

**DEPARTMENT OF
SAVINGS AND MORTGAGE LENDING**



Workforce Plan

**Fiscal Years
2021-2025**

WORKFORCE PLAN – 2021-2025

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DEPARTMENT OVERVIEW

MISSION

The mission of the Department of Savings and Mortgage Lending is to supervise and regulate the residential mortgage lending and state savings industries in order to protect Texans, provide a healthy residential mortgage lending environment, and maintain safe and sound savings banks and savings associations.

GOVERNING LEGISLATION

Article 16, Section 16(a) of the Texas Constitution of 1876 provides that, "The Legislature shall by general law, authorize the incorporation of state banks and savings and loan associations, and shall provide a system of State supervision, regulation and control of such bodies which will adequately protect and secure the depositors and creditors thereof."

The 58th and 73rd Legislatures, respectively, enacted the Texas Savings and Loan Act (Subtitle B. Savings and Loan Associations) and the Texas Savings Bank Act (Subtitle C. Savings Banks, Finance Code, Vernon's Texas Codes Annotated) for the chartering, regulation, examination and supervision of savings and loan associations and state chartered savings banks, and enforcement of these statutes.

The 76th Legislature enacted the Mortgage Broker License Act (Subtitle E. Other Financial Businesses, Chapter 156) for licensing and regulation of first lien residential mortgage brokers and loan officers doing business in Texas. The statute, as amended by the 80th Legislature, applies to all residential mortgages regardless of lien position. The statute prescribes requirements for licensing and examining licensees, and processing consumer complaints.

The 78th Legislature enacted the Mortgage Banker Registration Act (Subtitle E. Other Financial Businesses, Chapter 157) for registering mortgage bankers conducting business in Texas and providing their borrowers with notice of the process for filing consumer complaints.

The 81st Legislature enacted the Texas SAFE Act and other significant modifications to Chapters 156 and 157. Compliance with the federal mandates addressed by this legislation expanded the field of individuals subject to residential mortgage licensing by eliminating the *de minimus* level of originations, and eliminating the exemptions for individuals employed by

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mortgage bankers under Chapter 157, governmental entities, independent third party processors, and underwriters.

Additionally, the 81st Legislature granted the department a self-directed, semi-independent (SDSI) status, which in effect transferred the responsibility for annual budget and staffing levels' approval to the oversight board of the Department - the Finance Commission of Texas. The SDSI status gives the Department 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 actions to maintain competitive salary levels with state and federal counterparts.

The 82nd Legislature created Chapter 158 the registration of non-depository third party residential mortgage loan servicers. This legislation resulted from an increasing level of concerns over mortgage servicing complaints and issues with foreclosure around the country. The statute authorizes the Department to require registrants to carry a bond or equivalent, notify servicer clients of their ability to file a complaint and to investigate any such complaints. The Department is not authorized to initiate examinations of servicing registrants but may participate in multistate examinations.

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

STRATEGIC STRUCTURE

GOAL A: EFFECTIVE REGULATION OF THE THRIFT INDUSTRY

Effectively and efficiently enforce safety and soundness standards in the state chartered thrift industry and compliance with the Texas Finance Code in a manner that promotes a stable thrift industry and the confidence of depositors, creditors, and borrowers in these institutions.

STRATEGY A-1-1: 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 B: EFFECTIVE REGULATION OF THE MORTGAGE INDUSTRY

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

STRATEGY B-1-1: MORTGAGE INDUSTRY LICENSING

Process, investigate, and take appropriate final action on mortgage license applications and registrations, both entities and individuals; and enforce compliance with licensing requirements.

STRATEGY B-1-2: MORTGAGE INDUSTRY 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 C: CONSUMER RESPONSIVENESS

Ensure responsiveness to inquiries, requests, and complaints from citizens, industry, public officials, and other state and federal governmental entities.

STRATEGY C-1-1: COMPLAINT AND INQUIRY PROCESS

Provide a forum for registering complaints, responding to requests and inquiries, and taking appropriate action when warranted.

GOAL D: AGENCY ADMINISTRATION

Be prudent and good stewards of the Department's resources – both financial and human.

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 the majority of residential mortgage lending in Texas.

In order to adequately carry out these responsibilities, the Department employs financial examiners, investigators, and other professional and administrative staff, all contributing to the fulfillment of the Department's mission.

ANTICIPATED CHANGES

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

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The Department, however, anticipates, prepares for and continually 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 as a result of evolving information technologies.

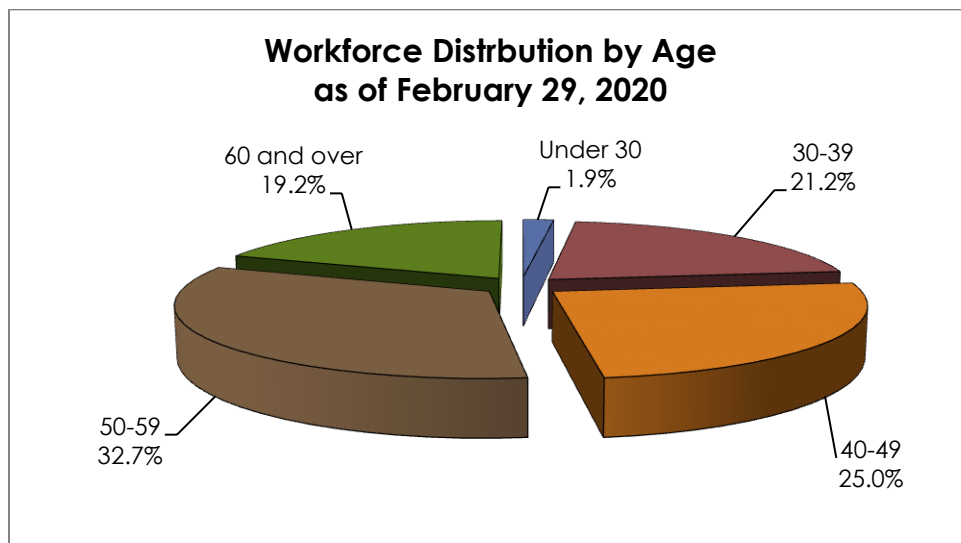
CURRENT WORKFORCE PROFILE

COMPOSITION OF DEPARTMENT'S STAFF

DEMOGRAPHICS INFORMATION

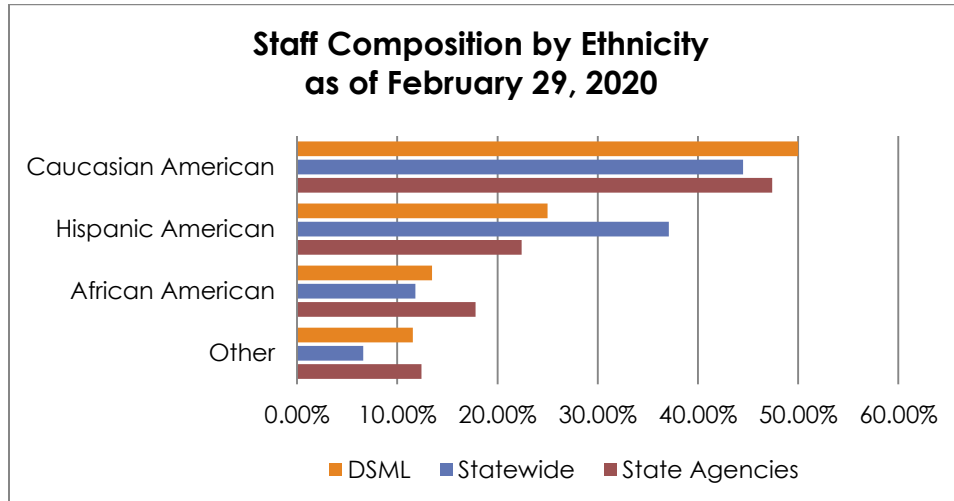
As of February 29, 2020, the Department's workforce is comprised of 52 employees - 27 females (51.9%) and 25 males (48.1%).

The chart below shows the Department staff composition by age. The average age has increased to 50 years compared to 47 in 2018.



The following chart compares the agency staff composition by ethnicity as of February 29, 2020, to the statewide and state agencies workforce composition as reported by the Civil Rights Division of the Texas Workforce Commission in their Equal Employment Opportunity and Minority Hiring Practices Report for fiscal years 2017-2018.

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The employees' length of agency service distribution has shifted due to continuously improved retention. As a result only 11.5% (down from 22% in fiscal year 2018) of employees have less than two years of agency service, and 59% (down from 68% two years ago) now have more than five years of service.

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, 2020, eight (8) employees or 15.4% are eligible to retire - eight under the rule of 80 or the *age-65-and-10-year-of-service* rule. By the end of fiscal year 2025, thirteen (13) additional employees or 25% will become eligible for retirement - nine under the rule of 80 or the *age-65-and-10-years-of-service* rule, and four under the *age-60-and-five-year-of-service* rule. The total of 21 potential retirees, represent 40.9% of the field staff and 40% of the office staff. These employees have extensive tenure with the Department and a wealth of institutional knowledge. The average state service of these employees when they reach retirement eligibility is 14 years. It is important to ensure that this knowledge and organizational experience is not lost.

VETERANS

The 84th Legislature amended and added to Texas Government Code, Section 657.004, requirements for state agencies to meet a veteran employment 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 of the Texas Veterans Commission and the Texas Workforce Commission. As of February 29, 2020, the Department employs 3 veterans or 5.8%.

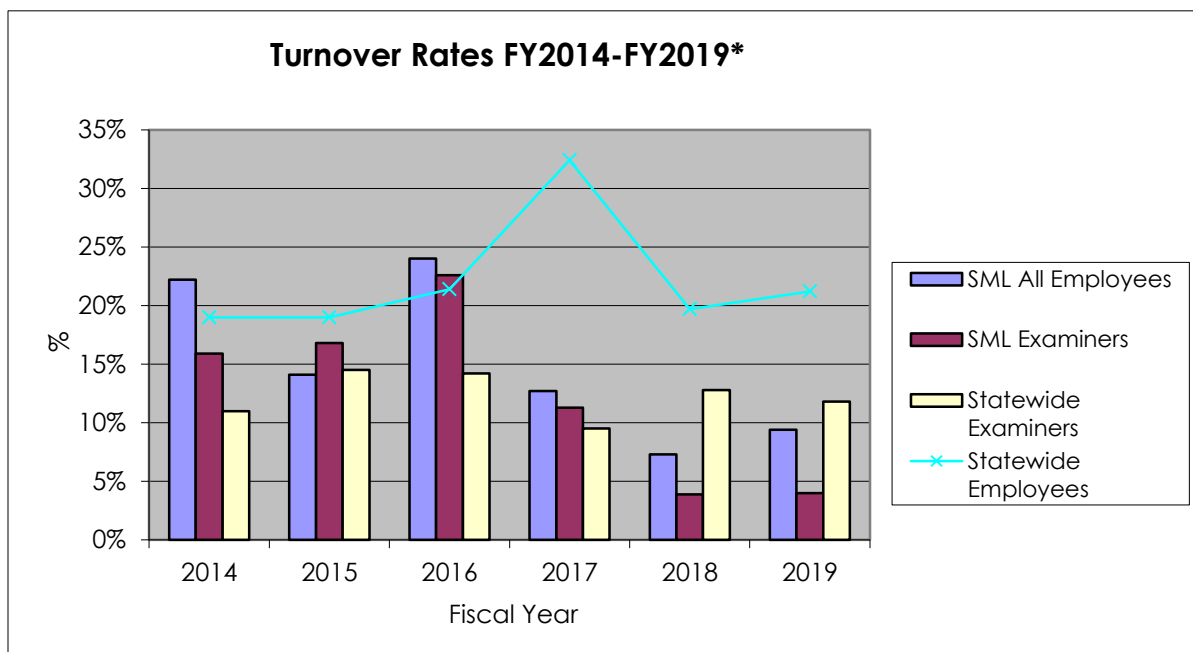
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CURRENT AND PROJECTED TURNOVER

Retention of good quality employees is a priority for the Department. Turnover occurs in every organization for a variety of reasons. Over the years the Department has developed and adjusted its processes, training schemes, and internal documentation, in order to shorten the learning curve and facilitate new employees' immersion into the Department's functions and culture. Additional efforts at employee satisfaction include expanded flex hour schedules, relaxed dress code, and implementation of a health and fitness program. The Department continues to search for tools and mechanisms to combat 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 the Department. Well-trained financial examiners are widely sought after by state and federal regulatory agencies, and the private sector. After a high of 23% in 2016 due to retirements and other separations, the financial examiner turnover decreased to 11% in 2017, and 4% in 2018 and 2019.

The graph below compares Department turnover to statewide turnover for fiscal years 2014-2019, as well as the financial examiner turnover to statewide financial examiner turnover. Interagency transfers are included even though the employee stayed within the state system.



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

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TURNOVER BY LENGTH OF SERVICE FOR FISCAL YEARS 2018-2019

The Department lost four employees during fiscal year 2018 and five in fiscal year 2019. Employees with two to five years of experience had the highest Department turnover.

Length of Service	% of SML Turnover	% of State
Less than 2 years	12.5	43.1
2-5 years	62.5	19.8
5-10 years	12.5	12.0
10-15 years	0.0	7.3
15-20 years	12.5	5.0
More than 20 years	0.0	7.8

TURNOVER BY AGE FOR FISCAL YEARS 2018-2019

Age	% of SML Turnover	% of State
Under 30 years	0.0	32.2
30-39 years	44.4	22.6
40-49 years	22.2	16.0
50-59 years	22.2	17.3
60 years and over	11.1	11.9

CRITICAL WORKFORCE SKILLS

The skills listed below are critical to the Department'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
- Accounting and budgeting
- Information technology expertise
- Clear, concise, and accurate report and technical writing

Organizational

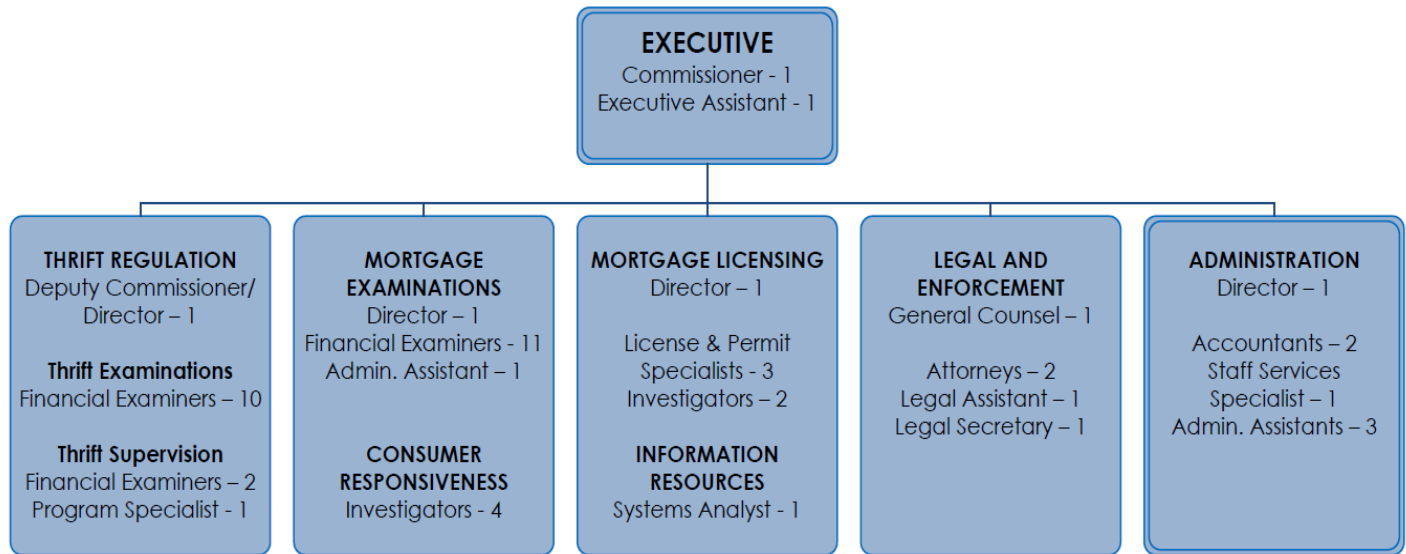
- Strategic planning
- Performance management

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Communications

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

WORKFORCE ALLOCATION



FUTURE WORKFORCE PROFILE

FACTORS INFLUENCING THE FUTURE WORKFORCE

LARGE FINANCIAL INSTITUTIONS

The Department has recently gained 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, the Department's workforce increasingly needs to stay up-to-date and update its processes and skills in order to respond

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to customers, provide quality services, and conduct business. The Department 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 Department continues to tailor programs and services, and develop staff's skills in order 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, the Department'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 the Department remains flexible and provides different opportunities for work and professional development as needed. Each generation brings a different perspective and skillset to the workplace which can lead to increased productivity and improved employee retention, if managed properly.

FUTURE WORKFORCE SKILLS NEEDED

In addition to the critical workforce skills listed above, the following skills will be necessary to enable the Department 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 NUMBER OF EMPLOYEES NEEDED

The Department anticipates hiring additional thrift examination and supervision staff to adequately address the growth in the number of institutions and amount of assets under the Department's jurisdiction. Administrative support and information resources staff will also be hired as needed.

GAP ANALYSIS

STAFFING LEVELS

Current staffing levels, including anticipated new hires, are adequate to perform the Department's core business functions and fulfill the Department'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 the Department 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 extensive financial institution, mortgage industry, legislative, management, and state reporting knowledge and experience. The external pool of persons that can effectively step into a management or a senior role with the Department 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 the regulated industries change, Department's staff needs to monitor, analyze, and determine the necessary adjustments the Department'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 the Department's processes. Finally, implementation of new processes and information resource products and services require appropriate change management skills and training of existing staff.

STRATEGIC DEVELOPMENT

SUCCESSION PLANNING

This is not a new strategy for the Department. Succession planning has always been an important and integral part of the Department's strategic and operational planning. It is the Department's intent, however, to focus on succession planning with renewed commitment and dedication, as follows:

- Ensure existing cross-training program covers all critical skills and functions performed by retirement eligible or soon-to-be eligible staff.
- Further develop a structured knowledge transfer between employees.

EMPLOYEE DEVELOPMENT

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

- Identify and compare required and actual competencies and proficiency levels for each position.
- Build individually tailored employee development plans to address current competency gaps and further develop critical skills.
- Increase the focus on internal training in order 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

The Department already utilizes competitive compensation, a multi-pronged wellness program, and in-depth turnover analysis, as strategies to hire and retain capable and dedicated employees who possess needed critical skills. It is the Department's intent to continue the efforts in applying and improving these strategies in order to close any gaps in staffing and critical skills.