissible change to the model language for the scheduled installment earnings method would be to allow partial prepayments of the principal during the term of the loan. This variation on the scheduled installment earnings method would allow periodic reductions of the principal balance by partial prepayments. This variation would allow reductions of the principal balance that were not originally scheduled. The model clause options for the borrower's promise to pay read:~~]

[~~(A) For contracts using the scheduled installment earnings method: "I promise to pay the Total of Payments to the order of you. (The "principal" or "cash advance" is $_____. This amount plus interest must be paid by _____ (maturity date).) I will make payments to you at the address above or as you direct. I will make the payments on the dates and in the amounts shown in the Payment Schedule."~~]

[~~(B) For contracts using the true daily earnings method: "I promise to pay the cash advance plus the accrued interest to the order of you. (The "principal" or "cash advance" is $_____. This amount plus interest must be paid by _____ (maturity date).) I will make payments to you at the address above or as you direct. I will make the payments on the dates and in the amounts shown in the Payment Schedule."~~]

[~~(C) The model payment schedule reads:~~]

[~~Attached Graphic~~]

[~~(3) Late charge.~~]

[~~(A) Generally. The general model late charge provision for contracts using the scheduled installment earnings method or the true daily earnings method reads: "If I don't pay all of a payment within 10 days after it is due, you can charge me a late charge. The late charge will be 5% of the scheduled payment."~~]

[~~(B) High-cost mortgage loans. The model late charge provision for high-cost mortgage loans subject to the limitation on late charges in Regulation Z, 12 C.F.R. §1026.34(a)(8), reads: "If I don't pay all of a payment within 15 days after it is due, you can charge me a late charge. The late charge~~

~~will be 4% of the amount of the payment past due."~~]

[~~(4) After maturity interest. The model clause specifies the maximum interest rate allowed by law for after maturity interest for contracts using the scheduled installment earnings method. A licensee may always choose a lower rate. The model provision for after maturity interest reads: "If I don't pay all I owe when the final payment becomes due, I will pay interest on the amount that is still unpaid. That interest will be the higher of the rate of 18% per year or the maximum rate allowed by law. That interest will begin the day after the final payment becomes due."~~]

[~~(5) Prepayment clause. The model prepayment clause options read:~~]

[~~(A) For contracts using the scheduled installment earnings method: "I can make a whole payment early. Unless you agree otherwise in writing, I may not skip payments. If I make a payment early, my next payment will still be due as scheduled."~~]

[~~(B) For contracts using the true daily earnings method: "I can make any payment early. Unless you agree otherwise in writing, I may not skip payments. If I make a payment early, my next payment will still be due as scheduled."~~]

[~~(6) Finance charge earnings and refund method. The model provision options specifying the finance charge earnings and refund method read:~~]

[~~(A) For contracts using the scheduled installment earnings method – Section 342.301 rate loans, the model language reads:~~]

[~~Attached Graphic~~]

[~~(B) For contracts using the scheduled installment earnings method with prepayments option – Section 342.301 rate loans, the model language reads:~~]

[~~Attached Graphic~~]

[~~(C) For contracts using the true daily earnings method – Section 342.301 rate loans, the model language reads:~~]

[~~Attached Graphic~~]

[~~(7) Fee for dishonored check clause. The model clause specifies the maximum allowable dishonored check fee. A licensee may always choose a lesser amount. The model fee for dishonored check provision reads: "I agree to pay you a fee of up to $30 for a returned check. You may add the fee to the amount I owe or collect it separately."~~]

[~~(8) Default clause. The model provision specifying the conditions causing default reads:~~]

[~~Attached Graphic~~]

[~~(9) Property insurance. The model provision regarding property insurance reads:~~]

[~~Attached Graphic~~]

[~~(10) Credit insurance. If single premium credit insurance is offered, a permissible change to the disclosure can be to offer a single charge for the entire term of the loan. The term for the single premium charge should be shown for the original term of the loan, unless otherwise specified. The licensee has the option of including language that reads: "The insurance will cancel on the date when the total past due premiums equal or~~

~~exceed (insert number) times the first month's premium." The industry standard regarding the relationship between total past due premiums and the first month's premium in this equation appears to be four times. However, if a different time frame is more appropriate, that time frame may be used. The model credit insurance disclosure box reads:~~]

[~~Attached Graphic~~]

[~~(11) Mailing of notices to borrower. The duty to give notice is satisfied when it is mailed by first class mail. The model provision regarding the mailing of notices to the borrower reads: "You or I may mail or deliver any notice to the address above. You or I may change the notice address by giving written notice. Your duty to give me notice will be satisfied when you mail it."~~]

[~~(12) Due on sale clause, notice of intent to accelerate, and notice of acceleration. The model provision regarding the due on sale clause, notice of intent to accelerate, and notice of acceleration reads: "If all or any interest in the Property is sold or transferred without your prior written consent, you may require immediate payment in full of all that I owe under this Loan Agreement. You will not exercise this option if prohibited by law. If you exercise this option, you will give me notice that you are demanding immediate payment of all that I owe. This notice will give me a period of not less than 21 days from the date of the notice within which I must pay all that I owe under this Loan Agreement. If I fail to pay all that I owe before the end of this period, you may use any remedy allowed by the Loan Agreement."~~]

[~~(13) No waiver of lender's rights. The model provision expressing no waiver of the lender's rights reads: "If you don't enforce your rights every time, you can still enforce them later."~~]

[~~(14) Collection expenses clause. The model collection expenses clause reads: "If you require me to pay all that I owe at once, you will have the right to be paid back by me for all of your costs and expenses in enforcing this Loan Agreement to the extent not prohibited by Applicable Law. These expenses include, for example, reasonable attorneys' fees."~~]

[~~(15) Joint liability. The model provision providing for joint liability reads: "I understand that you may seek payment from only me without first looking to any other Borrower."~~]

[~~(16) Usury savings clause. The model usury savings clause reads: "I do not have to pay interest or other amounts that are more than Applicable Law allows."~~]

[~~(17) Savings clause. The model savings clause stating that if any part of the contract is invalid, the rest remains valid reads: "If any part of this Loan Agreement is declared invalid, the rest of the Loan Agreement remains valid. If any part of this Loan Agreement conflicts with any law, that law will control. The part of the Loan Agreement that conflicts with any law will be modified to comply with the law. The rest of the Loan Agreement remains valid."~~]

[~~(18) Contract supersedes prior agreements. For loan agreements exceeding $50,000, this notice must be boldfaced, capitalized, underlined, or otherwise set out from the surrounding written material to be conspicuous. The model integration clause providing that the contract supersedes prior agreements reads: "This written Loan~~

~~Agreement is the final agreement between you and me and may not be changed by prior, current, or future oral agreements between you and me. There are no oral agreements between you and me relating to this Loan Agreement. Any change to this Loan Agreement must be in writing. Both you and I have to sign written agreements."~~]

[~~(19) Security document. The model provision stating that the property described in the loan agreement is subject to the lien of the security document reads: "In addition to the protections given to the Note Holder under this Note, a Security Document, dated _____, protects the Note Holder from possible losses that might result if I do not keep the promises that I make in this Note. The Security Document describes how and under what conditions I may be required to make immediate payment in full of any amounts that I owe under this Note."~~]

[~~(20) Application of law. The model clause specifying that federal law and Texas law apply to the contract reads: "Federal law and Texas law apply to this Loan Agreement."~~]

[~~(21) OCCC notice. Under §90.105 of this title (relating to OCCC Notice), the following required notice must be given by licensees to let consumers know how to file complaints: "For questions or complaints about this loan, contact (insert name of lender) at (insert lender's phone number and, at lender's option, one or more of the following: mailing address, fax number, website, e-mail address). The lender is licensed and examined under Texas law by the Office of Consumer Credit Commissioner (OCCC), a state agency. If a complaint or question cannot be resolved by contacting the lender, consumers can contact the OCCC to file a complaint or ask a general credit-related question. OCCC address: 2601 N. Lamar Blvd., Austin, Texas 78705. Phone: (800) 538-1579. Fax: (512) 936-7610. Website: occc.texas.gov. E-mail: consumer.complaints@occc.texas.gov."~~]

[~~(22) Clause describing collateral. The model provision describing the collateral reads: "The collateral described above by the property address is subject to the lien of the Security Document."~~]

[~~(23) Signature blocks. The licensee may also provide additional signature lines for witness signatures. The model provision regarding signature blocks reads:~~]

[~~Attached Graphic~~]

[~~(c) Model clauses for a security document for a Chapter 342, Subchapter G second lien purchase money loan contract.~~]

[~~(1) The model definitions section reads:~~]

[~~(A) "Loan Agreement" means the Note, Security Document, deed of trust, any other related document, or any combination of those documents, under which you have made a loan to me.~~]

[~~(B) "Security Document" means this document, which is dated _____, together with all Riders to this document.~~]

[~~(C) "I" or "me" means _____, the grantor under this Security Document and the person who signed the Note ("Borrower").~~]

[~~(D) "You" means _____, the Lender and any holder entitled to~~

~~receive payments under the Note. Your address is _____. Your NMLS ID is _____. You are the beneficiary under this Security Document. The loan originator's name is _____. The loan originator's NMLS ID is _____.~~]

[~~(E) "Trustee" is _____. Trustee's address is _____.~~]

[~~(F) "Note" means the Purchase Money Note signed by me and dated _____. The Note states that the amount I owe you is _____ dollars (U.S. $_____) plus interest. I have promised to pay this debt in regular Periodic Payments and to pay the debt in full not later than _____ (maturity date).~~]

[~~(G) "Property" means the real estate that is described below under the heading "Transfer of Rights in the Property."~~]

[~~(H) "Riders" means all Riders to this Security Document that I execute.~~]

[~~Attached Graphic~~]

[~~(I) "Applicable Law" means all controlling applicable federal, Texas and state constitutions, statutes, regulations, administrative rules, local ordinances, judicial and administrative orders (that have the effect of law) as well as all applicable final, non-appealable judicial opinions.~~]

[~~(J) "Community Association Dues, Fees, and Assessments" means all dues, fees, assessments and other charges that are imposed on me or the Property by a condominium association, homeowners association, or similar organization.~~]

[~~(K) "Electronic Funds Transfer" means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, computer, or magnetic tape so as to order, instruct, or authorize a financial institution to debit or credit an account. The term includes point-of-sale transfers, automated teller machine transactions, transfers initiated by telephone, wire transfers, and automated clearinghouse transfers.~~]

[~~(L) "Escrow Items" means those items that are described in Section ___ of this Security Document.~~]

[~~(M) "Miscellaneous Proceeds" means any compensation, settlement, award of damages, or proceeds paid by any third party (other than proceeds paid under my insurance) for: damage or destruction of the Property; condemnation or other taking of all or any part of the Property; conveyance instead of condemnation; or misrepresentations or omissions related to the value or condition of the Property.~~]

[~~(N) "Periodic Payment" means the regularly scheduled amount due for principal and interest under the Note plus any amounts under this Security Document.~~]

[~~(O) "RESPA" means the Real Estate Settlement Procedures Act (12 U.S.C. §§2601-2617) and Regulation X (12 C.F.R. Part 1024), as amended, or any additional or successor legislation or regulation that governs the same subject matter. As used in~~

this Security Document, "RESPA" refers to all requirements and restrictions that are imposed in regard to a "federally related mortgage loan" even if the Loan Agreement does not qualify as a "federally related mortgage loan" under RESPA.]

[(P) "Successor in Interest of me" means any party that has taken title to the Property, whether or not that party has assumed my obligations under the Loan Agreement.]

[(Q) "Ground Rents" means amounts I owe if I rented the real property under the buildings covered by this Security Document. Such an arrangement usually takes the form of a long-term "ground lease."]

[(2) Secured agreement. The model provision regarding the secured nature of the agreement reads: "To secure this Loan Agreement, I give you a security interest in the Property including existing and future improvements, easements, fixtures, attachments, replacements and additions to the Property, insurance refunds, and proceeds."]

[(3) Transfer of rights in property. The model provision regarding a transfer of rights in the property reads:]

[Attached Graphic]

[(4) Borrower and Lender's promise. The model provision regarding the borrower and lender's promise to comply with the terms of the security document reads: "YOU AND I PROMISE:".]

[(5) Late charges and prepayment. The model provision regarding late charges and prepayment of principal and interest reads:]

[Attached Graphic]

[(6) Funds for escrow items. The model provision regarding the funds for escrow items reads:]

[Attached Graphic]

[(7) Charges and liens. The model provision regarding charges and liens reads:]

[Attached Graphic]

[(8) Property insurance. The model provision regarding property insurance reads:]

[Attached Graphic]

[(9) Preservation, maintenance, protection, and inspection of property. The model provision regarding preservation, maintenance, protection, and inspection of the property reads: "I will not destroy, damage or impair the Property, allow it to deteriorate, or commit waste. Whether or not I live in the Property, I will maintain it in order to prevent it from deteriorating or decreasing in value due to its condition. I will promptly repair the damage to the Property to avoid further deterioration or damage unless you and I agree in writing that it is economically unreasonable. I will be responsible for repairing or restoring the Property only if you release the insurance or condemnation proceeds for the damage to or the taking of the Property. You may release proceeds for the repairs and restoration in a single payment or in a series of payments as the work is completed. I still am obligated to complete repairs or restoration of the Property even if there are not enough proceeds to complete the work. If this Security Document secures a unit in a

~~condominium or planned unit development, I will perform all of my obligations under the declaration or covenants creating or governing the condominium or planned unit development, and any other relevant document. You or your agent may inspect the Property. You may inspect the interior of the Property with reasonable cause. You will give me notice stating reasonable cause when or before the interior inspection occurs."~~]

[~~(10) Protection of lender's interest in property and rights under security document. The model provision regarding the protection of the lender's interest in the property and rights under the security document reads:~~]

[~~Attached Graphic~~]

[~~(11) Assignment of miscellaneous proceeds and forfeiture. The model provision regarding the assignment of miscellaneous proceeds and forfeiture reads:~~]

[~~Attached Graphic~~]

[~~(12) Forbearance not a waiver. The model provision specifying that the borrower is not released from liability if the licensee modifies the payment schedule reads: "My successors and I will not be released from liability if you extend the time for payment or modify the payment schedule. If I pay late, you will not have to sue me or my successor to require timely future payments. You may refuse to extend time for payment or modify this Loan Agreement even if I request it. If you do not enforce your rights every time, you may enforce them later."~~]

[~~(13) Joint and several liability, security document execution, successors obligated. The model provision regarding joint and several liability and specifying that the person who signs the contract grants his ownership in the property and binds his successors and assigns reads:~~]

[~~Attached Graphic~~]

[~~(14) Extension of credit charges. The model provision for the extension of credit charges reads:~~]

[~~Attached Graphic~~]

[~~(15) Delivery of notices. The model provision regarding the delivery of notices reads: "Under the Loan Agreement, you and I will give notices to each other in writing. Any notice under the Loan Agreement will be considered given to me when it is mailed by first class mail or when actually delivered to me at my address if given by another means. You will give notice to the Property address unless I provide you a different address. I will notify you promptly of any change of address. I will comply with any reasonable procedure for giving a change of address that you provide. There will only be one address for notice under the Loan Agreement. Notice to me will be considered notice to all persons who are obligated under the Loan Agreement unless Applicable Law requires a separate notice. I may give you notice by delivering or mailing it by first class mail to the address provided by you, unless you require a different procedure. You, however, will not receive notice under the Loan Agreement until you actually receive it. Legal requirements governing notices subject to the Loan Agreement will prevail over conditions in the Loan Agreement."~~]

[~~(16) Governing law and severability. The model provision regarding the law governing the contract, stating that if any part of the contract is invalid, the rest of the contract remains valid reads: "The Loan Agreement will be governed by Texas law~~

and federal law. If any provision in the Loan Agreement conflicts with any legal requirement, all non-conflicting provisions will remain effective."]

[(17) Rules of construction. The model provision regarding rules of clause construction reads:]

[Attached Graphic]

[(18) Loan agreement copies. The model provision specifying that the lender will give the borrower a copy of all signed documents at the time the loan agreement is made reads: "At the time the Loan Agreement is made, you will give me copies of all documents I sign."]

[(19) Transfer of interest in property. The model provision regarding a transfer of interest in the property reads: "Interest in the Property" means any legal or beneficial interest. This term includes those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement (the intent of which is the transfer of title by me at a future date to a purchaser). If any part of the Property is sold or transferred without your prior written permission, you may require immediate payment of all I owe. You will not exercise this option if disallowed by Applicable Law. If you accelerate, you will give me notice. The notice of acceleration will allow me at least 21 days from the date the notice is given to pay all I owe. If I fail to timely pay all I owe, you may pursue any remedy allowed by the Loan Agreement without further notice or demand.]

[(20) Borrower's right to reinstate after acceleration. The model provision regarding the borrower's right to reinstate after acceleration reads:]

[Attached Graphic]

[(21) Sale of note, change of loan servicer, notice of grievance, and lender's right to comply. The model provision regarding the sale of the loan, change of loan servicer, notice of grievance, and the lender's right to comply reads: "A full or partial interest in the Loan Agreement can be sold one or more times without prior notice to me. The sale may result in a change of the company servicing or handling the Loan Agreement. The company servicing or handling the Loan Agreement will collect my monthly payment and will comply with other servicing conditions required by the Loan Agreement or Applicable Law. In some cases, the company servicing or handling the Loan Agreement may change even if the Loan Agreement is not sold. If the company servicing or handling the Loan Agreement is changed, I will be given written notice of the change. The notice will state the name and address of the new company, the address to which my payments should be made, and any other information required by RESPA. Any notice of acceleration and opportunity to cure under the Loan Agreement will satisfy the notice and opportunity to address the alleged violation provisions of this Section. No agreement between you and me or any third party will limit your ability to comply with your duties under the Loan Agreement and the Applicable Law. You and I are limiting all agreements so that all current or future interest or fees in connection with this Loan Agreement will not be greater than the highest amount allowed by Applicable Law. You and I intend to conform the Loan Agreement to the provisions of Applicable Law. If any part of the Loan Agreement is in conflict with the Applicable Law, then that part will be corrected or removed. This correction will be automatic and will not

~~require any amendment or new document. Your right to correct any violation will survive my paying off the Loan Agreement. My right to correct will override any conflicting provision of the Loan Agreement. Your right to comply as provided in this Section will survive the payoff of the Loan Agreement. The provisions of this Section will supersede any inconsistent provision of the Loan Agreement."~~]

[~~(22) Hazardous substances. The model provision regarding hazardous substances reads:~~]

[~~Attached Graphic~~]

[~~(23) Acceleration and remedies. The model provision regarding acceleration and remedies reads:~~]

[~~Attached Graphic~~]

[~~(24) Assignment of rents, appointment of receiver, and lender in possession. The model provision regarding assignment of rents, appointment of receiver, and the lender in possession reads: "As additional security, I assign to you the rents of the Property, provided that I have the right, prior to acceleration or abandonment of the Property, to collect and retain the rents as they become due. Upon acceleration or abandonment, you, by agent or by court-appointed receiver, will be entitled to enter, take possession, manage the Property, and collect due and past due rents. All rents you or the court-appointed receiver collect will be applied first to payment of the costs of management of the Property and collection of rents, including receiver's fees, premiums on receiver's bonds, and reasonable attorneys' fees, and then to the sums secured by this Security Document. You and the receiver will be liable to account only for rents received."~~]

[~~(25) Power of sale. The licensee has the option to choose wording to indicate that a Trustee's deed will convey good title to the Property that cannot be defeated. The model provision regarding the power of sale reads:~~]

[~~Attached Graphic~~]

[~~(26) Release. If the licensee cannot return the note to the borrower, the licensee may provide the borrower with a discharge and release of all obligations under the loan. The discharge must meet the requirements of Texas Finance Code, §342.454. The model provision regarding the release of the lien securing the loan agreement reads: "Upon payment of all that I owe under this Loan Agreement, you will cancel and return the Note to me and give me, in recordable form, a release of lien securing the Loan Agreement or a copy of any endorsement of the Note and assignment of the lien to a lender that is refinancing the Loan Agreement. If you cannot, you will provide me with a discharge and release of all obligations under the loan. I will pay only the cost of recording the release of lien."~~]

[~~(27) Lender's rights and borrower's responsibilities. The model provision specifying that each person who signs the document is responsible for each promise and duty in the security document reads:~~]

[~~Attached Graphic~~]

[~~(28) Trustees and trustee liability. The model provision regarding trustees and trustee liability reads:~~]

[~~Attached Graphic~~]

[~~(29) Default. The model default provision reads: "Any default of my agreements with you will be a default of this Security Document."~~]

[~~(30) Subrogation. The model provision regarding subrogation reads: "If I ask, you will use proceeds from the Loan Agreement to pay off all valid outstanding liens against the Property. You will then own all rights, superior titles, liens, and interests owned or claimed by any owner or holder of an outstanding lien or debt. You own these things whether the lien or debt is transferred to you or whether it is released by the holder upon payment."~~]

[~~(31) Partial invalidity. The model provision regarding what happens if the sums secured and other charges violate applicable law reads: "If any portion of the sums secured by this Security Document cannot be lawfully secured, payments minus those sums will be applied first to the portions not secured. If any charge provided for in this Loan Agreement, separately or together with other charges that are considered part of this Loan Agreement, violates Applicable Law, the charge is reduced to the extent necessary to eliminate the violation. Lender will refund the amount of interest or other charges paid to Lender in excess of the amount permitted by Applicable Law. At Lender's option, the amount in excess will either be refunded directly to me or will be applied to reduce the principal of the debt."~~]

[~~(32) Request for notice of default and foreclosure under superior mortgages or security documents. The model provision regarding the lender and borrower's request for notice of default and foreclosure under superior mortgages or security documents reads:~~]

[~~Attached Graphic~~]

[~~(33) Signature blocks. The model provision regarding signature blocks reads:~~]

[~~Attached Graphic~~]

[~~(34) Acknowledgment. The model provision regarding the acknowledgment reads:~~]

[~~Attached Graphic~~]

[~~(35) Notice of confidentiality rights disclosure. The security document must incorporate a "Notice of Confidentiality Rights" disclosure. The disclosure or notice must:~~]

[~~(A) appear on the top of the first page of the security document;~~]

[~~(B) be in at least 12-point boldfaced type or 12-point uppercase lettering; and~~]

[~~(C) be substantially similar to the required notice or disclosure under Texas Property Code, §11.008(b). The model notice of confidentiality rights reads: "NOTICE OF CONFIDENTIALITY RIGHTS: I MAY REMOVE OR STRIKE MY SOCIAL SECURITY NUMBER OR MY DRIVER'S LICENSE NUMBER FROM THIS DOCUMENT BEFORE IT IS FILED IN THE PUBLIC RECORDS."~~]

[*~~§90.504. Model Contracts; Permissible Changes~~*]

[~~(a) A licensee may consider making the following types of changes to the second lien purchase money loans plain language model clauses:~~]

[~~(1) Adding information related to information set forth in the model clauses that is not otherwise prohibited by law;~~]

[~~(2) Substituting another term for "Lender" or "Borrower" that has the same meaning, or using pronouns such as "you," "we," and "us";~~]

[~~(3) Presenting the model clauses in any order, and combining or further segregating the model clauses;~~]

[~~(4) Inserting descriptive headings or number provisions;~~]

[~~(5) Changing the case of a word if otherwise permitted by the Texas Finance Code; or~~]

[~~(6) Making other changes which do not affect the substance of the disclosures.~~]

[~~(7) A licensee may place its NMLS ID number, the individual residential mortgage loan originator's name, or the originator's NMLS ID on any portion of a document requiring this information, including the signature page. To the extent allowed by Regulation Z, 12 C.F.R. §1026.36(g), and the official commentary to that section, a licensee may omit:~~]

[~~(A) the licensee's NMLS ID number, if the licensee does not have an NMLS ID number and is not legally required to obtain one; and~~]

[~~(B) the individual residential mortgage loan originator's NMLS ID number, if the originator does not have an NMLS ID number and is not legally required to obtain one.~~]

[~~(8) A sample model note is presented in the following example.~~]

[~~Attached Graphic~~]

[~~(9) A sample model security document is presented in the following example.~~]

[~~Attached Graphic~~]

[~~(b) A licensee has considerable flexibility to arrange the format of the model form if the revised format does not significantly adversely affect the substance, clarity, or meaningful sequence of the disclosures.~~]

[~~*Subchapter F. Second Lien Home Improvement Contracts (Subchapter G)*~~]

[~~*§90.601. Purpose*~~]

[~~(a) The purpose of the rules contained in this subchapter is to provide a model plain language contract in English for Texas Finance Code, Chapter 342, Subchapter G home improvement transactions. The establishment of model provisions for these transactions will encourage use of simplified wording that will ultimately benefit consumers by making these contracts easier to understand. Use of the "plain language" model contract by a licensee is not mandatory. The licensee, however, may not use a contract other than a model contract unless the licensee has submitted the contract to the OCCC in compliance with §90.104 of this title (relating to Non-Standard Contract Filing Procedures). The OCCC will issue an order disapproving the contract if the OCCC determines the contract does not comply with Texas Finance Code, §341.502 or rules adopted under this chapter. A licensee may~~

~~not claim the OCCC's failure to disapprove a contract constitutes approval.~~]

[~~(b) The provisions in this subchapter are intended to constitute a complete plain language Chapter 342, Subchapter G home improvement transaction; however, a licensee is not limited to the contract provisions addressed by these rules.~~]

[*~~§90.602. Contract Provisions~~*]

[~~(a) A Chapter 342, Subchapter G second lien home improvement loan transaction may include, but is not limited to, the following contract provisions to the extent not prohibited by law or regulation. If the licensee desires to exercise its rights under one of the following provisions, it must include that provision in the contract. A licensee who does not desire to apply a provision is not required to include it in the contract. For example, a licensee who does not assess a fee for dishonored checks may omit the fee for dishonored check clause. A licensee may also exclude non-relevant portions of a model clause. For example, a licensee who does not routinely finance certain insurance coverages may omit those non-applicable portions of the model clause. A Chapter 342, Subchapter G home improvement loan transaction may contain the following provisions:~~]

[~~(1) For a contract for use in a transaction that does not allow withdrawals or multiple advances:~~]

[~~(A) An identification clause;~~]

[~~(B) A definitions section;~~]

[~~(C) A provision regarding construction of improvements;~~]

[~~(D) A clause regarding the contract price;~~]

[~~(E) A transfer of lien clause;~~]

[~~(F) A provision specifying that completion is made by the contractor, not the lender;~~]

[~~(G) A partial lien clause;~~]

[~~(H) A provision regarding changes and extras;~~]

[~~(I) A provision regarding receipts and releases;~~]

[~~(J) A provision specifying that no work has been done prior to execution of the contract;~~]

[~~(K) A provision regarding the trustee's duties;~~]

[~~(L) A notice specifying the preservation of claims and defenses;~~]

[~~(M) A notice specifying that the owner and the contractor are responsible for meeting the terms of the contract;~~]

[~~(N) An assignment; and~~]

[~~(O) A provision regarding notice of confidentiality rights.~~]

[~~(2) For a promissory note for use in a transaction that does not allow withdrawals or multiple advances:~~]

[~~(A) An identification clause;~~]

[~~(B) A security for payment provision;~~]

[~~(C) A definitions section;~~]

[~~(D) A promise to pay;~~]

[~~(E) A late charge provision;~~]

[~~(F) A provision for after maturity interest;~~]

[~~(G) A prepayment clause;~~]

[~~(H) A provision specifying the finance charge earnings and refund method;~~]

[~~(I) A deferment clause;~~]

[~~(J) A provision contracting for a fee for a dishonored check;~~]

[~~(K) A provision specifying the conditions causing default;~~]

[~~(L) A provision regarding property insurance;~~]

[~~(M) A credit insurance disclosure box;~~]

[~~(N) A provision regarding the mailing of notices to the borrower;~~]

[~~(O) A provision specifying that the borrower's statements are truthful;~~]

[~~(P) A provision regarding the due on sale clause, notice of intent to accelerate, and notice of acceleration;~~]

[~~(Q) A provision expressing no waiver of the lender's rights;~~]

[~~(R) A collection expenses clause;~~]

[~~(S) A provision providing for joint liability;~~]

[~~(T) A usury savings clause;~~]

[~~(U) A savings clause stating that if any part of the loan agreement is invalid, the rest remains valid;~~]

[~~(V) An integration clause stating that the contract supersedes all prior agreements and that the contract may not be changed by oral agreement;~~]

[~~(W) A provision specifying that federal law and Texas law apply to the contract;~~]

[~~(X) OCCC notice;~~]

[~~(Y) A provision describing the collateral;~~]

[~~(Z) A notice regarding the preservation of claims and defenses; and~~]

[~~(AA) Signature blocks.~~]

[~~(3) For a contract for use in a transaction that allows for withdrawals or multiple advances:~~]

[~~(A) An identification clause;~~]

[~~(B) A definitions section;~~]

[~~(C) A provision regarding construction of improvements;~~]

[~~(D) A clause regarding the contract price;~~]

[~~(E) A clause regarding the note payable to the lender;~~]

[~~(F) A clause regarding the note being secured by the lien;~~]

[~~(G) A transfer of lien clause;~~]

[~~(H) A clause regarding exceptions to conveyance and warranty;~~]

[~~(I) A provision specifying that completion is made by the contractor, not the lender;~~]

[~~(J) A partial lien clause;~~]

[~~(K) A provision regarding changes and extras;~~]

[~~(L) A provision regarding receipts and releases;~~]

[~~(M) A provision specifying that no work has been done prior to execution of the contract;~~]

[~~(N) A provision regarding the owner's promises and rights;~~]

[~~(O) A provision regarding the owner's duties;~~]

[~~(P) A provision regarding the contractor's duties;~~]

[~~(Q) A provision regarding the contractor's rights;~~]

[~~(R) A provision regarding the trustee's duties;~~]

[~~(S) General provisions;~~]

[~~(T) A notice specifying the preservation of claims and defenses;~~]

[~~(U) A notice specifying that the owner and the contractor are responsible for meeting the terms of the contract;~~]

[~~(V) An assignment; and~~]

[~~(W) A provision regarding notice of confidentiality rights.~~]

[~~(4) For a promissory note for use in a transaction that allows for withdrawals or multiple advances:~~]

[~~(A) An identification clause;~~]

[~~(B) A security for payment provision;~~]

[~~(C) A definitions section;~~]

[~~(D) A promise to pay;~~]

[~~(E) A late charge provision;~~]

[~~(F) A provision for after maturity interest;~~]

[~~(G) A prepayment clause;~~]

[~~(H) A provision specifying the finance charge earnings and refund method;~~]

[~~(I) A deferment clause;~~]

[~~(J) A provision contracting for a fee for a dishonored check;~~]

[~~(K) A provision specifying the conditions causing default;~~]

[~~(L) A provision regarding property insurance;~~]

[~~(M) A credit insurance disclosure box;~~]

[~~(N) A provision regarding the mailing of notices to the borrower;~~]

[~~(O) A provision specifying that the borrower's statements are truthful;~~]

[~~(P) A provision regarding the due on sale clause, notice of intent to accelerate, and notice of acceleration;~~]

[~~(Q) A provision expressing no waiver of the lender's rights;~~]

[~~(R) A collection expenses clause;~~]

[~~(S) A provision providing for joint liability;~~]

[~~(T) A usury savings clause;~~]

[~~(U) A savings clause stating that if any part of the loan agreement is invalid, the rest remains valid;~~]

[~~(V) An integration clause stating that the contract supersedes all prior agreements and that the contract may not be changed by oral agreement;~~]

[~~(W) A provision specifying that the note is secured by a deed of trust;~~]

[~~(X) A provision specifying that federal law and Texas law apply to the contract;~~]

[~~(Y) OCCC notice;~~]

[~~(Z) A provision describing the collateral;~~]

[~~(AA) A notice regarding the preservation of claims and defenses; and~~]

[~~(BB) Signature blocks.~~]

[~~(5) For a deed of trust for use in a transaction that allows for withdrawals or multiple advances:~~]

[~~(A) A definitions section;~~]

[~~(B) A provision regarding the transfer of rights in the property;~~]

[~~(C) A provision regarding late charges and prepayment of principal and interest;~~]

[~~(D) A provision regarding the funds for escrow items;~~]

[~~(E) A provision regarding charges and liens;~~]

[~~(F) A provision regarding property insurance;~~]

[~~(G) A provision regarding preservation, maintenance, protection, and inspection of the property;~~]

[~~(H) A provision regarding protection of the lender's interest in the property and rights under the deed of trust;~~]

[~~(I) A provision regarding the assignment of miscellaneous proceeds and forfeiture;~~]

[~~(J) A provision expressing no waiver of the lender's rights;~~]

[~~(K) A provision regarding joint and several liability and specifying that the person who signs the contract grants ownership in the homestead and binds the person's successors and assigns;~~]

[~~(L) A usury savings clause;~~]

[~~(M) A provision regarding the mailing of notices to the borrower;~~]

[~~(N) A provision specifying that federal law and Texas law apply to the contract;~~]

[~~(O) A provision regarding rules of clause construction;~~]

[~~(P) A provision specifying that the licensee will give the borrower a copy of all signed documents at the time the loan agreement is made;~~]

[~~(Q) A provision regarding the due on sale clause, notice of intent to accelerate, and notice of acceleration;~~]

[~~(R) Lender, contractor, and borrower's promise and agreement;~~]

[~~(S) A provision regarding acceleration and remedies;~~]

[~~(T) A provision regarding the power of sale;~~]

[~~(U) A provision regarding the borrower's right to reinstate after acceleration;~~]

[~~(V) A provision regarding the assignment of rents, appointment of receiver, and the lender in possession;~~]

[~~(W) A provision regarding release of the lien;~~]

[~~(X) A provision regarding trustees and trustee liability;~~]

[~~(Y) A provision regarding the assignment of the contractor's lien and commencement of the work;~~]

[~~(Z) A provision regarding subrogation;~~]

[~~(AA) A provision regarding what happens if the sum secured and other charges violate applicable law;~~]

[~~(BB) A provision regarding the renewal and extension of the note secured by the deed of trust;~~]

[~~(CC) A provision regarding the sale of the loan, change of loan servicer, notice of grievance, and the lender's right to comply;~~]

[~~(DD) A provision regarding hazardous substances;~~]

[~~(EE) A provision regarding the lender's rights and the borrower's responsibilities;~~]

[~~(FF) A provision regarding default;~~]

[~~(GG) A provision regarding the lender and the borrower's request for notice of default and foreclosure under superior mortgages or deeds of trust;~~]

[~~(HH) Signature blocks; and~~]

[~~(II) A provision regarding notice of confidentiality rights.~~]

[~~(b) The provisions described in this section are separate from the TILA-RESPA integrated disclosures required under Regulation Z, 12 C.F.R. §§1026.19, 1026.37 and 1026.38.~~]

[*§90.603. Model Clauses*]

[(a) Generally. These model clauses are the plain language rendition of contract clauses that have typically been stated in technical legal terms. Nothing in this regulation prohibits a contract from including provisions that provide more favorable results for the borrower than those that would result from the use of a model clause.]

[(b) Model clauses for a Chapter 342, Subchapter G second lien home improvement loan contract for use in a transaction that does not allow for withdrawals or multiple advances.]

[(1) Identification. The model identification clause reads:]

[Attached Graphic]

[(2) Definitions. The model definitions section reads:]

[(A) "Owner" means (name of Owner), whose address is (address of Owner, including county). If Owner and Maker are not the same person, the word "Owner" includes Maker. "I" or "me" means the Owner.]

[(B) "Contractor" means (name of Contractor), whose address is (address of Contractor, including county) and includes those to whom the Contractor has assigned or transferred Contractor's rights and remedies. "You" or "your" means the Contractor.]

[(C) "Lender" means (name of Lender), whose address is (address of Lender, including county) and includes those to whom the Lender has assigned or transferred Lender's rights and remedies. The Lender's NMLS ID is (NMLS ID of Lender). The loan originator's name is (name of loan originator with primary responsibility for the origination). The loan originator's NMLS ID is (NMLS ID of originator).]

[(D) "Trustee" means (name of Trustee), whose address is (address of Trustee, including county).]

[(E) "Property" means the Property at (list address of the Property), whose legal description is (list legal description of the Property).]

[(F) "Work" means the construction project as agreed to in writing between the Owner and Contractor.]

[(G) "Completion Date" means (date on which the Work will be completed).]

[(H) "Contract" means this Texas Home Improvement Mechanic's Lien Contract for Improvement and Power of Sale.]

[(3) Construction of improvements. The model clause regarding construction of improvements reads: "You agree to furnish and pay for all labor and material needed to complete the Work within _____ days from the date of this Contract. The Work will be performed on the Property in a good and workmanlike manner."]

[(4) Contract price. The model clause establishing the contract price reads: "I agree to pay, or cause to be paid, to you, or to your order, the sum of _____ dollars (U.S. $_____) when the Work is completed."]

[(5) Transfer of lien. The model clause regarding the transfer of the lien reads:

~~"You transfer to Lender all of your rights and interests in this Contract."~~]

[~~(6) Completion by contractor, but not lender. The model clause specifying that the lender is not responsible for completing the construction reads: "You will complete the Work by the Completion Date. Lender is not responsible for completing the Work. Lender is not a guarantor of your performance. You will indemnify and hold Lender harmless against all claims related to the Work."~~]

[~~(7) Partial lien. The model clause regarding a partial lien reads: "If you do not complete the Work by the Completion Date in a good and workmanlike manner, then Lender will have a valid lien for the contract price, less the amount reasonably necessary to complete the Work. As an alternative, Lender may choose to complete the Work and the lien will be valid for the contract price."~~]

[~~(8) Changes and extras. The model clause regarding changes and extras reads: "All labor or material furnished outside of this Contract must be agreed upon in writing or it will be considered as performed under the original Contract and you will receive no extra money."~~]

[~~(9) Receipts and releases. The model clause regarding receipts and releases reads: "If I ask, you will give me valid receipts and releases for the Work from any subcontractor, worker, and supplier."~~]

[~~(10) No work commenced. The model clause specifying that no work has commenced prior to execution of the contract reads: "This Contract is executed, acknowledged, and delivered before any labor has been performed and any material has been furnished for the Work."~~]

[~~(11) Trustee's duties. The model clause regarding the trustee's duties reads:~~]

[~~Attached Graphic~~]

[~~(12) Preservation of claims and defenses. In accordance with the Federal Trade Commission's Holder in Due Course Rule, 16 C.F.R. §433.2, it is an unfair or deceptive act or practice to take or receive a consumer credit contract in connection with the sale or lease of goods or services to consumers that does not include the following notice. The notice regarding the preservation of claims and defenses reads: "NOTICE. ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER."~~]

[~~(13) Owner and contractor responsible. Texas Property Code, §41.007 specifies that a home improvement contract must contain a notice specifying that the owner and the contractor are responsible for meeting the terms of the contract. This notice must appear either in this contract or in the residential construction contract. The Property Code requires that the notice must be conspicuously printed, stamped, or typed in a font size equal to at least 10-point boldfaced type or computer equivalent and appear next to the owner's signature line on the contract. The wording of the notice is specified by the Property Code, which uses~~

~~the pronouns "you" and "your" to refer to the owner. Licensees are encouraged to explain in the contract, prior to the notice, that "you" and "your" refer to the owner in this notice. The parties' signatures must be notarized. The licensee may use a different notary acknowledgment without having to submit the contract to the agency as a non-standard contract. The notice specifying that the owner and the contractor are responsible for meeting the terms of the contract, the model explanatory clause regarding the use of "you" and "your" in the notice, and the signature blanks read:~~]

[~~Attached Graphic~~]

[~~(14) Assignment. The parties may use a different assignment or a separate document for the assignment without having to submit the contract to the agency as a non-standard contract. The model assignment in which the contractor transfers and assigns the lien to the licensee reads:~~]

[~~Attached Graphic~~]

[~~(15) Notice of confidentiality rights disclosure. The security document must incorporate a "Notice of Confidentiality Rights" disclosure. The disclosure or notice must:~~]

[~~(A) appear on the top of the first page of the security document;~~]

[~~(B) be in at least 12-point boldfaced type or 12-point uppercase lettering; and~~]

[~~(C) be substantially similar to the required notice or disclosure under Texas Property Code, §11.008(b). The model notice of confidentiality rights reads: "NOTICE OF CONFIDENTIALITY RIGHTS: I MAY REMOVE OR STRIKE MY SOCIAL SECURITY NUMBER OR MY DRIVER'S LICENSE NUMBER FROM THIS DOCUMENT BEFORE IT IS FILED IN THE PUBLIC RECORDS."~~]

[~~(c) Model clauses for a Chapter 342, Subchapter G second lien home improvement loan promissory note for use in a transaction that does not allow for withdrawals or multiple advances.~~]

[~~(1) Identification.~~]

[~~(A) The model identification clause lists the account or contract number, the name and address of the lender, the date of the note, the name and address of the borrower, the property address, the principal amount, and the terms of payment. It also lists the following items that must be included on the promissory note under Regulation Z, 12 C.F.R. §1026.36(g):~~]

[~~(i) the lender's Nationwide Mortgage Licensing System and Registry identification number (labeled "Creditor/Lender NMLS ID");~~]

[~~(ii) the name of the individual residential mortgage loan originator with primary responsibility for the origination (labeled "Loan Originator"); and~~]

[~~(iii) the originator's Nationwide Mortgage Licensing System and Registry identification number (labeled "Loan Originator NMLS ID").~~]

[~~(B) The model identification clause reads:~~]

[~~Attached Graphic~~]

[~~(2) Security for payment. The model clause relating to the security for payment reads: "Liens created in the Contract secure this Note. You will have a security interest in the following described property: (property description)"~~]

[~~(3) Definitions. The model definitions section reads:~~]

[~~(A) "Owner" means (name of Owner), whose address is (address of Owner, including county). If Owner and Maker are not the same person, the word "Owner" includes Maker.~~]

[~~(B) "Contractor" means (name of Contractor), whose address is (address of Contractor, including county) and includes those to whom the Contractor has assigned or transferred Contractor's rights and remedies.~~]

[~~(C) "Contract" means this Texas Home Improvement Mechanic's Lien Contract for Improvement and Power of Sale dated _____ between Contractor and Owner.~~]

[~~(D) "Property" means the Property at (list address of the Property), whose legal description is (list legal description of the Property).~~]

[~~(E) "Note" means the Texas Home Improvement Mechanic's Lien Note signed by me and dated _____ and includes all amounts secured by this Contract. The Note states that the amount I owe you is _____ dollars (U.S. $_____) plus interest. I have promised to pay this debt in regular periodic payments and to pay the debt in full not later than _____.~~]

[~~(4) Promise to pay. One permissible change to the model language for the scheduled installment earnings method would be to allow partial prepayments of the principal during the term of the loan. This variation on the scheduled installment earnings method would allow periodic reductions of the principal balance by partial prepayments. This variation would allow reductions of the principal balance that were not originally scheduled. The model clause options for the borrower's promise to pay read:~~]

[~~(A) For contracts using the scheduled installment earnings method: "I promise to pay the Total of Payments to the order of you. (The "principal" or "cash advance" is $_____. This amount plus interest must be paid by _____ (maturity date).) I will make payments to you at the address above or as you direct. I will make the payments on the dates and in the amounts shown in the Payment Schedule."~~]

[~~(B) For contracts using the true daily earnings method: "I promise to pay the cash advance plus the accrued interest to the order of you. (The "principal" or "cash advance" is $_____. This amount plus interest must be paid by _____ (maturity date).) I will make payments to you at the address above or as you direct. I will make the payments on the dates and in the amounts shown in the Payment Schedule."~~]

[~~(C) The model payment schedule reads:~~]

[~~Attached Graphic~~]

[~~(5) Late charge.~~]

[~~(A) Generally. The general late charge provision for contracts using the~~

~~scheduled installment earnings method or the true daily earnings method reads: "If I don't pay all of a payment within 10 days after it is due, you can charge me a late charge. The late charge will be 5% of the scheduled payment."~~]

[~~(B) High-cost mortgage loans. The model late charge provision for high-cost mortgage loans subject to the limitation on late charges in Regulation Z, 12 C.F.R. §1026.34(a)(8), reads: "If I don't pay all of a payment within 15 days after it is due, you can charge me a late charge. The late charge will be 4% of the amount of the payment past due."~~]

[~~(6) After maturity interest. The model clause specifies the maximum interest rate allowed by law for after maturity interest for contracts using the scheduled installment earnings method. A licensee may always choose a lower rate. The model provision for after maturity interest reads: "If I don't pay all I owe when the final payment becomes due, I will pay interest on the amount that is still unpaid. That interest will be the higher of the rate of 18% per year or the maximum rate allowed by law. That interest will begin the day after the final payment becomes due."~~]

[~~(7) Prepayment clause. The model prepayment clause options read:~~]

[~~(A) For contracts using the scheduled installment earnings method: "I can make a whole payment early. Unless you agree otherwise in writing, I may not skip payments. If I make a payment early, my next payment will still be due as scheduled."~~]

[~~(B) For contracts using the true daily earnings method: "I can make any payment early. Unless you agree otherwise in writing, I may not skip payments. If I make a payment early, my next payment will still be due as scheduled."~~]

[~~(8) Finance charge earnings and refund method. The model provision options specifying the finance charge earnings and refund method read:~~]

[~~(A) For contracts using the scheduled installment earnings method - Section 342.301 rate loans, the model language reads:~~]

[~~Attached Graphic~~]

[~~(B) For contracts using the scheduled installment earnings method with prepayments option - Section 342.301 rate loans, the model language reads:~~]

[~~Attached Graphic~~]

[~~(C) For contracts using the true daily earnings method - Section 342.301 rate loans, the model language reads:~~]

[~~Attached Graphic~~]

[~~(9) Deferment. The model provision regarding deferment reads: "If I ask for more time to make any payment and you agree, I will pay more interest to extend the payment. The extra interest will be figured under the Finance Commission rules."~~]

[~~(10) Fee for dishonored check clause. The model clause specifies the maximum allowable dishonored check fee. A licensee may always choose a lesser amount. The model fee for dishonored check provision reads: "I agree to pay you a fee of up to $30 for a returned check. You may add the fee to the amount I owe or collect it separately."~~]

[~~(11) Default. The model provision specifying the conditions causing default reads:~~]

[~~Attached Graphic~~]

[~~(12) Property insurance. The model provision regarding property insurance reads:~~]

[~~Attached Graphic~~]

[~~(13) Credit insurance. If single premium credit insurance is offered, a permissible change to the disclosure can be to offer a single charge for the entire term of the loan. The term for the single premium charge should be shown for the original term of the loan, unless otherwise specified. The licensee has the option of including language that reads: "The insurance will cancel on the date when the total past due premiums equal or exceed (insert number) times the first month's premium." The industry standard regarding the relationship between total past due premiums and the first month's premium in this equation appears to be four times. However, if a different time frame is more appropriate, that time frame may be used. The model credit insurance disclosure box reads:~~]

[~~Attached Graphic~~]

[~~(14) Mailing of notices to borrower. The duty to give notice is satisfied when it is mailed by first class mail. The model provision regarding the mailing of notices to the borrower reads: "You or I may mail or deliver any notice to the address above. You or I may change the notice address by giving written notice. Your duty to give me notice will be satisfied when you mail it."~~]

[~~(15) Statement of truthful information. The model provision specifying that the borrower gave truthful information reads: "I promise that all information I gave you is true."~~]

[~~(16) Due on sale clause, notice of intent to accelerate, and notice of acceleration. The model provision regarding the due on sale clause, notice of intent to accelerate, and notice of acceleration reads: "If all or any interest in the Property is sold or transferred without your prior written consent, you may require immediate payment in full of all that I owe under this loan agreement. You will not exercise this option if prohibited by law. If you exercise this option, you will give me notice that you are demanding payment of all that I owe. This notice will give me a period of not less than 21 days from the date of the notice within which I must pay all that I owe under this loan agreement. If I fail to pay all that I owe before the end of this period, you may use any remedy allowed by the loan agreement."~~]

[~~(17) No waiver of the lender's rights. The model provision expressing no waiver of the lender's rights reads: "If you don't enforce your rights every time, you can still enforce them later."~~]

[~~(18) Collection expenses. The model collection expenses clause reads: "If you require me to pay all that I owe at once, you will have the right to be paid back by me for all of your costs and expenses in enforcing this loan agreement to the extent not prohibited by applicable law. These expenses include, for example, reasonable attorneys' fees."~~]

[~~(19) Joint liability. The model provision providing for joint liability reads: "I understand that you may seek payment~~

~~from only me without first looking to any other Borrower."~~]

[~~(20) Usury savings clause. The model usury savings clause reads: "I do not have to pay interest or other amounts that are more than applicable law allows."~~]

[~~(21) Savings clause. The savings model clause stating that if any part of the contract is invalid, the rest remains valid reads: "If any part of this loan agreement is declared invalid, the rest of the loan agreement remains valid. If any part of this loan agreement conflicts with any law, that law will control. The part of the loan agreement that conflicts with any law will be modified to comply with the law. The rest of the loan agreement remains valid."~~]

[~~(22) Prior agreements. For loan agreements exceeding $50,000, this notice must be boldfaced, capitalized, underlined, or otherwise set out from the surrounding written material to be conspicuous. The model clause stating that there are no prior agreements between the parties regarding the loan agreement reads: "This written loan agreement is the final agreement between you and me. It may not be changed by prior, current, or future oral agreements between you and me. There are no oral agreements between you and me relating to this loan agreement. Any change to this loan agreement must be in writing. Both you and I have to sign written agreements."~~]

[~~(23) Application of law. The model clause specifying that federal law and Texas law apply to the contract reads: "Federal law and Texas law apply to this loan agreement."~~]

[~~(24) OCCC notice. Under §90.105 of this title (relating to OCCC Notice), the following required notice must be given by licensees to let consumers know how to file complaints: "For questions or complaints about this loan, contact (insert name of lender) at (insert lender's phone number and, at lender's option, one or more of the following: mailing address, fax number, website, e-mail address). The lender is licensed and examined under Texas law by the Office of Consumer Credit Commissioner (OCCC), a state agency. If a complaint or question cannot be resolved by contacting the lender, consumers can contact the OCCC to file a complaint or ask a general credit-related question. OCCC address: 2601 N. Lamar Blvd., Austin, Texas 78705. Phone: (800) 538-1579. Fax: (512) 936-7610. Website: occc.texas.gov. E-mail: consumer.complaints@occc.texas.gov."~~]

[~~(25) Collateral. The model clause regarding the collateral reads: "The Property is subject to the Contract lien. I am responsible for all obligations in this Note."~~]

[~~(26) Preservation of claims and defenses. In accordance with the Federal Trade Commission's Holder in Due Course Rule, 16 C.F.R. §433.2, it is an unfair or deceptive act or practice to take or receive a consumer credit contract in connection with the sale or lease of goods or services to consumers that does not include the following notice. The notice regarding the preservation of claims and defenses reads: "NOTICE. ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER."~~]

[~~(27) Signature blocks. Documents for a home improvement loan on a homestead must be signed at the office of the lender, an attorney at law, or a title company. If this provision applies, the model clause, "This document must be signed at the office of the Lender, an attorney at law, or a title company" should appear above the signature of the borrower. The licensee may also provide additional signature lines for witness signatures. The model signature block reads:~~]

[~~Attached Graphic~~]

[~~(d) Model clauses for a Chapter 342, Subchapter G second lien home improvement loan contract for use in a transaction that allows for withdrawals or multiple advances.~~]

[~~(1) Identification. The model identification clause listing the date and the account or contract number reads:~~]

[~~Attached Graphic~~]

[~~(2) Definitions. The model definitions section reads:~~]

[~~(A) "Owner" means (name of Owner), whose address is (address of Owner, including county). If Owner and Maker are not the same person, the word "Owner" includes Maker. "I" or "me" means the Owner.~~]

[~~(B) "Contractor" means (name of Contractor), whose address is (address of Contractor, including county) and includes those to whom the Contractor has assigned or transferred Contractor's rights and remedies. "You" or "your" means the Contractor.~~]

[~~(C) "Lender" means (name of Lender), whose address is (address of Lender, including county) and includes those to whom the Lender has assigned or transferred Lender's rights and remedies. The Lender's NMLS ID is (NMLS ID of Lender). The loan originator's name is (name of loan originator with primary responsibility for the origination). The loan originator's NMLS ID is (NMLS ID of originator).~~]

[~~(D) "Trustee" means (name of Trustee), whose address is (address of Trustee, including county).~~]

[~~(E) "Property" means the Property at (list address of the Property), whose legal description is (list legal description of the Property).~~]

[~~(F) "Work" means the construction project as agreed to in writing between the Owner and Contractor.~~]

[~~(G) "Completion Date" means (date on which the Work will be completed).~~]

[~~(H) "Contract" means this Texas Home Improvement Mechanic's Lien Contract for Improvement, Power of Sale, and Deed of Trust.~~]

[~~(I) "Note" means the Texas Home Improvement Mechanic's Lien Note signed by me and dated _____ and includes all amounts secured by this Contract. The Note states that the amount I owe you is _____ dollars (U.S. $_____) plus interest.~~]

[~~(J) "Loan Agreement" means the Note, Contract, and any other related~~

~~document under which Lender has made a loan to me.~~]

[~~(K) "Applicable Law" means all controlling applicable federal, state, and local law.~~]

[~~(L) "Tenant at Sufferance" means a person who continues to possess the Property with no current right to possess it.~~]

[~~(M) "Forcible Detainer" means a lawsuit to remove a person from the Property.~~]

[~~(N) "Periodic Payment" means the regularly scheduled amount due for principal and interest under the Note plus any amount under this Contract.~~]

[~~(O) "Successor in Interest" means any party that has taken title to the Property.~~]

[~~(P) "Lien" means the Mechanic's and Materialman's Lien on the Property that results from the Contract and the Work performed. The Lien includes all existing and future improvements, easements, and rights in the Property.~~]

[~~(3) Construction of improvements. The model clause regarding construction of improvements reads: "You agree to furnish and pay for all labor and material needed to complete the Work within _____ days from the date of this Contract. The Work will be performed on the Property in a good and workmanlike manner."~~]

[~~(4) Contract price. The model clause establishing the contract price reads: "I agree to pay, or cause to be paid, to you, or to your order, the sum of _____ dollars (U.S. $_____) when the Work is completed."~~]

[~~(5) Note payable to lender. The model clause specifying that the note is payable to the lender reads: "In exchange for money from the Lender to you, I have signed a Note to the Lender in the amount of _____ dollars (U.S. $_____)."~~]

[~~(6) Lien to secure note. The model clause regarding security for the note reads: "To secure the amounts Lender provides to you, and the interest payable to Lender, I give you, and you transfer to Lender, the Lien. The Note is secured by a deed of trust, which I will sign. The deed of trust will renew and extend the Lien created by this Contract."~~]

[~~(7) Transfer of lien. The model clause regarding the transfer of the lien reads: "You transfer to Lender all of your rights and interests in this Contract."~~]

[~~(8) Exceptions to conveyance and warranty. Any exceptions to conveyance and warranty should be specified in the contract. The model clause regarding the exceptions to conveyance and warranty reads: "The exceptions to conveyance and warranty are: (List any exceptions to conveyance and warranty.)"~~]

[~~(9) Completion by contractor, but not lender. The model clause specifying that the lender is not responsible for completing the construction reads: "You will complete the Work by the Completion Date. Lender is not responsible for completing the Work. Lender is not a guarantor of your performance. You will indemnify and hold Lender harmless against all claims related to the Work."~~]

[~~(10) Partial lien. The model clause regarding a partial lien reads: "If you do not complete the Work by the Completion Date in a good and workmanlike manner, then Lender will have a valid lien for the contract price, less the amount reasonably necessary to complete the Work. As an alternative, Lender may choose to complete the Work and the lien will be valid for the contract price."~~]

[~~(11) Changes and extras. The model clause regarding changes and extras reads: "All labor or material furnished outside of this Contract must be agreed upon in writing or it will be considered as performed under the original Contract and you will receive no extra money."~~]

[~~(12) Receipts and releases. The model clause regarding receipts and releases reads: "If I ask, you will give me valid receipts and releases for the Work from any subcontractor, worker, and supplier."~~]

[~~(13) No work commenced. The model clause specifying that no work has commenced prior to execution of the contract reads: "This Contract is executed, acknowledged, and delivered before any labor has been performed and any material has been furnished for the Work."~~]

[~~(14) Owner's promises and rights. The model clause regarding the owner's promises and rights reads:~~]

[~~Attached Graphic~~]

[~~(15) Owner's duties. The model clause regarding the owner's duties reads:~~]

[~~Attached Graphic~~]

[~~(16) Contractor's duties. The model clause regarding the contractor's duties reads:~~]

[~~Attached Graphic~~]

[~~(17) Contractor's rights. The model clause regarding the contractor's rights reads:~~]

[~~Attached Graphic~~]

[~~(18) Trustee's duties. The model clause regarding the trustee's duties reads:~~]

[~~Attached Graphic~~]

[~~(19) General provisions. The model clause regarding general contract provisions reads:~~]

[~~Attached Graphic~~]

[~~(20) Preservation of claims and defenses. In accordance with the Federal Trade Commission's Holder in Due Course Rule, 16 C.F.R. §433.2, it is an unfair or deceptive act or practice to take or receive a consumer credit contract in connection with the sale or lease of goods or services to consumers that does not include the following notice. The notice regarding the preservation of claims and defenses reads: "NOTICE. ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER."~~]

[~~(21) Owner and contractor responsible. Texas Property Code, §41.007 specifies that a home improvement contract must contain a notice specifying that the owner and the contractor are responsible for meeting the terms of the contract. The notice must appear in either this contract or the residential construction contract. The Property Code requires that the notice must be conspicuously printed, stamped, or typed in a font size equal to at least 10-point boldfaced type or computer equivalent and appear next to the owner's signature line on the contract. The wording of the notice is specified by the Property Code, which uses the pronouns "you" and "your" to refer to the owner. Licensees are encouraged to explain in the contract, prior to the notice, that "you" and "your" refer to the owner in this notice. The parties' signatures must be notarized. The licensee may use a different notary acknowledgment without having to submit the contract to the agency as a non-standard contract. The notice specifying that the owner and the contractor are responsible for meeting the terms of the contract, the model explanatory clause regarding the use of "you" and "your" in the notice, and the signature blanks read:~~]

[~~Attached Graphic~~]

[~~(22) Assignment. The parties may use a different assignment or a separate document for the assignment without having to submit the contract to the agency as a non-standard contract. The model assignment in which the contractor transfers and assigns the lien to the licensee reads:~~]

[~~Attached Graphic~~]

[~~(23) Notice of confidentiality rights disclosure. The security document must incorporate a "Notice of Confidentiality Rights" disclosure. The disclosure or notice must:~~]

[~~(A) appear on the top of the first page of the security document;~~]

[~~(B) be in at least 12-point boldfaced type or 12-point uppercase lettering; and~~]

[~~(C) be substantially similar to the required notice or disclosure under Texas Property Code, §11.008(b). The model notice of confidentiality rights reads: "NOTICE OF CONFIDENTIALITY RIGHTS: I MAY REMOVE OR STRIKE MY SOCIAL SECURITY NUMBER OR MY DRIVER'S LICENSE NUMBER FROM THIS DOCUMENT BEFORE IT IS FILED IN THE PUBLIC RECORDS."~~]

[~~(e) Model clauses for a Chapter 342, Subchapter G second lien home improvement loan promissory note for use in a transaction that allows for withdrawals or multiple advances.~~]

[~~(1) Identification.~~]

[~~(A) The model identification clause lists the account or contract number, the name and address of the lender, the date of the note, the name and address of the borrower, the property address, the principal amount, and the terms of payment. It also lists the following items that must be included on the promissory note under Regulation Z, 12 C.F.R. §1026.36(g):~~]

[~~(i) the lender's Nationwide Mortgage Licensing System and Registry identification number (labeled "Creditor/Lender NMLS ID");~~]

[~~(ii) the name of the individual residential mortgage loan originator with primary responsibility for the origination (labeled "Loan Originator"); and~~]

[~~(iii) the originator's Nationwide Mortgage Licensing System and Registry identification number (labeled "Loan Originator NMLS ID").~~]

[~~(B) The model identification clause reads:~~]

[~~Attached Graphic~~]

[~~(2) Security for payment. The model clause relating to the security for payment reads: "The Deed of Trust and the Lien created in the Contract secure this Note. You will have a security interest in the following described property: (property description)"~~]

[~~(3) Definitions. The model definitions section reads:~~]

[~~(A) "Owner" means (name of Owner), whose address is (address of Owner, including county). If Owner and Maker are not the same person, the word "Owner" includes Maker.~~]

[~~(B) "Contractor" means (name of Contractor), whose address is (address of Contractor, including county) and includes those to whom the Contractor has assigned or transferred Contractor's rights and remedies.~~]

[~~(C) "Lender" means (name of Lender), whose address is (address of Lender, including county) and includes those to whom the Lender has assigned or transferred Lender's rights and remedies.~~]

[~~(D) "Trustee" means (name of Trustee), whose address is (address of Trustee, including county).~~]

[~~(E) "Property" means the Property at (list address of the Property), whose legal description is (list legal description of the Property).~~]

[~~(F) "Work" means the construction project as agreed to in writing between the Owner and Contractor.~~]

[~~(G) "Completion Date" means (date on which the Work will be completed).~~]

[~~(H) "Contract" means this Texas Home Improvement Mechanic's Lien Contract for Improvement, Power of Sale, and Deed of Trust.~~]

[~~(I) "Note" means the Texas Home Improvement Mechanic's Lien Note signed by me and dated _____ and includes all amounts secured by this Contract. The Note states that the amount I owe you is _____ dollars (U.S. $_____) plus interest.~~]

[~~(J) "Loan Agreement" means the Note, Contract, and any other related document under which Lender has made a loan to me.~~]

[~~(K) "Applicable Law" means all controlling applicable federal, state, and local law.~~]

[~~(L) "Tenant at Sufferance" means a person who continues to possess the Property with no current right to possess it.~~]

[~~(M) "Forcible Detainer" means a lawsuit to remove a person from the Property.~~]

[~~(N) "Periodic Payment" means the regularly scheduled amount due for principal and interest under the Note plus any amount under this Contract.~~]

[~~(O) "Successor in Interest" means any party that has taken title to the Property.~~]

[~~(P) "Lien" means the Mechanic's and Materialman's Lien on the Property that results from the Contract and the Work performed. The Lien includes all existing and future improvements, easements, and rights in the Property.~~]

[~~(4) Promise to pay. One permissible change to the model language for the scheduled installment earnings method would be to allow partial prepayments of the principal during the term of the loan. This variation on the scheduled installment earnings method would allow periodic reductions of the principal balance by partial prepayments. This variation would allow reductions of the principal balance that were not originally scheduled. The model clause options for the borrower's promise to pay read:~~]

[~~(A) For contracts using the scheduled installment earnings method: "I promise to pay the Total of Payments to the order of you. (The "principal" or "cash advance" is $_____. This amount plus interest must be paid by _____ (maturity date).) I will make payments to you at the address above or as you direct. I will make the payments on the dates and in the amounts shown in the Payment Schedule."~~]

[~~(B) For contracts using the true daily earnings method: "I promise to pay the cash advance plus the accrued interest to the order of you. (The "principal" or "cash advance" is $_____. This amount plus interest must be paid by _____ (maturity date).) I will make payments to you at the address above or as you direct. I will make the payments on the dates and in the amounts shown in the Payment Schedule."~~]

[~~(C) The model payment schedule reads:~~]

[~~Attached Graphic~~]

[~~(5) Late charge.~~]

[~~(A) Generally. The general model late charge provision for contracts using the scheduled installment earnings method or the true daily earnings method reads: "If I don't pay all of a payment within 10 days after it is due, you can charge me a late charge. The late charge will be 5% of the scheduled payment."~~]

[~~(B) High-cost mortgage loans. The model late charge provision for high-cost mortgage loans subject to the limitation on late charges in Regulation Z, 12 C.F.R. §1026.34(a)(8), reads: "If I don't pay all of a payment within 15 days after it is due, you can charge me a late charge. The late charge will be 4% of the amount of the payment past due."~~]

[~~(6) After maturity interest. The model clause specifies the maximum interest rate allowed by law for after maturity interest for contracts using the scheduled installment earnings method. A licensee may always choose a lower rate. The model provision for after maturity interest reads: "If I don't pay all I owe when the final payment becomes due, I~~

~~will pay interest on the amount that is still unpaid. That interest will be the higher of the rate of 18% per year or the maximum rate allowed by law. That interest will begin the day after the final payment becomes due."~~]

[~~(7) Prepayment clause. The model prepayment clause options read:~~]

[~~(A) For contracts using the scheduled installment earnings method: "I can make a whole payment early. Unless you agree otherwise in writing, I may not skip payments. If I make a payment early, my next payment will still be due as scheduled."~~]

[~~(B) For contracts using the true daily earnings method: "I can make any payment early. Unless you agree otherwise in writing, I may not skip payments. If I make a payment early, my next payment will still be due as scheduled."~~]

[~~(8) Finance charge earnings and refund method. The model provision options specifying the finance charge earnings and refund method read:~~]

[~~(A) For contracts using the scheduled installment earnings method – Section 342.301 rate loans, the model language reads:~~]

[~~Attached Graphic~~]

[~~(B) For contracts using the scheduled installment earnings method with prepayments option – Section 342.301 rate loans, the model language reads:~~]

[~~Attached Graphic~~]

[~~(C) For contracts using the true daily earnings method – Section 342.301 rate loans, the model language reads:~~]

[~~Attached Graphic~~]

[~~(9) Deferment. The model provision regarding deferment reads: "If I ask for more time to make any payment and you agree, I will pay more interest to extend the payment. The extra interest will be figured under the Finance Commission rules."~~]

[~~(10) Fee for dishonored check clause. The model clause specifies the maximum allowable dishonored check fee. A licensee may always choose a lesser amount. The model fee for dishonored check provision reads: "I agree to pay you a fee of up to $30 for a returned check. You may add the fee to the amount I owe or collect it separately."~~]

[~~(11) Default. The model provision specifying the conditions causing default reads:~~]

[~~Attached Graphic~~]

[~~(12) Property insurance. The model provision regarding property insurance reads:~~]

[~~Attached Graphic~~]

[~~(13) Credit insurance. If single premium credit insurance is offered, a permissible change to the disclosure can be to offer a single charge for the entire term of the loan. The term for the single premium charge should be shown for the original term of the loan, unless otherwise specified. The licensee has the option of including language that reads: "The insurance will cancel on the date when the total past due premiums equal or exceed (insert number) times the first month's premium." The industry standard regarding the relationship between total past due~~

~~premiums and the first month's premium in this equation appears to be four times. However, if a different time frame is more appropriate, that time frame may be used. The model credit insurance disclosure box reads:~~]

[~~Attached Graphic~~]

[~~(14) Mailing of notices to borrower. The duty to give notice is satisfied when it is mailed by first class mail. The model provision regarding the mailing of notices to the borrower reads: "You or I may mail or deliver any notice to the address above. You or I may change the notice address by giving written notice. Your duty to give me notice will be satisfied when you mail it."~~]

[~~(15) Statement of truthful information. The model provision specifying that the borrower gave truthful information reads: "I promise that all information I gave you is true."~~]

[~~(16) Due on sale clause, notice of intent to accelerate, and notice of acceleration. The model provision regarding the due on sale clause, notice of intent to accelerate, and notice of acceleration reads: "If all or any interest in the Property is sold or transferred without your prior written consent, you may require immediate payment in full of all that I owe under this Loan Agreement. You will not exercise this option if prohibited by law. If you exercise this option, you will give me notice that you are demanding payment of all that I owe. This notice will give me a period of not less than 21 days from the date of the notice within which I must pay all that I owe under this Loan Agreement. If I fail to pay all that I owe before the end of this period, you may use any remedy allowed by the Loan Agreement."~~]

[~~(17) No waiver of the lender's rights. The model provision expressing no waiver of the lender's rights reads: "If you don't enforce your rights every time, you can still enforce them later."~~]

[~~(18) Collection expenses. The model collection expenses clause reads: "If you require me to pay all that I owe at once, you will have the right to be paid back by me for all of your costs and expenses in enforcing this Loan Agreement to the extent not prohibited by Applicable Law. These expenses include, for example, reasonable attorneys' fees."~~]

[~~(19) Joint liability. The model provision providing for joint liability reads: "I understand that you may seek payment from only me without first looking to any other Borrower."~~]

[~~(20) Usury savings. The model usury savings clause reads: "I do not have to pay interest or other amounts that are more than Applicable Law allows."~~]

[~~(21) Savings clause. The model savings clause stating that if any part of the contract is invalid, the rest remains valid reads: "If any part of this Loan Agreement is declared invalid, the rest of the Loan Agreement remains valid. If any part of this Loan Agreement conflicts with any law, that law will control. The part of the Loan Agreement that conflicts with any law will be modified to comply with the law. The rest of the Loan Agreement remains valid."~~]

[~~(22) Prior agreements. For loan agreements exceeding $50,000, this notice must be boldfaced, capitalized, underlined, or otherwise set out from the surrounding written material to be conspicuous. The model clause stating that there are no prior~~

agreements between the parties regarding the loan agreement reads: "This written Loan Agreement is the final agreement between you and me. It may not be changed by prior, current, or future oral agreements between you and me. There are no oral agreements between you and me relating to this Loan Agreement. Any change to this Loan Agreement must be in writing. Both you and I have to sign written agreements."]

[(23) Note secured by deed of trust. The model clause stating that the note is secured by a deed of trust reads: "In addition to this Note, the Deed of Trust protects the Note holder from losses that might result if I do not keep the promises that I make in this Note. The Deed of Trust describes how and under what conditions I may have to make immediate payment of all that I owe under this Note."]

[(24) Application of law. The model clause specifying that federal law and Texas law apply to the contract reads: "Federal law and Texas law apply to this Loan Agreement."]

[(25) OCCC notice. Under §90.105 of this title (relating to OCCC Notice), the following required notice must be given by licensees to let consumers know how to file complaints: "For questions or complaints about this loan, contact (insert name of lender) at (insert lender's phone number and, at lender's option, one or more of the following: mailing address, fax number, website, e-mail address). The lender is licensed and examined under Texas law by the Office of Consumer Credit Commissioner (OCCC), a state agency. If a complaint or question cannot be resolved by contacting the lender, consumers can contact the OCCC to file a complaint or ask a general credit-related question. OCCC address: 2601 N. Lamar Blvd., Austin, Texas 78705. Phone: (800) 538-1579. Fax: (512) 936-7610. Website: occc.texas.gov. E-mail: consumer.complaints@occc.texas.gov."]

[(26) Collateral. The model clause regarding the collateral reads: "The Property is subject to the Contract lien. I am responsible for all obligations in this Note."]

[(27) Preservation of claims and defenses. The notice regarding the preservation of claims and defenses reads: "NOTICE. ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER."]

[(28) Signature blocks. Documents for a home improvement loan on a homestead must be signed at the office of the lender, an attorney at law, or a title company. If this provision applies, the model clause, "This document must be signed at the office of the Lender, an attorney at law, or a title company" should appear above the signature of the borrower. The licensee may also provide additional signature lines for witness signatures. The model signature block reads:]

[Attached Graphic]

[(f) Model clauses for a Chapter 342, Subchapter G second lien home improvement loan deed of trust for use in a transaction that allows for withdrawals or multiple advances.]

[~~(1) Definitions. The model definitions section reads:~~]

[~~(A) "Borrower" is _____. Borrower's address is _____.~~]

[~~(B) "Contractor" is _____. Contractor's address is _____.~~]

[~~(C) "Lender" is _____. Lender's address is _____. Lender's NMLS ID is _____. The loan originator's name is _____. The loan originator's NMLS ID is _____.~~]

[~~(D) "Trustee" is _____. Trustee's address is _____.~~]

[~~(E) "I" or "me" means _____, the grantor under this Deed of Trust and the person who signed the Note ("Borrower").~~]

[~~(F) "Loan Agreement" means the Contract, Note, Security Document, Deed of Trust, any other related document, or any combination of those documents, under which Lender has made a loan to me.~~]

[~~(G) "Deed of Trust" means this document, which is dated _____, together with all riders to this document.~~]

[~~(H) "Note" means the Texas Home Improvement Mechanic's Lien Note signed by me and dated _____ and includes all amounts secured by this Contract. The Note states that the amount I owe Lender is _____ dollars (U.S. $_____) plus interest.~~]

[~~(I) "Property" means the property at (list address of the Property), whose legal description is (list legal description of the Property).~~]

[~~(J) "Applicable Law" means all controlling applicable federal, state, and local law.~~]

[~~(K) "Community Association Dues, Fees, and Assessments" means all dues, fees, assessments and other charges that are imposed on me or the Property by a condominium association, homeowners association, or similar organization.~~]

[~~(L) "Electronic Funds Transfer" means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, computer, or magnetic tape so as to order, instruct, or authorize a financial institution to debit or credit an account. The term includes point-of-sale transfers, automated teller machine transactions, transfers initiated by telephone, wire transfers, and automated clearinghouse transfers.~~]

[~~(M) "Escrow Items" means those items that are described in Section ___ of this Deed of Trust.~~]

[~~(N) "Miscellaneous Proceeds" means any compensation, settlement, award of damages, or proceeds paid by any third party (other than proceeds paid under my insurance) for: damage or destruction of the Property; condemnation or other taking of all or any part of the Property; conveyance instead of condemnation; or misrepresentations or omissions related to the value or condition of the Property.~~]

[~~(O) "Periodic Payment" means the regularly scheduled amount due for principal and interest under the Note plus any amounts under this Deed of Trust.~~]

[~~(P) "RESPA" means the Real Estate Settlement Procedures Act (12 U.S.C. §§2601-2617) and Regulation X (12 C.F.R. Part 1024), as amended, or any additional or successor legislation or regulation that governs the same subject matter. As used in this Deed of Trust, "RESPA" refers to all requirements and restrictions that are imposed in regard to a "federally related mortgage loan" even if the Loan Agreement does not qualify as a "federally related mortgage loan" under RESPA.~~]

[~~(Q) "Successor in Interest" means any party that has taken title to the Property.~~]

[~~(R) "Ground Rents" means amounts I owe if I rented the real property under the buildings covered by this Deed of Trust. Such an arrangement usually takes the form of a long-term "ground lease."~~]

[~~(S) "Contract" means the Texas Home Improvement Mechanic's Lien Contract for Improvement, Power of Sale, and Deed of Trust.~~]

[~~(T) "Lien" means the Mechanic's and Materialman's Lien on the Property that results from the Contract and the Work performed. The Lien includes all existing and future improvements, easements, and rights in the Property.~~]

[~~(2) Transfer of rights in property. The model provision regarding a transfer of rights in the property reads:~~]

[~~Attached Graphic~~]

[~~(3) Payment of late charges and prepayment. The model provision regarding the payment of late charges and prepayment of principal and interest reads:~~]

[~~Attached Graphic~~]

[~~(4) Funds for escrow items. The model provision regarding the funds for escrow items reads:~~]

[~~Attached Graphic~~]

[~~(5) Charges and liens. The model provision regarding charges and liens reads:~~]

[~~Attached Graphic~~]

[~~(6) Property insurance. The model provision regarding property insurance reads:~~]

[~~Attached Graphic~~]

[~~(7) Preservation, maintenance, protection, and inspection of property. The model provision regarding preservation, maintenance, protection, and inspection of the property reads: "I will not destroy, damage, or impair the Property, allow it to deteriorate, or commit waste. Whether or not I live in the Property, I will maintain it in order to prevent it from deteriorating or decreasing in value due to its condition. I will promptly repair the damage to the Property to avoid further deterioration or damage unless Lender and I agree in writing that it is economically unreasonable. I will be responsible for repairing or restoring the Property only if Lender releases the insurance or condemnation proceeds for the damage to or the taking of the Property. Lender may release proceeds for the repairs~~

and restoration in a single payment or in a series of payments as the Work is completed. I still am obligated to complete repairs or restoration of the Property even if there are not enough proceeds to complete the Work. If this Deed of Trust secures a unit in a condominium or planned unit development, I will perform all of my obligations under the declaration or covenants creating or governing the condominium or planned unit development, and any other relevant document. Lender or Lender's agent may inspect the Property. Lender may inspect the interior of the Property with reasonable cause. Lender will give me notice stating reasonable cause when or before the interior inspection occurs."]

[(9) Assignment of miscellaneous proceeds and forfeiture. The model provision regarding the assignment of miscellaneous proceeds and forfeiture reads:]

[Attached Graphic]

[(10) Forbearance not a waiver. The model provision specifying that the borrower is not released from liability if the lender modifies the payment schedule reads: "If Lender doesn't enforce Lender's rights every time, Lender can still enforce them later."]

[(11) Joint and several liability, deed of trust execution, successors obligated. The model provision regarding joint and several liability and specifying that the person who signs the contract grants ownership in the homestead and binds the person's successors and assigns reads:]

[Attached Graphic]

[(12) Usury savings clause. The model usury savings clause reads: "I do not have to pay interest or other amounts that are more than Applicable Law allows."]

[(13) Mailing of notices to borrower. The duty to give notice is satisfied when it is mailed by first class mail. The model provision regarding the mailing of notices to the borrower reads: "Lender or I may mail or deliver any notice to the address above. Lender or I may change the notice address by giving written notice. Lender's duty to give me notice will be satisfied when Lender mails it."]

[(14) Application of law. The model clause specifying that federal law and Texas law apply to the contract reads: "Federal law and Texas law apply to this Loan Agreement."]

[(15) Rules of construction. The model provision regarding rules of clause construction reads:]

[Attached Graphic]

[(16) Loan agreement copies. The model provision specifying that the lender will give the borrower a copy of all signed documents at the time the loan agreement is made reads: "At the time the Loan Agreement is made, Lender will give me copies of all documents I sign."]

[(17) Due on sale clause, notice of intent to accelerate, and notice of acceleration. The model provision regarding the due on sale clause, notice of intent to accelerate and notice of acceleration reads: "If all or any interest in the Property is sold or transferred without Lender's prior written consent, Lender may require immediate payment in full of all that I owe under this Loan Agreement. Lender will not exercise this option if Applicable Law prohibits. If

~~Lender exercises this option, Lender will give me notice that Lender is demanding payment of all that I owe. This notice will give me a period of not less than 21 days from the date of the notice within which I must pay all that I owe under this Loan Agreement. If I fail to pay all that I owe before the end of this period, Lender may use any remedy allowed by the Loan Agreement."~~]

[~~(18) Lender, contractor, and borrower's promises and agreements. The model provision regarding the lender, contractor, and borrower's promises and agreements reads: "LENDER, CONTRACTOR, AND I PROMISE AND AGREE:".~~]

[~~(19) Acceleration and remedies. The model provision regarding acceleration and remedies reads:~~]

[~~Attached Graphic~~]

[~~(20) Power of sale. The model provision regarding the power of sale reads:~~]

[~~Attached Graphic~~]

[~~(21) Borrower's right to reinstate after acceleration. The model provision regarding the borrower's right to reinstate after acceleration reads:~~]

[~~Attached Graphic~~]

[~~(22) Assignment of rents, appointment of receiver, and lender in possession. The model provision regarding the assignment of rents, appointment of receiver, and the lender in possession reads: "As additional security, I assign to you the rents of the Property, provided that you have the right, prior to acceleration or abandonment of the Property, to collect and retain the rents as they become due. Upon acceleration or abandonment, you, by agent or by court-appointed receiver, will be entitled to enter, take possession, manage the Property, and collect due and past due rents. All rents you or the court-appointed receiver collect will be applied first to payment of the cost of management of the Property and collection of rents, including receiver's fees, premiums on receiver's bonds, and reasonable attorneys' fees, and then to the sums secured by this Deed of Trust. You and the receiver will be liable to account only for rents received."~~]

[~~(23) Release. The model provision regarding the release of the lien securing the loan agreement reads: "Lender will cancel and return the Note to me and give me, in recordable form, a release of lien securing the Loan Agreement or a copy of any endorsement of the Note and assignment of the Lien to a Lender that is refinancing the Loan Agreement. I will pay only the cost of recording the release of lien."~~]

[~~(24) Trustees and trustee liability. The model provision regarding trustees and trustee liability reads:~~]

[~~Attached Graphic~~]

[~~(25) Assignment of contractor's lien, and commencement of work. The model provision regarding the assignment of the contractor's lien and specifying that no work was commenced before the contract was executed reads: "Contractor and I have entered into the Contract for improvements to be made to the Property. I will perform my duties under the Contract. Under the Contract, I gave Contractor a Lien on the Property. Contractor permanently transfers the Lien and any other interest Contractor has in the Property to Lender. As additional~~

~~security, Contractor also agrees that the lien created by this Deed of Trust has priority over the Lien. The purpose of the Note is to pay in whole or in part the improvements to be made to the Property by the Contractor. Contractor and I agree that the Lien is for Lender's sole benefit. Any other interest Contractor has in the Property will be merged with the Lien, and may be enforced by Lender according to the terms of this Deed of Trust. Contractor and I further agree that no Work was performed or material delivered before the Contract was executed."~~]

[~~(26) Subrogation. The model provision regarding subrogation reads: "If I ask, Lender will use proceeds from the Loan Agreement to pay off all valid outstanding liens against the Property. Lender will then own all rights, superior titles, liens, and interests owned or claimed by any owner or holder of an outstanding lien or debt. Lender owns these things whether the lien or debt is transferred to Lender or whether it is released by the holder upon payment."~~]

[~~(27) Partial invalidity. The model provision regarding what happens if the sums secured and other charges violate applicable law reads: "If any portion of the sums secured by this Deed of Trust cannot be lawfully secured, payments minus those sums will be applied first to the portions not secured. If any charge provided for in this Loan Agreement, separately or together with other charges that are considered part of this Loan Agreement, violates Applicable Law, the charge is reduced to the extent necessary to eliminate the violation. Lender will refund the amount of interest or other charges paid to Lender in excess of the amount permitted by Applicable Law. At Lender's option, the amount in excess will either be refunded directly to me or will be applied to reduce the principal of the debt."~~]

[~~(28) Renewal and extension. The model provision regarding the renewal and extension of the note secured by the deed of trust reads: "The Note secured by this Deed of Trust is renewed and extended, but not in extinguishment of the debt under the Contract identified in the paragraph entitled "Assignment of Contractor's Lien, Commencement of Work" and the Note."~~]

[~~(29) Sale of loan, change of loan servicer, notice of grievance, and lender's right to comply. The model provision regarding the sale of the loan, change of loan servicer, notice of grievance, and the lender's right to comply reads: "A full or partial interest in the Loan Agreement can be sold one or more times without prior notice to me. The sale may result in a change of the company servicing or handling the Loan Agreement. The company servicing or handling the Loan Agreement will collect my monthly payment and will comply with other servicing conditions required by the Loan Agreement or Applicable Law. In some cases, the company servicing or handling the Loan Agreement may change even if the Loan Agreement is not sold. If the company servicing or handling the Loan Agreement is changed, I will be given written notice of the change. The notice will state the name and address of the new company, the address to which my payments should be made, and any other information required by RESPA. Any notice of acceleration and opportunity to cure under the Loan Agreement will satisfy the notice and opportunity to address the alleged violation provisions of this Section. No agreement between Lender and me or any third party will limit Lender's ability to comply with Lender's duties under the Loan Agreement and Applicable Law. Lender and I are limiting all agreements so that all current or future interest or fees in connection with~~

~~this Loan Agreement will not be greater than the highest amount allowed by Applicable Law. Lender and I intend to conform the Loan Agreement to the provisions of Applicable Law. If any part of the Loan Agreement is in conflict with the Applicable Law, then that part will be corrected or removed. This correction will be automatic and will not require any amendment or new document. Lender's right to cure any violation will survive my paying off the Loan Agreement. My right to cure will override any conflicting provision of the Loan Agreement. Lender's right to comply as provided in this Section will survive the payoff of the Loan Agreement. The provisions of this Section will supersede any inconsistent provision of the Loan Agreement."~~]

[~~(30) Hazardous substances. The model provision regarding hazardous substances reads:~~]

[~~Attached Graphic~~]

[~~(31) Lender's rights and Borrower's responsibilities. The model provision regarding the lender's rights and the borrower's responsibilities reads:~~]

[~~Attached Graphic~~]

[~~(32) Default. The model provision regarding the borrower's default reads: "Any default of my agreements with Lender will be a default of this Deed of Trust."~~]

[~~(33) Request for notice of default and foreclosure under superior mortgages or deeds of trust. The model provision regarding the lender and borrower's request for notice of default and foreclosure under superior mortgages or deeds of trust reads:~~]

[~~Attached Graphic~~]

[~~(34) Signature blocks. The parties' signatures must be notarized. The licensee may use a different notary acknowledgment without having to submit the deed of trust to the agency as non-standard. Documents for a home improvement loan on a homestead must be signed at the office of the lender, an attorney at law, or a title company. If this provision applies, the model clause, "This document must be signed at the office of the Lender, an attorney at law, or a title company" should appear above the signature of the borrower. The model provision regarding signature blocks reads:~~]

[~~Attached Graphic~~]

[~~(35) Notice of confidentiality rights disclosure. The security document must incorporate a "Notice of Confidentiality Rights" disclosure. The disclosure or notice must:~~]

[~~(A) appear on the top of the first page of the security document;~~]

[~~(B) be in at least 12-point boldfaced type or 12-point uppercase lettering; and~~]

[~~(C) be substantially similar to the required notice or disclosure under Texas Property Code, §11.008(b). The model notice of confidentiality rights reads: "NOTICE OF CONFIDENTIALITY RIGHTS: I MAY REMOVE OR STRIKE MY SOCIAL SECURITY NUMBER OR MY DRIVER'S LICENSE NUMBER FROM THIS DOCUMENT BEFORE IT IS FILED IN THE PUBLIC RECORDS."~~]

[~~*§90.604. Model Contracts; Permissible Changes*~~]

[~~(a) A licensee may consider making the following types of changes to the second lien home improvement contracts plain language model clauses:~~]

[~~(1) For transactions involving a security interest in the consumer's principal dwelling, the Truth in Lending Act, 15 U.S.C. §1635(a), and Regulation Z, 12 C.F.R. §1026.23(b), require the creditor to deliver to the consumer a notice of the right to rescind the transaction. Model forms for the notice of the right to rescind are available at 12 C.F.R. Part 1026, Appendix H, Model Forms H-8 and H-9. The Truth in Lending Act right of rescission form for use in a transaction involving the consumer's principal dwelling reads:~~]

[~~Attached Graphic~~]

[~~(2) If the Texas constitutional homestead requirements apply to the transaction, the licensee must add a clause regarding notice of cancellation, place of singing the contract, and the five-day waiting period. The model clause regarding the notice of cancellation, place of signing the contract, and the five-day waiting period reads:~~]

[~~Attached Graphic~~]

[~~(3) Article 16, Section 50(a)(5) of the Texas Constitution provides that a contract for improvements on a homestead must expressly provide the owner with notice of the owner's right to cancel the contract. The model notice regarding the owner's right to cancel the contract reads: "NOTICE OF RIGHT TO CANCEL. THE OWNER MAY CANCEL THE CONTRACT WITHOUT PENALTY OR CHARGE WITHIN THREE DAYS AFTER THE EXECUTION OF THE CONTRACT BY ALL PARTIES, UNLESS THE WORK AND MATERIAL ARE NECESSARY TO COMPLETE IMMEDIATE REPAIRS TO CONDITIONS ON THE HOMESTEAD PROPERTY THAT MATERIALLY AFFECT THE HEALTH OR SAFETY OF THE OWNER OR PERSON RESIDING IN THE HOMESTEAD AND THE OWNER OF THE HOMESTEAD ACKNOWLEDGES SUCH IN WRITING."~~]

[~~(4) Texas Business and Commerce Code, Chapter 601 requires that notice must be given to the consumer regarding the consumer's right to cancel certain types of transactions. If this chapter is applicable, the notice that must be given by the licensee must appear in immediate proximity to the consumer's signature, or on the front page of the receipt if a contract is not used. The notice must be in boldfaced type and must be the equivalent of at least 10 points in the Times typeface. The statement to which the notice must be substantially similar reads: "YOU, THE BUYER, MAY CANCEL THIS TRANSACTION AT ANY TIME PRIOR TO MIDNIGHT OF THE THIRD BUSINESS DAY AFTER THE DATE OF THIS TRANSACTION. SEE THE ATTACHED NOTICE OF CANCELLATION FORM FOR AN EXPLANATION OF THIS RIGHT."~~]

[~~(5) Texas Business and Commerce Code, Chapter 601 also requires, if applicable, that a completed notice of cancellation form in duplicate be attached to the loan documents or receipt of the consumer transaction. This notice must be easily detachable from the contract or receipt, be in the same language as the contract or receipt, be in boldfaced type, and be the equivalent of at least 10 points in the Times typeface. The required notice of cancellation reads:~~]

[~~Attached Graphic~~]

[~~(6) The licensee may add information related to information set forth in the model clauses that is not otherwise prohibited by law.~~]

[~~(7) The licensee may substitute another term for "Lender" or "Borrower" that has the same meaning, or use pronouns such as "you," "we," and "us."~~]

[~~(8) The model clauses may be presented in any order, and may be combined or further segregated at the licensee's option.~~]

[~~(9) The licensee may insert descriptive headings or number provisions.~~]

[~~(10) The licensee may change the case of a word if otherwise permitted by the Texas Finance Code.~~]

[~~(11) The licensee may make other changes that do not affect the substance of the disclosures.~~]

[~~(12) A licensee may place its NMLS ID number, the individual residential mortgage loan originator's name, or the originator's NMLS ID on any portion of a document requiring this information, including the signature page. To the extent allowed by Regulation Z, 12 C.F.R. §1026.36(g), and the official commentary to that section, a licensee may omit:~~]

[~~(A) the licensee's NMLS ID number, if the licensee does not have an NMLS ID number and is not legally required to obtain one; and~~]

[~~(B) the individual residential mortgage loan originator's NMLS ID number, if the originator does not have an NMLS ID number and is not legally required to obtain one.~~]

[~~(13) A sample model contract that does not allow for withdrawals or multiple advances is presented in the following example.~~]

[~~Attached Graphic~~]

[~~(14) A sample model promissory note that does not allow for withdrawals or multiple advances is presented in the following example.~~]

[~~Attached Graphic~~]

[~~(15) A sample model contract that allows for withdrawals or multiple advances is presented in the following example.~~]

[~~Attached Graphic~~]

[~~(16) A sample model promissory note that allows for withdrawals or multiple advances is presented in the following example.~~]

[~~Attached Graphic~~]

[~~(17) A sample model deed of trust that allows for withdrawals or multiple advances is presented in the following example.~~]

[~~Attached Graphic~~]

[~~(b) A licensee has considerable flexibility to arrange the format of the model form if the revised format does not significantly adversely affect the substance, clarity, or meaningful sequence of the disclosures.~~]

Certification

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

Issued in Austin, Texas on October 16, 2026.

Matthew J. Nance
General Counsel
Office of Consumer Credit Commissioner

Amended Figure: 7 TAC §90.404(a)(9) ***{with revised definition of "Electronic Funds Transfer"}***

NOTICE OF CONFIDENTIALITY RIGHTS: I MAY REMOVE OR STRIKE MY SOCIAL SECURITY NUMBER OR MY DRIVER'S LICENSE NUMBER FROM THIS DOCUMENT BEFORE IT IS FILED IN THE PUBLIC RECORDS.

TEXAS HOME EQUITY SECURITY DOCUMENT (Second Lien)

This Security Document is not intended to finance Borrower's acquisition of the Property.

THIS SECURITY DOCUMENT SECURES AN EXTENSION OF CREDIT AS DEFINED BY SECTION 50(a)(6), ARTICLE XVI OF THE TEXAS CONSTITUTION.

DEFINITIONS

(A) "Loan Agreement" means the Note, Security Document, deed of trust, any other related document, or any combination of those documents, under which you have extended credit to me.

(B) "Security Document" means this document, which is dated _____, together with all Riders to this document.

(C) "I" or "me" means _____, the grantor under this Security Document and the person who signed the Note ("Borrower").

(D) "You" means _____, the Lender and any holder entitled to receive payments under the Note.
Your address is _____. Your NMLS ID is _____. You are the beneficiary under this Security Document.
The loan originator's name is _____. The loan originator's NMLS ID is _____.

(E) "Trustee" is _____. Trustee's address is _____.

(F) "Note" means the promissory Note signed by me and dated _____. The Note states that the amount I owe you is _____ dollars (U.S. $____) plus interest. I have promised to pay this debt in regular Periodic Payments and to pay the debt in full not later than _____(maturity date).

(G) "My Homestead" means the property that is described below under the heading "Transfer of Rights in the Property."

(H) "Extension of Credit" means the debt evidenced by the Note, as defined by Section 50(a)(6), Article XVI of the Texas Constitution and all the documents executed in connection with the debt.

(I) "Riders" means all Riders to this Security Document that I execute. The Riders include *(check box as applicable):*

☐ Texas Home Equity Condominium Rider
☐ Texas Home Equity Planned Unit Development Rider
☐ Other: _____

(J) "Applicable Law" means all controlling applicable federal, Texas and local constitutions, statutes, regulations, administrative rules, local ordinances, judicial and administrative orders (that have the effect of law) as well as all applicable final, non-appealable judicial opinions.

(K) "Community Association Dues, Fees, and Assessments" means all dues, fees, assessments and other charges that are imposed on me or My Homestead by a condominium association, homeowners association, or similar organization.

(L) "Electronic Funds Transfer" has the meaning assigned to "electronic fund transfer" by the Electronic Fund Transfer Act (15 U.S.C. §1693a(7)) and Regulation E (12 C.F.R. §1005.3(b)), as amended.

(M) "Escrow Items" means those items that are described in Section ___ of this Security Document.

(N) "Miscellaneous Proceeds" means any compensation, settlement, award of damages, or proceeds paid by any third party (other than proceeds paid under my insurance) for: (i) damage or destruction of My Homestead; (ii) condemnation or other taking of all or any part of My Homestead; (iii) conveyance instead of condemnation; or (iv) misrepresentations or omissions related to the value or condition of My Homestead.

(O) "Periodic Payment" means the regularly scheduled amount due for (i) principal and interest under the Note plus (ii) any amounts under this Security Document.

(P) "RESPA" means the Real Estate Settlement Procedures Act (12 U.S.C. §§2601-2617) and Regulation X (12 C.F.R. Part 1024), as amended, or any additional or successor legislation or regulation that governs the same subject matter. As used in this Security Document, "RESPA" refers to all requirements and restrictions that are imposed in regard to a "federally related mortgage loan" even if the Loan Agreement does not qualify as a "federally related mortgage loan" under RESPA.

(Q) "Successor in Interest of me" means any party that has taken title to My Homestead, whether or not that party has assumed my obligations under the Loan Agreement.

(R) "Ground Rents" means amounts I owe if I rented the real property under the buildings covered by this Security Document. Such an arrangement usually takes the form of a long-term "ground lease."

SECURED AGREEMENT

To secure this loan, I give you a security interest in My Homestead including existing and future improvements, easements, fixtures, attachments, replacements and additions to the property, insurance refunds, and proceeds. This security interest is intended to be limited to the homestead property and not other collateral, as required under the Texas Constitution.

TRANSFER OF RIGHTS IN THE PROPERTY

I give to the Trustee, in trust, with power of sale, My Homestead located in _____ County at *(Street Address) (City*) *(State) (Zip Code*) and further described as:

(Legal Description)

The security interest in My Homestead includes existing and future improvements, easements, fixtures, attachments, replacements and additions to the property, insurance refunds, and proceeds. To the extent required by law, the security interest is limited to homestead property. No additional real or personal property secures the Loan Agreement.

This Security Document secures:

a. repayment of the Note, and all extensions and modifications of the Note; and
b. the completion of my promises and agreements under the Loan Agreement.

I warrant that I own My Homestead and have the right to grant you an interest in it. I also warrant that My Homestead is free of any lien, except liens that are publicly recorded. I promise that I will generally defend the title to My Homestead. I will be responsible for your losses that result from a conflicting ownership right in My Homestead. Any default under my agreements with you will be a default of this Security Document.

YOU AND I PROMISE:

LATE CHARGES AND PREPAYMENT

I will timely pay the principal, interest, and any other amounts due under the Loan Agreement. I will comply with the requirements of my escrow account under the Loan Agreement. I will make payments in U.S. currency. If any check is returned to you unpaid, you may select the form of future payments including:

a. cash;
b. money order;
c. certified check, bank check, treasurer's check or cashier's check drawn upon an institution whose deposits are federally insured; or
d. Electronic Funds Transfer.

I will make payments to the location as you direct. You will apply my payments against the loan only when they are received at the designated location. You may change the location for payments if you give me notice.

You may return any partial payment that does not bring the account current. You may accept any payment or partial payment that does not bring the account current without losing your rights to refuse full or partial payments in the future. I will not use any offset or claim against you to relieve me from my duty to make payments under the Loan Agreement.

FUNDS FOR ESCROW ITEMS

I will pay you an amount ("Funds") for:

a. taxes and assessments and other items that can take priority over your security interest in My Homestead under the Loan Agreement;
b. leasehold payments or Ground Rents on My Homestead, if any; and
c. premiums for any insurance you require under the Loan Agreement.

These items are called "Escrow Items." At any time during the term of the Loan Agreement, you may require me to pay Community Association Dues, Fees, and Assessments, if any, as an Escrow Item.

I will promptly give you all notices of amounts to be paid. I will pay you the Funds for Escrow Items unless you, at any time, waive my duty to pay you. Any escrow waiver must be in writing. If you waive my duty to pay you the Funds, I will pay, at your direction, the amounts due for waived Escrow Items. If you require, I will give you receipts showing timely payment. My duty to make Escrow Item payments and to provide receipts is an independent promise in the Loan Agreement.

If you grant me an escrow waiver, you may require me to pay the waived Escrow Items. If I fail to directly pay the waived Escrow Items, you may use any right given to you in the Loan Agreement. You may pay waived Escrow Items and require me to repay you. You may cancel the waiver for Escrow Items at any time by a notice that complies with the Loan Agreement. If you cancel the waiver, I will pay you all Funds that are then required under this Section.

At any time you may collect and hold Funds in an amount:

a. to permit you to apply the Funds at the time specified under RESPA; and
b. not to exceed the maximum amount you may require under RESPA.

You will estimate the amount of Funds due on the basis of current data and reasonable estimates of future expenses for Escrow Items or otherwise, according to Applicable Law. The Funds will be held in an institution whose deposits are federally insured (including you, if your deposits are insured) or in any Federal Home Loan Bank.

You will timely pay Escrow Items as required by RESPA. You will not charge me a fee for maintaining or handling my escrow account. You are not required to pay me any interest on the amounts in my escrow account. You will give me an annual accounting of the Funds as required by RESPA. If there is a surplus in my escrow account, you will follow RESPA. If there is a shortage or deficiency, as defined by RESPA, you will notify me, and I will pay you the amount necessary to make up the shortage or deficiency. I will repay the shortage or deficiency in no more than twelve monthly payments. You will promptly return to me any Funds after I have paid the Loan Agreement in full.

CHARGES AND LIENS

I will timely pay all taxes, assessments, charges, and fines relating to My Homestead that can take priority over this Security Document. I also will timely pay leasehold payments or Ground Rents on My Homestead, if any, and Community Association Dues, Fees, and Assessments, if any. If these items are Escrow Items, I will pay them as required by the Loan Agreement. I will promptly satisfy any lien that has priority over this Security Document unless I:

a. agree in writing to pay the amount secured by the lien in a manner acceptable to you and only so long as I comply with my agreement;
b. contest the lien in good faith by stopping the enforcement of the lien through legal proceedings (this contest must be satisfactory to you); or
c. obtain an agreement from the holder of the lien that is satisfactory to you.

If you determine that any part of My Homestead is subject to a lien that can take priority over this Security Document, you may give me a notice identifying the lien. I will satisfy the lien or take one or more of the actions described above in this Section within 10 days of the date of the notice.

PROPERTY INSURANCE

I will insure the current and future improvements to My Homestead against loss by fire, hazards included within the term "extended coverage," and any other hazards including earthquakes and floods, as you may require. I will keep this insurance in the amounts (including deductible levels) and for the periods that you require. You may change these insurance requirements during the term of the Loan Agreement. I have the right to choose an insurance carrier that is acceptable to you. You will exercise your right to disapprove reasonably.

I will pay any fee charged by the Federal Emergency Management Agency for the review of any flood zone determination. You may require me to pay either:

a. a one-time charge for flood zone determination, certification and tracking services; or
b. a one-time charge for flood zone determination and certification services; and subsequent charges each time re-mappings or similar changes occur that reasonably might affect the determination or certification.

If I do not keep any required insurance, you may obtain insurance at your option and at my expense. You are not required to purchase any type or amount of insurance. Any insurance you buy will always protect you, but may not protect me, my equity in My Homestead, my contents in My Homestead or protect me from certain hazards or liability. I understand that this insurance may cost significantly more than insurance I can purchase. I will owe you for the cost of any insurance that you buy under this Section. Interest will be charged on this amount at the interest rate used by the Note. The interest will be charged from the date you made the payment. You will give me notice of the amounts I owe under this Section.

You may disapprove any insurance policy or renewal. Any insurance policy must include a standard mortgage clause, and must name you as mortgagee or a loss payee. I will give you all insurance premium receipts and renewal notices, if you request. If I obtain any optional insurance to cover damage or destruction of My Homestead, I will name you as a loss payee. In the event of loss, I will give notice to you and the insurance company. You may file a claim if I do not file one promptly. You will apply insurance proceeds to repair or restore My Homestead unless your interest will be reduced or it will be economically unreasonable to perform the work. You may hold the insurance proceeds until you have had an opportunity to inspect the work and you consider the work to be acceptable. The insurance proceeds may be given in a single payment or multiple payments as the work is completed. You will not pay any interest on the insurance proceeds. If I hire a public adjuster or other third party, I am responsible for the fee. It will not be paid from the insurance proceeds. The insurance proceeds will be applied to the amount I owe if your interest will be reduced or if the work will be economically unreasonable to perform. You will pay me any excess insurance proceeds. You will apply insurance proceeds in the order provided by the Loan Agreement.

If I abandon My Homestead you may file, negotiate, and settle any insurance claim. If the insurance company offers to settle a claim and I do not respond within thirty days to a notice from you, then you may settle the claim. The 30-day period will begin when the notice is given. If I abandon My Homestead, fail to respond to the offer of settlement, or you foreclose on My Homestead, I assign to you:

a. my rights to any insurance proceeds in an amount not greater than what I owe; and
b. any of my other rights under insurance policies covering My Homestead.

You may apply the proceeds to repair or restore My Homestead or to the amount that I owe.

HOMESTEAD

I now occupy and use the property secured by this Security Document as my Texas homestead.

PRESERVATION, MAINTENANCE, PROTECTION, AND INSPECTION OF THE PROPERTY

I will not destroy, damage or impair My Homestead, allow it to deteriorate, or commit waste. Whether or not I live in My Homestead, I will maintain it in order to prevent it from deteriorating or decreasing in value due to its condition. I will promptly repair the damage to My Homestead to avoid further deterioration or damage unless you and I agree in writing that it is economically unreasonable. I will be responsible for repairing or restoring My Homestead only if you release the insurance or condemnation proceeds for the damage to or the taking of My Homestead. You may release proceeds for the repairs and restoration in a single payment or in a series of payments as the work is completed. I still am obligated to complete repairs or restoration of My Homestead even if there are not enough proceeds to complete the work. You or your agent may inspect My Homestead. You may inspect the interior of My Homestead with reasonable cause. You will give me notice stating reasonable cause when or before the interior inspection occurs.

CONDITIONS CAUSING ACTUAL FRAUD

I commit actual fraud under Section 50(a)(6)(C), Article XVI of the Texas Constitution if I or any person acting at my direction or with my knowledge or consent:

a. gives you materially false, misleading, or inaccurate information or statements;
b. fails to provide material information regarding the loan; or
c. commits any other action or inaction that is determined to be actual fraud.

Material representations include statements concerning my occupancy of My Homestead as a Texas homestead, the statements and promises contained in any document that I sign in connection with the Loan Agreement, and the execution of an acknowledgment of fair market value of My Homestead as described in the Loan Agreement. If I commit actual fraud I will be in default of the Loan Agreement and may be held personally liable.

PROTECTION OF LENDER'S INTEREST IN THE PROPERTY AND RIGHTS UNDER THE SECURITY DOCUMENT

You may do whatever is reasonable to protect your interest in My Homestead, including protecting or assessing the value of My Homestead, and securing or repairing My Homestead. You may do this when:

a. I fail to perform the promises and agreements contained in the Loan Agreement;
b. a legal proceeding might significantly affect your interest in My Homestead or rights under the Loan Agreement (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture, for enforcement of a lien which may have priority over the Loan Agreement or to enforce laws or regulations); or
c. I abandon My Homestead.

In order to protect your interest in My Homestead, you may:

a. pay amounts that are secured by a lien on My Homestead which has or will have priority over the Loan Agreement;
b. appear in court; or
c. pay reasonable attorneys' fees.

You may enter My Homestead to secure it. To secure My Homestead, you may make repairs, change locks, replace or board up doors and windows, drain water from pipes, eliminate building or other code violations or dangerous conditions, and have utilities turned on or off. You have no duty to secure My Homestead. You are not liable for failing to take any action listed in this Section. Any amounts you pay under this Section will become my additional debt secured by the Loan Agreement. These amounts will earn interest at the rate specified in the Loan Agreement. The interest will begin on the date the amounts are paid. You will give me notice requesting payment of these amounts. If the Loan Agreement is on a leasehold, I will comply with the lease.

ASSIGNMENT OF MISCELLANEOUS PROCEEDS AND FORFEITURE

Any Miscellaneous Proceeds will be assigned and paid to you. If My Homestead is damaged, Miscellaneous Proceeds will be applied to restore or repair My Homestead. You will only do this if your interest in My Homestead will not be reduced and if the work will be economically reasonable to perform. You will have the right to hold Miscellaneous Proceeds until you inspect My Homestead to ensure the work has been completed to your satisfaction. You must make the inspection promptly. You may release proceeds for the work in a single payment or in multiple payments as the work is completed. You are not required to pay me any interest on the Miscellaneous Proceeds. The Miscellaneous Proceeds will be applied to the amount I owe if your interest in My Homestead will be reduced or the work will be economically unreasonable to perform. You will pay me any excess Miscellaneous Proceeds. You will apply Miscellaneous Proceeds in the order provided by the Loan Agreement.

You will apply all Miscellaneous Proceeds to the amount I owe in the event of a total taking, destruction, or loss in value of My Homestead. You will apply the Miscellaneous Proceeds even if all payments are current. You will give any excess Miscellaneous Proceeds to me.

A partial loss can include a taking, destruction, or loss in value. In the event of a partial loss, the Miscellaneous Proceeds will be applied in one of two ways:

a. If the fair market value of My Homestead immediately before the partial loss is less than the amount I owe immediately before the partial loss, then you will apply all Miscellaneous Proceeds to the amount I owe even if all payments are current.
b. If the fair market value of My Homestead immediately before the partial loss is equal to or greater than the amount I owe immediately before the partial loss, then you will apply Miscellaneous Proceeds to the amount I owe in the following manner:
    1. The amount of Miscellaneous Proceeds multiplied by the result of,
    2. The amount I owe immediately before the partial loss divided by the fair market value of My Homestead immediately before the partial loss.

You and I can agree otherwise in writing. You will give any excess Miscellaneous Proceeds to me.

If I abandon My Homestead you may apply Miscellaneous Proceeds either to restore or repair My Homestead, or to the amount I owe.

Damage to My Homestead caused by a third party may result in a civil proceeding. If you give me notice that the third party offers to settle a claim for damages to My Homestead and I fail to respond to you within thirty days, you may accept the offer and apply the Miscellaneous Proceeds either to restore or repair My Homestead or to the amount I owe. If the proceeding results in an award of damages, you will apply the Miscellaneous Proceeds according to this Section.

FORBEARANCE NOT A WAIVER

My successors and I will not be released from liability if you extend the time for payment or modify the payment schedule. If I pay late, you will not have to sue me or my successor to require timely future payments. You may refuse to (1) extend time for payment or (2) modify this Loan Agreement even if I request it. If you do not enforce your rights every time, you may enforce them later.

JOINT AND SEVERAL LIABILITY, SECURITY DOCUMENT EXECUTION, SUCCESSORS OBLIGATED

I understand that you may seek payment from me without first looking to any other person who signed the Note. Any person who signs this Security Document, but not the Note:

a. has no duty to pay the sums secured by this Security Document;
b. is not a surety or guarantor;
c. only grants the person's interest in My Homestead under the terms of this Security Document; and
d. grants the person's interest in My Homestead to comply with the requirements of Section 50(a)(6)(A), Article XVI of the Texas Constitution.

The lien against My Homestead is a voluntary lien and is a written agreement that shows the consent of each owner and each owner's spouse. You and I may extend, modify, or make any arrangements with respect to the terms of the Loan Agreement. Upon your approval, my successor who assumes my duties in writing will receive all of my rights and benefits under the Loan Agreement. I still will be responsible under the Loan Agreement unless you release me in writing. The Loan Agreement will extend to your assigns or successors.

EXTENSION OF CREDIT CHARGES

If an Applicable Law that sets a maximum charge is finally interpreted so that the interest, loan charges, or fees collected or to be collected with the Loan Agreement exceed the permitted amount, then you will:

a. reduce the amount to the amount permitted; or
b. refund the excessive amount to me.

You may choose to apply this refund to the amount I owe or pay it directly to me. If you apply the refund to the amount I owe, the refund will be treated as a partial prepayment.

If I default, you will be able to charge me reasonable fees paid to an attorney who is not your employee to protect your interest in My Homestead.

DELIVERY OF NOTICES

Under the Loan Agreement, you and I will give notices to each other in writing. Any notice under the Loan Agreement will be considered given to me when it is mailed by first class mail or when actually delivered to me at my address if given by another means. You will give notice to My Homestead address unless I provide you a different address. I will notify you promptly of any change of address. I will comply with any reasonable procedure for giving a change of address that you provide. There will only be one address for notice under the Loan Agreement. Notice to me will be considered notice to all persons who are obligated under the Loan Agreement unless Applicable Law requires a separate notice. I may give you notice by delivering or mailing it by first class mail to the address provided by you, unless you require a different procedure. You, however, will not receive notice under the Loan Agreement until you actually receive it. Legal requirements governing notices subject to the Loan Agreement will prevail over conditions in the Loan Agreement.

GOVERNING LAW AND SEVERABILITY

The Loan Agreement will be governed by Texas law and federal law. If any provision in the Loan Agreement conflicts with any legal requirement, all non-conflicting provisions will remain effective.

RULES OF CONSTRUCTION

As used in the Loan Agreement:

a. words in the singular will mean and include the plural and vice versa; and
b. the word "may" gives sole discretion without imposing any duty to take action.

LOAN AGREEMENT COPIES

At the time the Loan Agreement is made, you will give me copies of all documents I sign.

TRANSFER OF INTEREST IN PROPERTY

"Interest in My Homestead" means any legal or beneficial interest. This term includes those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement (the intent of which is the transfer of title by me at a future date to a purchaser). If any part of My Homestead is sold or transferred without your prior written permission, you may require immediate payment of all I owe. You will not exercise this option if disallowed by Applicable Law. If you accelerate, you will give me notice. The notice of acceleration will allow me at least 21 days from the date the notice is given to pay all I owe. If I fail to timely pay all I owe, you may pursue any remedy allowed by the Loan Agreement without further notice or demand.

BORROWER'S RIGHT TO REINSTATE AFTER ACCELERATION

I have the right to stop you from enforcing the Loan Agreement any time before the earliest of:

a. 5 days before sale of My Homestead under any power of sale included in the Loan Agreement;
b. the day required by Applicable Law for the termination of my right to reinstate; or
c. the entry of a judgment enforcing the Loan Agreement.

I can stop the enforcement of the Loan Agreement and reinstate the Loan Agreement if all the following conditions are met:

a. You are paid what I owe under the Loan Agreement as if no acceleration had occurred;
b. I cure any default of any promise or agreement;
c. You are paid all expenses allowed by Applicable Law, including reasonable attorneys' fees and other fees incurred for the purpose of protecting your interest in My Homestead and rights under the Loan Agreement;
d. I comply with any reasonable requirement to assure you that your interest in My Homestead will remain intact; and
e. I comply with any reasonable requirement to assure you that my ability to pay what I owe will remain intact.

You may require me to pay for the reinstatement in one or more of the following forms:

a. cash;
b. money order;
c. certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are federally insured; or
d. Electronic Funds Transfer.

Upon reinstatement, the Loan Agreement will remain effective as if no acceleration had occurred. However, this right to reinstate will not apply if I sell or transfer any interest in My Homestead without your permission.

SALE OF NOTE, CHANGE OF LOAN SERVICER, NOTICE OF GRIEVANCE, LENDER'S RIGHT TO COMPLY

A full or partial interest in the Loan Agreement can be sold one or more times without prior notice to me. The sale may result in a change of the company servicing or handling the Loan Agreement. The company servicing or handling the Loan Agreement will collect my monthly payment and will comply with other servicing conditions required by the Loan Agreement or Applicable Law. In some cases, the company servicing or handling the Loan Agreement may change even if the Loan Agreement is not sold. If the company servicing or handling the Loan Agreement is changed, I will be given written notice of the change. The notice will state the name and address of the new company, the address to which my payments should be made, and any other information required by RESPA. If a different company services the Loan Agreement, the servicing duties to me will be transferred.

You or I must give notice of any violation of the Loan Agreement to the other and the opportunity to address the alleged violation before starting or joining any legal action. You and I will give each other a reasonable amount of time to address the alleged violation. If the law provides a specified time period that must be given to address a violation, that time period will be a reasonable time for purposes of this paragraph. Any notice of acceleration and opportunity to cure under the Loan Agreement will satisfy the notice and opportunity to address the alleged violation provisions of this Section.

You and I intend to strictly follow the provisions of the Texas Constitution that relate to the Loan Agreement (Section 50(a)(6), Article XVI of the Texas Constitution).

No agreement between you and me or any third party will limit your ability to comply with your duties under the Loan Agreement and the Applicable Law. The Loan Agreement is being made on the condition that you have a reasonable amount of time to correct any violation of Applicable Law. I will notify you of any violation and give you a reasonable amount of time to comply before taking any action. I will cooperate with your reasonable effort to correct the Loan Agreement. You will forfeit all principal and interest as required by Applicable Law if you have:

a. received my notice;
b. had a reasonable amount of time to correct the violation; and
c. failed to correct the violation.

You and I are limiting all agreements so that all current or future interest or fees in connection with this Loan Agreement will not be greater than the highest amount allowed by Applicable Law.

You and I intend to conform the Loan Agreement to the provisions of the Texas Constitution and Texas law. If any promise, payment, duty or provision of the Loan Agreement is in conflict with the Applicable Law, then the promise, payment, duty or provision will be corrected or removed. This correction will be automatic and will not require any amendment or new document. Your right to correct any violation will survive my paying off the Loan Agreement. My right to correct will override any conflicting provision of the Loan Agreement.

Your right-to-comply as provided in this Section will survive the payoff of the Loan Agreement. The provisions of this Section will supersede any inconsistent provision of the Loan Agreement.

HAZARDOUS SUBSTANCES

Hazardous Substances:

a. "Hazardous Substances" means those substances defined as toxic or hazardous substances, pollutants, or wastes by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials;
b. "Environmental Law" means federal laws and laws of the jurisdiction where My Homestead is located that relate to health, safety or environmental protection;
c. "Environmental Cleanup" includes any response action, remedial action, or removal action, as defined in Environmental Law; and
d. "Environmental Condition" means a condition that can cause, contribute to, or otherwise trigger an Environmental Cleanup.

I will not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances, or threaten to release any Hazardous Substances, on or in My Homestead. I will not do or allow anyone else to do, anything affecting My Homestead:

a. that is in violation of any Environmental Law;
b. that creates an Environmental Condition; or
c. that, due to the presence, use, or release of a Hazardous Substance, creates a condition that adversely affects the value of My Homestead.

The presence, use, or storage on My Homestead of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and for the maintenance of My Homestead are allowed. This includes Hazardous Substances found in consumer products.

I will promptly give you written notice of:

a. any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving My Homestead and any Hazardous Substance or Environmental Law of which I have actual knowledge;
b. any Environmental Condition, including any spilling, leaking, discharge, release or threat of release of any Hazardous Substance; and
c. any condition caused by the presence, use or release of a Hazardous Substance which adversely affects the value of My Homestead.

If I learn that, or am notified by any governmental or regulatory authority, or any private party, that any removal or other remediation of any Hazardous Substance affecting My Homestead is necessary, I promptly will take all necessary remedial actions in accordance with Environmental Law. You will have no obligation for an Environmental Cleanup.

ACCELERATION AND REMEDIES

You will give me notice prior to acceleration if I am in default under the Loan Agreement. The notice will specify:

a. the default;
b. the action required to cure the default;
c. a date, not less than 21 days from the date you give me notice, to cure the default; and
d. that my failure to cure the default on or before the specified date will result in acceleration of all that I owe under the Loan Agreement and sale of My Homestead.

You will inform me of my right to reinstate after acceleration and my right to bring a court action to contest the alleged default or to assert any other defense to the acceleration and sale. If the default is not cured before the specified date, you have the option to require immediate payment in full of all I owe. If you are not paid all I owe, you may sell My Homestead or seek other remedies allowed by Applicable Law without further notice. You may collect your reasonable expenses incurred in seeking the remedies provided in this Section. These expenses may include court costs, attorneys' fees, and costs of title search.

This lien against My Homestead may be foreclosed upon only by a court order. You may, at your option, follow any rules of civil procedure for expedited foreclosure proceedings related to the foreclosure of liens under Section 50(a)(6), Article XVI of the Texas Constitution ("Rules"). The power of sale granted by the Loan Agreement will be exercised according to the Rules. I understand the power of sale is not a confession of judgment or a power of attorney to confess judgment or an appearance by me in a judicial proceeding.

POWER OF SALE

You have a fully enforceable lien on My Homestead. Your remedies for my default include an efficient means of foreclosure under the law. You and the Trustee have all powers to conduct a foreclosure except as limited by the Texas Supreme Court. If you choose to use the power of sale, you will give me notice of the time, place and terms of the sale by posting and filing notice at least 21 days before the sale as provided by law. You will give me notice by mail as required by law. The sale will be conducted at a public place. The sale will be held:

a. on the first Tuesday of a month;
b. at a time stated in the notice or no later than 3 hours after the time; and
c. between 10:00 a.m. and 4:00 p.m.

I allow the Trustee to sell My Homestead to the highest bidder for cash in one or more parcels and in any order the Trustee determines. You may purchase My Homestead at any sale. The Rules will prevail in a conflict between the procedures and the Rules. If a conflict arises, the conflicting provision will be corrected in order to comply.

Trustee will give a Trustee's deed to the foreclosure sale purchaser. A Trustee's deed will convey:

a. good title to My Homestead that cannot be defeated; and
b. title with promises of general warranty from me.

I will defend the purchaser's title to My Homestead against all claims and demands. The description of facts contained in the Trustee's deed will be sufficient to legally prove the truth of the statements made in the deed. Trustee will apply the proceeds of the sale in the following order:

a. to all expenses of the sale, including court costs and reasonable Trustee's and attorneys' fees;
b. what I owe; and
c. any excess to the person or persons legally entitled to it.

If My Homestead is sold through a foreclosure sale governed by this Section, I or any person in possession of My Homestead through me, will give up possession of My Homestead without delay. A person who does not give up possession is a holdover and may be removed by a court order.

RELEASE

You will cancel and return the Note to me and give me, in recordable form, a release of lien securing the Loan Agreement or a copy of any endorsement of the Note and assignment of the lien to a lender that is refinancing the Loan Agreement. I will pay only the cost of recording the release of lien. My acceptance of the release or endorsement and assignment will end all of your duties under Section 50(a)(6), Article XVI of the Texas Constitution.

NON-RECOURSE LIABILITY

You are entitled to all rights, superior title, liens and equities owned or claimed by any grantor or holder of any liens and debts due before the signing of the Loan Agreement. You are entitled to these rights whether you acquire the liens or debts by assignment or the holder releases them upon payment.

Each person who signs the Security Document is responsible for each promise and duty in the Security Document, subject to limitation of personal liability described below. The Texas Constitution provides that the Loan Agreement is given without personal liability against each owner of My Homestead and the spouse of each owner. Personal liability may be obtained if the Loan Agreement was obtained by actual fraud. This means that, unless actual fraud is found by a court, you are only able to enforce your rights under the Loan Agreement against My Homestead. You are not able to seek personal liability against the owner of My Homestead or the spouse of an owner. If the Loan Agreement is obtained by actual fraud, then I will be personally liable for the payment of any amounts due under the Loan Agreement. This means that a personal judgment could be obtained against me for a deficiency as a result of a foreclosure sale of My Homestead. A personal judgment would subject my other assets for the payment of the debt.

Unless prohibited by the Texas Constitution, this Section will not:

a. impair in any way the Loan Agreement or your right to collect all that I owe under the Loan Agreement;
b. affect your right to any promise or condition of the Loan Agreement.

PROCEEDS

I am not required to apply the proceeds of the Loan Agreement to repay another debt except a debt secured by My Homestead or a debt to another lender.

NO ASSIGNMENT OF WAGES

I have not assigned wages as security for the Loan Agreement.

ACKNOWLEDGMENT OF FAIR MARKET VALUE

You and I agreed in writing to the fair market value of My Homestead on the date of the Loan Agreement.

TRUSTEES AND TRUSTEE LIABILITY

One or more Trustees acting alone or together may exercise or perform all rights, remedies and duties of the Trustee under the Loan Agreement. You may remove or change any Trustee (e.g., add one or more Trustees or appoint a successor Trustee to any Trustee). This removal or change of Trustee must be in writing and may be:

a. at your option;
b. with or without cause; and
c. by power of attorney or otherwise.

The substitute, additional or successor Trustee will receive, without any further act, the title, rights, remedies, powers and duties under the Loan Agreement and Applicable Law.

Trustee may rely, without liability, upon any notice, request, consent, demand, statement or other document reasonably believed by Trustee to be valid. Trustee will not be liable for any act or omission unless the act or omission is willful.

WAIVER OF ADDITIONAL COLLATERAL

I agree that you waive all terms in any of your current or future loan documentation that:

a. creates a default of the Loan Agreement by a default of another obligation that is not secured by My Homestead;

b. provides for collateral other than My Homestead (including cross collateralization or dragnet provisions);
c. creates personal liability for me for the Loan Agreement (unless this loan was obtained by actual fraud); or
d. creates a personal guaranty.

DEFAULT

Any default of my agreements with you will be a default of this Security Document.

BY SIGNING BELOW, I accept and agree to the terms and promises contained in the Loan Agreement and in any Rider I sign which is recorded with it. (DO NOT SIGN IF THERE ARE BLANKS LEFT TO BE COMPLETED IN THIS DOCUMENT. THIS DOCUMENT MUST BE SIGNED AT THE OFFICE OF THE LENDER, AN ATTORNEY AT LAW OR A TITLE COMPANY. I MUST RECEIVE A COPY OF ANY DOCUMENT I SIGN.)

I MAY, WITHIN 3 DAYS AFTER CLOSING, RESCIND THE LOAN AGREEMENT WITHOUT PENALTY OR CHARGE.

_____ _____(seal)
-Borrower

Printed Name:_____
(Please Complete)

_____(seal)
-Borrower

_____

_____(seal)
-Borrower

_____(seal)
-Borrower

(Acknowledgment on following page)

New Figure: 7 TAC §90.203(b)(2) ***{with bracketed text to combine current figures 90.203(b)(2)(A) and 90.203(b)(2)(B)}***

"ITEMIZATION OF AMOUNT FINANCED

1. Amount financed: (2+3+4 [add the text "-5" if administrative fee is paid in cash]) $_____

2. Amount given to me directly $_____

3. Amount paid on my account (Net Balance - Prior Account) $_____

4. Amount paid to others on my behalf (A+B+C+D+E+F) $_____
   (You may be retaining a portion of this amount.)
   A. Cost of personal property insurance paid to insurance company $_____
   B. Cost of single-interest insurance paid to insurance company $_____
   C. Cost of optional credit insurance paid to insurance company or companies
      Life $_____
      Disability $_____
      Involuntary Unemployment Insurance $_____
      Total C: $_____
   D. Non-Filing Insurance paid to insurance company $_____
   E. Official fees paid to government agencies $_____
   F. Payable to: _____ $_____
      Payable to: _____ $_____
      Payable to: _____ $_____
      Total F: $_____

5. Prepaid Finance Charge (Administrative Fee) $_____."

Amended Figure: 7 TAC §90.204(a)(8) *{revised to remove current strikethrough text}*

CONSUMER CREDIT DISCLOSURE - PROMISSORY NOTE

ACCOUNT / CONTRACT NO. _____ **DATE OF NOTE** _____

CREDITOR / LENDER _____ **BORROWER** _____

ADDRESS _____ ADDRESS _____

_____ _____

"I" and "me" and similar words mean each person who signs as a Borrower. "You" and "your" and similar words mean the Lender.

ANNUAL PERCENTAGE RATE The cost of my credit as a yearly rate. %	**FINANCE CHARGE** The dollar amount the credit will cost me. $	Amount Financed The amount of credit provided to me or on my behalf. $	Total of Payments The amount I will have paid after I have made all payments as scheduled. $

My Payment Schedule will be:

Number of Payments	Amount of Payments	When Payments Are Due

Security: You will have a security interest in the following described collateral _____.
If checked, Borrower is giving a security interest in:
☐Motor Vehicle ☐ Property Purchased with the Money from this Loan ☐Personal Property ☐Other
Late Charge: If any part of a payment is unpaid for 10 days after it is due, I may be charged 5% of the amount of payment.
Prepayment: If I pay off early, I will not have to pay a penalty.
Additional Information: See the contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

I promise to pay the cash advance plus the accrued interest to the order of you, the Lender. I will make the payments at your address above. I will make the payments on the dates and in the amounts shown in the Payment Schedule. If I don't pay all of a payment within 10 days after it is due, you can charge me a late charge. The late charge will be 5% of the scheduled payment.

I can make any payment early. Unless you agree otherwise in writing, I may not skip payments. If I make a payment early, my next payment will still be due as scheduled. [Finance Charge Earnings and Refund Method clause]

If I ask for more time to make any payment and you agree, I will pay more interest to extend the payment. The extra interest will be figured under the Finance Commission rules. I agree to pay you a fee of up to $30 for a returned check. You can add the fee to the amount I owe or collect it separately.

OPTION A

ITEMIZATION OF AMOUNT FINANCED

1. Amount Financed: (2+3+4) **$**_____

2. Amount given to me directly **$**_____

3. Amount paid on my account (Net Balance - Prior Account) **$**_____

4. Amount paid to others on my behalf (A + B + C +D + E + F) **$**_____
(You may be retaining a portion of this amount.)

A. Cost of personal property insurance paid to insurance company **$**_____

B. Cost of single-interest insurance paid to insurance company **$**_____

C. Cost of optional credit insurance paid to insurance company or companies

Life **$**_____

Disability **$**_____

Involuntary Unemployment Insurance **$**_____

Total C: **$**_____

D. Non-Filing Insurance paid to insurance company **$**_____

E. Official fees paid to government agencies **$**_____

F. Payable to:_____ **$**_____

Payable to:_____ **$**_____

Payable to:_____ **$**_____

Total F: **$**_____

5. Prepaid Finance Charge (Administrative Fee) $_____

I will be in default if:
I do not timely make a payment;
I break any promise I made in this agreement;
I allow a judgment to be entered against me or the collateral;
I sell, lease, or dispose of the collateral;
I use the collateral for an illegal purpose; or
you believe in good faith that I am not going to keep any of my promises.
If there is more than one Borrower, each Borrower agrees to keep all of the promises in the loan documents.

PROPERTY INSURANCE: I must keep the collateral insured against damage or loss in the amount I owe. I may obtain property insurance from anyone I want or provide proof of insurance I already have. The insurer must be authorized to do business in Texas. If I buy personal property insurance through you, the rate is not fixed or approved by the Texas Department of Insurance.

I agree to give you proof of property insurance. I must name you as the person to be paid under the policy in the event of damage or loss. If I obtain the insurance through you, I will pay the premium shown below. However, I have 5 days from the date of this loan to furnish like (equivalent) coverage from another source. If I fail to meet any of these requirements, you may obtain collateral protection insurance at my expense. If you obtain collateral protection insurance, you will mail notice to my last known address.

☐ Personal Property Insurance **$**_____ Term _____

☐ Single Interest Insurance (Vehicle) **$**_____ Term _____

Credit insurance is optional.

Credit life insurance, credit disability insurance and involuntary unemployment insurance are not required to obtain credit. They will not be provided unless I sign and agree to pay the extra cost.

☐ Credit Life, one borrower $_____ ☐ Credit Life, both borrowers $_____ Term ____

☐ Credit Disability, one borrower $_____ ☐ Credit Disability, both borrowers $_____ Term ____

☐ Credit Involuntary Unemployment Insurance, one borrower $_____ Term ____

☐ **If this box is marked, the premium for the insurance coverage(s) above is not fixed or approved by the Texas Insurance Commissioner.**

I want the insurance above.

Borrower's signature: _____ Date: _____

Co-Borrower's signature: _____ Date: _____

I agree:

1. You can mail any notice to me at my last address in your records. Your duty to give me notice will be satisfied when you mail it.
2. I promise that all information I gave you is true.
3. If I am in default, you may require me to repay the entire unpaid principal balance, and any accrued interest at once. You don't have to give me notice that you are demanding or intend to demand immediate payment of all that I owe. If you don't enforce your rights every time, you can still enforce them later. If this debt is referred to an attorney for collection, I will pay any attorney fees set by the court plus court costs. (Optional: You may report information about my account to credit bureaus. Late payments, missed payments, or other defaults on my account may be reflected in my credit report.)
4. I understand that you may seek payment from only me without first looking to any other Borrower.
5. I don't have to pay interest or other amounts that are more than the law allows.
6. If any part of this contract is declared invalid, the rest of the contract remains valid.
7. **This written loan agreement is the final agreement between you and me and may not be changed by prior, current, or future oral agreements between you and me. There are no oral agreements between you and me relating to this loan agreement. Any change to this agreement must be in writing. Both you and I have to sign written agreements.**
8. If I am giving collateral for this loan, I will see the separate security agreement for more information and agreements.
9. Federal law and Texas law apply to this contract.

For questions or complaints about this loan, contact (insert name of lender) at (insert lender's phone number and, at lender's option, one or more of the following: mailing address, fax number, website, e-mail address). The lender is licensed and examined under Texas law by the Office of Consumer Credit Commissioner (OCCC), a state agency. If a complaint or question cannot be resolved by contacting the lender, consumers can contact the OCCC to file a complaint or ask a general credit-related question. OCCC address: 2601 N. Lamar Blvd., Austin, Texas 78705. Phone: (800) 538-1579. Fax: (512) 936-7610. Website: occc.texas.gov. E-mail: consumer.complaints@occc.texas.gov.

I agree to the terms of this contract. I received a completed copy on _____.

X_____
Borrower
X_____
Borrower

Recibí un resumen del contrato en español. _____
I received a summary of the contract in Spanish.

C. OFFICE OF CONSUMER CREDIT COMMISSIONER

7. Discussion of and Possible Vote to Take Action on a Petition to Initiate Rulemaking to Amend 7 TAC, Part 5, Chapter 89, Concerning Property Tax Lenders

PURPOSE: The OCCC received a rulemaking petition to amend 7 TAC Chapter 89 by amending requirements related to payoff statements and closing costs, and adding requirements related to origination, screening for deferrals, and other issues.

RECOMMENDED ACTION: The OCCC recommends that the Finance Commission deny the petition.

RECOMMENDED MOTION: I move that the Finance Commission deny the petition to amend 7 TAC Chapter 89.

On September 11, 2026, Andre Cardenas of San Antonio, Texas, on behalf of Panacea Lending LLC, submitted a petition for rulemaking to the Finance Commission of Texas (commission), regarding rules administered by the Office of Consumer Credit Commissioner (OCCC). The petition requests amendments to rules governing property tax lenders in 7 TAC Chapter 89. The commission denies the petition for the reasons described below.

Under Texas Government Code, §2001.021, an interested person may request adoption of a rule by petition to a state agency. Not later than the 60th day after submission of the petition, a state agency shall either: (1) deny the petition in writing, stating its reasons for the denial, or (2) initiate a rulemaking proceeding. Under the commission's rule for rulemaking petitions at 7 TAC §9.82, a finance agency receiving a petition will present the petition and the agency's recommendation to the commission.

The petition recommends the following rule changes for property tax lenders:

- A requirement for an existing property tax lender to provide a complete payoff statement no later than three business days after receiving a compliant request.
- A requirement for an existing property tax lender to deliver a payoff statement to the borrower's authorized requestor using reasonable delivery instructions provided with the request.
- A requirement for an existing property tax lender to acknowledge a payoff request within one business day, and to specifically identify any deficiency found.
- An express recognition of electronic signatures and reliable electronic proof of authorization for payoff requests.
- A requirement for screening during application and closing for eligibility for tax deferrals under Texas law.
- A requirement for a signed application and disclosure identifying certain transaction terms, which would apply to all property tax lending transactions and would not depend on the type of property.
- An adjustment to the maximum closing costs for property tax loans, from the current $900 to $1,500 with an inflation-adjustment mechanism.
- A review and strengthening of the process by which recurring complaints and allegations are incorporated into the OCCC's complaint trend analysis, licensee risk assessment, examination selection, investigation process, supervisory review, and enforcement process.

The petitioner's recommendations relate to rule changes that the commission considered in the most recent rule review of 7 TAC Chapter 89. In July 2025, the OCCC posted an advance notice of rule review, informing stakeholders that the OCCC was preparing to review the rules in 7 TAC Chapter 89 and allowing stakeholders to file informal comments. Panacea Lending filed an informal comment with eight suggestions for amending the rules. On August 1, 2025, a notice of rule review for 7 TAC Chapter 89 was published in the *Texas Register* (50 TexReg 5069). Mr. Cardenas testified at the August 2025 commission meeting regarding Panacea Lending's recommendations. Panacea Lending resubmitted its July 2025 comment as an official comment on the rule review. In September 2025, the OCCC posted a precomment draft of rule amendments to 7 TAC Chapter 89, including a new rule 7 TAC §89.806 (relating to Payoff Request from Borrower). In October 2025, OCCC staff met with Mr. Cardenas and Panacea Lending's attorneys

regarding Panacea Lending's recommendations. The OCCC held a webinar on the precomment draft, at which stakeholders provided comments on the draft rules. Panacea Lending filed an informal precomment on the OCCC's draft. At the commission's October 2025 meeting, Mr. Cardenas testified regarding Panacea Lending's recommendations. The commission readopted 7 TAC Chapter 89 following the rule review, with a readoption statement explaining why the commission and the OCCC disagreed with recommendations made by Panacea Lending. The commission proposed rule changes to 7 TAC Chapter 89, including new 7 TAC §89.806. On November 7, 2025, the proposed rule changes were published in the *Texas Register* (50 TexReg 7183). In December 2025, the Texas Property Tax Lienholders Association (TPTLA) filed a comment on the proposed rule changes and included comments disagreeing with Panacea Lending's recommendations. At the commission's December 2025 meeting, the commission adopted rule changes following rule review. At the commission's August 2026 meeting, Mr. Cardenas testified regarding Panacea Lending's recommendations.

In general, the petition's recommended changes are unnecessary and outside the intended scope of the rules in 7 TAC Chapter 89. Most of the changes were considered in the most recent rule review of 7 TAC Chapter 89, and the commission declined to proceed with the recommended changes, for reasons explained in the commission's December 2025 preamble to the adoption of amendments to 7 TAC Chapter 89, as well as the commission's October 2025 readoption of 7 TAC Chapter 89. In addition, several of the changes would go beyond statutory requirements under Texas Tax Code, Chapter 32 and Texas Finance Code, Chapter 351.

First, the petition recommends a requirement for an existing property tax lender to provide a complete payoff statement no later than three business days after receiving a compliant request. This recommendation corresponds to a provision in the seventh recommendation in Panacea Lending's July 2025 comment. The adopted payoff statement rule at 7 TAC §89.806(b)(3) contains a seven-business-day period for providing a payoff statement authorized by the borrower of an existing property tax loan. Like the other requirements for borrower payoff statements, this requirement is based on the statutory prohibition on prepayment penalties for property tax loans at Texas Tax Code, §32.065(d) and Texas Finance Code, §343.205 and §351.0021(a)(9). Panacea Lending's comments recommend a three-business-day period, arguing that payoff statements can be quickly generated and that exceptions for loans in litigation could be carved out of a general three-day rule. TPTLA's December 2025 comment recommends a seven-business-day period for providing payoff statements, due to consistency with industry norms and the federal standard for mortgages under Regulation Z, 12 C.F.R. §1026.36. Similarly, in an October 2025 precomment, a law firm representing property tax lenders recommends a seven-day period. After considering stakeholder comments, the commission adopted a seven-business-day period in 7 TAC §89.806(b)(3), due to consistency with the current seven-business-day requirement for payoff statements that property tax lenders provide to other lienholders under 7 TAC §89.802(i) (relating to Payoff Statements), and with the seven-business-day period for payoff statements for mortgage loans described in the Truth in Lending Act, 15 U.S.C. §1639g, and Regulation Z, 12 C.F.R. §1026.36(c)(3). The commission and the OCCC believe that the seven-business-day period at 7 TAC §89.806(b)(3) is appropriate. A three-business-day requirement is unnecessary and would go beyond the intended scope of the rules.

Second, the petition recommends a requirement for an existing property tax lender to deliver a payoff statement to the borrower's authorized requestor using reasonable delivery instructions provided with the request. The payoff statement rule at 7 TAC §89.806(b)(3) already addresses where a payoff statement should be sent, stating in part: "If the request includes the information necessary to complete a payoff statement, then the existing property tax lender should respond with a payoff statement to the authorized property tax lender within seven business days after the existing property tax lender receives the complete request." The commission and the OCCC believe that the rule at 7 TAC §89.806(b)(3) is sufficiently specific in addressing payoff statement delivery to the authorized requestor, and that additional changes to this provision are unnecessary.

Third, the petition recommends a requirement for an existing property tax lender to acknowledge a payoff request within one business day, and to specifically identify any deficiency found. The payoff statement rule at 7 TAC §89.806(b)(3) already addresses notifications of deficiencies, stating in part: "If the authorized property tax lender's request does not include the information described by paragraph (2) of this subsection, then the existing property tax lender should notify the authorized property tax lender of the deficiency within a reasonable period of time." This provision already requires the existing property tax lender to notify the authorized property tax lender of a deficiency within a reasonable period of time. Regarding a one-business-day period to acknowledge a payoff request, the commission and the OCCC believe that this requirement adds an unnecessary step to the payoff request process, and that this issue is sufficiently addressed by the requirement to notify the authorized property tax lender of the deficiency within a reasonable period of time. The commission and the OCCC believe that the rule at 7 TAC §89.806(b)(3) is sufficiently specific in addressing responses to payoff requests, and that additional changes to this provision are unnecessary.

Fourth, the petition recommends an express recognition of electronic signatures and reliable electronic proof of authorization for payoff requests. This recommendation corresponds to portions of the seventh recommendation in Panacea Lending's July 2025 comment. Panacea Lending's comments argue that a borrower's electronic signature should be deemed valid, and that a lender should not be allowed to require a payoff request to be submitted through a particular platform. In response to other stakeholder concerns about the inability to verify payoff authorizations, Panacea Lending's October 2025 precomment suggests that these concerns are "not genuine," and that payoff authorizations from a licensed lender should be presumed valid under a "safe harbor." In its December 2025 official comment, TPTLA argues that "the current payoff system among property tax lenders is working effectively." TPTLA expresses concerns about a company using an e-signature platform designed for HIPAA compliance standards that do not apply to property tax lending, and that "the use of this system is misaligned with financial verification needs and obstructs lenders from confirming the borrower’s authorization." TPTLA argues that "[w]ithout access to signer verification data, the lender receiving the payoff request cannot confirm that the borrower truly authorized the release." Therefore, TPTLA suggests that the proof of authorization include a certificate of authenticity containing the signer's name, IP address, email address, and date and time of signing. After considering stakeholder comments, the commission adopted the following provision at 7 TAC §89.806(b)(1): "The authorized property tax lender should obtain a signed written statement from the borrower authorizing the lender to pay off the property tax loan. If the signature is electronic, then the lender must maintain a certificate of authenticity or other

proof of the signature in accordance with standards for electronic signatures." As explained in the preamble for adopted §89.806 regarding technical requirements for the payoff request, the commission and the OCCC believe that concerns about validation are genuine, but want to ensure that the rule remains flexible enough to accommodate changing technology. The commission and the OCCC also believe that it is a prudent data security practice for lenders to verify incoming requests before releasing a borrower's sensitive financial transaction information. In addition, it is unnecessary for the rules in 7 TAC Chapter 89 to restate the legal recognition of electronic signatures, which is already stated in statute in the Texas Uniform Electronic Transactions Act, Tex. Bus. & Comm. Code §322.007. The commission and the OCCC believe that the rule at 7 TAC §89.806(b)(1) is sufficiently specific in addressing electronic signatures and authorizations, and that additional changes to this provision are unnecessary.

Fifth, the petition recommends a requirement for screening during application and closing for eligibility for tax deferrals under Texas law. This corresponds to the first recommendation in Panacea Lending's July 2025 comment. Panacea Lending's comments recommend mandatory compliance procedures requiring property tax lenders to conduct yearly internal reviews of residential property tax loans to determine whether borrowers are subject to homestead exemptions for being older than 65 or having a disability, and a requirement that property tax lenders send notices to borrowers who are subject to exemptions, with the notice confirming the exemption or deferment and explaining how the property owner may apply for it. In a supplement to the original comment, Panacea Lending suggests requiring additional documents at closing, as well as a disclosure to be read aloud to the borrower by a notary, asking about disabilities and whether the borrower is the surviving spouse of a first responder, as well as a required disclosure to be provided when a property tax lender is prohibited from making a loan. Panacea Lending cites Texas Attorney General Opinion No. GA-0787 (2010), in which the attorney general found that the Texas Tax Code prohibits a property tax lender from foreclosing on a property owner who has attained the age of 65 and filed a deferment of taxes. TPTLA's December 2025 comment argues that existing Texas law at Texas Tax Code, §33.06 and §33.065 (among other provisions) already prohibit originating property tax loans for homeowners who qualify for age exemptions. TPTLA also asserts that licensed lenders follow stringent procedures to prevent these loans, including cross-referencing dates of birth and county appraisal records, and that there is no evidence of widespread non-compliance. Therefore, TPTLA argues that Panacea Lending's proposal is redundant and unnecessary. As explained in the commission's October 2025 readoption and the commission's December 2025 preamble to the adopted rule changes, the commission and the OCCC disagree with the rule amendments proposed by Panacea Lending. The suggested amendments go significantly beyond the Tax Code's statutory requirements, may require property tax lenders to provide legal advice to borrowers, and may not be possible to fully implement in practice. For example, it is unclear how a property tax lender can determine, from a review of its files, whether a borrower currently has a disability making the borrower eligible for a deferment or exemption. Some of the disclosures described in Panacea Lending's comment may be a prudent business practice for property tax lenders, but the prescriptive nature of the suggested disclosures goes beyond the intended scope of the rules in 7 TAC Chapter 89.

Sixth, the petition recommends a requirement for a signed application and disclosure identifying certain transaction terms, which would apply to all property tax lending transactions and would

not depend on the type of property. This corresponds to the fourth recommendation in Panacea Lending's July 2025 comment. Panacea Lending's comments recommend adding a requirement for a property tax lender to obtain a signed loan application, and to provide a nonbinding pre-closing disclosure with a 48-hour waiting period for the property tax loan to be closed. Panacea Lending argues that this is necessary because borrowers may receive loan terms without a written record of what was actually offered, preventing borrowers from comparison shopping. TPTLA's December 2025 comment responds that these additional requirements are unnecessary because existing rules already require timely, signed pre-closing disclosures of transaction terms, and require lenders to maintain records of loan applications and disclosures. As explained in the commission's October 2025 readoption and the commission's December 2025 preamble to the adopted rule changes, the commission and the OCCC believe that the Panacea Lending's suggested changes go beyond statutory requirements and the intended scope of the rules. Regarding the signed loan application, the commission and the OCCC believe that this requirement is unnecessary, because the recordkeeping rule at 7 TAC §89.207(3)(A)(ii) (relating to Files and Records Required) already requires property tax lenders to maintain a transaction file that includes the application and any written or recorded information used in evaluating the application. Property tax loans are already subject to pre-closing disclosure requirements under Texas Tax Code, §32.06(a-4)(1) and 7 TAC §89.504 (relating to Requirements for Disclosure Statement to Property Owner). The pre-closing disclosure includes key loan terms, and lenders are required to amend disclosures promptly if they are inaccurate. *See* 7 TAC §89.504(c)(3).

Seventh, the petition recommends an adjustment to the maximum closing costs for property tax loans, from the current $900 to $1,500 with an inflation-adjustment mechanism. This corresponds to the third recommendation in Panacea Lending's July 2025 comment. Panacea Lending's comments recommend amending 7 TAC §89.601 (relating to Fees for Closing Costs) to adjust the maximum closing costs for a residential property tax loan. Currently, 7 TAC §89.601 provides a general maximum of $900 for closing costs, plus up to $100 for each additional parcel of property past the first parcel, plus reasonable fees for certain direct costs to address title defects. Panacea Lending recommends adjusting the maximum to $1,500, indexed annually to inflation using the Consumer Price Index, based on increased costs of staffing, technology, and insurance. TPTLA's December 2025 comment opposes changing this maximum fee, arguing that the current rule protects consumers, that technological efficiencies have offset inflationary pressure, and that raising the maximum would invite high-fee, short-term lending. As explained in the commission's October 2025 readoption and the commission's December 2025 preamble to the adopted rule changes, the commission and the OCCC recognize that certain costs have increased for lenders. However, the commission and the OCCC believe that the $900 maximum (plus additional amounts for certain transaction) remains a fair maximum for lenders in relation to typical residential property tax loan amounts (which averaged $21,399 in calendar year 2024). The commission and the OCCC have not received sufficient information to support raising the maximum closing costs at this time.

Eighth, the petition recommends a review and strengthening of the process by which recurring complaints and allegations are incorporated into the OCCC's complaint trend analysis, licensee risk assessment, examination selection, investigation process, supervisory review, and enforcement process. The petition states that the commission "should have sufficient information

to determine whether recurring issues are being identified and addressed through the regulatory system it oversees." The petition does not include proposed rule text or a citation to statutory authority for this recommendation. The OCCC already regularly reports complaint data to the commission, and complaints are one of several factors that affect risk assessment and examination selection. In situations where complaints provide reasonable cause to believe that violations have occurred, complaints can currently provide a basis for investigation or enforcement, as explained in Texas Finance Code, §14.202, §14.208, and §351.009. It is unclear what the petition means by "strengthen[ing]" these existing processes and authorizations. The commission and the OCCC believe that additional rules on this issue are unnecessary.

For these reasons, the commission denies the rulemaking petition under Texas Government Code, §2001.021(c), and 7 TAC §9.82(c).

Issued in Austin, Texas on October 16, 2026.

PANACEA
LENDING, LLC
10010 San Pedro Ave, Suite 120 | SAN ANTONIO, TEXAS 78216

11 SEP 2026

Via Email

Charles G. Cooper
Executive Director
Finance Commission of Texas
2601 N. Lamar Blvd.
Austin, Texas 78705

Cc: Phillip A. Holt, Chair, Finance Commission of Texas

RE: Formal Request for October 16, 2026 Agenda Item — Property Tax Lending Consumer Protections

Dear Mr. Cooper:

I am writing on behalf of Panacea Lending, LLC to formally request that **Property Tax Lending Consumer Protections** be placed on the agenda for the Finance Commission's **October 16, 2026 meeting** in a form that permits Commission discussion, questions, consideration, and appropriate action.

To avoid any misunderstanding, **this is not merely a request to register for General Public Comment.**

Panacea is specifically requesting an **agenda item** so that the Finance Commission may publicly consider eight proposed consumer-protection changes concerning Texas property-tax lending.

Why Commission Consideration Is Appropriate Now

These issues are not new.

Panacea has raised concerns regarding Texas property-tax-lending practices and consumer protections with OCCC and the Finance Commission since **2025**, through written communications, public comment, supporting documentation, and individual consumer complaints.

I have personally appeared before the Finance Commission regarding these issues, most recently on **August 21, 2026**.

Since that appearance, the factual record has continued to develop.

Panacea has now submitted **ten separate payoff-related consumer complaints to OCCC involving separate Texas consumers and transactions**.

The two most recent are:

OCCC Complaint No. 10719 — [redacted]

OCCC Complaint No. 10902 — [redacted]

These complaints should be investigated and decided on their individual facts. Panacea does not ask the Finance Commission to determine the merits of those individual complaints through this agenda request.

They are relevant to this request because they demonstrate that the underlying issues Panacea has been raising are **continuing policy questions involving actual Texas borrowers and actual transactions**.

The Commission does not need to determine the outcome of an individual complaint before considering whether the rules governing the industry should be improved prospectively.

After more than a year of raising these issues, I believe the appropriate next step is to place these policy questions before the Finance Commission for public consideration.

Eight Consumer-Protection Proposals

1. Three-Business-Day Payoff Requirement

Require a property-tax lender to provide a complete payoff statement no later than **three business days** after receiving a compliant request.

Consumers seeking to pay off or refinance a property-tax loan should be able to obtain the information necessary to complete that transaction promptly.

2. Deliver the Payoff to the Borrower's Authorized Requestor

When a borrower has expressly authorized another person or property-tax lender to obtain a payoff, require the existing lender to deliver the payoff directly to that authorized requestor using the reasonable delivery instructions provided with the request.

A borrower's authorized payoff request should not be frustrated by sending the payoff somewhere other than where the borrower directed it to be sent.

3. One-Business-Day Acknowledgment and Specific Deficiency Notice

Require acknowledgment of a payoff request within **one business day**.

If information is missing or deficient, require the existing lender to identify the **specific deficiency actually found**.

The response should clearly identify what must be corrected so that the payoff can proceed.

4. Electronic Signatures and Reasonable Third-Party Authorization

Expressly recognize electronic signatures and reliable electronic proof of authorization for payoff requests.

Borrowers should be permitted to authorize another person or lender to obtain payoff information without being forced into unnecessary lender-controlled processes when reliable electronic authorization has already been provided.

5. Deferral and Exemption Screening at Origination and Before Closing

Require meaningful screening during the application and closing process for circumstances that may give a property owner rights under Texas property-tax deferral laws.

The process should include appropriate questions concerning potentially applicable age, disability, disabled-veteran, surviving-spouse, homestead, and other qualifying circumstances.

When an answer indicates that a property owner may qualify for a statutory protection, that issue should be identified and addressed before the property-tax loan is completed.

6. Signed Application and Complete Disclosure — All Property-Tax Loans

Require a **signed application or disclosure at the beginning of every property-tax lending transaction**, regardless of the type or use of the property, the type of borrower, or the particular loan product offered.

The requirement should apply to **all loans and financing products offered by a licensed property-tax lender**, including residential homestead, non-homestead, investment, rental, commercial, refinance, and any other current or future property-tax lending product authorized or approved by OCCC.

Before the borrower becomes committed to the transaction, the signed disclosure should clearly identify the material:

- interest rate and payment terms;
- closing costs and fees;
- default rate and material default consequences;
- deferral terms and interest accrual;
- prepayment terms; and
- other material costs, terms, and borrower obligations.

The purpose is straightforward: **every borrower should receive enough information early enough to understand the proposed transaction, compare competing offers, and make an informed decision.**

The signed document should also create a contemporaneous record of **what was offered, what was disclosed, and what the borrower accepted**, providing accountability for both the lender and the borrower.

This requirement should follow the licensed property-tax lender and the transaction—not depend upon the property's classification—and should apply equally to any new property-tax lending product or structure authorized in the future.

7. Reasonable and Transparent Closing-Cost Limits

Establish a modern and transparent limitation on property-tax-loan closing costs.

Panacea recommends Commission consideration of a cap of approximately **$1,500**, together with an objective inflation-adjustment mechanism for future years.

A clear and predictable standard would provide transparency for borrowers while allowing lenders to understand the limits applicable to the transaction.

8. Complaint, Examination, and Regulatory Oversight

Review and strengthen the process through which recurring consumer complaints and similar allegations involving regulated property-tax lenders are incorporated into OCCC's:

- complaint-trend analysis;
- licensee risk assessment;
- examination selection;
- investigation process;
- supervisory review; and
- enforcement process.

The Commission should have sufficient information to determine whether recurring issues are being identified and addressed through the regulatory system it oversees.

These Are Statewide Policy Questions

Panacea has pending consumer complaints and other matters involving OCCC and regulated property-tax lenders.

Those individual matters should proceed through the processes applicable to them.

This request is separate.

These eight proposals concern rules and regulatory processes applicable statewide to Texas property-tax lending.

They concern how borrowers obtain payoffs.

They concern whether a borrower's instructions concerning who receives a payoff are followed.

They concern electronic authorization and access to account information.

They concern identifying statutory protections before a loan is completed.

They concern whether borrowers receive material loan terms early enough to understand and compare competing offers.

They concern the costs borrowers may be charged.

And they concern how recurring complaints and similar conduct are identified and addressed through regulatory oversight.

These are policy questions appropriate for consideration by the Finance Commission.

Consumers Should Have an Opportunity to Be Heard

The record is no longer limited to Panacea's observations as a property-tax lender.

Affected borrowers have authorized Panacea to submit complaints concerning their individual transactions to governmental authorities.

Panacea also possesses written authorizations from affected borrowers expressly supporting stronger protections concerning the property-tax-loan payoff process.

At least one affected borrower has indicated that she is willing to appear personally before the Finance Commission and describe her experience.

These borrowers should have an opportunity to be heard on the policy questions that directly affect them.

Put the Proposals Before the Commission

Panacea is not asking that these proposals be adopted without public consideration.

We are asking that they be **placed before the Finance Commission**.

Let affected borrowers describe their experiences.

Let Panacea present its evidence and proposed solutions.

Let OCCC present its position.

Let industry representatives present their position.

Let consumer advocates be heard.

Let the Commissioners ask questions.

Then let the Finance Commission decide.

That is the public process Panacea is requesting.

Requested Action

Panacea respectfully requests that **Property Tax Lending Consumer Protections** be placed on the **October 16, 2026 Finance Commission agenda** in a form permitting:

1. Commission discussion and questions;

2. Presentation of Panacea's eight proposed consumer-protection measures and supporting evidence;

3. Participation by affected borrowers and other appropriate stakeholders; and

4. Commission consideration of appropriate action concerning the proposals.

To avoid any misunderstanding:

Participation during General Public Comment does not satisfy this request.

Panacea is requesting an **agenda item permitting Commission consideration of the subject**, not merely another opportunity to make public comments to the Commission.

Please provide written confirmation as to whether **Property Tax Lending Consumer Protections will be placed on the October 16, 2026 agenda as requested.**

If the Commission contends that Panacea has not satisfied a procedural requirement necessary for consideration of this request, please identify the **specific requirement promptly so that Panacea may address it without delaying consideration at the October 16 meeting.**

If this request is declined, please provide that decision and its basis in writing.

Conclusion

Panacea has been raising these issues since 2025.

The Finance Commission has heard public comment concerning them.

OCCC has received individual consumer complaints concerning them.

Additional transactions have continued to raise the same underlying policy questions.

We are not asking the Finance Commission to decide in advance that Panacea is correct.

We are asking the Commission to put these issues before the body charged with making policy so that they can finally be considered in a public setting that permits Commission discussion, questions, and consideration.

Let affected borrowers describe their experiences.

Let Panacea present its evidence and proposed solutions.

Let OCCC and other stakeholders present whatever information they believe the Commission should consider.

Then let the Finance Commission decide.

Panacea respectfully requests that this occur at the **October 16, 2026 meeting**.

Please confirm in writing whether this matter will be placed on that agenda.

Respectfully,

Andre Cardenas, COO

USAF Veteran
Panacea Lending, LLC

PANACEA
LENDING, LLC
10010 San Pedro Ave, Suite 120 | SAN ANTONIO, TEXAS 78216

7/31/2025

Sent Via E-mail
Office of Consumer Credit Commissioner
rule.comments@occc.texas.gov

Re: Suggested Rule Revisions and Additions to Title 7, Chapter 89 of the Texas Administrative Code

Dear Commissioner Pettijohn,

In response to the Texas Office of Consumer Credit Commissioner's invitation for stakeholder input on potential adjustments to the rules governing Property Tax Lenders, I respectfully submit the following recommendations. These proposals are based on more than 15 years of direct experience in property tax lending and over two decades in the mortgage industry. They are rooted in a deep commitment to ensuring that every hardworking Texas homeowner is served by a lending system grounded in fairness, transparency, and trust.

RULE RECOMMENDATION #1

Mandatory Compliance Procedures for Borrowers Eligible for Property Tax Deferral Due to Age or Disability

I recommend an amendment to the Texas Administrative Code to protect vulnerable Texas property owners—particularly those over 65 or with qualifying disabilities—from predatory or non-compliant lending practices. The current rules under Chapter 89 fail to impose adequate safeguards or enforcement mechanisms that honor existing legal rights to property tax deferral, including those recognized in Texas Attorney General Opinion GA-0787 citing Texas Tax Code 33.06.

This omission has allowed property tax lenders to originate and service loans in violation of the spirit and substance of Texas law, frequently burdening elderly and disabled homeowners with debt they are legally entitled to defer—often without disclosure of those rights.

Recommended language addition I would suggest would be as follows:
Title 7 Texas Admin Code § 89.508
Servicing/Origination of Residential Property Tax Loans

1. *At time of Origination, shall ask borrower if they currently qualify or receive a qualifying exemption under 33.06.*

2. *On or before March 31 of each year all licensed property tax lenders must conduct an internal review of each residential property tax loan for secured properties that are subject to (1) an Over-65 Homestead Exemption, (2) a Disabled Person Exemption; or (3) are eligible for a tax deferral under Texas Tax Code §§ 33.06 or 33.065. If a loan with a secured property eligible for one of the enumerated exemptions above then the lender must send the borrower a notice on or before April 15 each year that the property is eligible for such exemption or deferral. Lender shall also immediately update all affected accounts by making interest rate adjustments according to law, credit any costs or fees retroactive to effective date of tax deferral from Appraisal district.*

The notice required in this rule must include:

- *Confirmation of the exemption or deferral;*
- *Confirmation of rights and protection under the law including any deferral eligibility and rate limits;*
- *Information on how to apply for an exemption or deferral; and*
- *Confirmation of current interest rate with effective date given by Appraisal district for such adjustment.*

Reasons for recommendation.

- Attorney General Opinion GA-0787 clearly affirms that borrowers with valid tax deferral exemptions are entitled to a reduced interest rate of 5% per annum.
- Many lenders currently fail to inquire or act on exemption status, leading to unlawful or predatory loan originations, defaulted rate and collection fees not authorized.
- Borrowers are often not informed of their rights under Tax Code § 33.06 and § 33.065 after closing despite the information being available in their pre-closing disclosures, I think transparency and consumer protection standards could be improved with this rule change.
- These simple rules enhance OCCC oversight, protect vulnerable Texans, and promote lawful behavior without burdening responsible lenders.

Conclusion on Rule Recommendation #1

This proposed rule closes a dangerous loophole that has been exploited at the expense of Texas seniors and persons with disabilities. It upholds transparency, compliance, and compassion for vulnerable homeowners, while aligning industry practice with established legal authority.

RULE RECOMMENDATION #2

Transparency in Property Tax Lender Marketing

I recommend an amendment to the Texas Administrative Code to address misleading advertising from failure to identify clearly that the licensed lender is in the business of making loans. Texas

law recognizes that property tax lending is a regulated financial service and must be conducted in a manner that is transparent, non-deceptive, and protective of consumers.

Despite these protections, current marketing practices by some property tax lenders are misleading by omission, particularly in direct mail solicitations. Numerous mailers appear unrelated to their service or from a neutral advisory service—when in fact they originate from for-profit lenders.

This confusion is not hypothetical; it has been well documented by:

- Consumer complaints to the OCCC and Attorney General's office;
- Patterned marketing that omits or obscures the word "Property Tax Lender, Licensed Lender or Lending" entirely, relying instead on generic names or even logos
- Physical design of mailers that imitate official correspondence and hide key identifiers on the outside of the marketing material (like company name or NMLS number) on the reverse side—nowhere near the postage or initial point of consumer contact.

Recommended language addition I would suggest would be as follows:

Title 7 Texas Admin Code § 89.208(c)

Add the following sentence at the end of this section:

A licensed property tax lender or any party acting on its behalf must clearly and conspicuously include the term "Lender", "Lending", "Property Tax Lender" or "Licensed Lender" directly adjacent to its name in all advertising and marketing materials, including direct mail, print, email, and digital advertisements.

Reason for recommendations.

- Texas Finance Code § 351.002 and § 393.303 require property tax lenders to operate with full disclosure. Concealing one's status as a "Lender" subverts this standard and invites consumer misunderstanding.
- Consumers have mistaken these solicitations for - unrelated to their service - tax notices, appraisal district offers, or government relief. This violates the spirit (and arguably the letter) of Texas Finance Code § 393.302(3), which prohibits implying anything else but a debt-related services and Tex Admin Code 89.208(d), (e) and (f).
- Adding the word "Lender", "Lending", "Property Tax Lender" or "Licensed Lender" next to the company name on marketing pieces imposes no material cost, yet yields massive benefits in clarity and consumer awareness.
- Mortgage and payday lending rules (e.g., TAC § 83.6002) already require plain-language disclosures of license type. Property tax lenders should meet the same standard.
- The current regulatory silence creates a loophole. Unscrupulous actors continue to exploit the visual formatting of official mail, misleading consumers to whom they are calling — without realizing the sender is a lender.

Conclusion on Rule Recommendation #2

This rule change closes a critical transparency gap and aligns OCCC oversight with consumer expectations, Texas Finance Code requirements, and ethical advertising principles. Requiring the

word “Lender”, “Lending”, “Property Tax Lender” or “Licensed Lender” to appear prominently on all marketing pieces, especially near the postage on mailers, ensures honesty, fairness, and clarity—all values that support public trust and responsible lending.

RULE RECOMMENDATION #3

Allowable Closing Costs for Residential Property Tax Loans

Texas Administrative Code §89.601(c)(3) currently set a maximum fee for closing costs at $900.00 for loans secured by residential property as defined in §89.102(10) and I propose this amount be increased to $1,500.00 based on compelling economic, regulatory, and fairness grounds.

Recommended language addition I would suggest would be as follows:

§89.601(c)(3): General maximum fee limit. The general maximum fee for closing costs is $900. $1,500, indexed annually to inflation using the Consumer Price Index (CPI) as published by the U.S. Bureau of Labor Statistics.

Reasons for recommendation.

- The $900.00 limitation was put in place in September of 2013 which was not only 12 years ago but in a pre-pandemic era which was introduced under vastly different economic circumstances. Since that time:
- Inflation has significantly eroded purchasing power. The Consumer Price Index (CPI) has increased approximately 38% from 2013 to 2025.
- Real costs for lenders—from staffing, licensing, technology compliance (data security, disclosures), and insurance—have all increased dramatically and arguably more than CPI in general. Example: A postage stamp cost $0.46 in 2013 and is now $0.73 (58% increase).
- Lenders must now comply with increased data privacy, banking regulations, and electronic document standards.
- State and federal audit preparation, third-party software (e.g., DocuSign, CRM, encrypted email), and recordkeeping standards have become more stringent.
- All other goods and services are priced dynamically with inflation. Lenders, however, are arbitrarily fixed to a 2013-era cap.
- This creates an unsustainable market environment, particularly for small or rural lenders that cannot absorb cost increases without jeopardizing service quality or consumer support.
- Required "Property Tax Loan Pre-Closing Disclosure" under §89.506;
- Full loan application review;
- The ability to shop for better rates and fees.
- An increase in the cap does not compel lenders to charge more—it simply gives flexibility to responsibly recover higher operational costs while continuing to offer transparent options to borrowers.

Conclusion on Rule Recommendation #3

Raising the cap on closing costs from $900 to $1,500 is not just a matter of economic fairness—it is an essential update to maintain a sustainable and competitive market that continues to serve Texas homeowners responsibly. It ensures:

- Lenders can survive rising costs without cutting service quality;
- Consumers are fully informed and protected;
- OCCC enforcement remains simple and effective, with fees disclosed and itemized;
- Regulatory structure remains current and realistic in a post-pandemic economy.

This rule change strengthens—not weakens—consumer protection by aligning pricing frameworks with reality and ensuring Texas remains a state where both consumers and lenders can participate in responsible lending relationships.

RULE RECOMMENDATION #4

Mandatory Signed Application and Enhanced Disclosures for Property Tax Loans

Under current rules, property tax lenders are not required to obtain a signed loan application or nonbinding pre-closing disclosure from the borrower prior to initiating loan processing. This allows for significant regulatory gaps and borrower harm:

- Borrowers receive loan terms verbally or via non-binding mail solicitations to include email with no protection or clear written record of what was actually offered;
- Borrowers cannot shop around or compare terms because there is no consistent, signed baseline nor an actual document they can provide for proof of offer;
- Lenders can change rates or fees late in the process, without consequence;
- The OCCC has no easy way to audit whether initial quotes match final loan terms nor if disclosures were provided timely as required by rule.

Recommended language addition I would suggest would be as follows:

§ 89.209 (New Section)

Each licensee shall provide and obtain the initial offer at the time application conceived. It shall include copies of the initial offer to include preclosing disclosures as required by §89.506 duly executed by at least one proposed borrower and obtained by the borrower. 48 hours prior to the closing date and time of the loan the borrower must receive the Preclosing disclosures required under §89.506.

Reasons for recommendation.

This rule is needed to provide transparency at the time of the consumer's commitment to a loan and its terms. The current rule in §89.504 is inadequate to protect consumers and do not address the compliance intent of disclosure statements because borrowers can sign at closing that they have received the disclosures but they do not feel they have an option at this point and they have already progressed to the point of execution to resolve their taxes.

This protects consumers and prevents high pressure sales, bait-and-switch tactics, and misunderstandings. This would also allow borrowers to shop freely and creates a written reference point that can't be manipulated post-signature. This rule would also promote lenders to honor the quoted rates initially provided to the consumer.

Finally, this rule creates an immediate and verifiable paper trail that makes it simple for the OCCC to audit lender compliance, without guesswork or subjectivity.

Conclusion on Rule Recommendation #4
This rule change is low-cost, high-impact, and enforcement-ready. It strengthens transparency in property tax lending, helps borrowers make informed decisions, and gives the OCCC a clear and efficient tool to monitor and enforce compliance.
I respectfully urge the OCCC to initiate a rulemaking process to adopt this proposed addition. I would welcome the opportunity to assist with language refinement, stakeholder engagement, or public comment coordination.

RULE RECOMMENDATION #5

Required Transparency in Payoff Statements
When providing a payoff statement, property tax lenders are not required to include in the payoff clearly labeled and transparent data regarding delinquency information or information relevant to delinquency. Failure to provide such information does not give the consumer full information or the current status of their loan regarding current applied interest rate or unknown risks and penalties.

Recommended language addition I would suggest would be as follows:
§89.802(c)(14)
If the loan is currently delinquent, the payoff statement shall additionally include:

- *(A) Date of Last Payment Received*
- *(B) Number of Days Past Due*
- *(C) Total Accrued Late Fees*
- *(D) Current applicable Interest Rate*
- *(E) Deferred Interest (if any)*
- *(F) Tax deferral effective date*

Reasons for recommendation.
In my daily communications with consumers there is a constant confusion as to the state of their current loan. Without adding these additional payoff statement disclosures the consumer cannot effectively understand their current situation and make proper decisions for themselves and their families. This would provide better transparency for consumers and their legal or financial advisors. This rules aligns with consumer rights to review, understand, and correct their payoff amount, late fee status, or inquire about alternatives (such as tax deferral if applicable).

Conclusion on Rule Recommendation #5
This rule change requires lenders to simply provide data they already have readily available. It greatly improves consumer education, which is essential to allow borrowers make informed decisions. The promulgated form would also need to be added in §89.803.

RULE RECOMMENDATION #6

Disclosure of OCCC Participation in Trade Association and Industry Group Meetings Involving Property Tax Lenders

The Texas Office of Consumer Credit Commissioner (OCCC) regularly participates in meetings and conferences hosted by trade associations, including the Texas Property Tax Lienholders Association (TPTLA) — a private industry group that includes licensed property tax lenders. However, the OCCC does not currently disclose when these meetings occur, what is discussed, who attends, or whether materials are distributed that may influence regulatory compliance, interpretation, or enforcement under Chapter 89. This lack of transparency raises several concerns:

- Unequal access: Only select licensees (those affiliated with trade groups) receive information or guidance from OCCC appearances or remarks.
- Perception of bias: Unreported interactions between a regulator and industry trade groups create the appearance of regulatory capture.
- Lack of stakeholder fairness: Other licensed property tax lenders or consumer advocates may be unaware of rule changes or enforcement focus discussed privately.
- Regulatory imbalance: Information shared by OCCC staff in these settings may affect operations or compliance decisions by some lenders while others are left uninformed.

To ensure transparency, equity, and confidence in regulatory integrity, we propose a new rule requiring disclosure of OCCC participation in any industry group events or meetings where regulated licensees are present, and where matters affecting rules, consumer protections, or enforcement are discussed.

Recommended language addition I would suggest would be as follows:

§89.209 – Disclosure of Industry Group Participation

(a) Planned Meeting Disclosure Requirement.

Any trade organization or trade organizations agents which meets for any reason with The Office of Consumer Credit Commissioner (OCCC) personnel must publish notice of such meeting no later than 60 days prior to such planned meeting. Required notice must be made clearly and conspicuously on the home page of such trade organization.

(b) Post Meeting Disclosure Requirement.

Any trade organization or trade organizations agents which meets for any reason with The Office of Consumer Credit Commissioner (OCCC) personnel must publish notice no later than 10 business days after participation, a public disclosure summary of any meeting, panel, conference, or event in which OCCC personnel attend in any capacity with an industry group or its agents. This includes meetings hosted by the Texas Property Tax Lienholders Association (TPTLA), lobbyists, lender associations, or similar organizations where regulatory matters may be discussed. Required notice must be made clearly and conspicuously on the home page of such trade organization.

(c) Required Disclosures under this rule shall include:

1. *Date, time, and location of the meeting;*
2. *Name of the hosting organization or sponsor;*
3. *Names and titles of all OCCC personnel in attendance;*
4. *Names and titles of property tax lenders' representatives in attendance;*
5. *Agenda topics or discussion summaries;*
6. *Copies of presentation slides, handouts, or speaking points shared by or with the OCCC before or after;*
7. *Names of industry presenters or panelists affiliated with a licensee;*

8. *A summary that clearly states each topic discussion of any regulatory guidance, questions, or interpretations offered by OCCC staff.*

Reasons for recommendation.
All licensees should be made aware of any OCCC guidance and interpretations, and this promotes consistency in compliance across the regulated industry. This prevents anti-trust like behavior and creates a record of OCCC involvement with industry leaders. Keeping the entire industry informed in this manner prevents the need for the OCCC to issue advisory bulletins as well.

Conclusion on Rule Recommendation #6
All licensed lenders deserve equal access to the information that may affect their business and obligations under Texas law.

RULE RECOMMENDATION #7

Borrower Payoff Rights, Electronic Signatures, Privacy Protection, and Payoff Process Transparency
In order to address recurring anti-consumer friendly practices by certain property tax lenders, and to bring consistency and transparency to the borrower payoff process.
Texas borrowers have a legal and moral right to repay their obligations and seek better financial options. However, current loopholes in Chapter 89 allow some lenders to delay, obstruct, or deny valid payoff requests based on technicalities or unreasonable demands, including:

- Rejection of electronically signed authorizations;
- Forcing the use of proprietary websites or forms;
- Requiring unnecessary personal information (email, phone, etc.) to verify borrower identity;
- Refusing to disclose a public-facing payoff request email address.

These tactics are anti-competitive, deceptive, and harmful to Texas consumers. The following language ensures fair access, privacy protection, and consistent procedures—and can be easily enforced by the OCCC.

Recommended language addition I would suggest would be as follows:
§89.806 – Borrower Payoff Authorization, Identity, and Transmission Requirements.
(a) Right to Payoff.
A borrower shall have the unconditional right a payoff statement and to authorize the payoff of a property tax loan at any time. A valid payoff request may be submitted by the borrower, a licensed lender, an escrow agent, or any other authorized representative with written borrower consent.
(b) Electronic Signatures.
A borrower's electronic signature shall be deemed valid and enforceable under the Texas Uniform Electronic Transactions Act (Tex. Bus. & Com. Code § 322.001 et seq.).
(c) Promulgated Forms.
If a payoff authorization is provided by any model form under §89.803, a lender must accept that form when substantially completed and may not require the use of a proprietary or internal form in its place or in addition to such promulgated form.

(d) Prohibition Against Exclusive Platforms.
A lender may not require a payoff request to be submitted through a specific website, portal, or digital platform as a condition for acceptance.
(e) Public Payoff Submission Email.
Each property tax lender must maintain a designated email address solely for receiving payoff requests. This email:

- *Must be clearly published on the lender's website;*
- *Must be provided immediately upon request to any inquiring party; and*
- *Must be actively monitored.*

(g) Time to Respond.
Upon receipt of a valid request under this rule, the lender must provide a full and accurate payoff statement within three (3) business days. Failure to respond within the time period shall be deemed a violation of this chapter and subject to enforcement.
(h) Enforcement.
A refusal to accept a valid payoff request that complies with this section shall be considered an unfair or deceptive practice, and lenders engaging in such conduct shall be subject to administrative penalty and corrective action.

Reasons for recommendation.
Consumers by Texas Law include both individuals and entities of a certain size. Regardless of the loan type each consumer or borrower is entitled to payoff their loans and to allow any other party to payoff their loans. It is very well documented regarding our company and its complaints against industry bad actors that have denied payoffs when a valid payoff request is made. Despite a demonstration of systematic denials of payoffs the OCCC has not had the regulatory structure to enforce denied payoffs which has cost consumers immeasurably. Without this rule the practice will undoubtedly continue. Most importantly the OCCC Bulletin B15-1 issued on March 12, 2015 is not being followed nor enforced and with this regulatory framework the OCCC is able to set reasonable rules around payoff statements and hopefully put an end to bad actors in the industry that withhold payoffs.

Conclusion on Rule Recommendation #7
This rule promotes fair access, consistent standards, and free market competition. More importantly, it respects the rights of Texas consumers to compare offers, and repay their obligations without hidden traps or procedural barriers. I encourage the Commission to adopt this language in its next rulemaking cycle and would be happy to offer input in any stakeholder or working group session.

The OCCC advisory bulletin stated above is being violated almost daily by industry leaders. In order to protect consumers this practice has to be addressed. Reasonable people can get together and agree that this is not in any way an acceptable practice in Texas. The response is constantly to tell borrowers to get an attorney which none of them can afford. Allowing the bad actors to continue to abuse this practice risks the industry as a whole and therefore should be vigorously regulated.

RULE RECOMMENDATION #8

Uniform Disclosure Forms

Currently there are two separate disclosure forms. One form is for commercial property tax loans while the other is for residential property tax loans. The omission of key data for commercial property tax forms is unnecessary and eliminates transparency of licensing requirements.

Recommended language change would be as follows:

§89.506 should be changed to require the residential property tax loan form in (a)(1) to be the required form for any loan type.

Reasons for recommendation.

Consumers by Texas Law include both individuals and entities of a certain size. Regardless of the loan type each consumer or borrower is entitled to clear disclosures. Three very obvious things omitted from the commercial form are the loan originator, their NMLS ID number, and the loan calculations. There is no reason that a commercial property owner should not be given these details and disclosures.

Conclusion on Rule Recommendation #8

This rule should be easy to comply with for all lenders and provide significant additional disclosures that borrowers should be aware of despite the classification of their property. This would further make it easier to eliminate inadvertent errors in processing loan paperwork by using the improper form for disclosure.

As a USAF Disabled Veteran and Managing Partner of Panacea Lending, I take great pride in standing at the forefront of responsible lending practices. I believe it is time for common-sense regulatory reforms that close longstanding loopholes, deter predatory and anti-trust behavior, and reinforce the integrity of our industry.

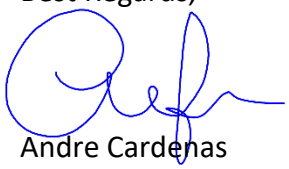
These proposed rule changes—addressing critical areas such as borrower disclosures, payoffs, equitable marketing, tax deferral enforcement, and protections for seniors and individuals with disabilities—are not radical. They are **reasonable**, **necessary**, and **long overdue**.

Every borrower deserves clear, timely, and complete information about their loan from the start of the process through closing. Every lender should be held accountable to honor the protections already guaranteed under Texas law, including tax deferral rights. And every licensed provider should operate with the same level of transparency, compliance, and ethical responsibility.

These reforms are designed to protect consumers without placing undue burden on compliant lenders. They will ensure proper enforcement, promote equity, and foster an industry environment worthy of public trust.

We welcome and support these changes—and believe they will elevate the standard across the board. We believe we operate with an elevated level of compliance with a focus on the consumer.

Best Regards,



Andre Cardenas
Panacea Lending, LLC

Cc: Rep. Mark Dorazio, mark.dorazio@house.texas.gov
Caleb Cashdollar, caleb.cashdollar@house.texas.gov
Dallas Emerson, dallas.emerson@house.texas.gov

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D.

Department of Savings and Mortgage Lending

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Department of Savings and Mortgage Lending

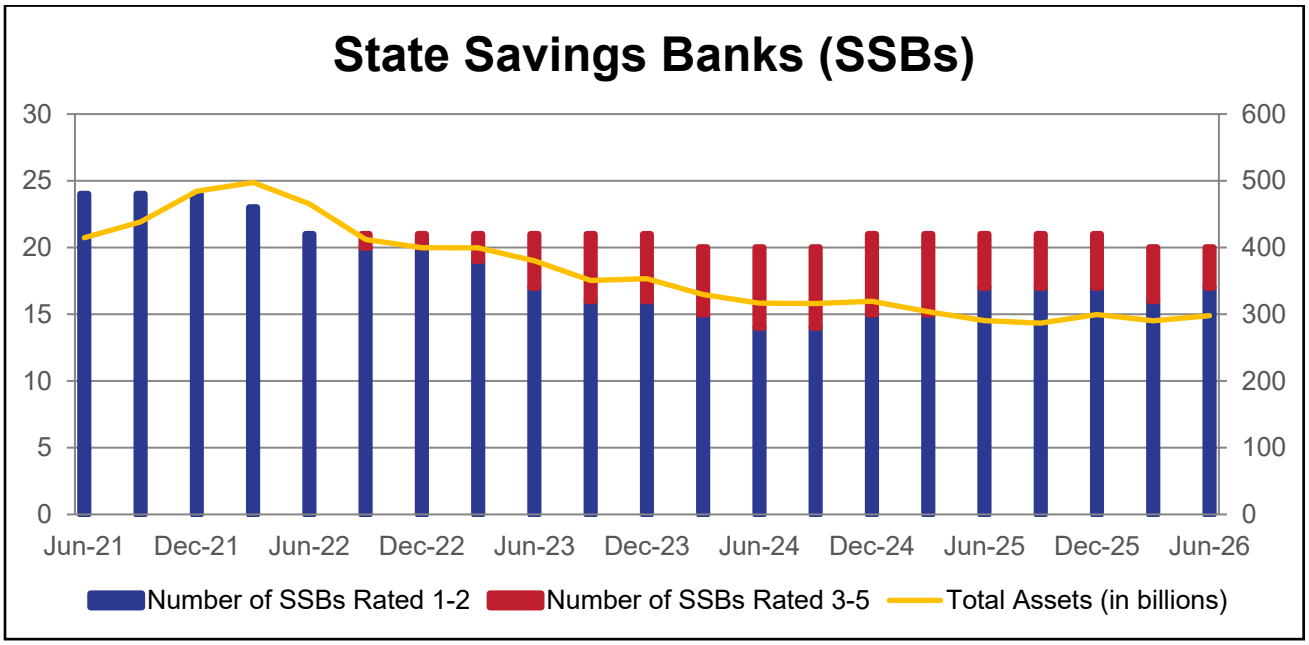
1. Industry Status and Departmental Operations

a) Thrift Regulation Division Activities

Industry Status

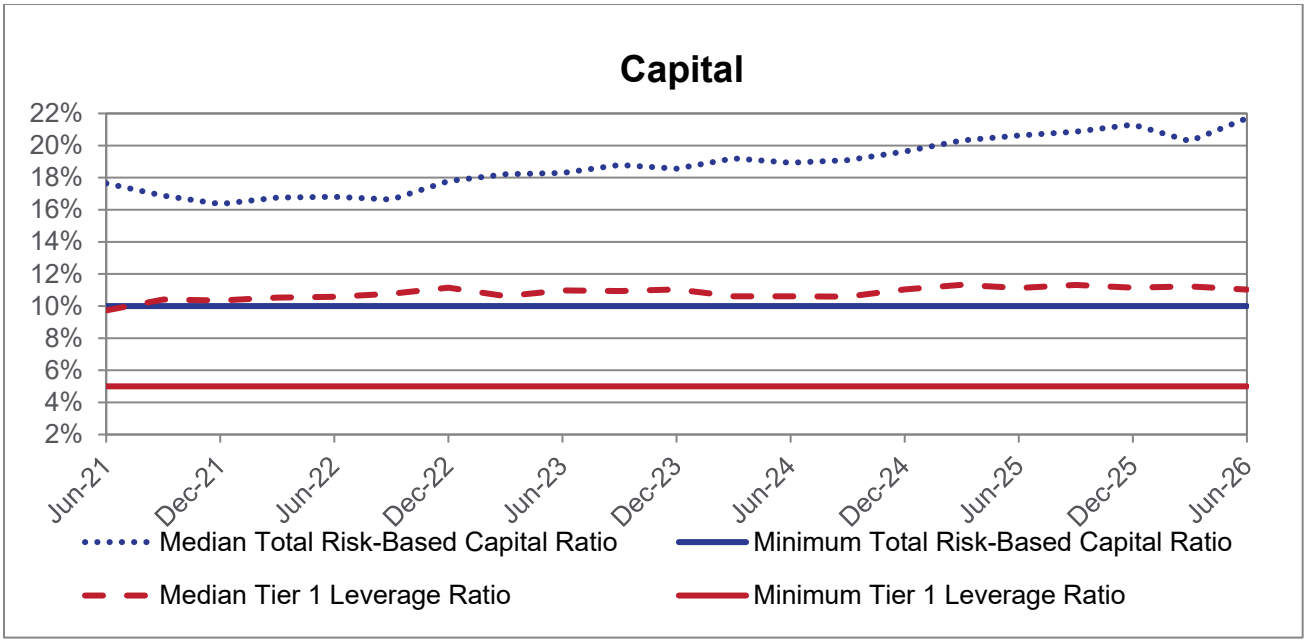
SML continues to monitor various local, state, and national data sources to understand the risks facing the industry and individual savings banks.

SML conducts bank examinations to ensure confidence in the banking system using the Uniform Financial Institutions Rating System (UFIRS). Banks with a UFIRS rating of 1 or 2 are considered well-rated. The industry is comprised of 20 state savings banks with assets totaling $297.8 billion as of August 31, 2026. The industry consists of 85% of banks being well-rated as of August 31, 2026, with one formal supervisory action in place.

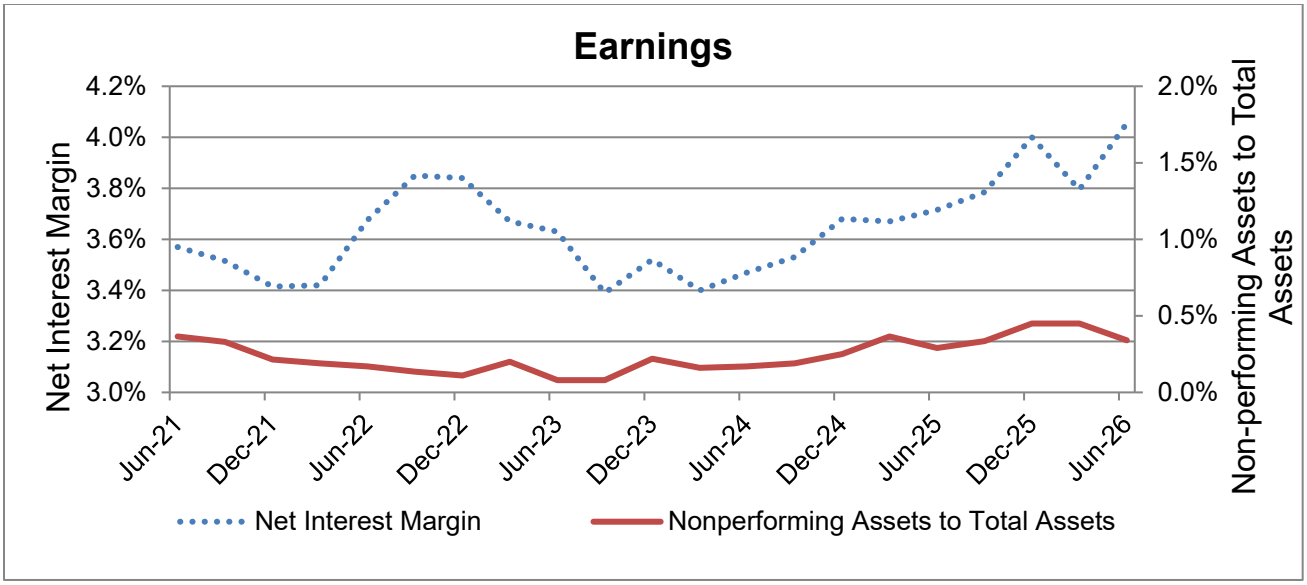


All SSBs are subject to quarterly offsite reviews. Those with the highest risk profiles receive enhanced scrutiny, as warranted, with targeted visitations, accelerated examinations, and/or corrective actions. Below are specific areas that SML monitors in relation to changes in the state and national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

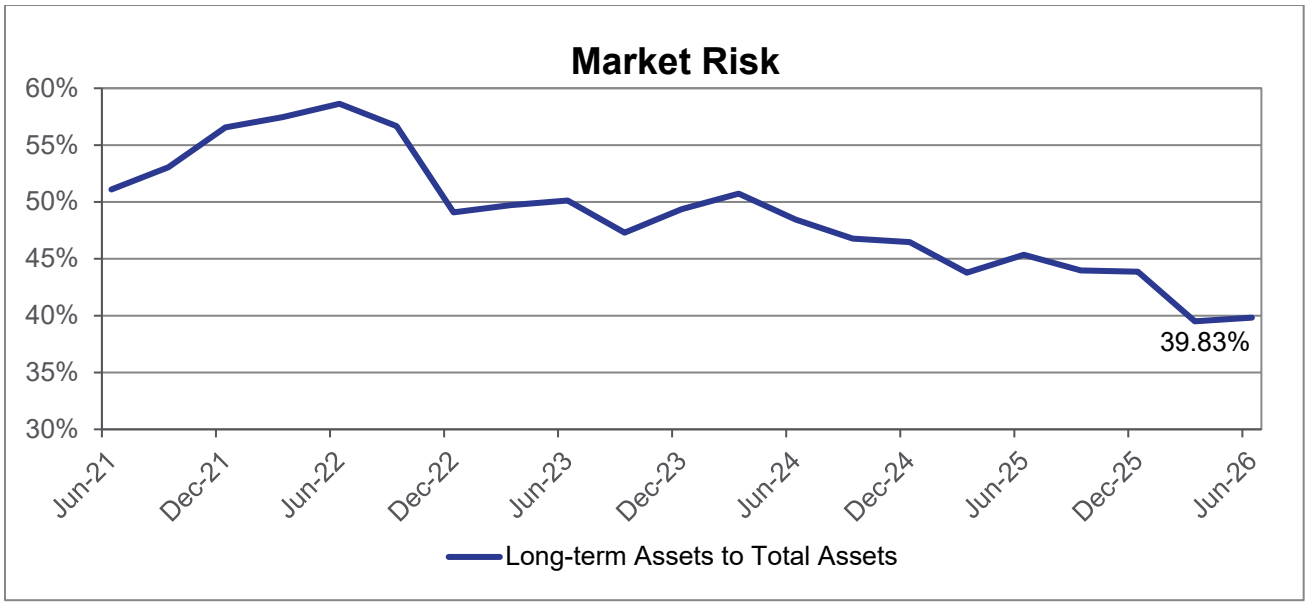
Bank capital performs several very important functions, including absorbing losses, promoting public confidence, helping restrict excessive asset growth, and providing protection to the depositors. Regulatory capital standards are designed to strengthen the quality and quantity of bank capital and promote a stronger financial industry that is more resilient to economic stress. As of June 30, 2026, all SSBs remain well above regulatory capital minimums. The portfolio median total risk-based capital ratio and median leverage capital protection are generally consistent and are now 21.70% and 11.03%, respectively.



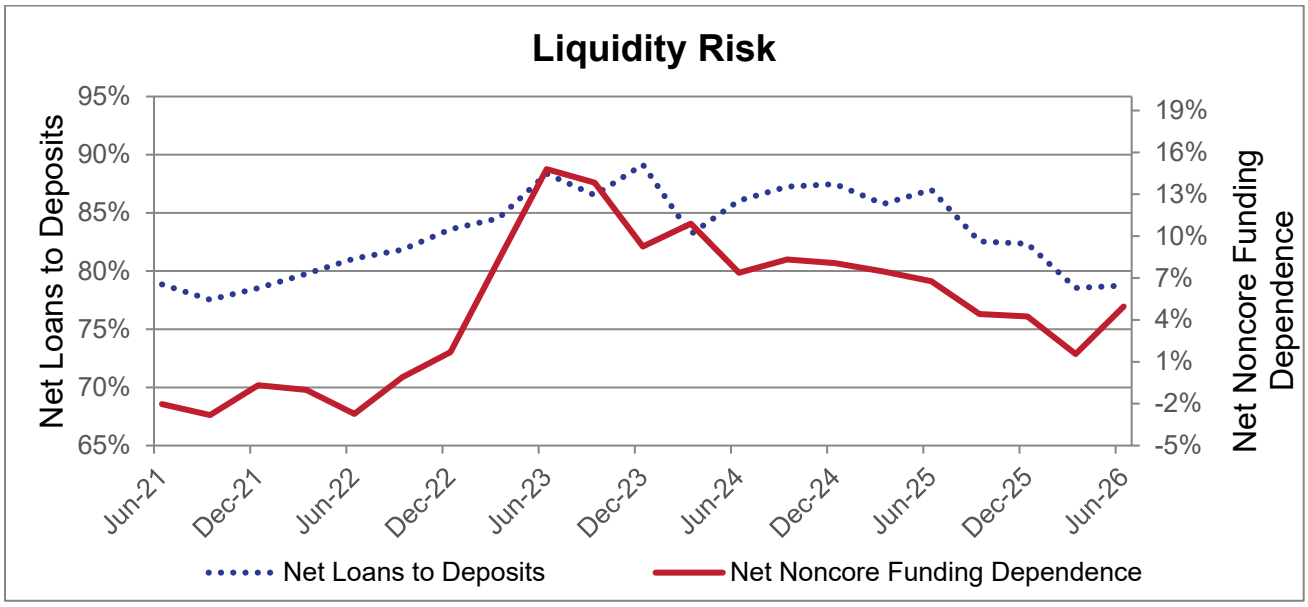
Earnings is the initial safeguard against the risk of engaging in the banking business and is the first line of defense against capital depletion resulting from shrinkage in asset value. Earnings performance should allow the bank to remain competitive by providing the resources required to implement management's strategic initiatives. The net interest or profit margin improved in the second quarter to 4.06%. Non-performing asset levels is low at 0.34% 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 June 30, 2026, long-term assets to total assets ratio remained stable at 39.83%.



Liquidity risk reflects the bank's ability to fund assets and meet financial obligations under various scenarios, including adverse conditions. The Net Noncore Funding Dependence (NNCFD) Ratio, a measure of the funding of long-term assets using short- term funding strategies, is at 4.96%, up from the previous quarter. The loan-to-deposit ratio, a measure of the use of deposits to fund lending activities, is at 78.76% consistent with the previous quarter.



Thrift Examination Activity Report

On-site examinations and visitations are conducted in accordance with required scheduling policies.

Thrift Supervision Activity Report

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

On July 6, 2026, a change of control application was filed for Graham Savings and Loan, SSB. The application was approved on September 2, 2026.

Outreach and Training

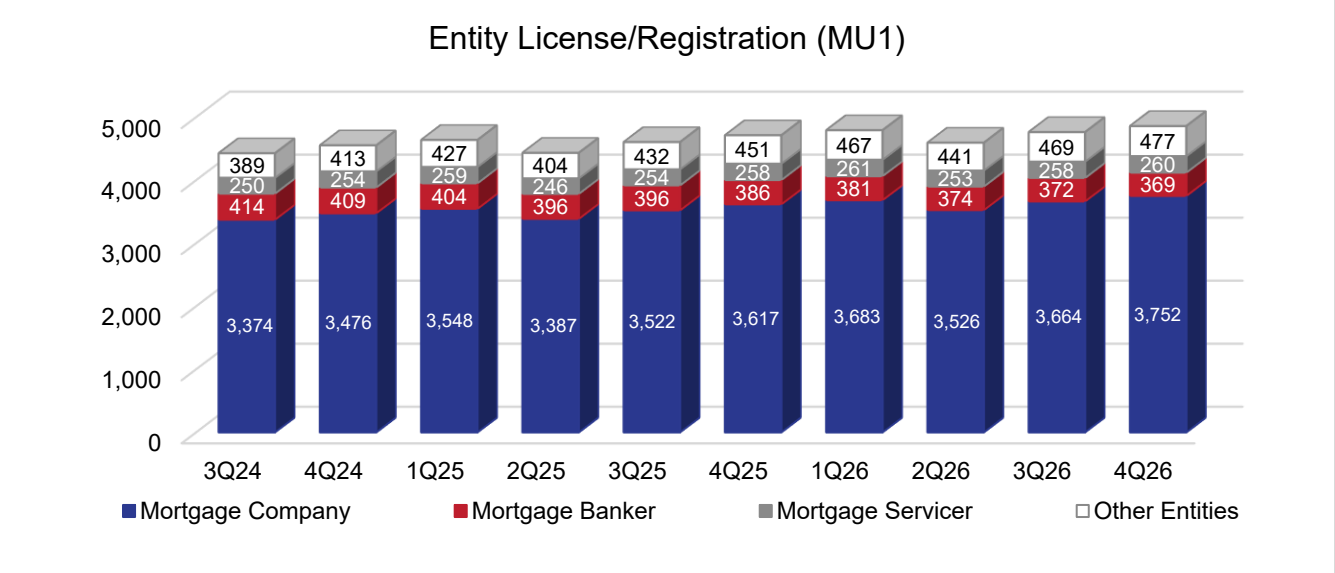
On September 20-22, 2026, Deputy Commissioner/Director of Thrift Regulation attended the 2026 IBAT Convention meeting with industry representatives and received updates on current banking topics.

b) Mortgage Regulation Division Activities

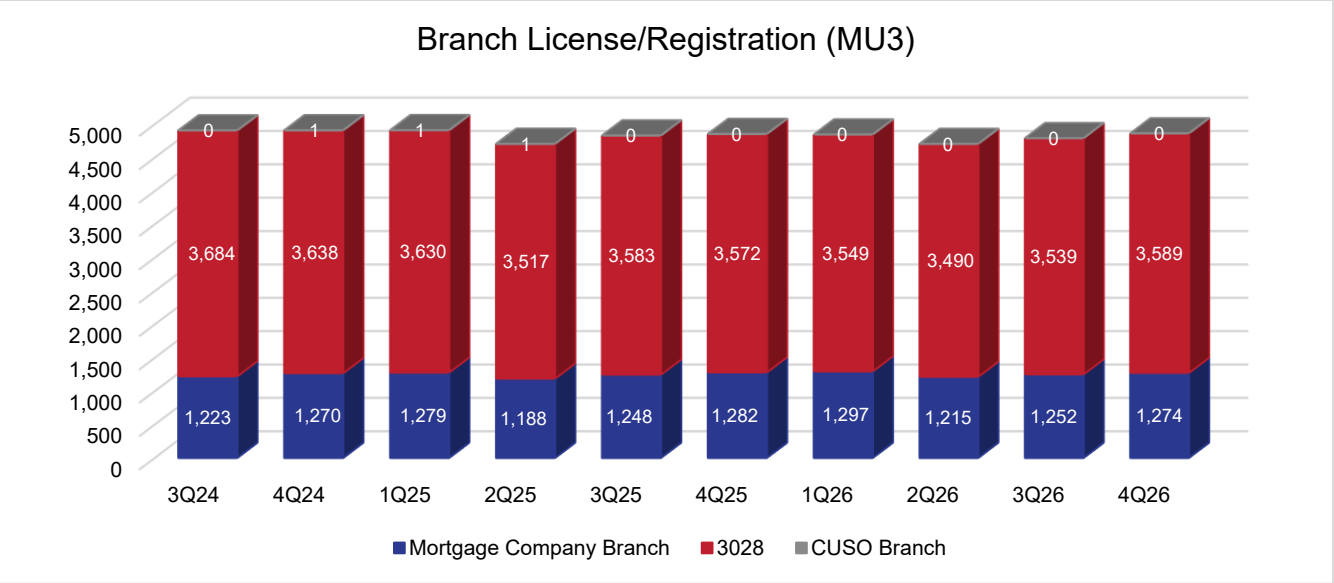
Industry Status

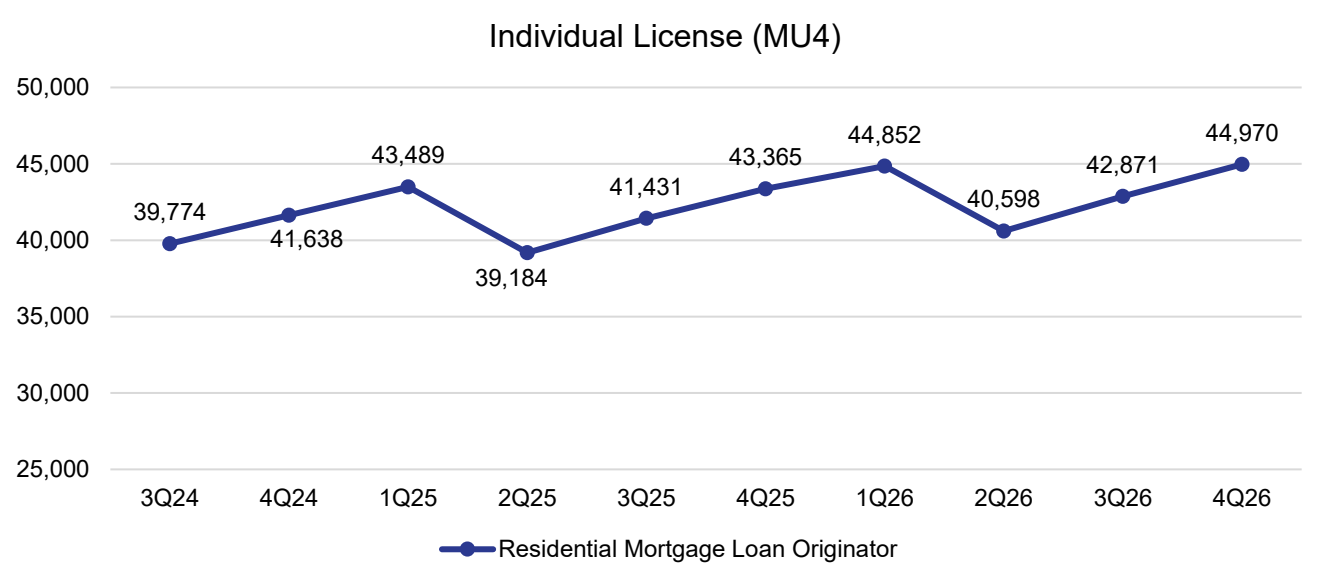
SML continues to monitor various local, state, and national sources to identify issues impacting the mortgage industry, including interest rate changes, housing supply and demand, availability and affordability of homeowner's and flood insurance, mortgage-backed securities (MBSs) market, trends in homeownership, and technological changes in artificial intelligence and blockchain.

The charts below reflect historical information regarding the number of licenses and registrations in an approved status.



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

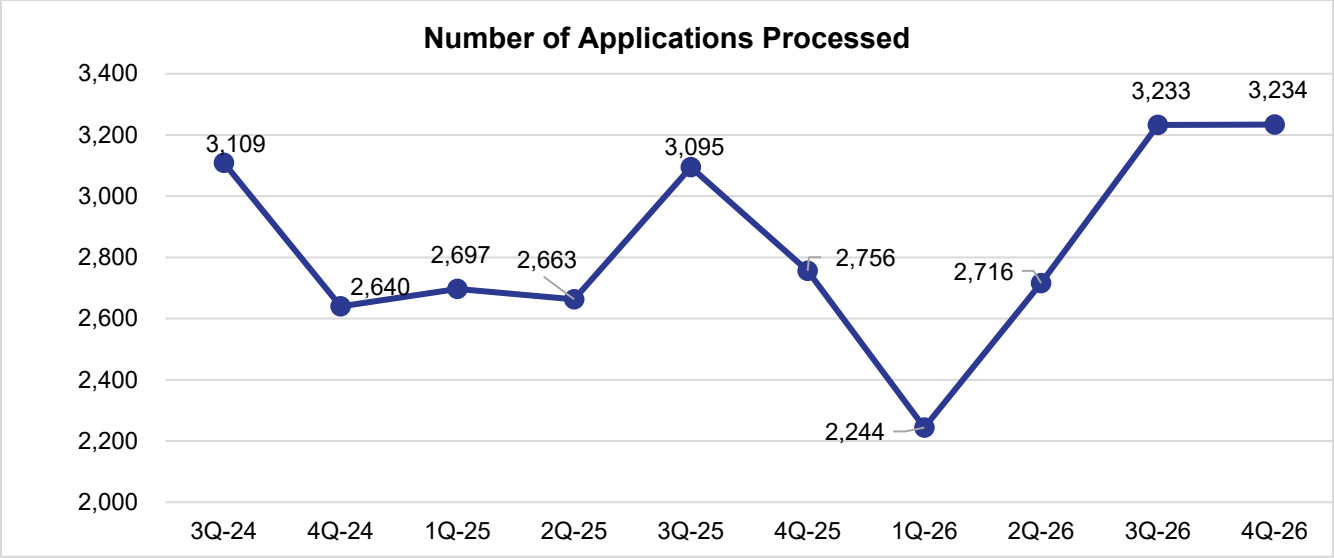




The most notable point of the three preceding graphs is the continued growth rate of 3.7% year-over-year for licensed mortgage companies and residential mortgage loan originators.

Licensing Activity Report

For the fourth quarter of FY2026, the Mortgage Licensing section processed 3,234 applications and approved 2,584 applications, including 136 mortgage entities, 323 branch offices, and 2,125 residential mortgage loan originators. The remaining 650 applications were either withdrawn by the applicant or denied by SML.

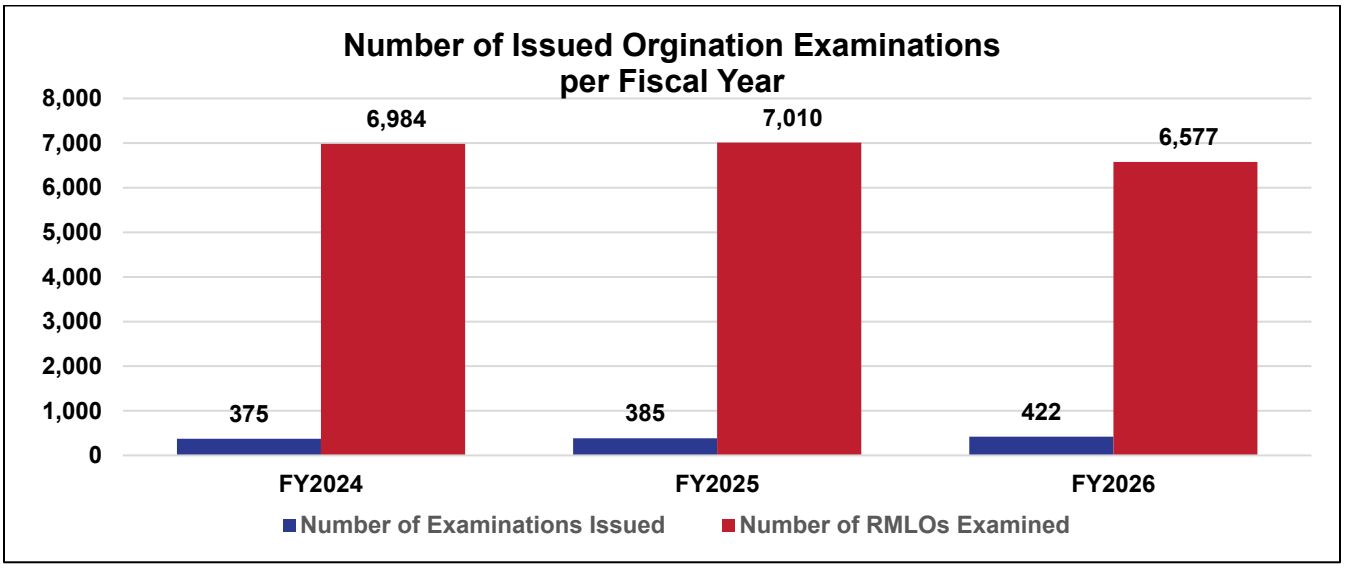


As observed in the chart above, the number of applications processed for FY2026 (entire fiscal year) increased by 1.9% from the previous fiscal year with majority of the growth occurring in the residential mortgage loan originator applications. Additionally, during the fourth quarter of FY2026, SML experienced a 17.34% increase in the number of processed applications compared to the same quarter in FY2025, which impacted the average processing times.

Mortgage Examination Activity Report

For the fourth quarter of FY2026, the Mortgage Examination section issued 106 examinations covering 985 residential mortgage loan originators (RMLOs). Compared to the same reporting period in FY2025, the overall number of examinations issued (106 versus 90) increased 17.78%; however, the number of RMLOs examined (985 versus 2,008) decreased by 50.95%. The total number of RMLOs examined will vary based on the size of the entities examined.

The chart below shows the number of mortgage origination examinations issued and the corresponding number of RMLOs sponsored by the licensee/registrant for those examinations for the last three fiscal years.



In addition to the 422 mortgage origination examinations, SML accepted three mortgage servicing examinations.

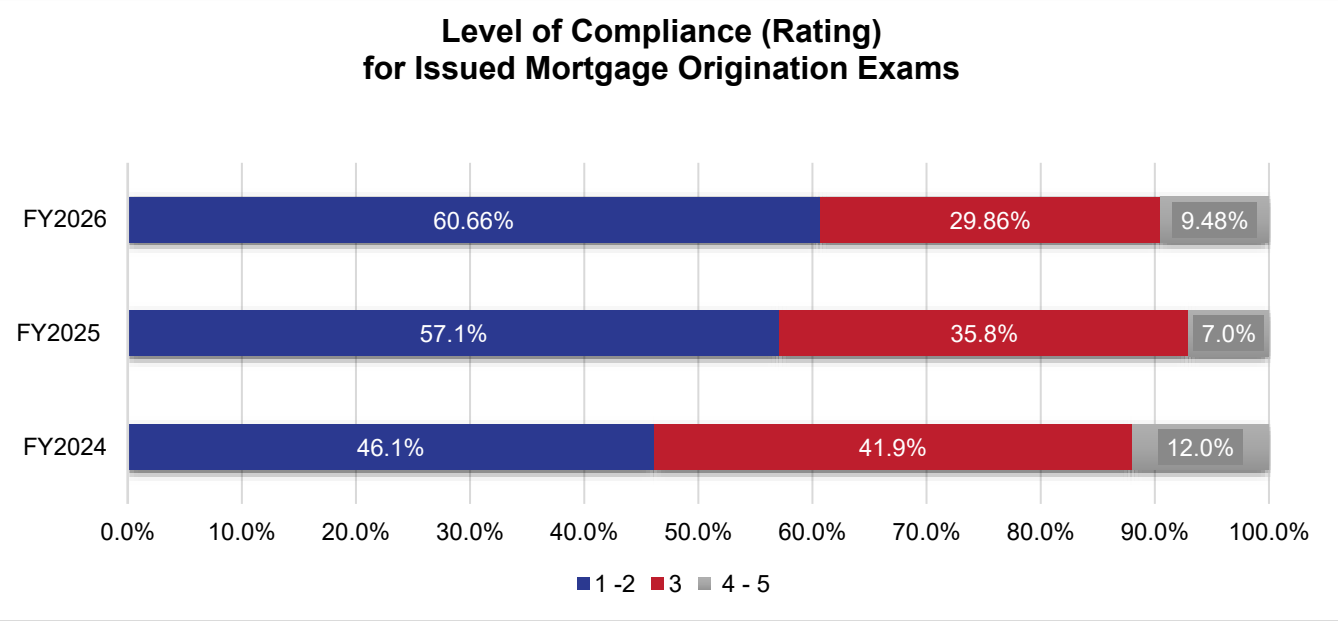
For FY2026, SML has been actively engaged in networked supervision of the mortgage industry by:

- participating in three One Company, One Exam (OCOE) mortgage origination examinations;
- participating in one multi-state examination; and
- accepting three OCOE mortgage servicing examinations.

A One Company, One Exam (OCOE) examination is a single, coordinated multistate mortgage regulatory exam performed on mortgage lenders and/or servicers operating in 10 or more states. An OCOE examination involves a defined set of areas for review, standardized examination procedures and a comprehensive assessment of compliance with applicable federal and state laws and regulations.

For FY2027, SML is participating in two OCOE mortgage origination examinations that will be completed and issued in this fiscal year. As part of one of the mortgage origination examinations, SML will also be conducting our first OCOE Enhanced Cybersecurity and Information Technology component of the examination.

The chart below contains the breakdown of mortgage origination examination results by compliance rating for the past three fiscal years. Mortgage origination examination results for FY2026 reflect continued improvement in overall compliance performance compared to FY2025. The share of examinations receiving the highest ratings (1–2) increased from 57.1% to 60.66%, while the lower-tier ratings (4–5) rose slightly from 7.0% to 9.48%. Examination ratings of 1, 2, or 3 are considered acceptable levels of compliance. During FY2026, 90% or more of examinations fell within this acceptable range, indicating that mortgage examination performance remains satisfactory for SML.



During the fourth quarter of FY2026, one 5-rated examination report was issued. The 5-rated examination report reflected significant areas of non-compliance, including:

- Unlicensed Activity
- Failure to Produce Records Upon Request
- Failure to File Accurate and Timely Mortgage Call Report
- Failure to Provide Required Information in an Advertisement

The most common violations identified in the other examinations included unlicensed independent loan processors, unlicensed residential mortgage loan originators, inadequate recordkeeping, failure to maintain adequate policies and procedures (e.g., Anti-Money Laundering Programs, Identity Theft Prevention Programs, Information Security Programs, and Remote Work Policies), non-compliant social media advertisements, and non-compliant Conditional Pre-Qualification/Conditional Approval Letters.

Outreach and Training

During the week of August 10, 2026, Director of Mortgage Regulation William Purce, Chief Mortgage Examiner Ellena Meier, Manager of Licensing Chris Osuna, Senior Review Examiner Justin Accola, and Supervising Mortgage Examiner Deana Dykes attended the American Association of Residential Mortgage Regulators (AARMR) 36th Annual Conference & Training in Bellevue, Washington. During the conference, Director Purce participated as both a panelist and moderator on the Emerging Issues Rapid Fire panel and conducted a fireside chat with Joseph Gormely, President of Ginnie Mae. Manager of Licensing Chris Osuna also served as a panelist and moderator on a Licensing panel. Additionally, Director Purce was appointed Vice President of the AARMR Board of Directors.

c) Operations Division Activities

Activities

Information Resources

In FY2026, the Information Resource Governance Committee (IRGC) strengthened agency cybersecurity maturity and governance by maintaining monthly executive-level oversight, supporting key improvements across Identify, Protect, Detect, Respond, and Recover functional areas, and coordinating enterprise reviews of policies, architecture, cloud security, third-party access, and annual technology assessments. SML's IRGC advanced multiple roadmap items including ongoing data-classification modernization, refinement of Zero Trust enforcement, updates to security policies, and continued monitoring of legislative and regulatory changes while facilitating awareness activities such as expanded security and privacy training. These efforts reflect SML's continued commitment to responsible stewardship of information resources and proactive alignment with state cybersecurity requirements.

Financial Operations

Staff closed out FY2026. In compliance with Government Code, Section 2101.011, and in accordance with the requirements established by the Comptroller of Public Accounts, SML has prepared and submitted the Annual Financial Report for fiscal year 2026 to oversight agencies.

In compliance with Government Code Section 403.0147, SML has prepared and submitted the Report on State Programs Not Funded by Appropriations, which is due biennially to the Texas Comptroller of Public Accounts. The report identifies implemented programs for which no funding was appropriated for the preceding two state fiscal years (2025 and 2026).

Support Services

SML submitted the requested information for the annual Risk Assessment conducted by Garza/Gonzales and Associates.

The 2025–2026 Mortgage Grant Fund (MGF) fourth and final reporting period is underway. The 2027–2028 MGF grant cycle application period is closed and applications are being evaluated. Additional details are available in the MGF Activities Report provided to the FC Audit Committee.

During the reporting period, SML continued to enhance its policies and procedures framework through scheduled reviews, updates, republication, and targeted revisions. These efforts promote clear, and consistent compliant practices across the agency.

Outreach and Training

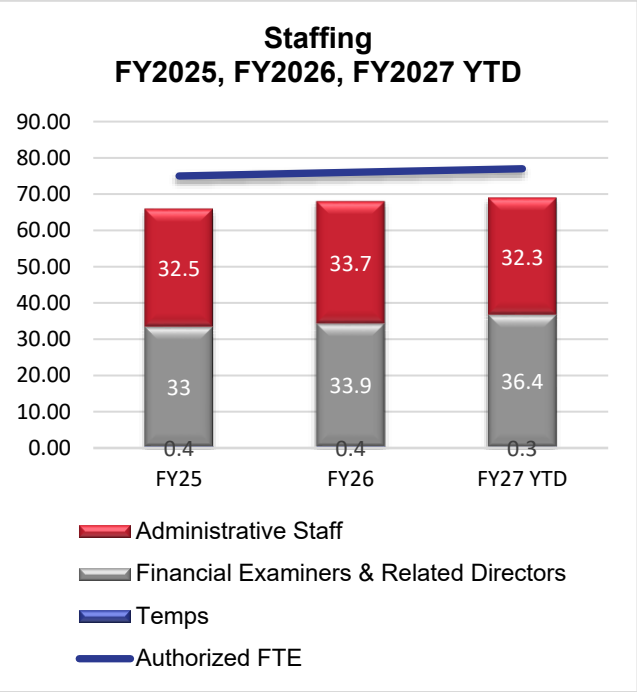
On September 10, 2026, SML held its quarterly agencywide meeting and training. In addition to division updates, staff were assigned training in the learning management system on topics such as artificial intelligence, risk management, and information resources topics. The next iteration of agencywide training is scheduled to take place on January 21, 2027.

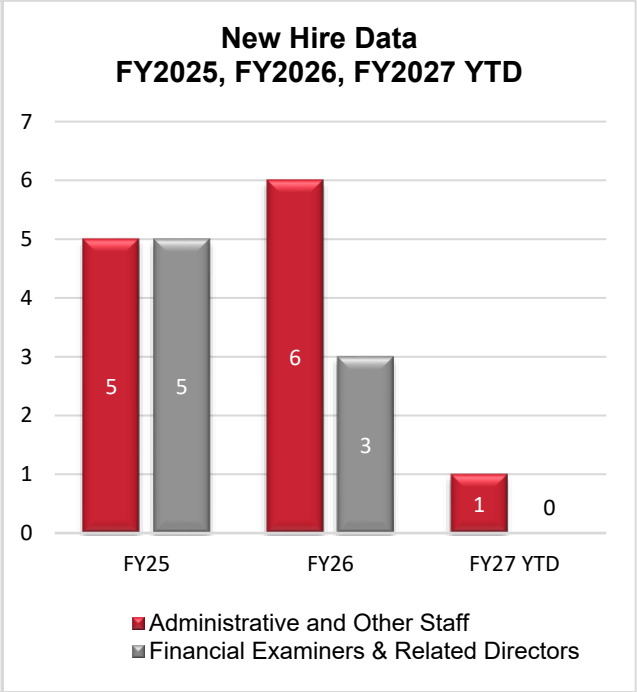
SML completed annual Cybersecurity and Artificial Intelligence training, required under Government Code Sections 2054.5191, 2063.103, and 2063.104, and submitted the required certification to the Texas Department of Information Resources.

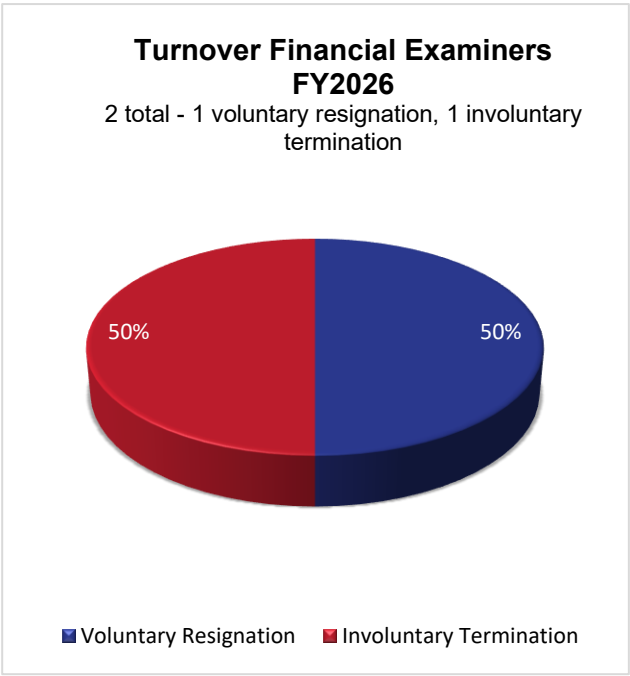
Human Resources

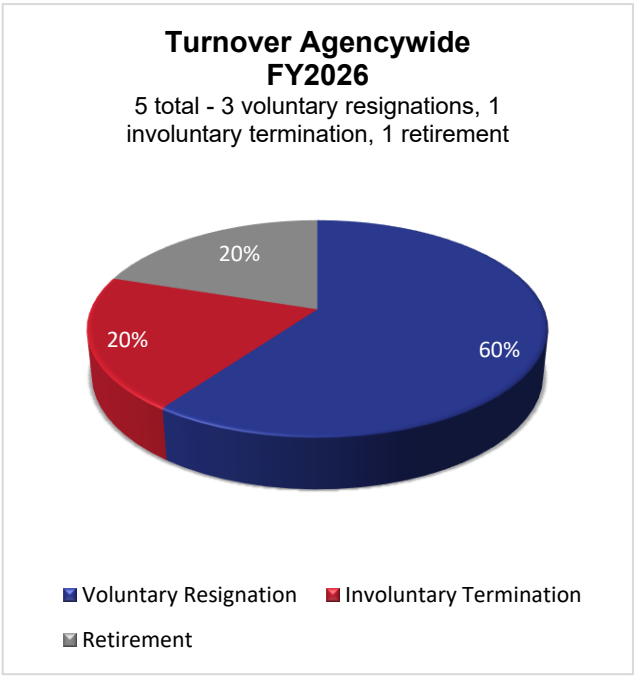
As of August 31, 2026, SML was staffed at 71 regular full-time employees and 2 part-time interns. During August and September 2026, there were three separations – one retirement, one involuntary termination, and one internship assignment concluded. In that same period, two new hires joined SML – a Mortgage Examiner and an IT Support Specialist.

Staffing Charts as of September 30, 2026









Below is the status of SML's vacancies:

Vacancy Status	
Financial Examiner I – Mortgage Examinations	Position Filled
IT Support Specialist IV	
Program Specialist IV – Thrift Regulation	Reviewing Applications
Attorney III-IV	Recruit – Collecting Applications
Investigator III – Complaint Investigations	
Investigator III – Complaint Investigations	

Human Resources Reporting

Pursuant to Government Code, Section 661.902(d), SML has reported information to the Comptroller of Public Accounts on emergency leave granted to employees during the prior fiscal year.

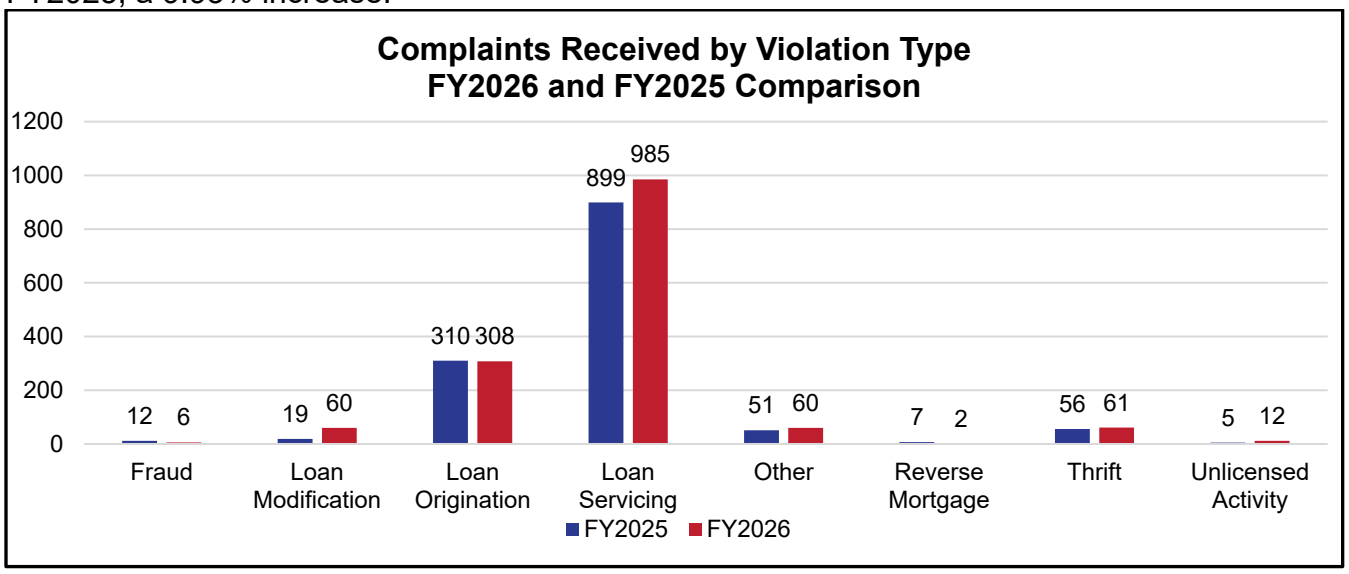
Outreach and Training

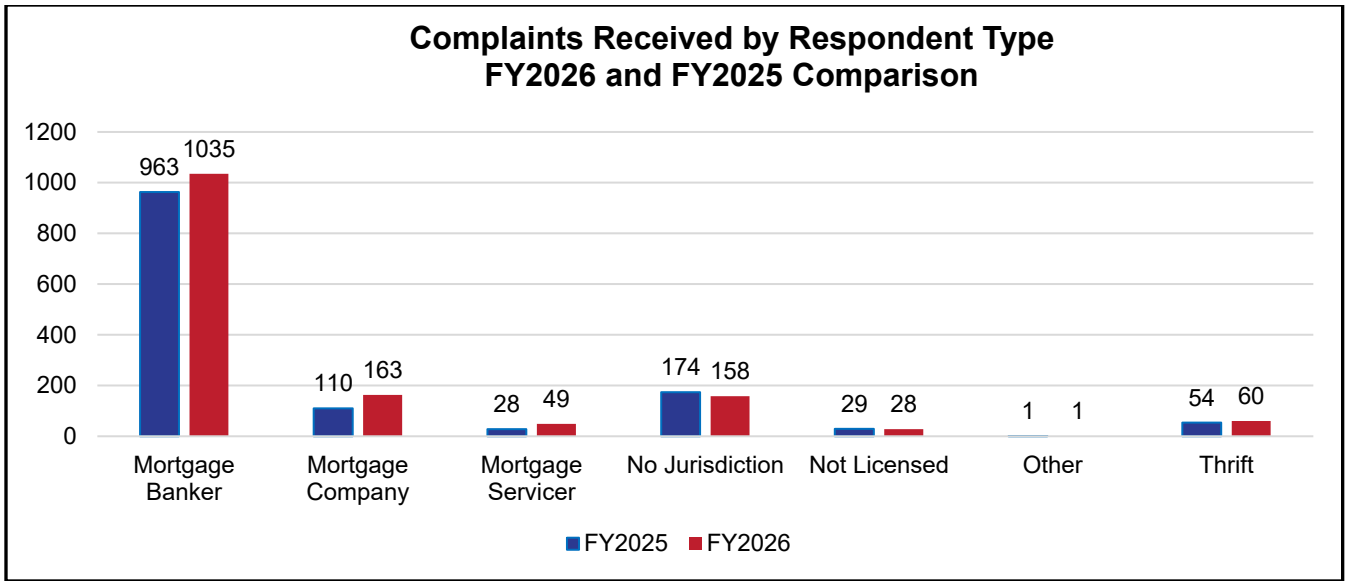
Between September 15 and October 2, 2026, SML HR conducted agencywide annual training covering the review and attestation of legally required personnel policy acknowledgments and the completion of associated personnel forms.

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

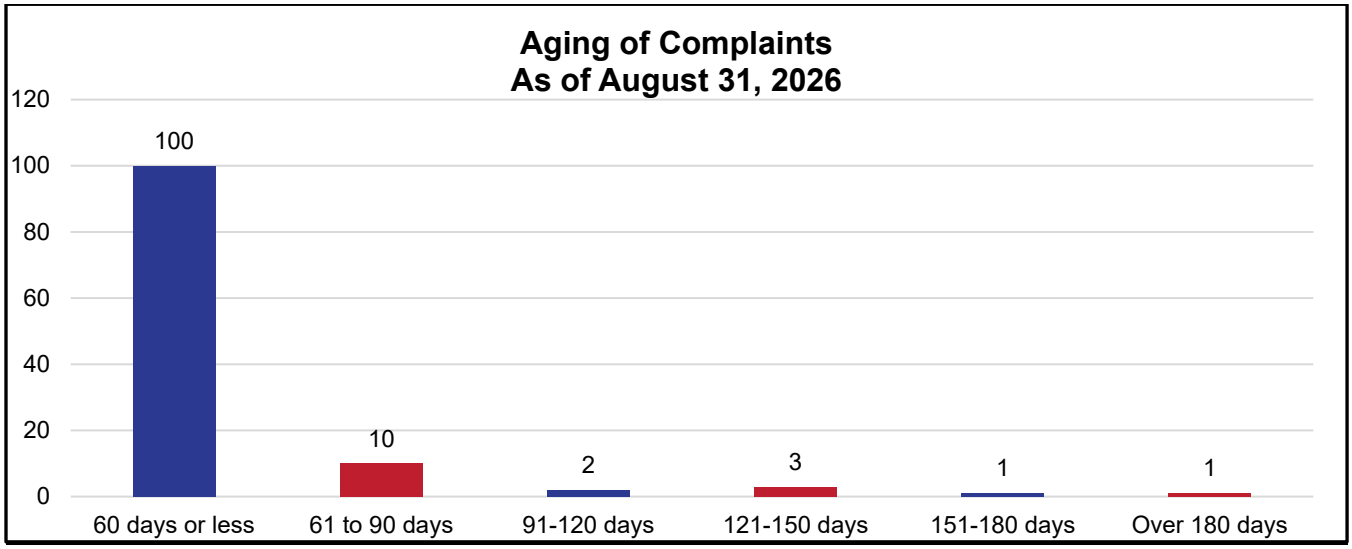
Consumer Complaints Activity Report

Complaints Received – In FY2026, SML received 1,494 complaints, compared to 1,359 in FY2025, a 9.93% increase.





Aging of Open Complaints – As of August 31, 2026, there were 117 open complaint files. Complaint aging is acceptable, with 95% of complaints open 120 days or less.



Closed Complaints	FY2026			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Servicing Complaints				
Number of Servicing Complaints Closed	229	202	272	271
Average Number of Days to Close a Complaint	24	23	20	27
Percentage of Complaints Closed Within 120 Days	99%	99%	100%	98%
Non-Servicing Complaints				
Number of Non-Servicing Complaints Closed	106	111	126	156
Average Number of Days to Close a Complaint	19	20	15	22
Percentage of Complaints Closed Within 120 Days	98%	99%	99%	99%
Total	**335**	**313**	**398**	**427**

Legal and Enforcement Activity Report

Mortgage Enforcement Actions	FY2026			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Advisory Letter	20	7	3	7
Agreed Order	1	1	0	1
Consent Order	0	1	0	0
Notice of Revocation	1	0	0	2
Order of Suspension	4	0	1	6
Order to Cease and Desist	2	1	0	0
Order to Take Affirmative Action	2	0	0	0
Proposed Suspension of License	0	0	8	2
Total	**30**	**10**	**12**	**18**

Recovery Claims

Recovery Claim Applications Received	FY2026			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
	1	**3**	**4**	**0**

Status of Pending Recovery Claim Applications as of August 31, 2026	
Pending Investigation	0
Pending Preliminary Determination Letter	1
Preliminary Determination Letter Issued, Pending Opportunity to Appeal	0
On Appeal	0
Open to Facilitate Resolution by the Parties	0
Total	**1**

Closed Recovery Claim Files	FY2026			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Granted	0	0	0	0
Denied	3	0	0	0
Resolved by the Parties	2	0	0	0
Claim Withdrawn	3	0	4	2
Total	**8**	**0**	**4**	**2**

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

SML v. Kimberli Ann Tomman (SOAH Docket No. 450-26-20532)

In this proceeding SML seeks to revoke the residential mortgage loan originator license of Ms. Tomman (NMLS ID 222287) for engaging in conduct that constitutes fraudulent and dishonest dealings, deceptive practices, and a scheme, device, or artifice to defraud or mislead lenders. On May 15, 2026, the case was docketed at SOAH. A hearing on the merits was originally set for July 9, 2026. On June 29, 2026, Respondent retained counsel and filed a Motion for Continuance. On June 30, 2026, the motion was granted and the hearing on the merits was

reset to September 4, 2026. On August 13, 2026, Respondent filed a second Motion for Continuance. On August 14, 2026, the motion was granted, the hearing on the merits was cancelled, and the parties were ordered to file a Joint Status Report to propose alternate hearing dates. On August 24, 2026, Respondent filed a Motion for Summary Disposition, generally on mootness grounds. On August 28, 2026, a Joint Status Report was filed, and the hearing on the merits was reset to October 27, 2026. On September 8, 2026, SML filed a Response in Opposition to Respondent's Motion for Summary Disposition. On September 17, 2026, Respondent filed a Reply to SML's Response in Opposition.

Public Information Requests	**FY2026**			
	1st Qtr	**2nd Qtr**	**3rd Qtr**	**4th Qtr**
Requests Received	**43**	**38**	**26**	**46**

SML Future Rule Activity		
Rule	**Rulemaking Action**	**Projected Date**
Chapter 60, Savings Associations	Rule Review	FY2027

Gift Reporting

During August 10-12, 2026, Director of Mortgage Regulation William Purce and Senior Mortgage Examiner Ellena Meier attended the American Association of Residential Mortgage Regulators (AARMR) Annual Regulatory Conference & Training in Bellevue, Washington. AARMR waived registration fees totaling $1,930.00 and paid or reimbursed travel expenses totaling $1,340.70.

e) Legislative Activities

The 90th Legislature convenes January 12, 2027. The prefiling of bills starts November 9, 2026.

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

Anticipated Litigation

None

Pending Litigation

None

Department of Savings and Mortgage Lending
Actual Performance for Output Measures

Type/Strategy/Measure	2026 Target	2026 Actual	2026 YTD	Percent of Annual Target
Output Measures-Key				
1-1-1 Thrift Safety and Soundness				
1. Number of State Chartered Savings Institution Examinations Performed				
Quarter 1	20	2	2	10.00%
Quarter 2	20	6	8	40.00%
Quarter 3	20	6	14	70.00%
Quarter 4	20	1	15	75.00%
*SML examines state-chartered savings banks jointly with the FDIC and FRB, based on a priority schedule. The results for this measure may fluctuate between quarters due to the timing of individual examinations.				
2-1-1 Mortgage Regulation				
1. Number of Applications Processed				
Quarter 1	10,500	2,244	2,244	21.37%
Quarter 2	10,500	2,716	4,960	47.24%
Quarter 3	10,500	3,233	8,193	78.03%
Quarter 4	10,500	3,234	11,427	108.83%
*Application volume was higher than anticipated.				
2. Number of Examination Reports Issued				
Quarter 1	425	93	93	21.88%
Quarter 2	425	113	206	48.47%
Quarter 3	425	113	319	75.06%
Quarter 4	425	106	425	100.00%
3-1-1 Consumer Responsiveness				
1. Number of Complaints Closed				
Quarter 1	1,400	335	335	23.93%
Quarter 2	1,400	313	648	46.29%
Quarter 3	1,400	398	1,046	74.71%
Quarter 4	1,400	427	1,473	105.21%
*Complaint volume was higher than anticipated.				

* Varies by 5% or more from the target

Department of Savings and Mortgage Lending
Actual Performance for Outcome/Efficiency Measures

Type/Strategy/Measure	2026 Target	2026 YTD	Percent of Annual Target	
Outcome Measures-Key - Annual Reporting				
1-1-1 Thrift Safety and Soundness				
1. Percentage of State Chartered Savings Institutions *Receiving Examination within the Required Timeframes	100%	100%	100.00%	
2. Percentage of Savings Instutions Classified Safe and Sound	80%	85.00%	106.25%	*
*The percentage of safe and sound savings institutions remained below target, reflecting year to year fluctuations influenced by market disruptions, interest-rate volatility, and institution level risk management challenges.				
2-1-1 Mortgage Regulation				
1. Percentage of Satisfactory Levels of Compliance Reported Through Examination	90%	90.52%	100.58%	
2. Percentage of Examinations Initiated within Established Timeframes	20%	19.90%	99.50%	*
3. Percentage of Applications Processed within Established Timeframes	85%	76.20%	89.65%	*
*Heavier than normal application volume and changes to NMLS.				
3-1-1 Consumer Responsiveness				
1. Percentage of Complaints Closed within Ten Business Days of Receipt of Complete Information	99%	99.80%	100.81%	
2. Percentage of Written Complaints Closed within 120 Days	95%	99.18%	104.40%	
4-1-1 Agency Administration				
1. Percentage of Employees Separated from the Agency	10%	7%	74.00%	
2. Percentage of Actual Expenditures to Budgeted Expenditures	95%	91.7%	96.53%	
Explanatory Measures-Key - Annual Reporting				
1-1-1 Thrift Safety and Soundness				
1. Number of State-Chartered Savings Institutions	21	20	95.24%	*
2. Dollar Amount of Assets under Regulation (in Billions)	$277.1	$297.80	107.47%	
*Regulated assets fluctuated throughout the year with market conditions.				

* Varies by 5% or more from the target

Department of Savings and Mortgage Lending
Actual Performance for Non-Key Measures

Type/Strategy/Measure	2026 Target	2026 YTD	Percent of Annual Target	
Thrift Safety and Soundness				
01-01 Outcome Measures				
4. Percentage of State Chartered Savings Institution Applications Processed within Statutory Timeframes	100%	100%	100.00%	
Output Measures				
4. Number of State Chartered Savings Institution Applications Processed.	10	9	90.00%	*
**The number of bank applications submitted to regulators fluctuates due to changes in market conditions, regulatory expectations, and institutions' strategic priorities.				
Efficiency Measures				
1. Assets Examined Per Examiner Day (in Millions)	$115.0	$124.08	107.90%	*
** Assets per examiner fluctuate due to changes in staffing levels, supervisory priorities, and shifts in the asset size of supervised institutions.				
2. Average Time (Business Days) to Complete Analysis of Quarterly Financial Data	7	7.00	100.00%	
Mortgage Regulation				
02-01 Efficiency Measures				
1. Average Cost Per Application Processed	$125.00	$110.70	88.56%	*
*The average cost was lower than expected due to a decrease in indirect administrative costs.				
Explanatory Measures				
1. Total Number of Licensees/Registrants in an Approved Status	52,000	54,691	105.18%	*
*The number of approved applications exceeded normal application volume.				
2. Number of Licensees Examined	7,850	6,577	83.78%	*
*The number of licensed originators employed by largest mortgage companies and mortgage bankers examined fell short of projections.				
Consumer Responsiveness				
03-01 Efficiency Measures				
1. Average Direct Cost Per Complaint Closed	$320.00	$264.94	82.79%	*
*The average cost was lower than expected due to a decrease in direct costs attributed to the complaint process.				

* Varies by 5% or more from the target