



DEPARTMENT OF
**SAVINGS AND
MORTGAGE LENDING**



**WORKFORCE PLAN
FISCAL YEARS 2023-2027**

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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 minimis level of originations, and

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eliminating the exemptions for individuals employed by 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

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

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.

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GOAL B: EFFECTIVE REGULATION OF THE MORTGAGE INDUSTRY

Protect Texas consumers 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 all applications for a license or registration; 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 examine, monitor, and enforce compliance with applicable state and federal laws and regulations through timely examination.

GOAL C: EFFECTIVE AND EFFICIENT CONSUMER RESPONSIVENESS

Provide consumer assistance by ensuring compliance with statutes and regulations and being responsive to inquiries, requests, and complaints from consumers, 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 carry out these responsibilities adequately, the Department employs financial examiners, investigators, and other professional and administrative staff, who all contribute to the fulfillment of the Department's mission.

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Anticipated Changes

The Department 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.

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.

EMPLOYEE ENGAGEMENT

The Department 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.

The survey was sent to 59 employees, 57 of which responded for a response rate of 96.6%. 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.

The Department achieved an overall score of 388, which represented an improvement of 10 points over the overall score from the survey conducted in 2019. 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 50% to 54%.

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. The Department noted improvements in 10 constructs and scored above 400 in four of the constructs, between 350-400 in seven of the constructs, and under 300 in only one construct.

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The survey outlined the constructs with the highest scores as the areas of strength: Workplace, Supervision, and Employee Engagement, with scores 411, 405, and 402, respectively. Internal Communication, Job Satisfaction, and Pay, had the lowest three scores of 383, 371, and 290, respectively.

The Department’s management, with the assistance of an ad-hoc staff committee, used the survey results to determine a plan of action for continued improvement of the work climate and the employee engagement.

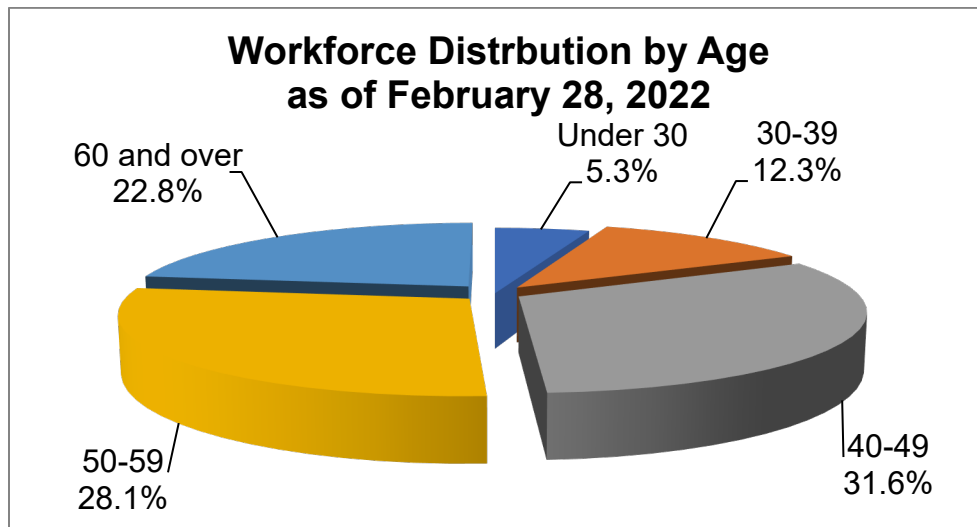
CURRENT WORKFORCE PROFILE

Composition of Department’s Staff

DEMOGRAPHICS INFORMATION

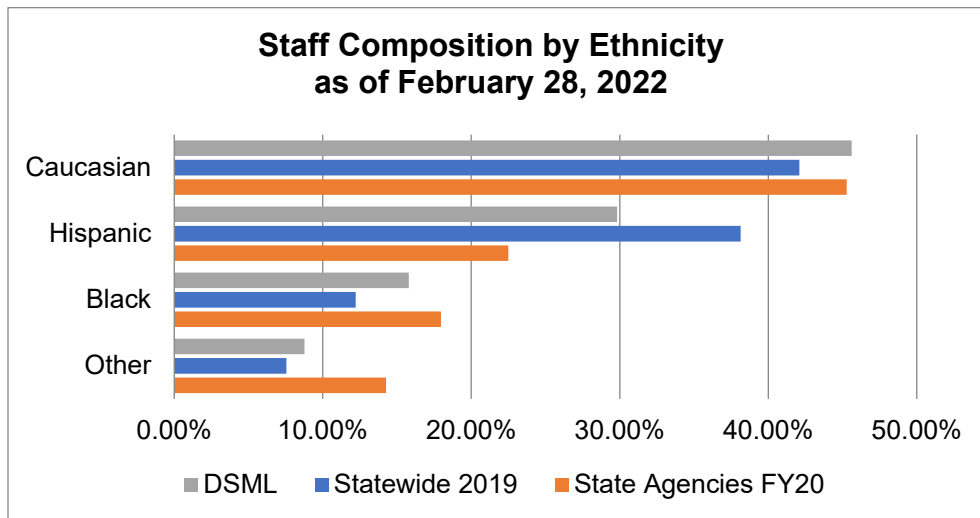
As of February 28, 2022, the Department’s workforce is comprised of 57 employees - 30 females (52.6%) and 27 males (47.4%).

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



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The following chart compares the agency staff composition by ethnicity as of February 28, 2022, 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.



The employees' length of agency service distribution has shifted significantly due to multiple new hires in existing and newly created positions. As a result, 31.6% (up from 11.5% in fiscal year 2020) of employees have less than two years of agency service, and 54.4% (down from 59% 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 28, 2022, seven (7) employees or 12.3% 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 2027, eighteen (18) additional employees or 31.6% will become eligible for retirement - six under the rule of 80 or the *age-65-and-10-years-of-service* rule, and twelve under the *age-60-and-five-year-of-service* rule. The total of 25 potential retirees, represent 42.9% of the field staff and 44.4% 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

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retirement eligibility is over 12 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 28, 2022, the Department employs 3 veterans or 5.8%.

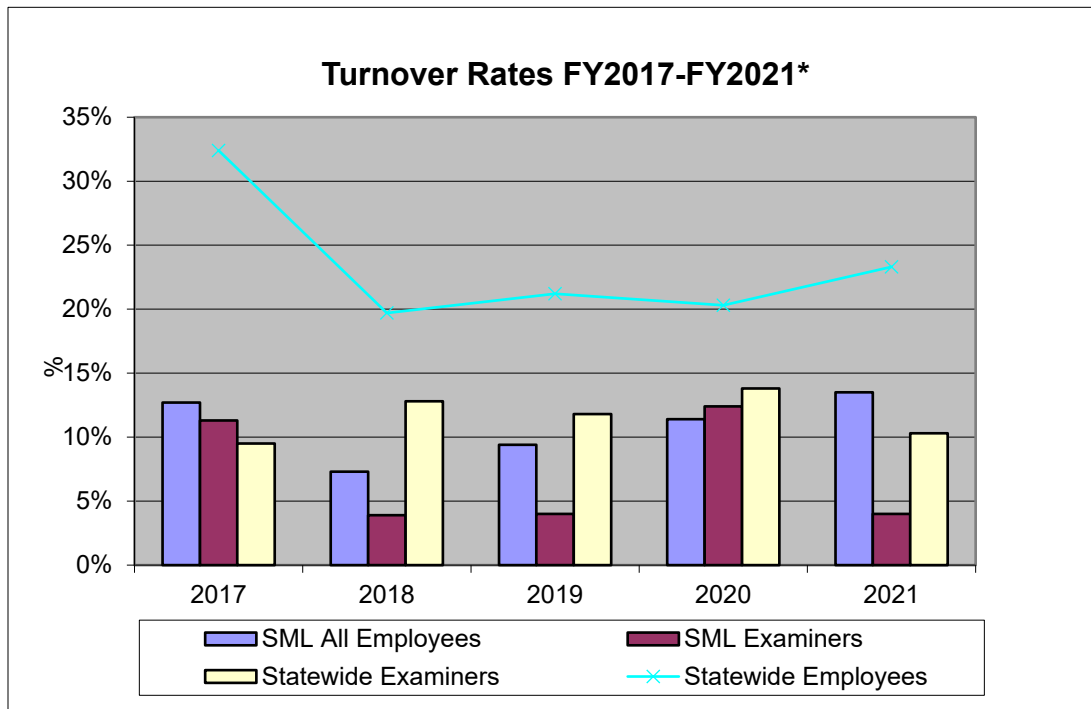
Current and Projected Turnover

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 flexible work 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 low of 4% in fiscal years 2018 and 2019, the Department experienced 12% of financial examiner turnover in 2020, and 4% in 2021.

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The graph below compares Department 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 State Auditor’s Office Electronic Classification Analysis System (E-Class).

TURNOVER BY LENGTH OF SERVICE FOR FISCAL YEARS 2020-2021

The Department lost six employees during fiscal years 2020 and eight in fiscal year 2021. Employees with five to ten years of experience had the highest Department turnover.

Length of Service	% of SML	% of State Turnover
Less than 2 years	14.3	56.2
2-5 years	14.3	22.3
5-10 years	35.7	8.3
10-15 years	21.4	4.8
15-20 years	14.3	3.4
More than 20	0.0	5.0

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TURNOVER BY AGE FOR FISCAL YEARS 2020-2021

Age	% of SML	% of State Turnover
Under 30 years	7.1	33.6
30-39 years	21.4	21.9
40-49 years	14.3	15.8
50-59 years	28.6	16.58
60 years and over	28.6	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
- Information technology expertise
- Accounting and budgeting
- Clear, concise, and accurate reporting and technical writing

Organizational

- Strategic planning
- Performance management

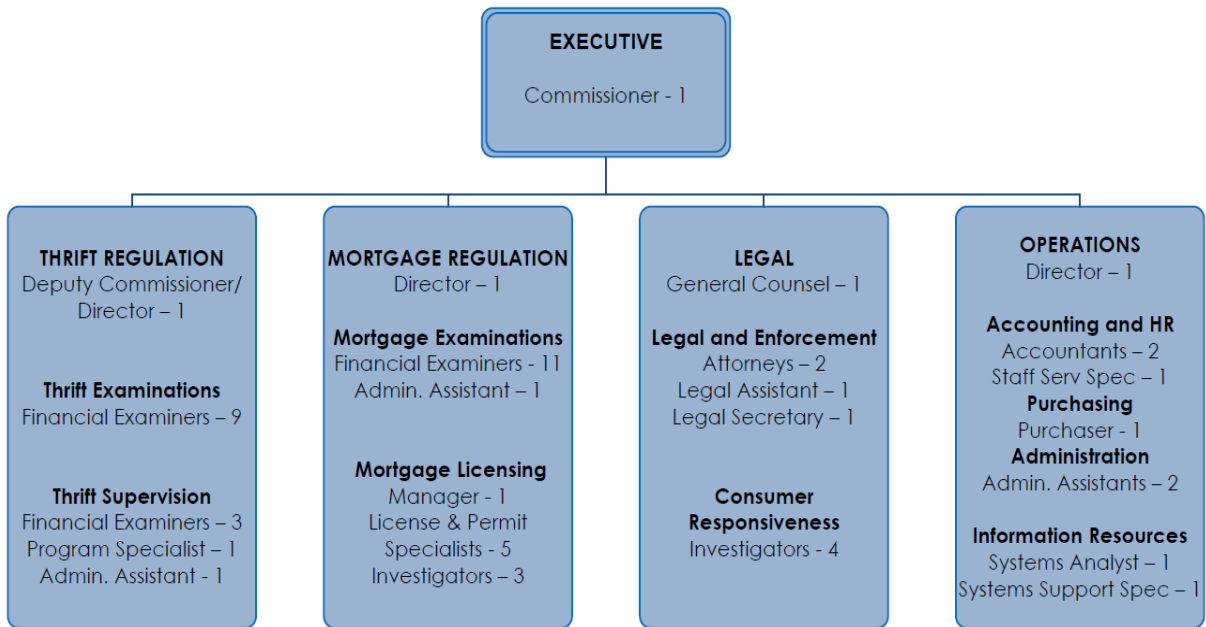
Communications

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

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Workforce Allocation

The chart below depicts the Department's workforce allocation by division as of February 28, 2022.



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

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to stay current and update its processes and skills in order to respond 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 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 Department 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 number of employees needed

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

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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 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

Succession planning has always been an important and integral part of the Department's strategic and operational planning. The Department continues to ensure existing cross-training program covers all critical skills and functions performed by retirement eligible or soon-to-be eligible staff and 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 has been 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:

- 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 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 in Hiring and Retention

The Department 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, in order to reach wide audience and attract qualified employees, the Department is utilizing multiple online platforms to publish vacant job postings and raise awareness of existing opportunities. Staff is also developing an internship program for college students in order to introduce and promote government careers to future graduates.

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.