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.
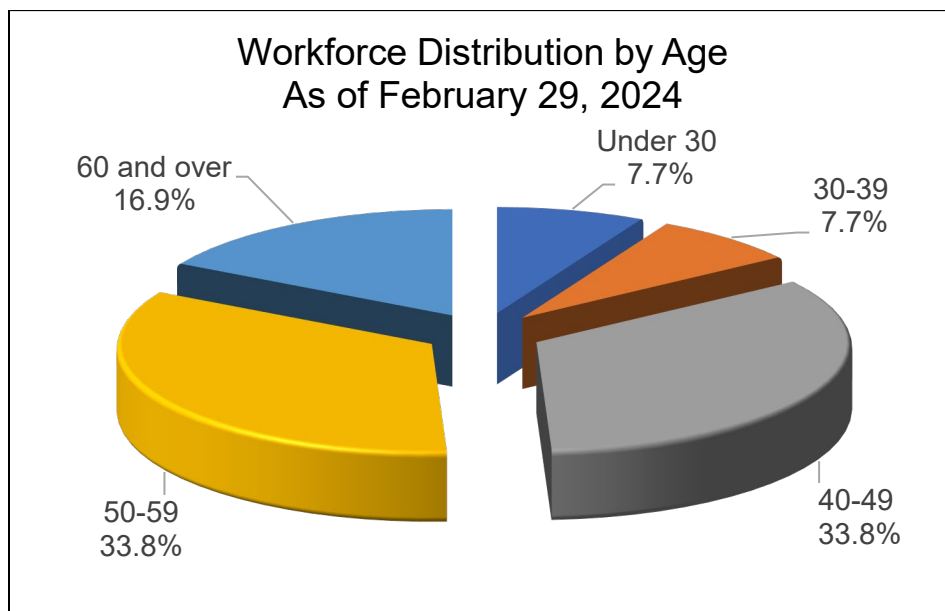
# Current Workforce Profile

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.

Staff Composition by Ethinicity as of February 29, 2024

| Service Category | DSML | Statewide 2019 | State agencies FY2020 |
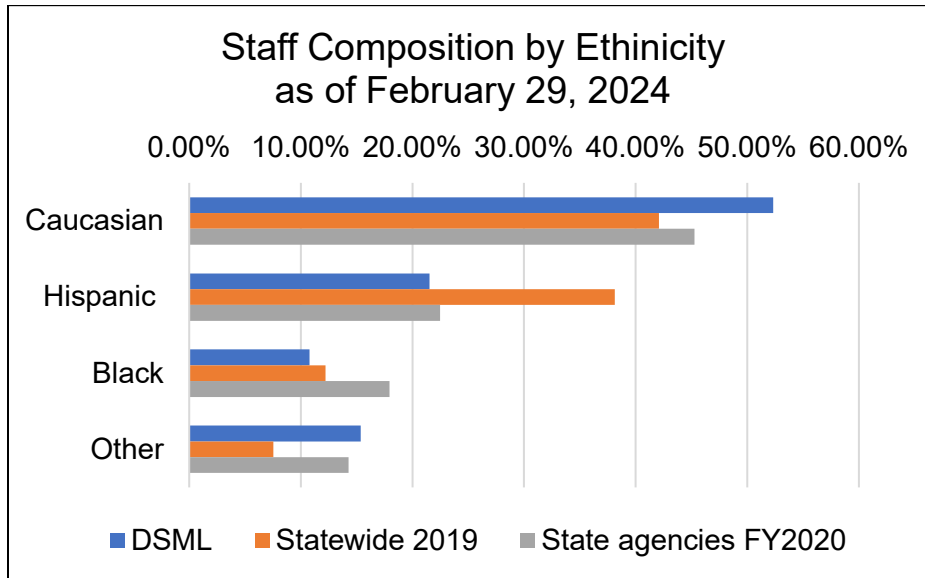
The employees' length of agency service distribution has shifted significantly due to multiple new hires in existing and newly created positions. As a result, more than 1/3 of the employees have less than two years of agency service.

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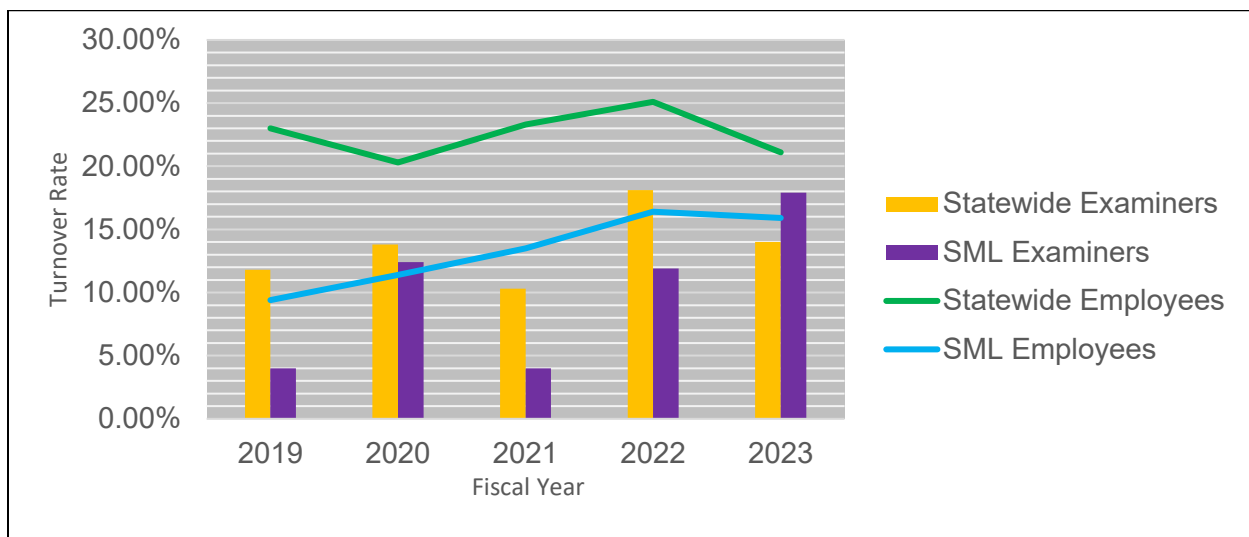
*Turnover information obtained from the State Auditor's Office Electronic Classification Analysis System (E-Class).

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
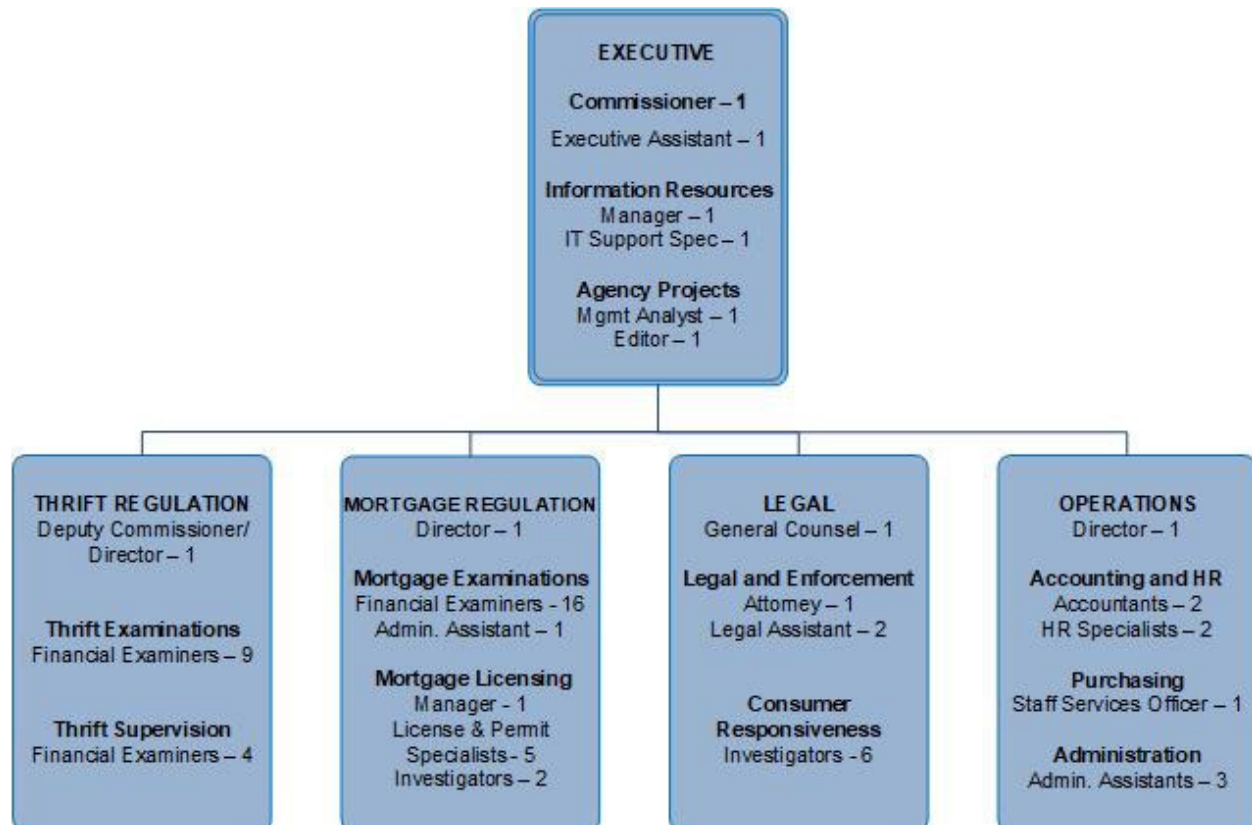
Organizational

- 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.