



DEPARTMENT OF
**SAVINGS AND
MORTGAGE LENDING**



**STRATEGIC PLAN
FISCAL YEARS 2025-2029**

Strategic Plan Fiscal Years 2025 to 2029

by

Department of Savings and Mortgage Lending (SML)

Finance Commission of Texas

Commission Members	Dates of Term	Hometown
Phillip A. Holt, Chair	Feb 23, 2016 to Feb 1, 2028	Bonham
Hector J. Cerna	Dec 16, 2015 to Feb 1, 2026	Eagle Pass
Robert (Bob) Borochoff	Feb 22, 2016 to Feb 1, 2028	Houston
Sharon McCormick	Apr 20, 2020 to Feb 1, 2026	Frisco
Laura Nassri Warren	Apr 20, 2020 to Feb 1, 2026	Palmhurst
Roselyn "Rosie" Morris, PhD	Mar 24, 2022 to Feb 1, 2026	San Marcos
Glen Martin (Marty) Green	June 27, 2022 to Feb 1, 2028	Dallas
Kathleen Fields	May 16, 2024 to Feb 1, 2028	San Antonio
David Osborn	May 16, 2024 to Feb 1, 2030	El Paso
Troy Lambden	May 16, 2024 to Feb 1, 2030	Graham
Miguel Romano	May 16, 2024 to Feb 1, 2030	Austin

Submitted: May 31, 2024

Hector Retta, Commissioner

Contents

Agency Mission	3
Agency Goals and Action Plan.....	3
Goal: Effective Regulation of the Thrift Industry	3
Goal: Effective Regulation of the Mortgage Industry	6
Goal: Effective Consumer Responsiveness	12
Goal: Effective Agency Administration	14
Redundancies and Impediments	17
Supplemental Schedules.....	21
Schedule A: Budget Structure – Goals, Objectives and Performance measures	21
Schedule B: List of Measure Definitions	24
Schedule C: Historically Underutilized Business Plan	46
Schedule F: Agency Workforce Plan	47
Schedule H: Report on Customer Service.....	59
Schedule I: Certification of Compliance with Cybersecurity Training.....	71

AGENCY MISSION

The mission of the Department of Savings and Mortgage Lending is to serve the people of Texas by supervising and regulating the residential mortgage lending industry, state savings banks, and savings associations to promote a healthy residential mortgage lending environment and safe and sound savings financial institutions.

SML's guiding principles in fulfilling its regulatory responsibilities are to:

- Be responsive, accountable, and transparent to Texans, the regulated entities, the Texas Legislature, and the Finance Commission of Texas.
- Supervise and regulate with integrity, ethics, fairness, efficiency, and professionalism.
- Uphold the constitution and laws of Texas and the United States.

AGENCY GOALS AND ACTION PLAN

SML's goals are:

1. Effective Regulation of the Thrift Industry
2. Effective Regulation of the Mortgage Industry
3. Effective Consumer Responsiveness
4. Effective Agency Administration

Goal: Effective Regulation of the Thrift Industry

Supervise, regulate, and enforce the organization, operation, and liquidation of state savings banks and state saving associations.

Action Items to Achieve Goal

- Perform all examinations jointly with federal regulators (Federal Deposit Insurance Corporation (FDIC) or Federal Reserve) according to the priority schedule to ensure consistency between state and federal regulators.
- Examine, monitor, and enforce compliance with applicable laws and regulations including state-specific thrift industry requirements, such as, but not limited to:
 - at least 50% of assets in housing-related assets or other qualified assets;
 - not more than 40% of total assets in non-real estate commercial lending;
 - consumer complaint notices; and
 - indemnity bond coverage requirements.
- Evaluate and monitor the financial health of state-chartered thrifts.

- Initiate supervisory and enforcement action as warranted.
- Monitor ongoing operation of state-chartered thrifts through regular off-site supervision.
- Review and determine statutory requirements of requested inquiries, applications, approvals, or non-objections.
- Maintain communication with federal regulators on examination matters, regulatory changes, and supervisory oversight as warranted.
- Encourage awareness of and proactive actions relating to data privacy and cybersecurity concerns in the financial sector.
- Monitor economic changes and regulatory changes to assess their impact on the thrift industry.
- Engage and conduct training to increase awareness of changes and innovations in financial products, emerging issues, and economic considerations.
- Participate in compliance examinations with federal regulators (FDIC, Federal Reserve, and Consumer Financial Protection Bureau (CFPB)) to understand thrifts' compliance with the requirements and prescriptions of federal and state consumer protection laws and regulations.
- Communicate regulatory expectations and changes, both state and federal, to the thrift industry.
- Respond to public information requests.

Goals and Action Items Support Statewide Objectives

1. Accountable to tax and fee payers of Texas.
 - Ensure adherence to self-leveling, self-funding, and self-directed, semi-independent statutory requirements.
 - Practice prudent stewardship of financial resources.
 - Provide transparency through reporting.
2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including eliminating redundant or non-core functions.
 - Conduct joint examinations with federal regulators to provide consistent and timely findings and recommendations to the state-chartered thrift industry, minimize duplication of costs, and limit the frequency of regulators at the institutions.
 - Conduct off-site monitoring to detect risks at early stages in specific institutions and the thrift industry.
 - Field Examiners must have a work schedule that limits travel days to reduce the impact of travel expenses on the budget.
 - Utilize technology to streamline the examination process.

- Maintain SML's Thrift Compliance Examination Program and act as an intermediary regarding industry concerns about compliance-related matters.
 - Continue to evaluate processes, procedures, and new technologies, for added efficiencies.
3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures, and implementing plans to improve continuously.
 - Meet or exceed performance measures.
 - Review policies, processes, and procedures and evaluate ways to improve efficiency in fulfilling the goals.
 - Implement resources or tools, as deemed appropriate, to enhance the Thrift Regulation division's operations and efficiency.
 4. Attentive to providing excellent customer service.
 - Provide internal and external training for examination and supervision staff.
 - Serve as a resource to the thrift industry concerning regulatory expectations and best practices.
 - Share complaint information with the FDIC and the Federal Reserve.
 5. Transparent such that agency actions can be understood by any Texan.
 - Communicate regularly with the thrift industry and other stakeholders.
 - Adhere to performance measures.
 - Provide reports and updates to the Finance Commission of Texas (Finance Commission) at bi-monthly meetings.
 - Make reports and other information available through SML's and the Finance Commission's websites.
 - Conduct consumer and stakeholder forums on rules and regulations. Publish any proposed rule amendments using clear, understandable language with instructions for the public to submit comments. Publish any adopted rules or amendments to regulations on SML's website.

Other Considerations

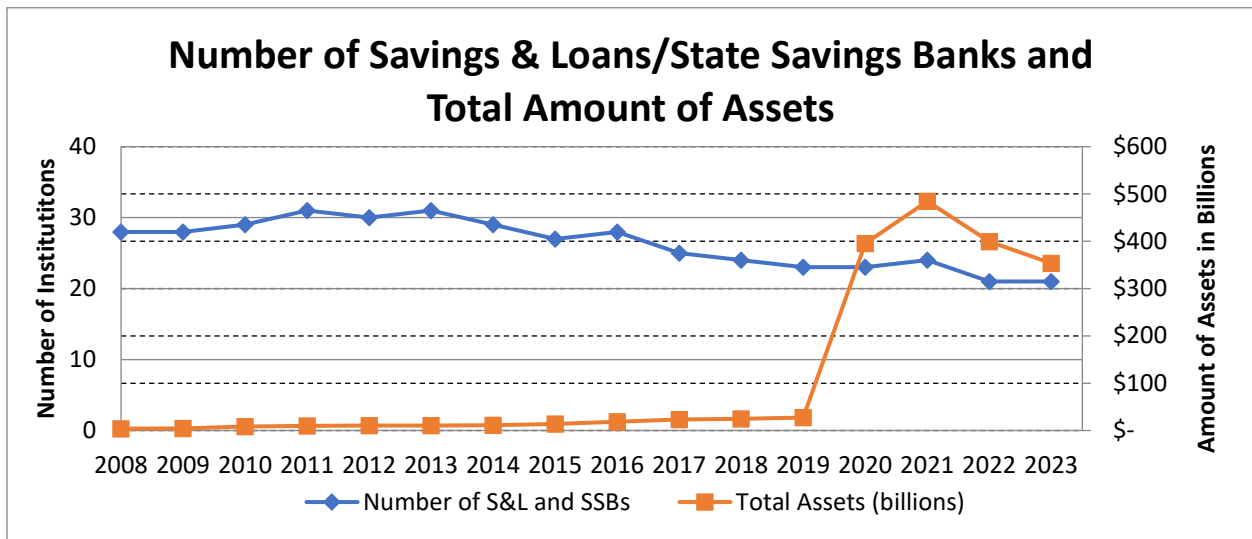
SML prioritizes having knowledgeable, well-trained examination staff and provides internal and external training as appropriate. SML monitors various local, state, and national data sources to understand better the risks and developments facing the financial services industry and individual thrift institutions. The potential risks that may impact the thrift industry include changes in regulation, particularly compliance, inflation, higher interest rates, cost of home ownership, fraud, cybersecurity, data privacy, and innovative products.

Thrift staff communicate regularly with state thrift management, answering questions and providing feedback about thrift issues and activities. Further, SML organizes and holds the Thrift Industry Day. At this annual event, state thrift executive management and board

members attend to hear SML staff and guest speakers discuss current topics, recent and upcoming events, and regulatory changes affecting the industry. SML holds regular Emerging Issues meetings with the thrift industry to highlight new regulations, trending compliance matters, and operational updates.

Another priority is maintaining contact and communication with federal counterparts, such as the FDIC, Federal Reserve, CFPB, and other state regulators. This interaction aids SML in staying current with federal regulations. Additionally, thrift staff members serve on several Conference of State Bank Supervisors' committees, such as the Risk Identification Team and State Examiner Review Team.

As of December 31, 2023, the thrift industry in Texas consisted of 21 state thrifts with aggregate assets of \$353.3 billion.



Goal: Effective Regulation of the Mortgage Industry

Promote a healthy residential mortgage lending environment through fair and effective regulation of the residential mortgage industry.

Action Items to Achieve Goal

Licensing

- Process, investigate, and take final action on a timely basis on all applications for a license or registration.
- Determine whether licensees or registrants meet the requirements to maintain and renew the license or registration.
- Process, investigate, and take final action on license amendments, sponsorship requests, and sponsorship removals.
- Ensure compliance with licensing standards of conduct.
- Initiate disciplinary and enforcement actions as warranted.

- Communicate regulatory expectations and changes, both state and federal, to the mortgage industry.
- Collaborate with other federal and state regulatory agencies and trade associations on licensing matters, regulatory changes, and policy changes, including the ongoing development and continued use of the Nationwide Multistate Licensing System (NMLS).
- Train and develop mortgage licensing staff through internal and external programs to increase knowledge and awareness of important issues.
- Respond to public information requests.

Examination

- Examine, monitor, and enforce compliance with applicable state and federal laws and regulations through timely examination.
- Initiate disciplinary and enforcement actions as warranted.
- Encourage awareness of and proactive actions relating to emerging issues within the mortgage industry, including cybersecurity concerns.
- Monitor changes in the economy and regulatory arena for impact on the mortgage industry.
- Communicate regulatory expectations and changes, both state and federal, to the mortgage industry.
- Collaborate with other federal and state regulatory agencies and trade associations on examination matters, regulatory changes, and policy changes, including the ongoing development and continued use of the State Examination System (SES).
- Train and develop mortgage examination staff through internal and external programs to increase knowledge and awareness of important issues.
- Respond to public information requests.

Goals and Action Items Support Statewide Objective

1. Accountable to tax and fee payers of Texas.
 - Ensure adherence to self-leveling, self-funding, and self-directed, semi-independent statutory requirements.
 - Practice prudent stewardship of financial resources.
 - Provide transparency through reporting.
2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including eliminating redundant or non-core functions.
 - Review and evaluate licensing and examination policies, processes, and procedures to streamline operations and initiate changes as needed.

- Continue to use NMLS to coordinate and share information among regulators and increase efficiencies for the mortgage industry.
 - Utilize SES to facilitate single-state and multi-state examinations.
 - Utilize technology to streamline the examination process.
3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures, and implementing plans to improve continuously.
 - Meet or exceed performance measures.
 - Review policies, processes, and procedures and evaluate ways to improve efficiency in fulfilling the goals.
 - Implement resources or tools, as deemed appropriate, to enhance SML operations and efficiency in the Mortgage Regulation division.
 - Take disciplinary and enforcement actions as warranted.
 4. Attentive to providing excellent customer service.
 - Be a resource for the mortgage industry and federal and state regulators.
 - Provide useful information on SML's website for consumers and the regulated industry.
 - Provide guidance and resources to the mortgage industry to improve compliance with examinations and licensing standards.
 5. Transparent such that agency actions can be understood by any Texan.
 - Communicate regularly with the mortgage industry and other stakeholders.
 - Adhere to performance measures.
 - Provide reports and updates to the Finance Commission at its bi-monthly meetings.
 - Make reports and other information available through SML's and the Finance Commission's websites.
 - Conduct consumer and stakeholder forums on rules and regulations. Publish any proposed rule amendments using clear, understandable language with instructions for the public to submit public comments and any adopted rules or amendments to rules on SML's website.
 - Publish enforcement order data on SML's website.

Other Considerations

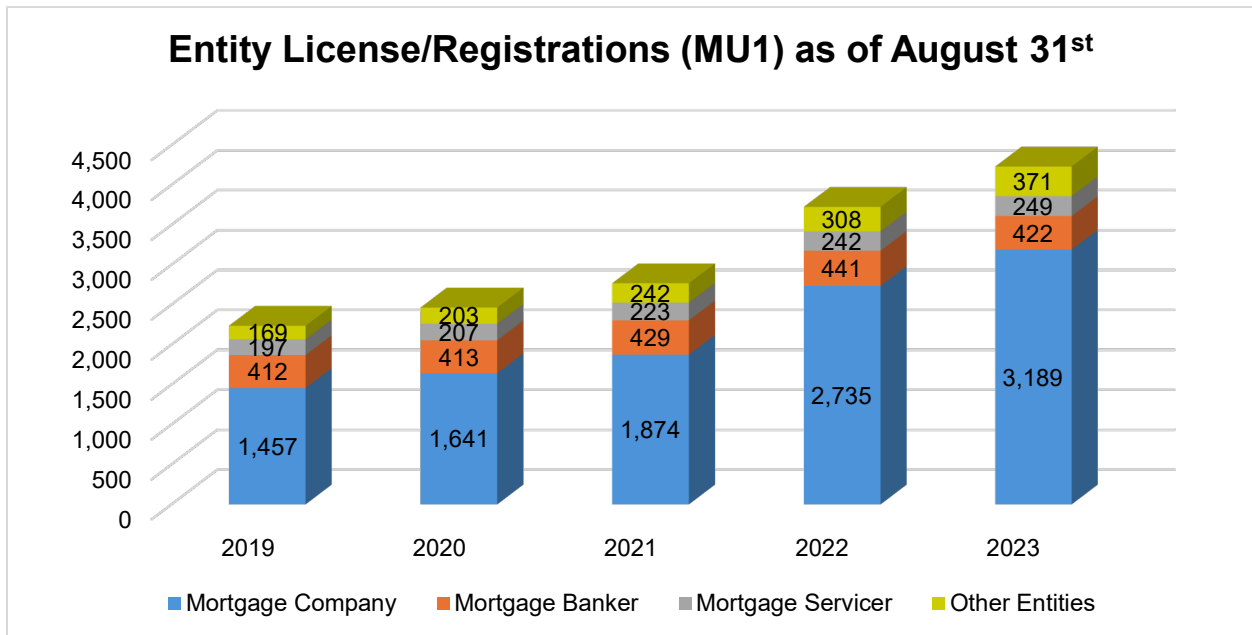
SML prioritizes having a knowledgeable, well-trained examination and licensing staff and provides internal and external training as appropriate. The Mortgage Regulation division strongly encourages the licensing and examination personnel to receive the highest possible certification designations by the CSBS as appropriate for their position (e.g., Certified Application Specialist, Certified Mortgage Examiner, Certified Senior Mortgage

Examiner, or Certified Mortgage Examinations Manager). The retention of knowledgeable, well-trained examination and licensing staff is paramount.

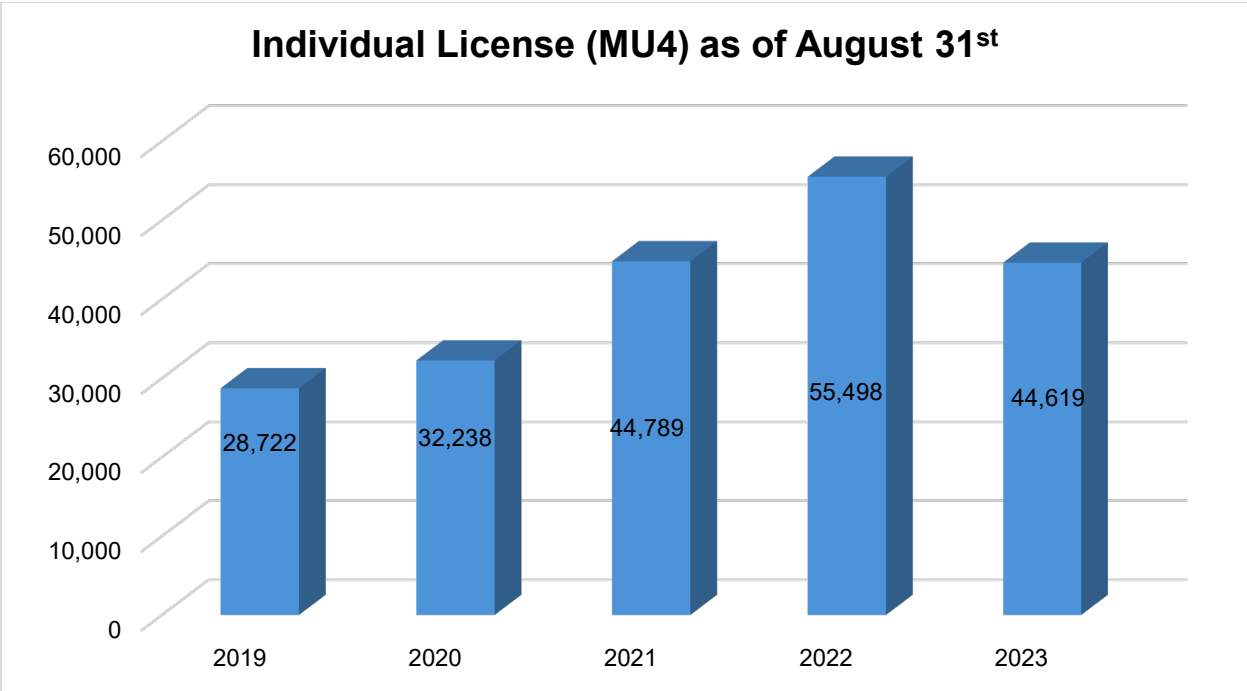
SML continually monitors various local, state, and national data sources to understand best the risks facing the mortgage industry. The potential risks and factors that may impact the mortgage industry over the next five years include:

1. changes in regulation that governs the origination and servicing of residential mortgage loans;
2. the rate of inflation impacting the cost of housing, interest rates, and cost of maintaining staff and expense to originate and service residential mortgage loans;
3. fiscal and monetary policy;
4. demographics of the population;
5. housing supply and demand;
6. trends in homeownership;
7. availability and affordability of homeowner’s and flood insurance;
8. mortgage-backed securities market;
9. technological changes such as artificial intelligence-driven automation, machine learning, data analytics, blockchain technology, and remote online notarizations;
10. cybersecurity risks and mitigation efforts to prevent data breaches and ransomware; and
11. innovative products.

The charts below reflect the historical information regarding the number of licensees and registrations in an approved status.



*Other entities include Auxiliary Mortgage Loan Activity Companies, Credit Union Subsidiary Organization, Financial Services Company, and Independent Contractor Loan Processor or Underwriting Companies.



As shown in the charts above, the number of licensees and registrants reflect a growth in the number of licensed mortgage entities. The growth in the mortgage industry impacts several areas of the Mortgage Regulation division, including staffing levels and an overall number of mortgage entities subject to examination.

The Mortgage Regulation division communicates regularly with the industry by answering questions and providing guidance. SML holds regular meetings with the mortgage industry including periodic Emerging Issues meetings and an annual Mortgage Industry Seminar. During these meetings, SML presents current compliance considerations and other relevant topics in the mortgage industry. SML also provides presentations to a variety of mortgage industry trade associations.

SML conducts examinations to detect, among other things, unlicensed activity, mortgage fraud, consumer harm, and law violations. As necessary, SML takes enforcement actions including, but not limited to, issuing cease and desist orders or orders to take affirmative action. If the unlicensed activity or other violations persist, despite SML's enforcement actions, SML works with the Office of the Attorney General to take additional legal action.

SML participates in multi-state and coordinated mortgage examinations as needed and appropriate. A multi-state examination is performed by state regulatory agencies in different jurisdictions. A coordinated examination involves one or more state mortgage regulatory agencies and the Consumer Financial Protection Bureau (CFPB). As a product of these multi-state and coordinated examinations, SML may take enforcement actions in coordination with the CFPB and other state and federal agencies.

SML utilizes NMLS, developed in 2008 to license and register non-depository mortgage entities and its sponsored residential mortgage loan originators. Over the next few years, the Conference of State Bank Supervisors (CSBS) and the other state regulators are updating and implementing enhancements to NMLS. The NMLS modernization involves a multi-year effort to deliver an improved user experience for state regulators and industry

professionals. In coordination with other state regulators, SML anticipates that the modernized NMLS will require state regulators to consider new ways to work together including networked supervision. Conceptually, under networked supervision, state regulators would share information and data and rely on each other's work. The supervision system acts as a coordinated whole without limiting each state's sovereignty and jurisdictional requirements. CSBS's goals for networked supervision are to (1) allow for information sharing between the states, (2) eliminate redundancies, (3) permit interdependent reviews, (4) establish common standards, and (5) create data standardization requirements. SML will work diligently with CSBS to ensure efficiencies are achieved in this modernized version of NMLS and fulfill SML's needs.

In March 2020, CSBS, and other state regulators formally launched the State Examination System (SES), a web-based system used to conduct single and multi-state examinations of financial institutions, including mortgage companies and mortgage bankers. CSBS's goal for SES is to encourage standardized supervision and foster collaboration among state regulators. SES reduces the mortgage industry's burden by allowing for standardized information requests, workflows, and processes across all states. SES permits the sharing of supervisory examination information between state mortgage regulators, enabling the Mortgage Regulation division to accept and leverage the supervisory examination work product of other CSBS mortgage accredited state regulators. With the standardization of the examination process, CSBS envisions ten multi-state examinations per year. As of January 2024, the Mortgage Regulation division is conducting all supervisory activities or examinations in SES.

Another priority is maintaining contact and communication with the CFPB, other state regulators and national associations, such as CSBS and the American Association of Residential Mortgage Regulators (AARMR). The Director of Mortgage Regulation serves on the NMLS Policy Committee and handles regulatory policies and development decisions that involve NMLS and SES. The Chief Mortgage Examiner currently serves on the AARMR Board of Directors. The Senior Review Examiner serves on the Performance Standards Committee and CSBS Education Foundation. The Review Examiner serves on the CSBS Mortgage Call Report Subcommittee. The General Counsel serves on the State Regulatory Registry (SRR) Lawyer's Committee and participates in emerging issues calls with the CFPB. The Mortgage Regulation division constantly explores opportunities for prominent or influential roles in the national and state associations. These interactions aid SML in staying up to date on federal regulations and emerging issues related to the mortgage industry.

The adoption of new technology by the mortgage industry requires practical and adaptive changes to the examination process. Cybersecurity, data privacy, and mortgage fraud concerns are pivotal issues. Because of the adoption costs for new technology, SML anticipates the mortgage industry will undergo some consolidation with the largest mortgage bankers and mortgage companies.

Rising interest rates, reduced housing supply, and inflationary pressures will impact the mortgage industry. SML also anticipates an increased use of alternative financing methods including private investor-funded and wrap mortgage loans.

Goal: Effective Consumer Responsiveness

Respond to inquiries and complaints from consumers, industry, public officials, and other state and federal regulatory entities.

Action Items to Achieve Goal

- Review, analyze, and respond to inquiries and complaints timely.
- Conduct investigations of complaints supported by reasonable cause and within SML's jurisdiction to take action to address.
- If SML does not have jurisdiction over a complaint, if known, refer the person making the complaint to the appropriate regulatory authority.
- Investigate consumer claims to recover damages under Texas Finance Code §§ 156.504 and 156.555 (recovery claims).
- Take enforcement actions when warranted.
- Respond to public information requests.

Goals and Action Items Support Statewide Objective

1. Accountable to tax and fee payers of Texas.
 - Ensure adherence to self-leveling, self-funding, and self-directed, semi-independent statutory requirements.
 - Practice prudent stewardship of financial resources.
 - Provide transparency through reporting.
2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including eliminating redundant or non-core functions.
 - Review and evaluate consumer responsiveness policies, processes, and procedures to improve efficiency.
 - Investigate and resolve complaints timely.
 - Provide training for consumer responsiveness staff.
3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures, and implementing plans to improve continuously.
 - Meet or exceed performance measures.
 - Review policies, processes, and procedures to improve efficiency in fulfilling the goals.
 - Take enforcement actions when warranted.
4. Attentive to providing excellent customer service.
 - Provide convenient methods to file a complaint or make an inquiry.
 - Provide forms and information in English and Spanish.

- Ensure staff are accessible, knowledgeable, and responsive.
 - Provide training to consumer responsiveness staff.
5. Transparent such that agency actions can be understood by any Texan.
- Adhere to performance measures.
 - Provide reports and updates to the Finance Commission at its bi-monthly meetings.
 - Make reports and other information available through SML's and Finance Commission's websites.
 - Conduct consumer and stakeholder forums on rules and regulations. Publish any proposed rule amendments using clear, understandable language with instructions for the public to submit public comments, and any adopted rules or amendments to rules on SML's website.
 - Publish enforcement order information on SML's website.

Other Considerations

SML's consumer responsiveness functions are performed by SML's Legal division which also supports the functions of the Thrift Regulation division and Mortgage Regulation division by, among other things: (i) prosecuting enforcement actions; (ii) rendering preliminary determinations on and facilitating the prosecution of recovery claims; (iii) facilitating the promulgation of SML's administrative rules (regulations) by the Finance Commission; (iv) tracking legislation that might affect SML or its regulated industries and responding to legislative inquiries; and (v) processing public information requests.

SML prioritizes having knowledgeable, well-trained consumer responsiveness staff and provides internal and external training as appropriate. Consumer responsiveness staff are strongly encouraged to obtain the Certified Mortgage Investigator designation from CSBS, which has rigorous training and continuing education requirements. The retention of knowledgeable, well-trained consumer responsiveness staff is paramount.

SML's Commissioner administers the Mortgage Grant Fund (Texas Finance Code Chapter 156, Subchapter G, which awards grants to organizations that provide financial education to Texas consumers concerning mortgage loans. Such education furthers SML's consumer responsiveness functions by promoting knowledge by the public of the requirements to qualify for a mortgage loan, common industry practices, and SML's role in regulating the industry (including licensing requirements and the importance of working with an entity that is authorized to conduct mortgage business). A knowledgeable and empowered public eliminates potential inquiries and complaints SML might otherwise receive.

Goal: Effective Agency Administration

Be prudent and good stewards of SML's resources.

Action Items to Achieve Goal

- Maintain appropriate staffing levels with competent and well-trained employees performing their duties and responsibilities.
- Coordinate and ensure cross-training in all areas of SML.
- Monitor fiscal performance.
- Continually improve SML's cybersecurity posture.
- Collaborate with the Texas Department of Banking and the Office of Consumer Credit Commissioner on the Finance Commission's efforts to achieve greater efficiencies.

Goals and Action Items Support Statewide Objective

1. Accountable to tax and fee payers of Texas.
 - Ensure adherence to self-leveling, self-funding, and self-directed, semi-independent statutory requirements.
 - Practice prudent stewardship of financial resources.
 - Provide transparency through reporting.
2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including eliminating redundant or non-core functions.
 - Increase efficiency and effectiveness through well-trained staff and use of information resources solutions.
 - Monitor expenditures and revenues continually.
 - Share information and collaborate with the other Finance Commission agencies.
3. Effective by successfully fulfilling core functions, achieving performance measures, and implementing continuous improvement plans.
 - Meet or exceed performance measures.
 - Coordinate and ensure cross-training to facilitate succession planning.
 - Review and update policies, processes, and procedures to improve effectiveness and fulfillment of core functions.
4. Attentive to providing excellent customer service. (Customers under this Goal would be SML employees)
 - Provide and maintain alternative work schedules.
 - Provide a safe work environment for employees and the tools needed to perform their duties.

- Process employee reimbursement vouchers and payroll promptly.
5. Transparent such that agency actions can be understood by any Texan.
- Adhere to performance measures.
 - Provide reports and updates to the Finance Commission at its bi-monthly meetings.
 - Make reports and other information available through SML's and Finance Commission's websites.

Other Considerations

As a self-leveling, self-funding agency, SML's revenue is derived from fees and assessments collected by regulated entities. SML is responsible for all direct and indirect costs and does not receive general revenue funds. All revenues are placed in the SML's account at the Texas Treasury Safekeeping Trust Company. Various provisions in the Texas Finance Code authorize the Commissioner to impose and collect fees to cover SML's costs of performing its regulatory responsibilities. SML operates in a prudent and fiscally responsible manner while performing its statutory duties.

In addition, SML has been a self-directed, semi-independent (SDSI) agency since 2009. This status has been instrumental in supporting SML's efforts to fulfill its mission. Being an SDSI agency, SML can respond effectively and timely to the changing dynamics in the economy and the regulated industries, including the ability to adjust budgets to implement immediate changes in staffing strategies, as well as to adjust salaries to retain and attract qualified personnel and strive for competitive salary levels with other state and federal regulators. Having SDSI status allows SML to operate more efficiently and provides the flexibility needed to expand or diminish resources in response to changing economic conditions.

SML develops an annual budget, which is evaluated and reviewed by the Finance Commission (FC). This eleven-member governing body provides oversight of three state agencies: the Department of Savings and Mortgage Lending, the Texas Department of Banking (DOB), and the Office of Consumer Credit Commissioner (OCCC). The Finance Commission must approve SML's budget before any expenditure can be made. A budget hearing, open to the public, is held each year.

SML is headquartered in the Finance Commission Building at 2601 N. Lamar Blvd, which it shares and co-owns with DOB and OCCC, the other FC agencies. During the 85th Legislature, Regular Session 2017, the Texas Legislature enacted Senate Bill 1349 allowing the Texas Department of Transportation (TxDOT) to sell certain excess land to the FC agencies. The agencies are communicating with the Texas Department of Motor Vehicles and TxDOT regarding the parcel on the Camp Hubbard campus. After receiving the Environmental Site Assessments, a letter of intent for purchasing the four-acre parcel was provided. The FC agencies and TxDOT will collaborate to implement a final agreement for the Camp Hubbard parcel.

Cash reserves have been set aside to cover future expenses related to the purchase or construction of a new building and relocation. As required by SB 646, which was passed during the 86th Legislature, Regular Session 2019, the agencies received authorization

from the Office of the Governor in March 2023 to increase the reserves for long-term planning, consistent with the December 2021 action of the FC. Additional authorizations for the project will be needed from the Office of the Governor in the future.

The Texas Sunset Advisory Commission evaluated SML during its 2018 - 2019 review cycle, as required by the Texas Sunset Act. The 86th Legislature extended the agency's existence through September 1, 2031, under the continued oversight of the FC.

REDUNDANCIES AND IMPEDIMENTS

Redundancies and Impediments	
Service, Statute, Rule, or Regulation (Provide Specific Citation if applicable)	Finance Code Chapter 157, Subchapter C
Describe why the Service, Statute, Rule, or Regulation is Inefficient or Ineffective Agency Operations	The statutory provisions governing mortgage bankers registered with SML under Finance Code Chapter 157 contemplate evaluating consumer complaints against mortgage bankers and the authority to revoke the registration for certain violations (see Tex. Fin. Code §§ 157.0022 and 157.009). The statutory authority to conduct such evaluations includes the right to request documents and other evidence of the mortgage banker necessary to evaluate the complaint (see Tex. Fin. Code § 157.0022). However, unlike mortgage companies licensed by SML (see Tex. Fin. Code § 156.301), SML is without statutory authority to inspect and examine a mortgage banker's records directly. While the statute does allow for inspection/examination of licensed residential mortgage loan originators (RMLOs) acting on behalf of a mortgage banker, SML does not have express authority to mandate that corrective actions be taken for violations noted in certain records maintained by the mortgage banker including advertisements and policies and procedures such as identity theft prevention (red flags), anti-money laundering, information security, ability-to-repay, and quality control plans.
Provide Agency recommendations for modification or elimination	Make statutory changes to provide for direct examination authority over mortgage bankers.
Describe the estimated cost savings or other benefits associated with the recommended change.	The examination environment allows for the confidential exchange of information between the regulator and regulated entity to promote supervision. Direct examination authority would enable SML to identify compliance issues better, allowing the regulated entity to take corrective action before consumer harm has occurred. It also has the tendency to reduce the regulated entity's liability risks and litigation costs.
Service, Statute, Rule, or Regulation (Provide Specific Citation if applicable)	Tex. Fin. Code § 157.005 (compare to Tex. Fin. Code § 156.211)

Describe why the Service, Statute, Rule, or Regulation is Inefficient or Ineffective Agency Operations	Tex. Fin. Code § 156.211 provides that a licensed mortgage company may be assessed a fee of \$25 for certain amendments to its license records. SML lacks similar authority to assess a fee against mortgage bankers. Changes by a mortgage banker to its registration (for example a change of its name or the addition of an assumed name) can sometimes result in substantial costs for SML to process and carry out. Without statutory authority to assess fees for this purpose, all registered mortgage bankers must bear the costs for this work.
Provide Agency recommendations for modification or elimination	Make statutory changes to allow SML to assess a fee when a mortgage banker makes changes to its registration.
Describe the estimated cost savings or other benefits associated with the recommended change.	Allowing SML to assess a fee better aligns with SML’s SDSI status and the requirement to be self-leveling by better allocating costs to the appropriate parties.
Service, Statute, Rule, or Regulation (Provide Specific Citation if applicable)	Finance Code Chapter 158.
Describe why the Service, Statute, Rule, or Regulation is Inefficient or Ineffective Agency Operations	<p>The statutory provisions governing mortgage servicers registered with SML under Finance Code Chapter 158 contemplate the investigation of consumer complaints against a mortgage servicer and the authority to issue an order against the mortgage servicer or revoke the mortgage servicer’s registration for certain violations (see Tex. Fin. Code §§ 158.059, 158.102, and 158.103). The statutory authority to conduct complaint investigations includes the right to access the books and records of a mortgage servicer (see Tex. Fin. Code § 158.102(a)(2)). However, this authority exists only in connection with a consumer complaint that has been filed, and SML is without statutory authority to inspect or examine the records of a mortgage servicer otherwise. The lack of general inspection/examination authority has a substantial impact on the SML’s operations, considering that, historically, most complaints filed with SML involve mortgage servicing issues (62% for FY2023; 56% for FY2022; 64% for FY2021; 63% for FY2020; 63% for FY2019; 69% for FY2018).</p> <p>In 2021, the Conference of State Bank Supervisors (CSBS) reaccredited SML’s mortgage regulation program. This accreditation status creates a presumption in federal law (see Regulation H, 12 C.F.R. § 1008.113(b)) that SML and the State of Texas meet the requirements of the federal Safe and Secure Mortgage Regulation Licensing Act of 2008 (federal SAFE Act; 12 U.S.C. § 5101 et seq.),</p>

	<p>requiring the licensing of individual residential mortgage loan originators (RMLOs) and establishing certain minimum requirements for licensure. Regulation G and the federal SAFE Act do not govern the servicing of mortgage loans and do not require examination authority for mortgage servicers. As a result, SML, even without accreditation by CSBS, would likely fulfill the requirements of Regulation H and the federal SAFE Act. However, maintaining SML’s accreditation status with CSBS ensures that SML and the State of Texas qualify for the presumption created under Regulation H, 12 C.F.R. § 1008.113(b). It can continue to implement the requirements of Regulation H and the federal SAFE Act and regulate the licensing of individual residential mortgage loan originators in Texas. During the reaccreditation process, SML’s lack of statutory authority to inspect and examine mortgage servicers was cited and adversely impacted SML’s accreditation score. CSBS, in its report, specifically stated “[SML] must have statutory authority to examine mortgage servicers.” Considering the foregoing, the lack of statutory authority to inspect and examine mortgage servicers may threaten SML’s CSBS accreditation status in the future. SML is scheduled to reenter the CSBS accreditation process in 2026. In the interim, SML will be subject to annual reviews by CSBS, wherein SML will be required to provide status updates concerning the deficiencies noted in its last accreditation review, including SML’s lack of statutory authority to inspect and examine mortgage servicers.</p> <p>Pursuant to Tex. Fin. Code § 158.052, mortgage bankers registered with SML under Finance Code Chapter 157 are exempted from the requirements of Finance Code Chapter 158. Per Tex. Fin. Code § 157.0021, mortgage bankers are permitted to service mortgage loans, and Finance Code Chapter 157 therefore contemplates that mortgage servicing by a mortgage banker is, instead, regulated under that chapter. As a result, this statutory impediment should be read in conjunction with the impediment identified above concerning the lack of statutory authority to inspect and examine mortgage bankers directly, and SML recommends the impediments be addressed accordingly.</p>
Provide Agency recommendations for the modification or elimination	Make statutory changes to provide for direct examination authority over mortgage servicers.
Describe the estimated cost savings or other benefits associated with the recommended change.	The examination environment allows for the confidential exchange of information between the regulator and the regulated entity. Direct examination authority would enable SML to identify compliance issues better, allowing the regulated entity to take corrective action before consumer harm has occurred. It also has the tendency to reduce the regulated entity’s liability risks and litigation costs.

Natural Disaster-Related Redundancies and Impediments	
Service, Statute, Rule, or Regulation (Provide Specific Citation if applicable)	Not Applicable.
Describe why the Service, Statute, Rule, or Regulation is Inefficient or Ineffective Agency Operations	None.
Provide Agency recommendations for modification or elimination	Not applicable.
Describe the estimated cost savings or other benefits associated with the recommended change.	Not applicable.

SUPPLEMENTAL SCHEDULES

SCHEDULE A: BUDGET STRUCTURE – GOALS, OBJECTIVES AND PERFORMANCE MEASURES

Budget

SML has been a self-directed, semi-independent agency since 2009 and does not have a bill pattern in the General Appropriations Act. It is also self-leveling and self-funding, and responsible for all direct and indirect costs, as no resources are appropriated from General Revenue. All revenues for operations are derived from fees and assessments paid by the regulated entities. The revenues are deposited into SML's Texas Treasury Safekeeping Trust Company account and are not included in the General Revenue Fund.

SML develops an annual budget, which is made available to the public on SML's website and presented to the Finance Commission for evaluation and approval. The budgeting process begins in the last quarter of the fiscal year, with the proposed budget presented at a public hearing, typically at the end of July or the beginning of August. The final budget is presented to the Finance Commission at its regularly scheduled August meeting for final decision. The Finance Commission must approve a budget before any expenditure can be made.

Goal: Effective Regulation of the Thrift Industry

Supervise, regulate, and enforce the organization, operation, and if necessary, the liquidation of state savings banks and state-savings associations.

Objective: Safety and Soundness

To examine, monitor, and enforce the safe and sound operations of state-chartered savings institutions and their compliance with applicable state and federal statutes and regulations by ensuring that:

- 100% of savings institutions receive a quality examination within the required timeframes, and
- 100% of applications are processed within the statutory timeframes.

Outcome Measures

- Percentage of state-chartered savings institutions receiving examination within the required timeframes
- Percentage of savings institutions classified as safe and sound
- Percent of state-chartered savings institution applications processed within statutory timeframes

Strategy: Thrift Examination and Supervision

Perform full and limited scope examinations and participate with federal regulators in examinations within required timeframes; monitor and enforce the safe and sound operations of state-chartered savings institutions and their compliance with applicable laws and regulations.

Output Measures

- Number of state-chartered savings institution examinations performed
- Number of state-chartered savings institution applications processed

Efficiency Measures

- Assets examined per examiner day (in millions)
- Average time (business days) to complete analysis of quarterly financial data

Explanatory Measures

- Number of state-chartered savings institutions
- Dollar amount of assets under regulation (in billions)

Goal: Effective Regulation of the Mortgage Industry

Protect Texas consumers through fair and effective regulation of the residential mortgage industry.

Objective: Residential Mortgage Loan Regulation

Ensure timely and efficient licensing, registration, and examination of mortgage entities and mortgage loan originators through fair, responsible, comprehensive regulation, and enforcement of regulatory requirements.

Outcome Measures

- Percentage of satisfactory levels of compliance reported through examination
- Percentage of examinations initiated within established timeframes
- Percentage of applications processed within established timeframes

Strategy: Mortgage Licensing and Examination

Process, investigate, and take final action on all applications for a license or registration on a timely basis.

Examine, monitor, and enforce compliance with applicable state and federal laws and regulations through timely examination.

Ensure effective and efficient examination of mortgage licensees and registrants through fair, responsible, and comprehensive compliance review, and enforcement of regulatory requirements regarding procedures and standards of conduct.

Output Measures

- Number of applications processed
- Number of examination reports issued

Efficiency Measures

- Average cost per application processed

Explanatory Measures

- Total number of licensees/registrants in an approved status
- Number of licensees examined

Goal: Effective Consumer Responsiveness

Respond to inquiries and complaints from consumers, industry, public officials, and other state and federal regulatory entities.

Objective: Complaints

Ensure that complaints are timely, efficiently, and appropriately closed.

Outcome Measures

- Percentage of complaints closed within ten business days of receipt of complete information
- Percentage of written complaints closed within 120 days

Strategy: Complaint and Inquiry Process

Provide a forum for registering inquiries and complaints and take appropriate action when warranted.

Output Measures

- Number of complaints closed within 120 days

Efficiency Measures

- Average direct cost per complaint closed

Goal: Effective Agency Administration

Be prudent and good stewards of SML's resources.

Objective: Indirect Administration

Monitor and analyze staff turnover and operating budget and take action to ensure improved retention and accurate budgeting.

Outcome Measures

- Percentage of employees separated from the agency
- Percentage of actual expenditures to budgeted expenditures

SCHEDULE B: LIST OF MEASURE DEFINITIONS

Goal: Effective Regulation of the Thrift Industry

Outcome Measures:

Percentage of state-chartered savings institutions receiving examination within the required timeframes

Definition

The percentage of savings institutions receiving timely examination within the required timeframes.

Purpose

SML's primary mission regarding state-chartered thrifts is to ensure that all state savings institutions are operated safely and soundly and in compliance with applicable statutes and rules. To accomplish this mission, each institution must be regularly examined based on an assessment of risk. Material failure to achieve this measure could result in an unsafe and unsound thrift industry in Texas.

Data Source

An examination tracking log of all examinations performed by SML and federal regulators is maintained by SML staff. The tracking log is maintained by the following Priority Schedule: Institutions \$3 billion in asset size or more rated composite CAMELS 1 or 2, are examined every 12 months. Institutions less than \$3 billion in asset size, rated composite CAMELS 1 or 2, are examined every 18 months if they are well-capitalized, well-managed, and free from any formal enforcement action. Institutions with less than \$3 billion, CAMELS 1 or 2 rated with a 3 rated management or subject to formal enforcement action are examined every 12 months. Institutions of any asset size with a CAMELS rating of 3, 4, or 5 are required to have a full scope examination annually with a visitation in the interim, approximately six months after completion and submission of the results of the full scope examination. The visitation examination should be of sufficient scope to address regulatory concerns.

Methodology

The cumulative number of state-chartered saving institutions due for examination according to the examination priority schedule examined by SML, FDIC, or Federal Reserve Bank during the reporting period, divided by the number of savings institutions required to be examined under SML's priority schedule during the reporting period. The measurement date for timeliness of examinations begins on the transmittal date of the Report of Examination to the institution. Examinations

started within 30 days from the date they are due are considered to meet SML's performance measures.

Data Limitations

None

Calculation Method Attainment

Cumulative

No

New Measure Target

Higher than target

Percentage of savings institutions classified safe and sound

Definition

The percentage of savings institutions determined to be operating safely and soundly because of an on-site examination. A safe and sound institution is any institution with a CAMELS rating of 1 or 2.

Purpose

To provide a comprehensive indication of the health of the state-chartered industry as determined by examination results. The higher the percentage, the healthier the industry; by deduction, the more effective SML's regulation has been.

Data Source

SML staff maintain information on each institution under SML's jurisdiction, including its financial institution rating under the CAMELS system of their last examination, and report the results in the quarterly financial monitoring report.

Methodology

The number of safe and sound (rated 1 or 2) institutions is divided by the total number of state-chartered savings institutions regulated as reported in the quarterly risk monitoring model.

Data Limitations

The primary limitation of this measure as a tool to evaluate SML's effectiveness is that it can be impacted as much by economic conditions as agency regulation.

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Percentage of state-chartered savings institution applications processed within statutory timeframes

Definition

Percentage of savings institutions applications receiving final action within the following statutorily defined timeframes or, where no statutory timeframe exists, within SML's goal for that type of application:

60 calendar days after application is complete and hearing held, if applicable: new charter, branch office, mobile facility, reorganization, merger, consolidation, change of control, change of name, and change of location.

30 calendar days after application is complete: investment in subsidiary.

Purpose

To indicate whether SML is processing applications in a timely manner and informing the applicant of the evaluation and conclusion in a reasonable time.

Data Source

SML staff maintains a log of all application activity, including the date the application was received, the date the application was deemed complete, the date of hearing (if applicable), and the final determination by the Commissioner. When applicable, these dates are supported by letters to the applicants and hearing notices published in the *Texas Register*.

Methodology

The application log for the reporting period is reviewed, and each application processed during the period is evaluated for compliance with statutory timeframes. The number of applications processed within statutory timeframes is divided by the total number of all applications processed during the reporting period.

Data Limitations

None

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Output Measures

Number of state-chartered savings institution examinations performed

Definition

The total number of on-site independent, joint, full scope, limited scope, or special examinations of savings institutions performed during the quarter.

Purpose

To indicate the level of examination activity for 1) the period reviewed as a production volume indicator and 2) in comparison with the total number of state-chartered savings institutions; and to inform of the examination staff's workload.

Data Source

SML staff maintains a log tracking the status of examinations and responses (e.g., examination type, date examination began and completed, date report issued, date of response by the institution, etc.). The log serves as the basis for capturing the number of all types of examinations performed on savings institutions under SML's jurisdiction.

Methodology

Arithmetically total the number of examinations performed during the reporting period.

Data Limitations

Occasionally, the measure can be distorted by multiple examinations of the same institution or many special examinations.

Calculation Method

Cumulative

New Measure

No

Target Attainment

Higher than target

Number of state-chartered savings institution applications processed

Definition

The total number of all applications received by SML during the reporting period, including, but not limited to, requests to charter a savings institution, establish additional offices, engage in a merger, or acquisition transaction, or invest in a subsidiary.

Purpose

To indicate the application workload regarding savings institution corporate transactions. The number of applications processed is directly related to the number of applications received, which frequently reflects economic expansion in the state. During more prosperous economic conditions, individuals seek to charter new institutions, and existing financial institutions establish new branch offices and engage in a greater level of merger and acquisition activities. Agency staffing can be affected by the number of applications.

Data Source

SML staff maintains a log of all application activity, including the date the application was received, the date the application was deemed complete, the date of the hearing, if applicable, and the final determination by the Commissioner. When applicable, these dates are supported by letters to the applicants and hearing notices published in the Texas Register.

Methodology

Arithmetically count the number of applications with final action taken by SML during the reporting period, as recorded in the applications log, regardless of when the application was originally received.

Data Limitations

SML has no control over the number of applications received and processed. The number of applications could vary significantly over the reporting period; the measure would vary similarly.

Calculation Method

Cumulative

New Measure

No

Target Attainment

Higher than target

Efficiency Measures

Assets examined per examiner day (in millions)

Definition

The total state-chartered industry assets examined are divided by the number of examiner days available.

Purpose

To compare total industry assets examined to the available examination staff days available to evaluate the reasonableness of the number of examiners to the size of the industry regulated by SML.

Data Source

SML staff derives the number of examiner FTEs from a report generated by the statewide payroll system. The total assets of state-chartered savings institutions examined are obtained from the Risk Monitoring Model prepared by SML staff and based on quarterly call reports submitted by each institution. The total number of examiner days available is calculated by subtracting vacations, weekends, training days, the typical number of sick days, and holidays from 365 days in the year for each examiner and adding them together.

Methodology

Total assets of state-chartered savings institutions examined by SML during the reporting period and dividing the amount by the number of available examiner days, excluding absences from work due to vacation, holidays, sickness, and training.

Data Limitations

The measure must be considered along with the general supervisory condition of the state-chartered industry regulated by SML. Significant economic downturns can adversely affect financial institutions in the state system, leading to increased staff required to effectively examine and regulate the industry.

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Average time (business days) to complete analysis of quarterly financial data

Definition

The number of business days required to analyze and report to the Commissioner initial quarterly financial results of savings institutions under SML’s jurisdiction from financial reports the institutions submit.

Purpose

To provide indication of SML’s off-site monitoring efficiency. The financial monitoring report is a significant tool for the Commissioner and staff to identify and address financial operating changes in an institution between quarterly reports, so that prompt, effective supervisory action can be taken when needed — the timelier the action, the greater its effectiveness.

Data Source

Call report data serves as the basis for risk monitoring model reports. Call reports are submitted electronically to FFIEC within 30 calendar days of calendar quarter end. SML staff obtains call reports submitted through the repository. Final Risk Monitoring Model reports cannot be produced until all call reports are received.

Methodology

Financial monitoring system reports are available within a few days after receiving the last call report. The due date of the Call Report serves as the start date. The generated date stamp on the Risk Monitoring Model report serves as the end date. The count of elapsed business days between the two dates measures performance.

Data Limitations

None

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Lower than target

Explanatory Measures

Number of state-chartered savings institutions

Definition

The total number of savings institutions chartered by the state under SML's jurisdiction.

Purpose

To assist in evaluating SML's level of activity in all strategies and other measures related to savings institution regulation, the number of examinations, applications, and complaints correlates in whole or in part to the number of institutions. Agency staffing can be impacted based on the number of institutions.

Data Source

SML staff maintains information on each institution under SML's jurisdiction and reports that information in the quarterly risk monitoring model. The Model provides information on the number of institutions and aggregate assets and is updated on a calendar quarter basis.

Methodology

Arithmetically count the number of state-chartered savings institutions as of the end of the reporting period.

Data Limitations

None

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Dollar amount of assets under regulation (in billions)

Definition

The aggregate total assets of savings institutions chartered by the state under SML's jurisdiction.

Purpose

The information on the aggregate assets of the state thrift system subject to SML's jurisdiction and influence indicates the appropriateness of the state resources dedicated to supervising and regulating the industry. The amount of assets under regulation can impact agency staffing.

Data Source

SML staff maintains information on each institution under SML's jurisdiction and reports that information in the quarterly risk monitoring model. The model provides information on the number of institutions and aggregate assets and is updated on a calendar quarter basis.

Methodology

Arithmetically, add the total assets of state savings institutions at the end of the calendar quarter.

Data Limitations

None

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Goal: Effective Regulation of the Mortgage Industry

Outcome Measures

Percentage of satisfactory levels of compliance reported through examination

Definition

The percentage of the total number of examinations at the end of the reporting period in which satisfactory levels of compliance are achieved.

Purpose

Mortgage examinations help to ensure compliance with legal requirements and standards of conduct. This measure is important because it indicates how effectively SML’s activities deter violations of statutes and rules.

Data Source

SML staff maintains a database of examinations, where detailed information about each examination is entered, including examination dates, examination ratings, examiners’ names, and other information. Staff compiles a report, from the database, of all licensees who received an examination during the reporting period. Data about the level of compliance achieved during the reporting period is derived from the database.

Methodology

The total number of examinations conducted during the reporting period, with satisfactory levels of compliance, as determined by SML, is divided by the total number of examinations conducted during the reporting period.

Data Limitations

SML’s examination staff determines compliance levels and uses a rating system to identify licensees with a satisfactory or unsatisfactory level of compliance. The examination ratings are based on SML’s regulatory analysis. This measure is driven by the level of compliance.

Calculation Method	New Measure	Target Attainment
Non-Cumulative	No	Higher than target

Percentage of examinations initiated within the established timeframes

Definition

Percentage of examinations initiated within established timeframes.

Purpose

This measure provides information on SML's ability to regulate the mortgage licensees and registrants operating in Texas effectively. Examining mortgage entities and residential mortgage loan originators helps ensure compliance with legal and statutory standards of conduct. Initial examinations are conducted within an established timeframe to allow for the early detection of compliance deficiencies. A compliance rating is assigned based on the findings of an examination. The compliance rating indicates the level of risk associated with the licensees and establishes the timeframe for re-examination.

Data Source

The established initial examination timeframe to conduct an examination is within 18 months of the licensee/registrant reporting sufficient origination production. Sufficient origination production is determined using the NMLS Mortgage Call Reports (MCRs). Sufficient origination production is considered when the residential mortgage loan company or mortgage banker has reported a cumulative total of 5 or more closed loans on the most recent rolling eight quarterly MCRs. The established re-examination timeframes with sufficient origination production are as follows: Prior Examination Rating of 5 is examined within 12 months; Prior Examination Rating of 4 is examined within 24 months; Prior Examination Rating of 3 is examined within 36 months; Prior Examination Rating of 2 is examined within 48 months; and Prior Examination Rating of 1 is examined within 60 months.

A report from the database identifies (1) the date the previous examination report was issued, (2) the rating assigned to the previous examination report, (3) the start date of the examination conducted during the reporting period, and (4) the original license or registration date.

Methodology

A percentage is obtained by dividing the total number of examinations initiated within the established timeframes during the reporting period by the total number of examinations issued during the reporting period. The measurement date for timeliness of examinations begins either: (1) on initial examinations, the date the licensee/registrant has sufficient production, or (2) on re-examinations, the issuance date of the Report of Examination for the previous examination. The established timeframe ends on the start date of the subsequent exam. Examinations started within 30 days of the due date are considered to meet SML's performance measures. The performance measure result is reviewed and certified at least annually. An examination will not be considered outside of the timing

requirements if: (1) the designated representative responsible for the regulated entity is unable to participate in the examination for serious medical reasons or other similar circumstances; (2) the delay is necessary to participate, leverage, or accept a multi-state mortgage origination examination; (3) SML is adhering to the 12-month examination moratorium for One Company One Examination (OCOE), which provides for one multi-state origination or servicing examination conducted by 10 or less state mortgage regulatory agencies using common policies and practices; (4) the regulated entity did not accurately or timely file the MCRs; (5) the regulated entity’s license/registration is not in one of the approved statuses; (6) the delay is necessary to avoid issues related to a serious complaint or investigation; or (7) there is a litigation or enforcement hold.

Data Limitations

The total number of examination reports issued will vary depending on the size and complexity of examinations conducted. This measure would also be affected by other demands on the time personnel are tasked with reviewing examination reports before they are issued. SML will not initiate an examination where there is insufficient production, a lapse in licensure for the mortgage entity, or an inactivation of the mortgage entity license or registration.

Calculation Method	New Measure	Target Attainment
Non-cumulative	No	Higher than target

Percentage of applications processed within established timeframes

Definition

Percentage of applications processed within established timeframes.

Purpose

To indicate how efficiently SML processes applications.

Data Source

Company, branch, and mortgage loan originator applications are received through the Nationwide Multi-State Licensing System (NMLS). An application is deemed received when NMLS assigns a date and a status of “Pending Incomplete” (submission date). When a final determination is made, the outcome taken on the application and the outcome date are entered into NMLS. The system creates a quarterly report for the applications processed during the reporting period.

Methodology

The Conference of State Bank Supervisors (CSBS) Mortgage Accreditation Program provides for an accreditation standard that applications should be turned around and decisions made within 60 days. Reports from the database identify the applications processed during a reporting period, including the submission date and the final determination date, regardless of when the application was originally received. The reports are then exported to a spreadsheet where the number of days between the submission date and the final determination date can be ascertained. The data is then sorted by the number of days. Based upon the current CSBS accreditation standard, the percentage of applications processed within established timeframes is determined by dividing the total number of license and registration applications processed in 60 days or less by the total number of license and registration applications processed during the reporting period. If the CSBS modifies the accreditation standard, then SML will modify the standard accordingly. The performance measure result will be reviewed and certified at least annually.

Data Limitations

SML cannot control the number of applications received or the timeliness of applicant responses to requests for additional information. Mortgage loan originator applications with temporary authority also significantly impact this performance measure as SML may not withdraw or consider an application abandoned until the 120th day after the date on which the individual applies. The number of mortgage loan originator applications received with temporary authority will impact this reporting measure. If the CSBS modifies the accreditation standard, then SML will modify the standard accordingly.

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Output Measures

Number of applications processed

Definition

The number of applications processed during the reporting period.

Purpose

To provide information on how SML fulfills its statutory responsibility to license and regulate the mortgage industry. The number of applications processed is directly related to the number of applications received, which reflects the current size of the regulated industry. Agency staffing can be affected based on the number of applications.

Data Source

SML utilizes the Nationwide Multistate Licensing System & Registry (NMLS) as the system of record. The number of applications processed during the reporting period is determined by preparing a report from a database using NMLS data.

Methodology

Arithmetically count the number of applications that have final action taken during the reporting period, regardless of when the application was originally received.

Data Limitations

SML cannot control the number of applications received. If the number of applications varies significantly, either up or down, the measure will vary similarly.

Calculation Method

Cumulative

New Measure

No

Target Attainment

Higher than target

Number of examination reports issued

Definition

The total number of examination reports issued during the reporting period.

Purpose

To track the number of examination reports issued by SML during the reporting period. This measure provides useful information to management regarding variances and resource allocation.

Data Source

SML issues an examination report. The issued date for the examination report is entered into the system. A quarterly report is submitted to executive management summarizing this activity. The report serves as the basis for capturing the number of examination reports issued. An issued examination includes both full-scope and limited-scope examinations.

Methodology

Arithmetically count the number of examination reports issued during the reporting period. A report from the database identifies the examination reports issued during the reporting period. The performance measure result is reviewed and certified at least quarterly.

Data Limitations

The total number of examination reports issued will vary between quarters depending on the size and complexity of examinations conducted. This measure would also be affected by other demands on the time personnel are tasked with reviewing examination reports before they are issued. SML may include multi-state examinations conducted by other state regulators that are accredited by the Conference of State Bank Supervisors (CSBS).

Calculation Method	New Measure	Target Attainment
Cumulative	No	Higher than target

Efficiency Measure

Average cost per application processed

Definition

The average cost incurred by SML per application processed.

Purpose

To indicate how efficiently SML processes applications.

Data Source

Cost data used to calculate the average cost per application processed is derived from SML's accounting system. The number of applications processed during the reporting period is determined by preparing a report from a database using NMLS data.

Methodology

The average cost per unit is computed by adding the direct and indirect costs attributed to the mortgage licensing strategy and dividing them by the total number of applications processed to reach a final decision during the reporting period.

Data Limitations

SML cannot control the number of applications received. The number of applications could vary significantly over the reporting period, causing the measure to vary in the opposite manner.

Calculation Method	New Measure	Target Attainment
Non-Cumulative	No	Lower than target

Explanatory Measures

Total number of licensees/registrants in an approved status

Definition

Total number of licensed and registered mortgage entities and mortgage loan originators in an approved status at the end of the reporting period.

Purpose

To assist in evaluating SML's level of activity in all strategies and other measures related to mortgage regulation, the number of examinations, applications, and complaints correlates in whole or in part to the number of licensees. Agency staffing can be impacted by the number of licensees.

Data Source

SML utilizes the Nationwide Multistate Licensing System & Registry (NMLS) as the system of record. The number of licensees in an approved status during the period is determined by preparing a report from NMLS.

Methodology

Arithmetically count the number of licensees and registrants (entities, branches, and individuals) in an approved status.

Data Limitations

None

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Number of licensees examined

Definition

The total number of mortgage loan originators included in examinations performed during the reporting period.

Purpose

The measure indicates the level of examination activity for the period, which is reviewed as a productivity production volume indicator. An examination is the review and evaluation process necessary to determine licensees' compliance with applicable legal and statutory standards.

Data Source

SML staff prepares a report tracking the status of examinations (e.g., current examination date, previous examination date, examination rating, examiner's name, and whether a follow-up examination is needed). The report serves as the basis for capturing the number of mortgage loan originators examined.

Methodology

Arithmetically count the number of mortgage loan originators examined during the reporting period.

Data Limitations

The total number of mortgage loan originators examined will vary between quarters depending on the size and complexity of the examinations. A significant change in the size of the regulated industry would also affect this measure.

Calculation Method

Cumulative

New Measure

No

Target Attainment

Higher than target

Goal: Effective Consumer Responsiveness

Outcome Measure

Percentage of complaints closed within ten business days of receipt of complete information

Definition

The total number of complaints closed within 10 business days of receipt of all needed information is divided by the total number of complaints closed.

Purpose

To indicate whether complaints are being investigated, analyzed, and addressed promptly.

Data Source

SML staff maintains a database of incoming complaints, where detailed information about each complaint is entered, including the date of receipt of complete information and the date the complaint was closed. Data about all complaints closed during the reporting period is derived from the database.

Methodology

Each complaint is calculated by calculating the number of days between the date all necessary information is received and the date the complaint is closed. The number of complaints closed within 10 business days of receipt of complete information is divided by the total number of complaints closed during the reporting period.

Data Limitations

Complaints must be investigated before a proper response may be issued; therefore, the counting period for evaluating prompt response cannot begin until all facts have been obtained from both the individual complaining and the party complained against. Therefore, a complex complaint can extend complaint processing time.

Calculation Method	New Measure	Target Attainment
Non-Cumulative	No	Higher than target

Percentage of complaints closed within 120 Days

Definition

The percentage of complaints closed within 120 calendar days is divided by the total number of all complaints closed within the reporting period.

Purpose

The measure provides detailed information for management purposes and helps determine trends.

Data Source

SML staff maintains a database of complaints, where detailed information about each complaint, including the closed date, is entered. The database also contains data about all complaints investigated during the reporting period.

Methodology

The number of complaints closed within 120 calendar days is divided by the total number of complaints closed during the reporting period.

Data Limitations

The measure does not consider the complexity of each complaint. A complaint with complex issues may require extensive investigation that justifies exceeding the 120-day period.

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Output Measure

Number of complaints closed

Definition

The number of complaints closed during the reporting period.

Purpose

To indicate the level of consumer complaints' investigations activity, reviewed as a production volume. The number of complaints closed is directly related to the number of complaints received.

Data Source

SML staff maintains a database of complaints, where detailed information about each complaint, including the closed date, is entered. Data about all complaints closed during the reporting period is derived from the database.

Methodology

Arithmetically add the number of complaints closed during the reporting period.

Data Limitations

The number of complaints received fluctuates and is outside of SML's control.

Calculation Method	New Measure	Target Attainment
Non-Cumulative	No	Higher than target

Efficiency Measure

Average direct cost per complaint closed

Definition

The average direct cost incurred by SML per complaint closed.

Purpose

To indicate how efficiently SML processes complaints.

Data Source

The cost data used to calculate the average cost per closed complaint is derived from the SML's accounting system. The number of complaints closed during the reporting period is derived from the complaints database.

Methodology

The average direct cost per unit is computed by adding the total direct costs attributed to the complaint process strategy and dividing them by the total number of complaints closed during the reporting period.

Data Limitations

The number of complaints closed is directly related to the number of complaints received, which fluctuates and is outside of SML's control.

Calculation Method	New Measure	Target Attainment
Non-Cumulative	No	Lower than target

Goal: Effective Agency Administration

Outcome Measures

Percentage of employees separated from the agency

Definition

The employee turnover or the percentage of regular employees separated from the agency during the reporting period.

Purpose

Staff turnover indicates the effectiveness of SML's human resources management. Excessive turnover can lead to additional costs of hiring and training new staff, and poor retention of qualified staff can negatively impact productivity and performance.

Data Source

The State Auditor's Office (SAO) maintains a database of all state agencies' turnover, as reported by each agency. Data for the reporting period is derived from that database.

Methodology

SAO calculates the percentage of employees separated from the agency as the number of separated employees, divided by the average number of FTEs for the reporting period.

Data Limitations

The number of separations may fluctuate between reporting periods. Some level of turnover is natural and could have a positive impact on SML.

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Lower than target

Percentage of actual expenditures to budgeted expenditures

Definition

The percentage of actual expenditures to budgeted expenditures as of the end of the reporting period.

Purpose

To assist in the review of the budgeting accuracy. An accurate budget allows SML's management to make informed and relevant decisions in achieving SML's mission, goals and objectives.

Data Source

Data is derived from SML's internal and statewide accounting systems.

Methodology

The percentage is computed by dividing the total actual expenditures for the reporting period by the total budgeted expenditures for the same reporting period.

Data Limitations

Unanticipated expenditures due to extraordinary events outside of SML's control can occur during the reporting period.

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

SCHEDULE C: HISTORICALLY UNDERUTILIZED BUSINESS PLAN

Historically Underutilized Business (HUB) Policy

It is SML’s goal to support historically underutilized businesses, establish and implement policies governing purchasing and public works contracting that foster meaningful and substantive inclusion of HUBs.

SML supports efforts by state leadership in their policy directing state agencies to utilize HUBs when awarding state contracts. While SML has limited opportunities to award contracts, it is SML’s intent to continue its concerted efforts to maximize such utilization.

HUB Goals and Achievements

During fiscal years 2022 and 2023, SML exceeded the state’s annual procurement goals for the percentage of funds spent with HUBs in all categories of spending.

Category	State’s Goal %	SML’s Spending with HUBs %	
		FY2022	FY2023
Professional Services	23.7%	100.0%	100.0%
Other Services	26.0%	39.7%	54.7%
Commodity Purchasing	21.1%	43.2%	21.8%

SCHEDULE F: AGENCY WORKFORCE PLAN



DEPARTMENT OF SAVINGS AND MORTGAGE LENDING



WORKFORCE PLAN FISCAL YEARS 2025-2029

Department Overview

Mission

The mission of the Department of Savings and Mortgage Lending is to serve the people of Texas by supervising and regulating the residential mortgage lending industry, state savings banks, and savings associations to promote a healthy residential mortgage lending environment and safe and sound savings financial institutions.

SML's guiding principles in fulfilling its regulatory responsibilities are to:

- Be responsive, accountable, and transparent to Texans, the regulated entities, the Texas Legislature, and the Finance Commission of Texas.
- Supervise and regulate with integrity, ethics, fairness, efficiency, and professionalism.
- Uphold the constitution and laws of Texas and the United States.

Governing Legislation

Article 16, Section 16(a) of the Texas Constitution provides that "[t]he Legislature shall by general laws, authorize the incorporation of state banks and savings and loan associations and shall provide for a system of State supervision, regulation and control of such bodies which will adequately protect and secure the depositors and creditors thereof."

In 1961, the 57th Legislature created the Savings and Loan Department to regulate savings and loan associations.

In 1963, the 58th Legislature enacted the Texas Savings and Loan Act (now Finance Code Title 3, Subtitle B), establishing a complete statutory framework for the chartering, regulation, examination, and supervision of savings and loan associations.

In 1993, the 73rd Legislature enacted the Texas Savings Bank Act (now Finance Code Title 3, Subtitle C) for the chartering, regulation, examination, and supervision of savings banks.

In 1999, the 76th Legislature enacted the Mortgage Broker License Act (Finance Code Chapter 156), requiring the licensing and regulation of mortgage companies (known then as mortgage brokers) and their sponsored individual residential mortgage loan originators (known then as loan officers).

In 2003, the 78th Legislature enacted the Mortgage Banker Registration Act (Finance Code Chapter 157), requiring the registration and regulation of mortgage bankers.

In 2005, the 79th Legislature renamed the agency the Department of Savings and Mortgage Lending.

In 2009, the 81st Legislature enacted the Texas Secure and Fair Enforcement for Mortgage Lending Licensing Act of 2009 (Texas SAFE Act; Finance Code Chapter 180) and the Mortgage Banker Registration and Mortgage Loan Originator Act (Finance Code Chapter 157), requiring the licensing of all individual residential mortgage loan originators.

Additionally, the 81st Legislature granted SML self-directed, semi-independent (SDSI) status, which in effect transferred the responsibility for approval of the agency's annual budget and staffing levels to the agency's oversight body - the Finance Commission of Texas. SDSI status gives SML the ability to respond effectively and timely to changes in the regulatory environment, quickly adjust budgets, implement necessary changes in business and staffing strategies, and take action to maintain competitive salary levels with state and federal counterparts.

In 2011, the 82nd Legislature enacted the Residential Mortgage Loan Servicer Registration Act (Finance Code Chapter 158), requiring the registration and regulation of residential mortgage loan servicers.

In 2021, the 87th Legislature enacted Finance Code Chapter 159, requiring the regulation of wrap mortgage loan financing. Additionally, the 87th Legislature enacted Finance Code Chapter 156, Subchapter G, establishing the Mortgage Grant Fund, administered by SML's Commissioner, which awards grants to organizations that provide education to Texas consumers concerning mortgage loans.

SML underwent a review by the Texas Sunset Advisory Commission during their 2018-2019 review cycle, as required by the Texas Sunset Act. In 2019, the 86th Legislature passed Senate Bill 614, continuing SML through September 1, 2031, under the continued oversight of the Finance Commission of Texas.

Strategic Structure

Goal: Effective Regulation of the Thrift Industry

Supervise, regulate, and enforce the organization, operation, and if necessary, the liquidation of state savings banks and state-savings associations.

Thrift Examination and Supervision

Perform full and limited scope examinations and participate with federal regulators in examinations within required timeframes; monitor and enforce the safe and sound operations of state-chartered savings institutions and their compliance with applicable laws and regulations.

Goal: Effective Regulation of the Mortgage Industry

Promote a healthy residential lending environment through fair and effective regulation of the residential mortgage industry.

Licensing

Process, investigate, and take final action on all applications for a license or registration on a timely basis.

Examination

Examine, monitor, and enforce compliance with applicable state and federal laws and regulations through timely examination.

Ensure effective and efficient examination of mortgage licensees and registrants through fair, responsible, and comprehensive compliance review, and enforcement of regulatory requirements regarding procedures and standards of conduct.

Goal: Effective Consumer Responsiveness

Respond to inquiries and complaints from consumers, industry, public officials, and other state and federal regulatory entities.

Complaint and Inquiry Process

Provide a forum for registering inquiries and complaints and take appropriate action when warranted.

Goal: Effective Agency Administration

Be prudent and good stewards of SML's resources.

Core Business Functions

The Department of Savings and Mortgage Lending has two key areas of regulatory responsibility: the chartering, regulation, and supervision of the state's thrift industry; and the licensing/registration and regulation of the state's mortgage industry. These two areas of responsibility cover most residential mortgage lending in Texas.

To carry out these responsibilities adequately, SML employs financial examiners, investigators, and other professional and administrative staff, who all contribute to the fulfillment of SML's mission.

Anticipated Changes

SML does not foresee major changes in its mission and strategic structure, as the need for regulatory oversight over the thrift and mortgage industries continues to exist.

SML, however, anticipates, prepares for, and implements updates in the methods and tools used to perform its core business functions. These updates are necessitated by changes in the regulated industries' business practices and in consumers' needs because of evolving information technologies.

Employee Engagement

SML conducts a Survey of Employee Engagement (SEE) every biennium. The survey provides insight into the engagement of our workforce and helpful information in the strategic planning and organizational development efforts.

In November 2023, the survey was sent to 61 employees, 60 of which responded for a response rate of 98.4%. Response rates higher than 50% generally suggest soundness. High rates mean that employees have an investment in the organization and are willing to contribute towards making improvements within the workplace.

SML achieved an overall score of 422, which represented an improvement of 34 points over the overall score from the survey conducted in 2021. Scores above 350 are desirable and scores above 400 are the product of a highly engaged workforce.

The level of employee engagement also improved. The percentage of the employees in the Highly Engaged and Engaged categories increased from 54% to 78%.

The survey items are grouped together, and their scores are used to produce 12 construct scores. The lowest score for a construct is 100, while the highest is 500. Scores typically range from 300 to 400, and 350 is a tipping point between positive and negative perceptions. SML noted improvements in all 12 constructs and scored above 400 in eleven of the constructs and between 300-350 in only one of the constructs.

The survey outlined the constructs with the highest scores as the areas of strength: Information Systems, Supervision, and Workplace, with scores of 438, 435, and 433, respectively. Job Satisfaction, Benefits, and Pay, had the lowest three scores of 414, 408, and 326, respectively.

SML management reviewed the survey results to determine a plan of action for continued improvement.

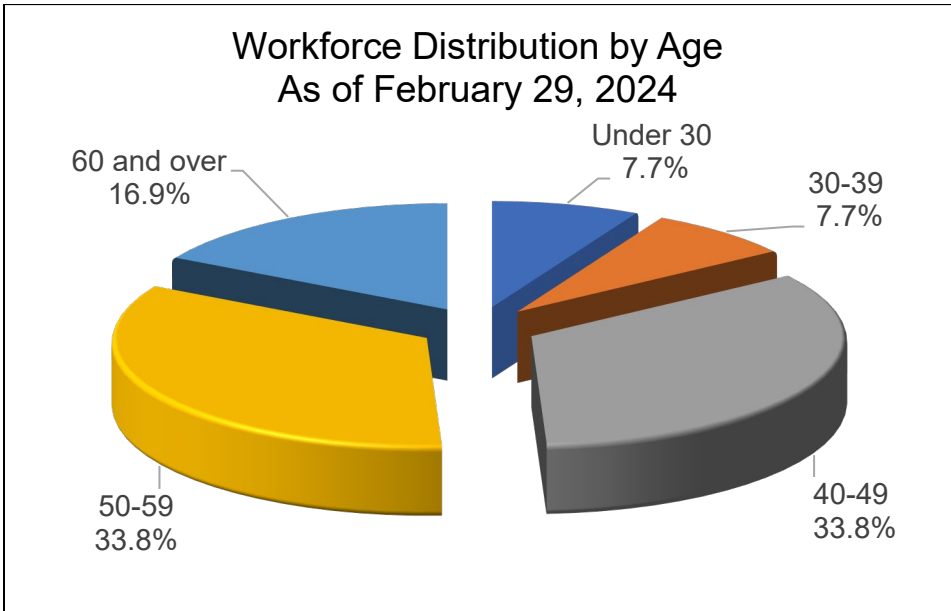
Current Workforce Profile

Composition of SML Staff

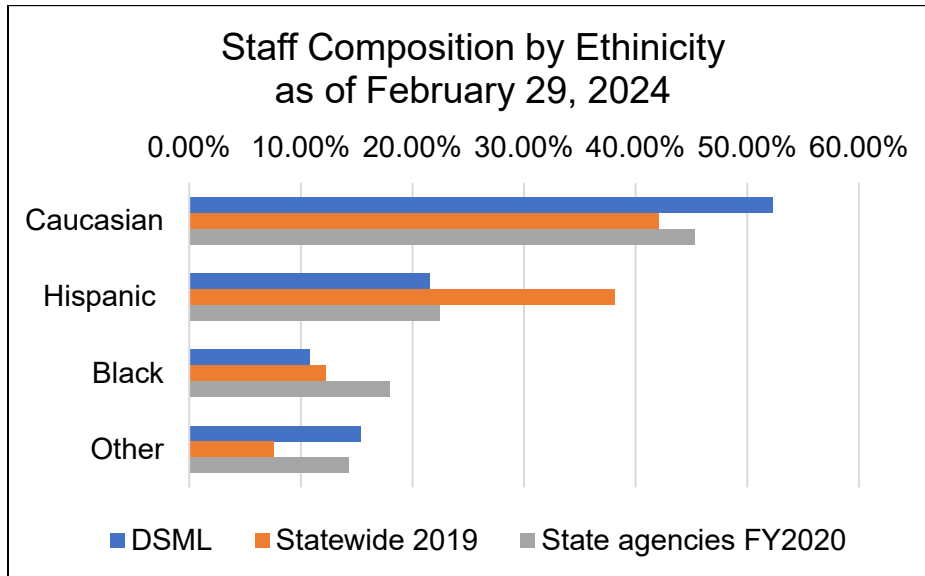
Demographics Information

As of February 29, 2024, SML’s workforce is comprised of 65 employees - 32 females (49.2%) and 33 males (50.8%).

The chart below shows SML staff composition by age. The average age has remained 50 years compared to 2020.



The following chart compares the agency staff composition by ethnicity as of February 29, 2024, to the statewide and state agencies workforce composition as reported by the Civil Rights Division of the Texas Workforce Commission in their most recent Equal Employment Opportunity and Minority Hiring Practices Report for fiscal years 2019-2020.



The employees' length of agency service distribution has shifted significantly due to multiple new hires in existing and newly created positions. As a result, more than 1/3 of the employees have less than two years of agency service.

Staff Composition by Length of Agency Service as of February 29th

Service Category	FY20	FY22	FY24
Under 2 years	11.5%	31.6%	35.4%
2-5 years	29.5%	24.0%	26.2%
Over 5 years	59.0%	54.4%	38.4%
Total	100.00%	110.00%	100.00%

Retirement Eligibility

Retirement will potentially account for a significant number of separations over the next five years and a critical loss of institutional knowledge and expertise in key positions.

As of February 29, 2024, seven (7) employees, or 10.8% are eligible to retire under the *rule of 80*. By the end of fiscal year 2029, twenty-three (23) additional employees, or 35.4% will become eligible for retirement - fifteen under the *rule of 80* or the *age-65-and-10-years-of-service* rule, and eight under the *age-60-and-five-year-of-service* rule. A total of 30 potential retirees represent 46.2% of SML's staff. These employees have extensive tenure with SML and a wealth of institutional knowledge. The average agency service of

these employees when they reach retirement eligibility is over 10 years. It is important to ensure that their knowledge and organizational experience is not lost.

Veterans

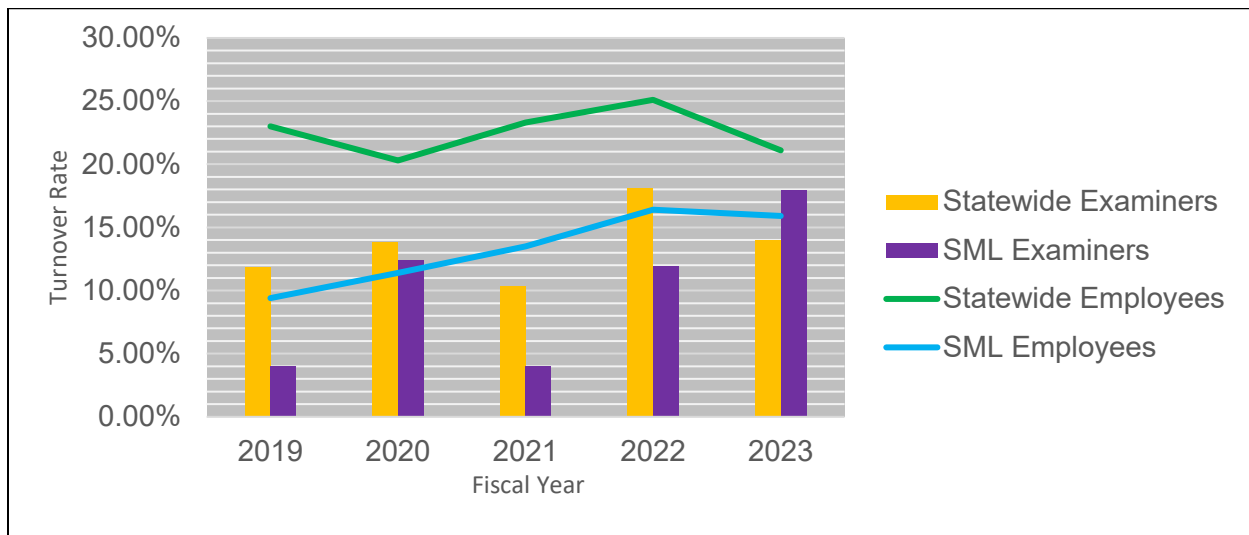
The 84th Legislature amended Government Code Section 657.004, requiring state agencies to establish a goal of hiring veterans in full-time positions to equal at least 20% of the total number of employees. The agency takes advantage of the resources offered by the Texas Veterans Commission and the Texas Workforce Commission. As of February 29, 2024, SML employs 3 veterans or 4.6%.

Current and Projected Turnover

Retention of good-quality employees is a priority for SML. Turnover occurs in every organization for a variety of reasons. Over the years, SML has developed and adjusted its processes, training schemes, and internal documentation, to shorten the learning curve and facilitate new employees' immersion into SML's functions and culture. Additional efforts at employee satisfaction include expanded flexible work schedules, a relaxed dress code, and the implementation of a health and fitness program. SML continues to search for tools and mechanisms to reduce turnover in all groups of employees and to keep the levels of employee satisfaction high.

Financial examiner retention is a particular priority because examiners perform one of the essential functions of SML. Well-trained financial examiners are widely sought after by state and federal regulatory agencies, and the private sector. After a low of 4% in fiscal years 2018 and 2019, SML experienced 12% of financial examiner turnover in 2020, and 4% in 2021.

The graph below compares SML turnover to statewide turnover for fiscal years 2017-2021, as well as the financial examiner turnover to statewide financial examiner turnover. Interagency transfers are included as departures even though the employee stayed within the state system.



*Turnover information obtained from the State Auditor's Office Electronic Classification Analysis System (E-Class).

Turnover by Length of Agency Service for FYs 2022-2023

SML lost six employees during fiscal years 2022 and seven in fiscal year 2023. Employees with less than five years of agency experience had the highest turnover, matching the state turnover trend.

Length of Agy Service	% of SML Turnover	% of State Turnover
Less than 2 years	25.0	55.4
2-5 years	25.0	21.0
5-10 years	10.0	11.6
10-15 years	15.0	4.7
15-20 years	20.0	3.3
More than 20 years	5.0	4.0

Turnover by Age for FYs 2022-2023

Most of the turnover during fiscal years 2022 and 2023 was in the employee group over 40 years of age. The turnover in categories over 50 years of age was attributable mostly to retirements. The most frequent turnover reason in the 40-49 years age group was a better opportunity with a state or federal regulatory agency, or in the private sector. The state turnover trends were the opposite, with the highest turnover occurring in the employee group under 30 years of age.

Age	% of SML Turnover	% of State Turnover
Under 30 years	5.0	31.2
30-39 years	10.0	23.7
40-49 years	30.0	16.8
50-59 years	25.0	16.9
60 years and over	30.0	11.5

Critical Workforce Skills

The skills listed below are critical to the agency's ability to perform its core business functions and achieve its mission.

Regulatory

- In-depth knowledge of the thrift and mortgage industries
- Financial institution regulatory processes and examination experience
- Ability to interpret and apply relevant rules, regulations, and statutes

Technical

- Audit and investigative techniques
- Risk assessment modeling

- Information technology expertise
- Accounting and budgeting
- Clear, concise, and accurate reporting and technical writing

Organizational

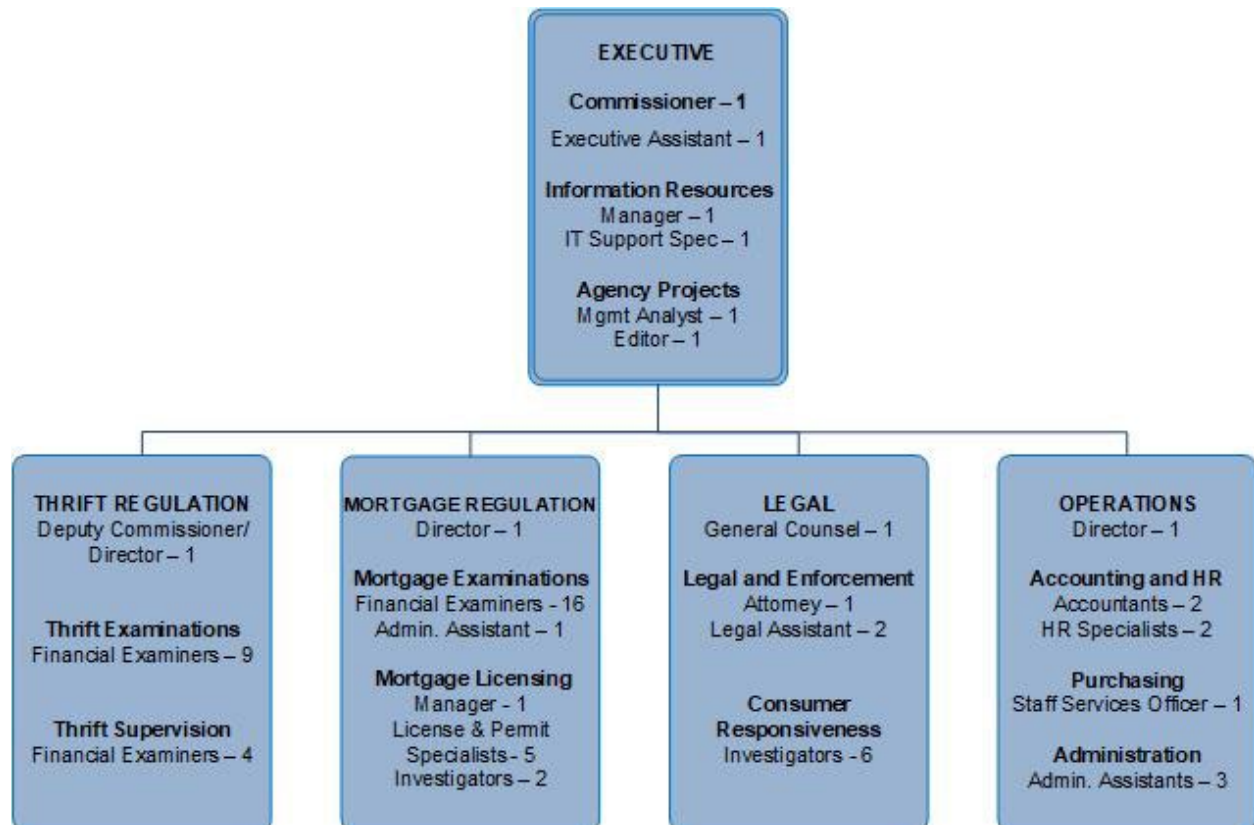
- Strategic planning
- Performance management
- Leadership and human resources management

Communications

- Customer service skills
- Effective written and verbal communication skills
- Multilingual skills

Workforce Allocation

The chart below depicts SML’s workforce allocation by division as of February 29, 2024.



Future Workforce Profile

Factors Influencing the Future Workforce

Large Financial Institutions

SML has jurisdiction over two large financial institutions as part of the regulated thrift industry. Organic growth and mergers and acquisitions in this industry could lead to other savings banks growing to large bank status. Such large financial institutions require specialized skills and a higher level of expertise.

Information Technology

As business practices and processes of regulated entities change due to information technology changes, SML's workforce increasingly needs to stay current and update its processes and skills to respond to customers, provide quality services, and conduct business. SML diligently monitors industry changes, identifies necessary adjustments, and uses its resources to implement program changes for the benefit of the public.

Diversification

As Texas' population continues to diversify, the agency continues to tailor programs and services and develop staff skills to accommodate citizens who do not speak or comprehend English. Increased diversity directly affects the licensing, examination, enforcement, and complaint programs, continuing to require bi- or multilingual staff to offer services in languages other than English.

Generational Differences

Currently, SML's workforce is comprised of members of three generations – Baby Boomers, Generation X, and Millennials. As Generation Z is entering the workforce, the generational differences in motivation, communication style, and worldview require that SML remain flexible and provide different opportunities for work and professional development as needed. Each generation brings a different perspective and skillset to the workplace, which if managed properly can lead to increased productivity and improved employee retention.

Future Workforce Skills Needed

In addition to the critical workforce skills listed above, the following skills will be necessary to enable the agency to perform its core business functions efficiently and effectively:

- Specialized knowledge in large financial institutions and capital markets
- Increased information technology expertise
- Business process analysis, reengineering, and redesign
- Change management

Anticipated changes in the number of employees needed

SML anticipates hiring additional thrift examination and supervision staff to adequately address the growth in the number of assets under the agency's jurisdiction. Mortgage examinations and licensing staff will also be hired as needed to address the growth in the licensee population.

Gap Analysis

Staffing Levels

Current staffing levels, including anticipated new hires, are adequate to perform the agency's core business functions and fulfill the agency's mission.

Future staffing needs are being evaluated on an ongoing basis. If it is determined that changes in staffing levels are necessary, the SDSI status gives SML the needed fiscal and operational flexibility to address these changes promptly.

Critical skills

Loss of Knowledge Due to Retirements

A significant percentage of employees identified as eligible retirees are in management or senior positions with an extensive financial institution, mortgage industry, legislative, management, and state reporting knowledge and experience. The external pool of people that can effectively step into a management or a senior role with the agency is very small.

Information Resources Related Skills

The constant evolution of information technology brings out to the forefront several types of needed skills, knowledge, and expertise. As information technology practices in regulated industries change, SML's staff needs to monitor, analyze, and determine the necessary adjustments to the agency's regulatory processes. Business process analysis, reengineering, and redesign will be necessary to effectively accommodate effectively accommodate the use of new tools or methods. Available information technology products and services need to be evaluated and assessed for applicability to SML's processes. Finally, the implementation of new processes and information resource products and services require appropriate change management skills and training of existing staff.

Strategic Development

Succession Planning

Succession planning has always been an important and integral part of the SML's strategic and operational planning. The agency continues to ensure existing cross-training program covers all critical skills and functions performed by retirement-eligible or soon-to-be-eligible staff and develops a structured knowledge transfer between employees.

Employee Development

To maintain a competent, engaged, and effective workforce, SML's focus on employee development and training has been paramount to the continued fulfillment of the agency's mission. In addition to the existing robust training policies and programs, SML will take the following actions:

- Continue to develop required and actual competencies and proficiency levels for each position.
- Continue to build individually tailored employee development plans to address current competency gaps and further develop critical skills.
- Increase the focus on internal training to transfer knowledge.
- Provide multiple opportunities for information resources-related training.
- Evaluate and adjust employee development plans regularly to ensure alignment of developmental needs and available opportunities.

Continued Efforts in Hiring and Retention

SML already utilizes competitive compensation, career development guidance, a multi-pronged wellness program, and in-depth turnover and engagement analysis, as strategies to hire and retain capable and dedicated employees who possess needed critical skills.

Additionally, to reach a wide audience and attract qualified employees, SML is utilizing multiple online platforms to publish vacant job postings and raise awareness of existing opportunities. The staff has developed an internship program for college students and attend college job fairs to introduce and promote government careers to future graduates.

The agency intends to continue the efforts in applying and improving these strategies to close any gaps in staffing and critical skills.

SCHEDULE H: REPORT ON CUSTOMER SERVICE

Compact with Texans

SML's Compact with Texans and appointed customer service representative are published on the agency website www.sml.texas.gov, along with the agency's mortgage hotline number (877) 276-5550.

External Customers and Services Provided

Thrift Industry

Safety and Soundness

A safe and sound thrift system helps ensure a stable economic environment for employers and jobs for their employees while assuring a safe place for depositors' money and available credit for small business consumers and residential financing needs. The State of Texas's citizens, borrowers, and depositors are the primary customers or beneficiaries of the safety and soundness.

Examination and Supervision

Two direct recipients or customers of examination and supervision are other regulators and the regulated institutions. Additionally, indirect recipients, such as attorneys, accountants, and other staff, assist in preparing thrift applications. Thrift examiners conduct examinations jointly with the FDIC and the Federal Reserve Bank. It is important that the quality of the SML examination and supervision staff, their experience, training, and technological resources ensure the agency's ability to participate fully in examinations with the FDIC and the Federal Reserve Bank and to provide efficient, timely, and fair evaluation of applications. SML has successfully met this challenge, as evidenced by the success of the joint thrift examination and supervisory programs. The highest expectations must be met to maintain the state's role in the dual thrift system.

Quality examinations and supervision provide bank management and boards of directors with an independent look at their success in complying with state and federal statutes and regulations and operating a safe and sound financial institution, ultimately benefiting the institution's customers and shareholders. Burdensome or arbitrary requests for information, improper use of authority, or inconsistently applied statutes, regulations, and procedures can inconvenience, disrupt, and even damage institutions. Accordingly, chief executive officers of institutions under SML's jurisdiction are the customer constituency surveyed to monitor SML's performance.

Mortgage Industry

Regulation

Customers of the mortgage industry regulation include all the diverse parties that participate in any way in the residential mortgage market and the secondary market for investment in such mortgages.

Licensing and Examination

The mortgage licensing and examination sections directly serve the entities licensed or registered by SML and, indirectly, any consumers seeking residential mortgage loans from SML's licensees and registrants. The customer base — licensees and registrants, and consumers applying for and/or obtaining residential mortgage loans — is too broad to survey, so SML focused its customer satisfaction survey on the licensed and registered mortgage entities and individuals who had recently (within the past 24 months) gone through the licensing or examination process.

Consumers

Complaint and Inquiry Process

The primary customers are consumers doing business with regulated entities or relying on their work. By enforcing the statutory experience, educational requirements, and standards of conduct, SML also serves mortgage bankers, lenders and investors, appraisers, title companies, surveyors, mortgage insurance companies, realtors, and federal agencies, such as the Federal Housing Administration (FHA), Veterans Administration (VA), and the Department of Housing and Urban Development (HUD). The customer base is too broad to survey, so SML focused its survey on a sampling of complainants who had recently (within the past 24 months) gone through the complaint process.

Information Gathering Methods

SML utilizes electronic surveys to collect responses from customers – thrift institution CEOs, licensed or registered mortgage entities and individuals, and persons filing complaints against regulated entities. The surveys were conducted with varying frequency, depending on the type of customers, as detailed below. All responses were submitted anonymously. The survey data reveals that most customers are satisfied with SML's services. The agency is proud of its reputation as a provider of quality regulation and service to its customers.

Detailed Customer Service Information

Thrift Industry

Thrift institutions' operations are calendar-year based; therefore, the thrift industry survey is sent annually after the calendar year-end. The table below shows the results from the most recent annual survey.

The link to the online survey was sent to all the state-chartered thrift institutions' chief executive officers. A total of 45 surveys were sent over the two calendar years, with an average 66.7% response rate. The survey covered the full range of SML activities: examination, monitoring, enforcement, and application processing.

The state-chartered thrift industry is a small population with a well-established regulatory program. Because transactions are few but complex, institution executives frequently communicate extensively with the commissioner, general counsel, examiners, and monitoring staff.

State Savings Bank Chief Executive Officer Survey – CY2022 and CY2023

Overall satisfaction with the agency		Very Satisfied	Satisfied	Neutral	Unsatisfied	Very Unsatisfied	N/A
Questions – Thrift Regulation							
1	How satisfied are you with the agency's facilities, including your ability to access the agency, the office location, signs, and cleanliness?	8	8	7	0	0	7
2	How satisfied are you with agency staff, including employee courtesy, friendliness, and knowledgeability, and whether staff members adequately identify themselves to customers by name, including the use of name plates or tags for accountability?	22	5	1	0	1	1
3	How satisfied are you with agency communications, including toll-free telephone access, the average time you spend on hold, call transfers, access to a live person, letters, electronic mail, and any applicable text messaging or mobile applications?	19	9	0	0	1	1
4	How satisfied are you with the agency's Internet site, including the ease of use of the site, mobile access to the site, information on the location of the site and the agency, and information accessible through the site such as a listing of	6	18	4	1	0	1

	services and programs and whom to contact for further Information or to complain?						
5	How satisfied are you with the agency's complaint handling process, including whether it is easy to file a complaint and whether responses are timely?	10	10	5	0	0	5
6	How satisfied are you with the agency's ability to timely serve you, including the amount of time you wait for service in person?	16	10	2	0	1	1
7	How satisfied are you with any agency brochures or other printed information, including the accuracy of that information?	12	11	4	0	0	3
8	Please rate your overall satisfaction with the agency.	19	8	2	0	0	1
Overall Totals		112	79	25	1	3	20
Overall Composite Results		46.7%	32.9%	10.4%	0.4%	1.3%	8.3%
Overall satisfaction with specified services			Strongly Agree	Agree	Disagree	Strongly Disagree	N/A or No Answer
Questions – Examination and Supervision							
9	The scope and goals for each examination are clearly communicated to management prior to the start of the examination.	15	11	0	0	4	
10	Examiner requests for information are timely and reasonable.	13	13	0	0	4	
11	Examiners conduct themselves professionally.	20	6	0	0	4	
12	Examiner communication with management during the examination meets my needs.	16	10	0	0	4	
13	Examiners are informed on current industry issues, adequately trained, and qualified.	14	12	0	0	4	
14	Examiner findings and concerns are clearly communicated at exit meetings.	14	12	0	0	4	
15	Examiner conclusions are well-supported.	11	14	1	0	4	
16	Examiner recommendations are clear and reasonable in the circumstances.	10	15	1	0	4	
17	Examination time frames are reasonable.	12	14	0	0	4	
18	Reports of examination are consistent with findings discussed at exit meetings.	12	13	0	0	5	
19	Reports of examination are received timely.	8	11	6	1	4	

20	Supervisory action and correspondence is consistent with examination findings.	8	15	0	1	7
Examination and Supervision Totals		153	146	8	2	52
Examination and Supervision Results		42.4%	40.4%	2.2%	0.6%	14.4%
Overall satisfaction with specified services		Satisfied	Neutral	Unsatisfied	Very Unsatisfied	N/A or No Answer
Questions – Corporate Activities						
21	Correspondence with the Department regarding routine business matters is handled promptly and effectively.	14	12	0	0	3
22	Responses to my questions or requests for interpretation (written or verbal) of applicable statutes and regulations are timely and can be relied upon to be accurate.	16	7	0	0	6
23	My calls, e-mails, or letters are routed to the appropriate person.	18	6	0	0	5
24	If you have filed an application or requested supervisory approval for matters subject to regulatory discretion, answer the following:					
	a. The staff was accessible and provided helpful assistance in complying with requirements.	9	3	0	0	17
	b. Responses to my inquiries were timely, appropriate, and helpful.	9	3	0	0	17
	c. The process was efficient and professional.	9	3	0	0	17
	d. Requests for additional information are reasonable and appropriate.	7	5	0	0	17
Corporate Activities Totals		82	39	0	0	82
Corporate Activities Results		40.4%	19.1%	0.0%	0.0%	40.4%

Analysis of the Thrift Industry Survey

An overwhelming majority of the responding thrift chief executive officers are “very satisfied” or “satisfied” with the SML’s overall performance, and “strongly agree” or “agree” that the examination and supervision and corporate activities services provided were satisfactory. In addition to the answers to the questions above, several of the respondents provided further feedback in the form of comments. Positive feedback was received on the accessibility of SML staff, their professionalism, communication, knowledge, and responsiveness.

Mortgage Industry

Surveys were sent to the customers of the Mortgage Examination and the Mortgage Licensing sections, as follows: 186 surveys covering the period March 1, 2022, through August 31, 2022, 463 surveys covering September 1, 2022, through August 31, 2023, and 183 surveys covering the period September 1, 2023, through February 29, 2024. The results below represent the totals from all surveys conducted between March 1, 2022, and February 29, 2024.

Mortgage Examination Survey

The mortgage examination survey population included all regulated mortgage entities that had received a full-scope examination between March 1, 2022, and February 29, 2024, a total of 836. The survey was sent to the entire population and received by 779 customers. 57 survey invitations were not received due to invalid or duplicative email addresses or a customer survey opt-out. The average response rate was 26.4%.

Mortgage Examination Survey – March 1, 2022-February 29, 2024

Overall satisfaction with the agency		Very Satisfied	Satisfied	Neutral	Unsatisfied	Very Unsatisfied	N/A
Questions – Mortgage Examination							
1	How satisfied are you with the agency's facilities, including your ability to access the agency, the office location, signs, and cleanliness?	58	19	7	5	0	117
2	How satisfied are you with agency staff, including employee courtesy, friendliness, and knowledgeability, and whether staff members adequately identify themselves to customers by name, including the use of name plates or tags for accountability?	138	33	7	2	4	22
3	How satisfied are you with agency communications, including toll-free telephone access, the average time you spend on hold, call transfers, access to a live person, letters, electronic mail, and any applicable text messaging or mobile applications?	129	43	9	3	6	16
4	How satisfied are you with the agency's Internet site, including the ease of use of the site, mobile access to the site, information on the location of the site and the agency, and information accessible through the site such as a listing of services and programs and whom to contact for further information or to complain?	99	55	23	8	6	15

5	How satisfied are you with the agency's complaint handling process, including whether it is easy to file a complaint and whether responses are timely?	56	20	15	1	4	110
6	How satisfied are you with the agency's ability to timely serve you, including the amount of time you wait for service in person?	99	47	16	1	3	40
7	How satisfied are you with any agency brochures or other printed information, including the accuracy of that information?	80	41	15	3	2	65
8	Please rate your overall satisfaction with the agency.	120	64	15	2	3	2
Overall Totals		779	322	107	20	33	387
Overall Results		47.3%	19.5%	6.5%	1.2%	2.0%	23.5%
Overall satisfaction with specified services			Strongly Agree	Agree	Disagree	Strongly Disagree	N/A or No Answer
Questions – Field Examination of Loan Files							
9	The examiner communicated clearly the cope and goals of the examination.	164	36	3	0	3	
10	The examiner conducted themselves professional manner.	171	32	0	0	3	
11	The examiner communicated effectively throughout the examination process.	164	36	3	0	3	
12	The examiner was knowledgeable and provided relevant guidance.	162	38	2	1	3	
13	The examination findings and conclusions were well-supported and clearly communicated at the exit meeting.	148	45	8	2	3	
Examination Totals		809	187	16	3	15	
Examination Results		78.5%	18.2%	1.6%	0.3%	1.4%	

Analysis of the Mortgage Examination Survey

Most of the responding licensees were “very satisfied” or “satisfied” with SML’s overall performance, and “strongly agree” or “agree” that the mortgage examination activities were satisfactory. In addition to the answers to the questions above, multiple respondents provided further feedback through survey comments. Positive feedback was received on the SML staff’s patience, knowledge, efficiency, and professionalism.

Mortgage Licensing Survey

The mortgage licensing survey population of 23,555, included all individuals and entities whose new license or registration applications (MU1, MU3, and MU4) were approved by SML’s Mortgage Licensing section between March 1, 2022, and February 29, 2024. The survey was sent to 22,123 customers. 1,432 survey invitations were not sent because the email address provided was invalid or duplicative. 1,312 surveys were not received due to a customer opt-out. Of the 20,811 received surveys, the average response rate was 8.2%.

Mortgage Licensing Survey– March 1, 2022 – February 29, 2024

Overall satisfaction with the agency		Very Satisfied	Satisfied	Neutral	Unsatisfied	Very Unsatisfied	N/A
Questions – Mortgage Licensing							
1	How satisfied are you with the agency’s facilities, including your ability to access the agency, the office location, signs, and cleanliness?	493	206	117	12	41	724
2	How satisfied are you with agency staff, including employee courtesy, friendliness, and knowledgeability, and whether staff members adequately identify themselves to customers by name, including the use of name plates or tags for accountability?	656	294	130	21	63	429
3	How satisfied are you with agency communications, including toll-free telephone access, the average time you spend on hold, call transfers, access to a live person, letters, electronic mail, and any applicable text messaging or mobile applications?	667	370	173	83	82	218
4	How satisfied are you with the agency’s Internet site, including the ease of use of the site, mobile access to the site, information on the location of the site and the agency, and information accessible through the site such as a listing of services and programs and whom to contact for further Information or to complain?	635	412	230	77	75	164
5	How satisfied are you with the agency’s complaint handling process, including whether it is easy to file a complaint and whether responses are timely?	428	198	165	28	48	726

6	How satisfied are you with the agency's ability to timely serve you, including the amount of time you wait for service in person?	601	339	185	59	78	331
7	How satisfied are you with any agency brochures or other printed information, including the accuracy of that information?	492	266	191	14	37	593
8	Please rate your overall satisfaction with the agency.	704	505	212	48	80	44
Overall Totals		4,676	2,590	1,403	342	504	3,229
Overall Results		36.7%	20.3%	11.0%	2.7%	4.0%	25.3%
Overall satisfaction with specified services			Strongly Agree	Agree	Disagree	Strongly Disagree	N/A or No Answer
Questions – Licensing Process							
9	Requests for information were clear and timely.	691	562	118	67	155	
10	My license was issued in a reasonable period after all required information was submitted.	790	521	115	92	75	
11	The process was efficient and professional.	797	545	118	68	65	
License Processing Totals		2,278	1,628	351	227	295	
License Processing Results		47.7%	34.1%	7.3%	4.7%	6.2%	

Analysis of the Mortgage Licensing Survey

Most of the responding licensees were “very satisfied” or “satisfied” with SML’s overall performance, and “strongly agree” or “agree” that the licensing activities were satisfactory. In addition to the answers to the questions above, multiple respondents provided further feedback through comments. SML staff reviewed the comments and took action to improve, when applicable. SML staff were commended for their professionalism and helpfulness.

Consumer Responsiveness

Surveys were sent to complainants of the Consumer Responsiveness section monthly throughout FY2022-2024. The results below represent the totals from all surveys conducted between March 1, 2022, and February 29, 2024.

The population included all complainants who had provided an email address and whose complaints had been closed between March 1, 2022, and February 29, 2024, a total of 2,290. The survey was received by 2,157 consumers. 133 survey invitations were not received due to invalid email addresses or a customer survey opt-out. The average response rate was 20.8%.

Overall satisfaction with the agency		Very Satisfied	Satisfied	Neutral	Unsatisfied	Very Unsatisfied	N/A
Questions							
1	How satisfied are you with the agency's facilities, including your ability to access the agency, the office location, signs, and cleanliness?	66	41	42	20	54	225
2	How satisfied are you with agency staff, including employee courtesy, friendliness, and knowledgeability, and whether staff members adequately identify themselves to customers by name, including the use of name plates or tags for accountability?	138	57	62	29	58	104
3	How satisfied are you with agency communications, including toll-free telephone access, the average time you spend on hold, call transfers, access to a live person, letters, electronic mail, and any applicable text messaging or mobile applications?	147	76	69	45	77	34
4	How satisfied are you with the agency's Internet site, including the ease of use of the site, mobile access to the site, information on the location of the site and the agency, and information accessible through the site such as a listing of services and programs and whom to contact for further information or to complain?	120	144	87	26	43	28
5	How satisfied are you with the agency's complaint handling process, including whether it is easy to file a complaint and whether responses are timely?	144	98	60	46	96	4

6	How satisfied are you with the agency's ability to timely serve you, including the amount of time you wait for service in person?	127	72	66	39	73	71
7	How satisfied are you with any agency brochures or other printed information, including the accuracy of that information?	61	39	81	18	40	209
8	Please rate your overall satisfaction with the agency.	134	62	72	64	114	2
Overall Totals		937	589	539	287	555	677
Overall Results		26.1%	16.4%	15.0%	8.0%	15.5%	18.9%
Overall satisfaction with specified services		Very Easy	Easy	Neither Easy or Difficult or No Answer	Difficult	Very Difficult	
Questions – Consumer Complaints							
9	How easy was the complaint process?	136	141	103	38	30	
Consumer Complaints Results		30.4%	31.5%	23.0%	8.5%	6.7%	

Analysis of the Consumer Complaints Survey Results

Customer service is a priority for SML. The results are monitored closely to identify possible improvements in the customer service of the Consumer Responsiveness section. In addition to the answers to the questions above, multiple respondents provided further feedback in the form of comments. The complainants' responses reflect that the investigation process is efficient, professional, and resolved within a reasonable time. SML staff review the comments and take action to improve, when applicable.

Customer Service Performance Measures

Outcome Measures

- Percentage of Surveyed Customer Respondents Expressing Overall Satisfaction with Services Received* 71.0%

Output Measures

- Total Customers Surveyed: The number of customers who receive access to surveys regarding SML’s services. 23,792
- Response Rate: The percentage of total customers surveyed who completed the survey. 9.6%
- Total Customers Served: Total number of customers receiving services through the Department’s programs. 27,272

Efficiency Measures

- Cost per Customer Surveyed: Total costs for the Department to administer customer surveys divided by the total number of customers surveyed**. \$0

Explanatory Measures

- Total Customers Identified: The total population of customers in all unique customer groups***. 27,272
- Total Customer Groups Inventoried: The total number of unique customer groups identified for each Department’s program. 4

**Calculated as the total number of survey respondents indicating that they are satisfied or very satisfied with the agency, divided by the total number of agency survey respondents.*

***No identifiable costs were incurred to administer the surveys.*

****The potential customer base is very broad. Only direct recipients of SML’s services were included.*

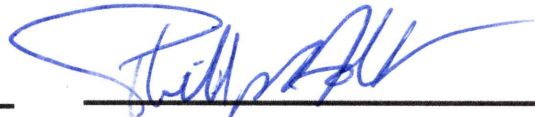
SCHEDULE I: CERTIFICATION OF COMPLIANCE WITH CYBERSECURITY TRAINING

Department of Savings and Mortgage Lending

Pursuant to the Texas Government Code, Section 2056.002(b)(12), this is to certify that the agency has complied with the cybersecurity training required pursuant to the Texas Government Code, Sections 2054.5191 and 2054.5192.

Chief Executive Officer

Board or Commission Chair



Signature

Signature

Hector Retta

Phillip A. Holt

Printed Name

Printed Name

Commissioner

Chairman

Finance Commission of Texas

Title

Title

May 31, 2024

6-1-24

Date

Date