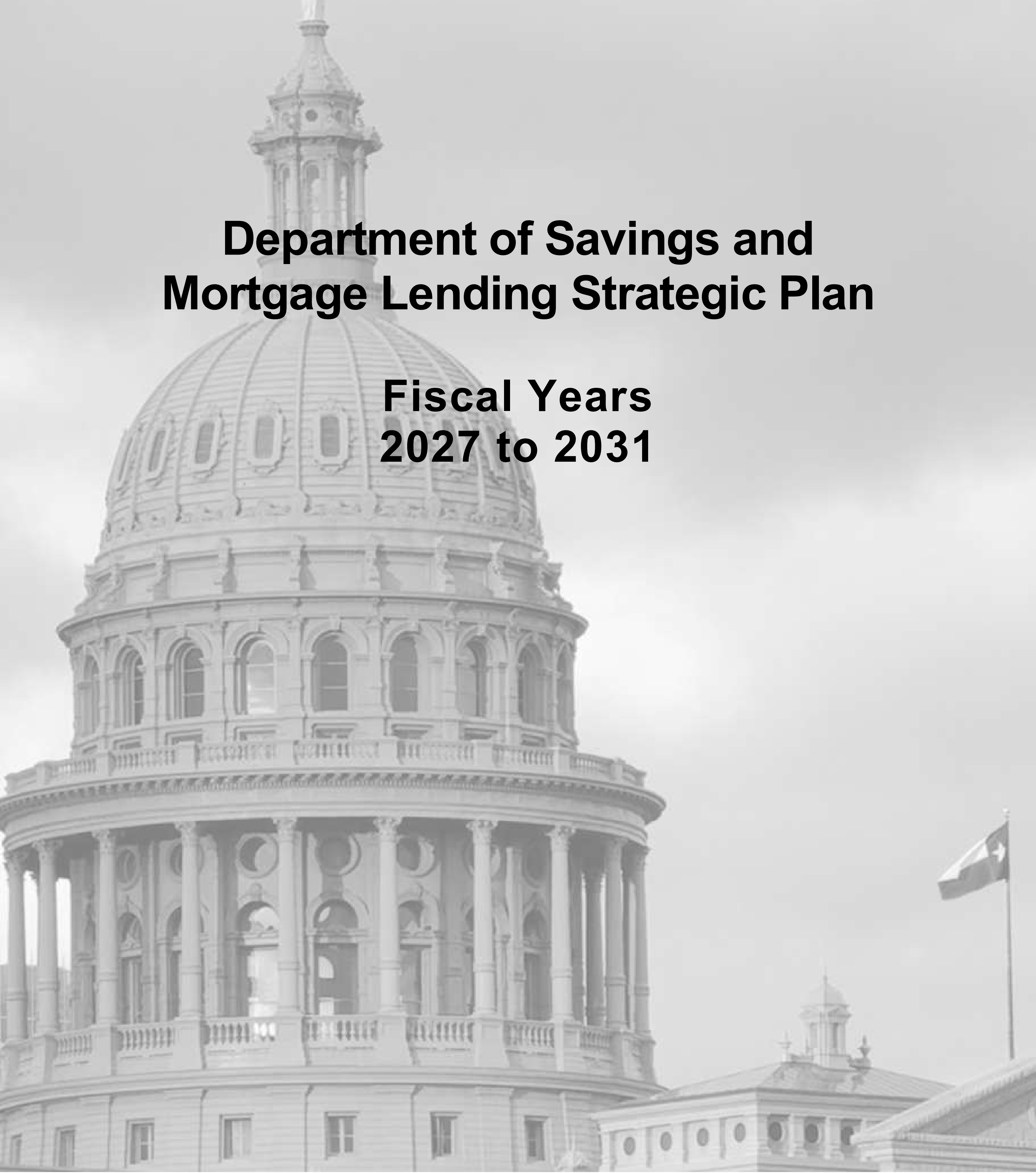
DEPARTMENT OF SAVINGS AND MORTGAGE LENDING



Department of Savings and Mortgage Lending Strategic Plan

Fiscal Years 2027 to 2031

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Strategic Plan
Fiscal Years 2027 to 2031

by

Department of Savings and Mortgage Lending (SML)

Commission Members	Dates of Term	Hometown
Phillip A. Holt, Chair	Feb 23, 2016 to Feb 1, 2028	Bonham
Laura Nassri Warren, Vice Chair	Apr 20, 2020 to Feb 1, 2026	Palmhurst
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
Roselyn (Rosie) Morris, Ph.D.	Mar 24, 2022 to Feb 1, 2026	San Marcos
Glen Martin (Marty) Green	Jun 27, 2022 to Feb 1, 2028	Dallas
Kathleen K. 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, Jr.	May 16, 2024 to Feb 1, 2030	Austin

Submitted: June 1, 2026

Hector Retta, Commissioner

Contents

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, and to promote a healthy residential mortgage lending environment and safe and sound savings institutions.

Agency Guiding Principles

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 Savings Institutions (Thrifts)
2. Effective Regulation of the Mortgage Industry
3. Effective Consumer Responsiveness
4. Effective Agency Administration

Goal 1: Effective Regulation of Savings Institutions (Thrifts)

Supervise, regulate, and enforce the organization, operation, and liquidation of savings institutions (thrifts).

Action Items to Achieve Goal

- Examine, monitor, and enforce compliance with applicable laws and regulations, including state-specific requirements for savings institutions (thrifts), such as:
  - Maintaining at least 50% of assets in housing-related or other qualified assets;
  - Limiting non-real estate commercial lending to no more than 40% of total assets;
  - Meeting consumer-complaint notification requirements; and
  - Maintaining indemnity bond coverage.
- Promote collaboration with federal regulators when performing joint examinations or visitations.

- Perform regular off-site monitoring to evaluate the financial condition, emerging risks, and overall performance of savings institutions (thrifts).
- Make informed, consistent, and transparent decisions by evaluating and responding to inquiries, applications, approvals, and non-objection requests.
- Initiate corrective or enforcement measures to address identified deficiencies or violations and uphold safety and soundness standards.
- Maintain regular communication with federal regulators regarding examinations, regulatory updates, and supervisory issues.
- Promote awareness of, and proactive response to, data privacy and cybersecurity risks affecting the financial sector.
- Monitor economic, regulatory, and industry trends to assess their potential impact on savings institutions (thrifts).
- Communicate regulatory changes, both state and federal, to the savings institution (thrift) industry.
- Provide staff training to increase awareness of emerging issues, new financial products, and relevant economic developments.
- Participate in federal compliance examinations with the (Federal Deposit Insurance Corporation (FDIC), Federal Reserve, and Consumer Financial Protection Bureau (CFPB)) to evaluate savings institutions' (thrifts') compliance with state and federal consumer protection requirements.

Goals and Action Items Support Statewide Objectives

1. Accountability to tax and fee payers of Texas
   - Adhere to self-leveling, self-funding, and self-directed, semi-independent statutory requirements.
   - Be responsible stewards of financial resources.
   - Provide transparency through reporting.
2. Efficiency by producing maximum results with no waste of taxpayer funds, and by identifying any function or provision considered redundant or not cost-effective
   - Coordinate joint examinations with federal regulators to provide timely findings and recommendations, minimize duplication of costs, and limit the frequency of regulators at the institutions.
   - Conduct off-site monitoring of savings institutions (thrifts) to detect risks at early stages.
   - Maintain work schedules that minimize the impact of travel expenses on the budget.
   - Utilize technology to streamline the examination process.

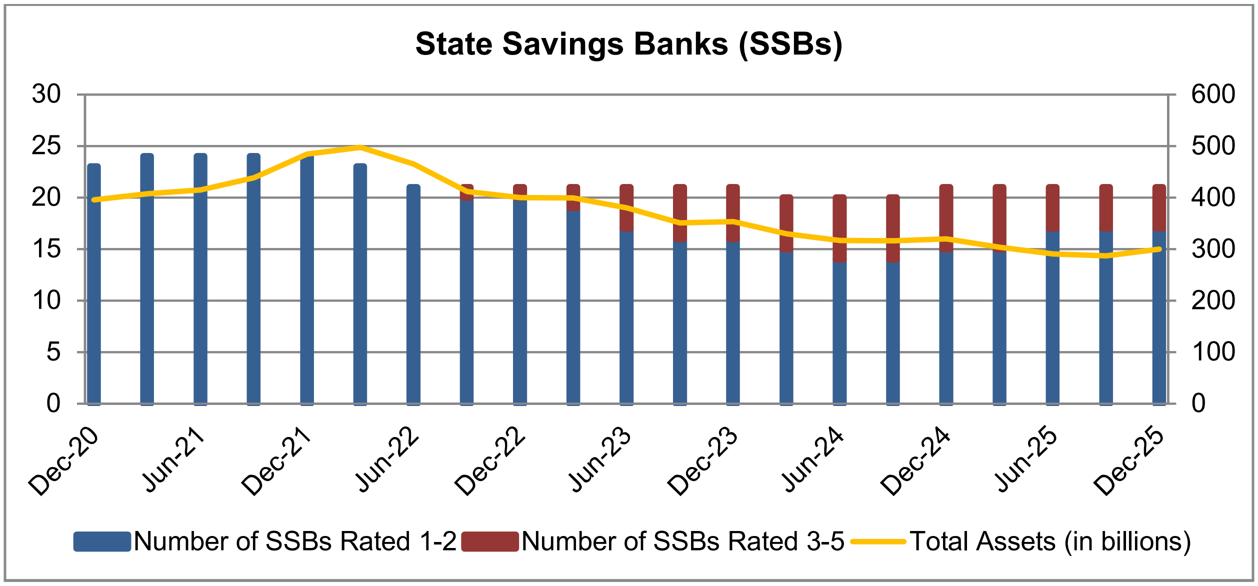
- Maintain SML's Thrift Compliance Examination Program and act as an intermediary regarding industry concerns about compliance-related matters.

3. Effectiveness by successfully fulfilling core functions, achieving performance measures, and implementing plans to continuously improve
   - Meet or exceed performance measures.
   - Continue to evaluate processes, procedures, and new technologies for added effectiveness and implement changes as appropriate.
4. Attentiveness to providing excellent customer service
   - Provide internal and external training for division staff.
   - Serve as a resource to the savings institutions (thrifts) concerning regulatory expectations and best practices.
   - Provide useful information on SML's website for consumers and the savings institution (thrift) industry.
   - Share consumer complaint information with federal regulators.
5. Transparency such that agency actions can be understood by any Texan
   - Communicate regularly with the savings institutions (thrifts) and other stakeholders.
   - Provide reports and updates to the Finance Commission of Texas (Finance Commission).
   - 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 proposed rule changes using clear language with the opportunity for the public to submit comments. Publish notice of rule changes on SML's website.

Other Considerations

SML recognizes that savings institutions (thrifts) operate within a rapidly evolving financial landscape shaped by technological innovation, shifting economic conditions, and emerging supervisory challenges. To remain effective and forward-looking, SML continues to evaluate developments in banking practices, financial products, and operational risks. Particular attention is given to the growth of digital financial services, adoption of emerging technologies such as cloud services and artificial intelligence, and the increasing reliance on third-party service providers. At the same time, SML closely monitors macroeconomic trends affecting the Texas market, including interest rate fluctuations, regional employment conditions, and economic diversification across urban and rural areas. Housing related dynamics, such as affordability pressures, population growth, shifting demand for single family and multifamily housing, and construction cost volatility, are also considered, given their direct impact on asset quality and lending activity within savings institutions (thrifts). Cybersecurity threats and operational resilience concerns remain central, and SML continues to encourage institutions to adopt strong safeguards and response protocols. Strengthening supervisory tools, analytics, and staff expertise is essential to identifying risks early and ensuring consistent application of oversight. Through proactive engagement with stakeholders, transparent communication, and a commitment to continuous improvement, SML aims to maintain a resilient regulatory framework that supports both industry stability and responsible innovation.

As of December 31, 2025, the savings institution (thrift) industry in Texas consisted of 21 state savings institutions (thrifts) with aggregate assets of $299.6 billion.



Goal 2: 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

<u>Licensing</u>

- 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 a 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 corrective or enforcement measures to address identified deficiencies or violations.

- Communicate regulatory expectations and changes, both state and federal, to the mortgage industry.
- Collaborate with federal and other 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.

Examination

- Examine, monitor, and enforce compliance with applicable state and federal laws and regulations through timely examination.
- Initiate corrective or enforcement measures to address identified deficiencies or violations.
- Participate in or accept One Company, One Exam (OCOE) mortgage origination and servicing examinations and other multi-state examinations.
- 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 federal and other 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.

Goals and Action Items Support Statewide Objective

1. Accountability to tax and fee payers of Texas
   - Adhere to self-leveling, self-funding, and self-directed, semi-independent statutory requirements.
   - Be responsible stewards of financial resources.
   - Provide transparency through reporting.
2. Efficiency by producing maximum results with no waste of taxpayer funds and by identifying any function or provision considered redundant or not cost effective
   - 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. Effectiveness by successfully fulfilling core functions, achieving performance measures, and implementing plans to continuously improve
    - Meet or exceed performance measures.
    - Continue to evaluate processes, procedures, and new technologies for added effectiveness and implement changes as appropriate.
    - Initiate corrective or enforcement measures to address identified deficiencies or violations.
4. Attentiveness to providing excellent customer service
    - Provide internal and external training for division staff.
    - Serve as a resource for the mortgage industry and federal and state regulators.
    - Provide useful information on SML's website for consumers and the mortgage industry.
    - Provide guidance and resources to the mortgage industry to improve compliance with examinations and licensing standards.
5. Transparency such that agency actions can be understood by any Texan
    - Communicate regularly with the mortgage industry and other stakeholders.
    - Provide reports and updates to the Finance Commission.
    - Make reports and other information available through SMLs and the Finance Commission's websites.
    - Conduct consumer and stakeholder forums on rules and regulations. Publish proposed rule changes using clear language with the opportunity for the public to submit public comments. Publish notice of rule changes on SML's website.
    - Publish enforcement order data on SML's website.

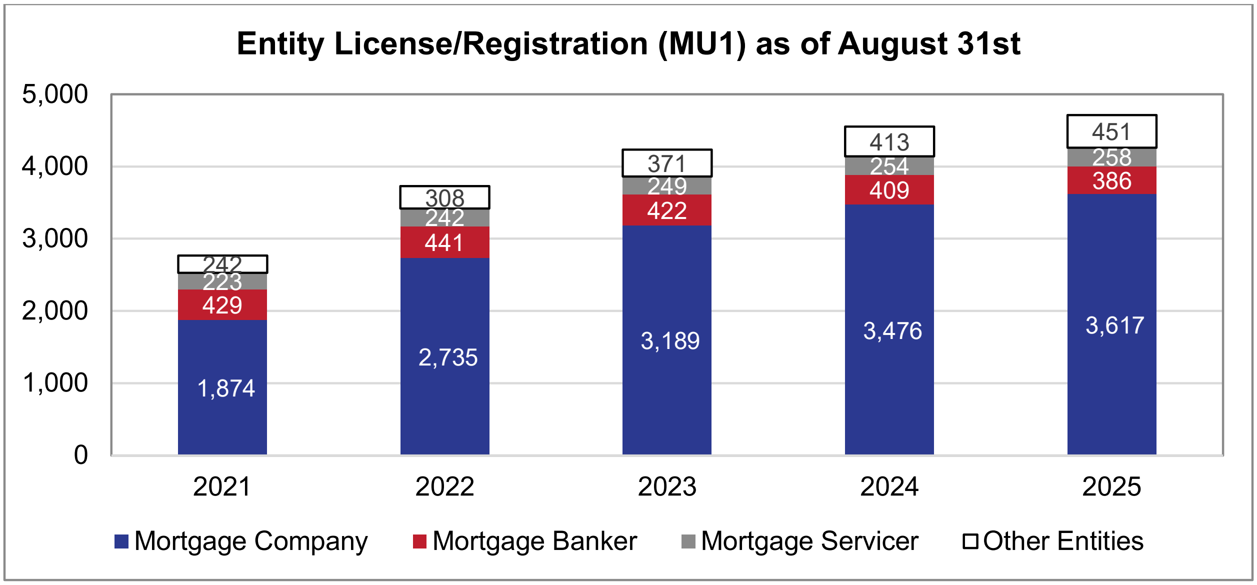
Other Considerations

SML prioritizes having knowledgeable, well-trained licensing and examination staff. The Mortgage Regulation Division strongly encourages the licensing and examination staff to receive the highest possible certification designations by the Conference of State Bank Supervisors (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.

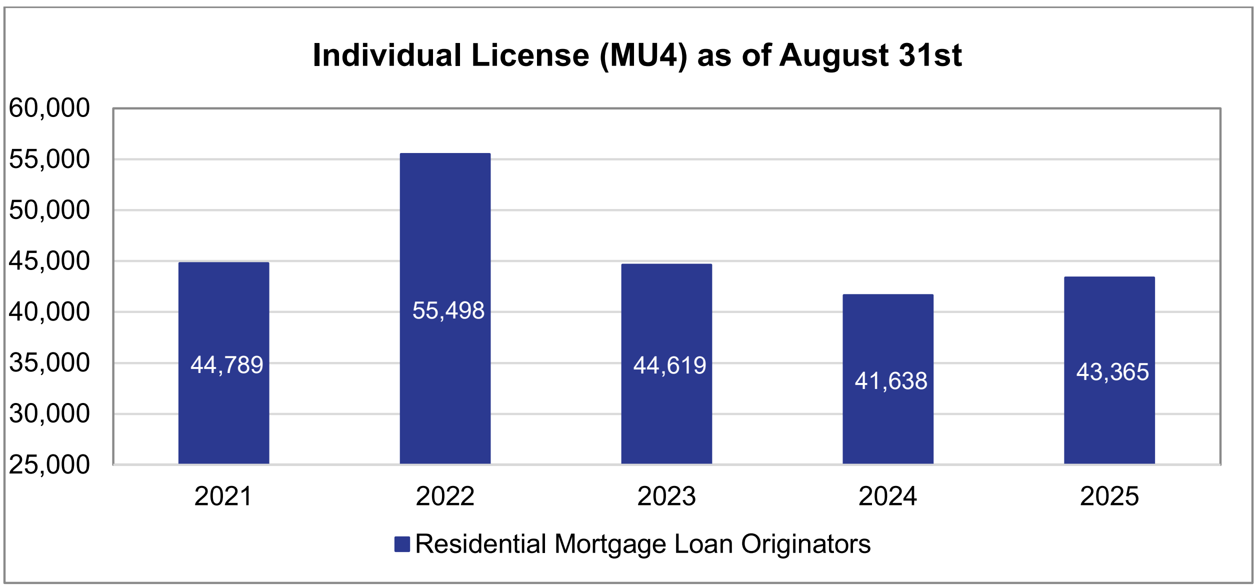
SML continually monitors various local, state, and national data sources to understand best the risks facing the mortgage industry. The potential risks and factors that may impact the mortgage industry over the next five years include:

- Changes in regulations that govern the origination and servicing of residential mortgage loans including the Ability-to-Repay/Qualified Mortgage (ATR/QM) standards, the Truth in Lending Act/Real Estate Settlement Procedures Act (TILA-RESPA) Integrated Disclosure (TRID) timing requirements, loan originator compensation rules, and Regulation X servicing rule changes impacting loss mitigation practices;
- Rate of inflation impacting the cost of housing, interest rates, and cost of maintaining staff and the expense to originate and service residential mortgage loans;
- Fiscal and monetary policy;
- Demographics of the population;
- Housing supply and demand;
- Trends in homeownership;
- Increasing property tax burden felt by homeowners;
- Availability and affordability of homeowner’s and flood insurance;
- Mortgage-backed securities market;
- Adoption of the Mortgage Industry Standards Maintenance Organization (MISMO) Mortgage Compliance Dataset (MCD) by mortgage bankers and lenders that will enhance data accuracy, processing efficiencies and automating some of the compliance reviews;
- Technological changes such as artificial intelligence-driven automation, machine learning, data analytics, blockchain technology, digital closing, digital asset-backed mortgages, and remote online notarizations;
- Cybersecurity risks and mitigation efforts to prevent data breaches and ransomware; and
- Innovative products.

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



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



As shown in the charts above, the number of licensees and registrants reflects moderate growth in the number of licensed mortgage entities and mortgage loan originators. The growth in the mortgage industry impacts several areas of the Mortgage Regulation Division, including staffing levels and the 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 action. If violations persist, 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 action in coordination with other state and federal agencies.

SML uses NMLS to license and register non-depository mortgage entities and their sponsored individual residential mortgage loan originators. Over the next few years, CSBS, which administers NMLS, plans to implement enhancements to modernize the system. 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 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 efficiency is achieved in this modernized version of NMLS and fulfill SML's needs.

In March 2020, CSBS launched 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. The Mortgage Regulation Division conducts all supervisory activities or examinations in SES.

Another priority is maintaining contact and communication with the CFPB, state regulators and national associations, such as CSBS and the American Association of Residential Mortgage Regulators (AARMR). Mortgage regulation and legal staff actively participate in national and multistate regulatory boards, committees, and working groups to develop, influence, and advance key regulatory initiatives and industry standards. Through consistent engagement in policy setting bodies, examination standards groups, testing and education governance, and mortgage industry reporting forums, SML ensures that the agency contributes to and remains aligned with evolving regulatory practices and priorities.

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. Due to adoption costs for new technology, SML anticipates that the mortgage industry will continue to undergo some consolidation with the largest mortgage bankers and mortgage companies.

Persistently high interest rates, reduced affordable 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 3: 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.
- Refer complainants to the appropriate regulatory authority if SML does not have jurisdiction over the complaint.
- Investigate consumer claims to recover damages under Texas Finance Code §§ 156.504 and 156.555 (recovery claims).
- Initiate corrective or enforcement measures to address identified deficiencies or violations.

Goals and Action Items Support Statewide Objective

1. Accountability to tax and fee payers of Texas
   - Adhere to self-leveling, self-funding, and self-directed, semi-independent statutory requirements.
   - Be responsible stewards of financial resources.
   - Provide transparency through reporting.
2. Efficiency by producing maximum results with no waste of taxpayer funds and by identifying any function or provision considered redundant or not cost-effective
   - Review and evaluate consumer responsiveness policies, processes, and procedures to improve efficiency.
   - Investigate and resolve complaints timely.
   - Provide training for consumer responsiveness staff.

3. Effectiveness by successfully fulfilling core functions, achieving performance measures, and implementing plans to continuously improve
   - Meet or exceed performance measures.
   - Continue to evaluate processes, procedures, and new technologies for added effectiveness and implement changes as appropriate.
   - Initiate corrective or enforcement measures to address identified deficiencies or violations.
4. Attentiveness 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.
5. Transparency such that agency actions can be understood by any Texan
   - Provide reports and updates to the Finance Commission.
   - 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 proposed rule changes using clear language with the opportunity for the public to submit comments. Publish notice of rule changes on SML's website.
   - Publish enforcement order data on SML's website.

Other Considerations

SML's consumer responsiveness functions are performed by the Legal Division which also supports the functions of the Thrift Regulation Division and Mortgage Regulation Division by, among other things: (1) prosecuting enforcement actions; (2) ruling on and facilitating the prosecution of recovery claims; (3) facilitating the promulgation of SML's administrative rules (regulations) by the Finance Commission; (4) tracking legislation that might affect SML or its regulated industries and responding to legislative inquiries; and (5) processing public information requests.

SML prioritizes having knowledgeable, well-trained consumer responsiveness staff and provides internal and external training as appropriate. 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. Financial education furthers SML's consumer responsiveness functions by fostering public knowledge of the requirements to qualify for a mortgage loan, common industry practices, and SML's role in regulating the industry. A knowledgeable and empowered public eliminates potential consumer complaints SML might otherwise receive.

SML is observing a growing trend in consumers using artificial intelligence (AI) tools to draft and submit complaints. While AI can help individuals articulate concerns more clearly, it also contributes to higher complaint volumes and increasingly complex submissions. Many AI generated complaints appear polished but may contain inaccuracies, cite incorrect laws or requirements, or present issues outside the agency's jurisdiction, which can require additional investigation. This trend underscores the need for continued vigilance in evaluating AI assisted complaints to ensure that regulatory decisions remain accurate, consistent, and grounded in statutory authority.

Goal 4: Effective Agency Administration

Promote strong governance, accountability, and operational integrity by aligning people, processes, and 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 to facilitate succession planning and operational resiliency.
- Monitor fiscal performance through continuous review of revenues, expenditures, and budget variances.
- Continually improve SML's cybersecurity posture.
- Collaborate with the Texas Department of Banking (DOB) and the Office of Consumer Credit Commissioner (OCCC) on the Finance Commission's efforts to achieve greater efficiencies.
- Strengthen organizational resilience and operational readiness by maintaining clear policies and procedures, updating and testing continuity plans, and advancing responsible data governance and AI adoption.

Goals and Action Items Support Statewide Objective

1. Accountability to tax and fee payers of Texas
    - Adhere to self-leveling, self-funding, and self-directed, semi-independent statutory requirements.
    - Be responsible stewards of financial resources.
    - Provide transparency through reporting.
2. Efficiency by producing maximum results with no waste of taxpayer funds and by identifying any function or provision considered redundant or not cost-effective
    - Increase efficiency and effectiveness through well-trained staff and the use of information resources solutions.
    - Monitor expenditures and revenues continually.

- Share information and collaborate with the other Finance Commission agencies.

3. Effectiveness by successfully fulfilling core functions, achieving performance measures, and implementing plans to continuously improve
    - 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. Attentiveness to providing excellent customer service
    - 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. Transparency such that agency actions can be understood by any Texan
    - Provide reports and updates to the Finance Commission.
    - 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 from regulated entities. SML is responsible for all direct and indirect costs and does not receive general revenue funds. All revenues are placed in 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 currently headquartered in the Finance Commission Building at 2601 North Lamar Boulevard, Austin, Texas, which it shares and co-owns with the other FC agencies, DOB and OCCC. In January 2025, the FC agencies purchased real property at 3500 Jackson Avenue, Austin, Texas. This 3.89 acre tract on the southern end of the Camp Hubbard campus was purchased from the Texas Department of Transportation. In March 2026, the FC agencies signed a $52.8 million interagency agreement with the Texas Facilities Commission (TFC) to remediate and demolish the existing building on the property and construct an approximately 63,500 square foot facility to house the FC agencies. The first draw was paid to TFC in mid-March 2026 to begin the construction project with the estimated completion forecasted to be in mid-2028.

Cash reserves set aside to cover the expenses related to the purchase and construction of a new building and relocation were approved by the Office of the Governor in March 2023, along with subsequent approval given in November 2025 to increase the facility planning reserves in accordance with Texas Government Code § 2165.261.

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 Finance Commission.

Redundancies and Impediments

Redundancies and Impediments

Redundancy and Impediment 1: Texas Finance Code Chapter 157, Subchapter C

Service, Statute, Rule, or Regulation, Program or State Operation:
Texas Finance Code Chapter 157, Subchapter C

Describe Why the Service, Statute, Rule, or Regulation is Resulting in Inefficient or Ineffective Agency Operations:
The statutory provisions governing mortgage bankers registered with SML under Finance Code Chapter 157 contemplate investigating 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 complaint investigations 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 (MLOs) acting on behalf of a mortgage banker, SML does not have express authority to mandate corrective action for violations concerning things like advertising, 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 Recommendation 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.

Redundancy and Impediment 2: Texas Finance Code § 157.005

Service, Statute, Rule, or Regulation, Program or State Operation:
Texas Finance Code § 157.005 (Compare to Texas Finance Code § 156.211)

Describe Why the Service, Statute, Rule, or Regulation is Resulting in 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) creates costs for

SML to process the change. Without statutory authority to assess fees for this purpose, all registered mortgage bankers must bear the costs for this work.

Provide Agency Recommendation 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 allocating costs to the appropriate parties.

Redundancy and Impediment 3: Texas Finance Code Chapter 158

Service, Statute, Rule, or Regulation, Program or State Operation:
Texas Finance Code Chapter 158

Describe Why the Service, Statute, Rule, or Regulation is Resulting in Inefficient or Ineffective Agency Operations:
The statutory provisions governing mortgage servicers registered with SML under Finance Code Chapter 158 contemplate investigating 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, unlike mortgage companies licensed by SML (see Tex. Fin. Code § 156.301), SML is without statutory authority to inspect or examine the records of a mortgage servicer absent a complaint.

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.), requiring the licensing of MLOs and establishing certain minimum requirements for licensure. Regulation H and the federal SAFE Act do not govern the servicing of mortgage loans and do not require examination authority for mortgage servicers. Accordingly, even without accreditation by CSBS, SML 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 of compliance created under Regulation H, 12 C.F.R. § 1008.113(b). Failure to comply with Regulation H and the federal SAFE Act may result in the federal government taking over the licensing and regulation of MLOs 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 above, the lack of statutory authority to inspect and examine mortgage servicers may threaten SML's CSBS accreditation status in the future. SML reentered the CSBS accreditation process in 2026.

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, and SML recommends the impediments be addressed accordingly.

Provide Agency Recommendation for Modification or Elimination:
Make statutory changes to provide for direct examination authority over mortgage servicers, including mortgage servicing performed by 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 the regulated entity. Examination authority would enable SML to identity 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.

Redundancy and Impediment 4: Texas Finance Code § 156.2012

Service, Statute, Rule, or Regulation, Program or State Operation:
Texas Finance Code § 156.2012

Describe Why the Service, Statute, Rule, or Regulation is Resulting in Inefficient or Ineffective Agency Operations:
Texas Finance Code § 156.2012, governing the registration of financial services companies, is optional and only applies to organizations that are already exempt from licensure (depository institutions or subsidiaries of depository institutions). SML has not had a registered financial services company in over five years.

Provide Agency Recommendation for Modification or Elimination:
Make statutory changes for the removal of the financial services company registration.

Describe the Estimated Cost Savings or Other Benefits Associated with the Recommended Change:
Except for the applicants that occasionally improperly apply for a financial services registration, the removal of the financial services company registration will not have a significant financial impact on SML. The other benefits include the elimination of policies and procedures for this unnecessary registration and the elimination of resources expended on checklists and license requirement settings in NMLS.

Redundancy and Impediment 5: Texas Finance Code § 156.551(c)

Service, Statute, Rule, or Regulation, Program or State Operation:
Texas Finance Code § 156.551(c)

Describe Why the Service, Statute, Rule, or Regulation is Resulting in Inefficient or Ineffective Agency Operations:

The statutory requirement that the balance of the Mortgage Grant Fund does not exceed $300,000 at any time imposes a recurring administrative burden for SML. The available program funding, in accordance with Texas Finance Code Section 156.552, is significantly higher than the statutory cap. Amounts are maintained within the Recovery Fund and transferred incrementally to the Mortgage Grant Fund in order to remain compliant. The need for frequent monitoring of fund balances and repeated transfers increases workload, introduces delays in processing grants, and raises the risk of timing-related compliance issues. Additionally, the movement of funds between accounts complicates financial reporting, reconciliation, and audit processes.

Provide Agency Recommendation for Modification or Elimination:

SML recommends eliminating the statutory cap or increasing it to reflect modern revenue levels and operational needs.

Describe the Estimated Cost Savings or Other Benefits Associated with the Recommended Change:

Eliminating the statutory cap would allow the program to maintain the available funding within its dedicated fund and streamline fund management, improve the efficiency and timeliness of grant disbursements, reduce administrative costs, and enhance financial transparency. The permitted uses of the Mortgage Grant Fund are already comprehensively defined in statute and rule. Eliminating the balance cap would not alter or expand these uses; it would only update the fund’s administrative structure, allowing for more efficient and predictable fund management.

Natural Disaster Related Redundancies and Impediments

Service, Statute, Rule, or Regulation, Program or State Operation:

Not applicable.

Describe Why the Service, Statute, Rule, or Regulation is Resulting in Inefficient or Ineffective Agency Operations:

Not applicable.

Provide Agency Recommendation 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 1: Effective Regulation of Savings Institutions (Thrifts)

Supervise, regulate, and enforce the organization, operation, and liquidation of savings institutions (thrifts).

Objective: Savings Institution (Thrift) Safety and Soundness

To examine, monitor, and enforce the safe and sound operations of state-chartered savings institutions (thrifts) 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 state-chartered savings institutions classified as safe and sound
- Percentage of state-chartered savings institution applications processed within statutory timeframes

Strategy: Savings Institution (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 institutions examinations performed
- Number of state-chartered savings institution applications processed

Efficiency Measures

- 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 2: Effective Regulation of the Mortgage Industry

Promote a healthy residential mortgage lending environment 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 acceptable 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 3: 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 complaints closed within 120 days

Strategy: Complaint and Inquiry Process

- Provide a process to submit inquiries and complaints and investigate complaints.

Output Measures

- Number of complaints closed

Efficiency Measures

- Average direct cost per complaint closed

Goal 4: Effective Agency Administration

Promote strong governance, accountability, and operational integrity by aligning people, processes, and 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 1: Effective Regulation of Savings Institutions (Thrifts)

Outcome Measure 1:

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

Definition

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

Purpose

SML's primary mission regarding savings institutions (thrifts) is to ensure that savings institutions are operating safely and soundly and in compliance with applicable state and federal law. To accomplish this mission, savings institutions are regularly examined based on an assessment of risk. Material failure to achieve this measure could result in unsafe and unsound savings institutions 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 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

Cumulative

New Measure

No

Target Attainment

Higher than target

Outcome Measure 2:

Percentage of state-chartered savings institutions classified safe and sound

Definition

The percentage of savings institutions (thrifts) 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 savings institution (thrift) industry as determined by examination results. The higher the percentage, the healthier the industry, and the more effective SML's regulation has been.

Data Source

SML staff maintains information on each institution under SML's jurisdiction, including its financial institution rating under the CAMELS system from its 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 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

Outcome Measure 3:

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 Measure 1:

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 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

Output Measure 2:

Number of state-chartered savings institution applications processed

Definition

The total number of applications processed 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 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 Measure 1:

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 saving 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 Federal Financial Institutions Examination Council (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 Measure 1:

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

Explanatory Measure 2:

Dollar amount of assets under regulation (in billions)

Definition

The aggregate total assets of savings institutions regulated by SML.

Purpose

The aggregate assets under regulation 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 2: Effective Regulation of the Mortgage Industry

Outcome Measure 1:

Percentage of acceptable levels of compliance reported through examination

Definition

The percentage of the total number of examinations at the end of the reporting period that received an acceptable compliance rating.

Purpose

Mortgage examinations help to ensure compliance with legal requirements and standards of conduct. This measure is important because it is indicative of the compliance level and 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, and other information. Staff compiles a report, from the database, of all entities 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 an acceptable level 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. The examination ratings are based on SML's regulatory analysis. This measure is driven by the level of compliance for both previously examined and newly examined entities. For entities that have never been examined, the first compliance rating may be impacted by the lack of examination experience.

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Outcome Measure 2:

Percentage of examinations initiated within 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 may be considered in determining the re-examination timing. The examination cycle closely aligns with the CSBS-AARMR Mortgage Accreditation standard.

Data Source

The established initial examination timeframe to conduct an examination is within 24 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 timeframe with sufficient origination production is 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 fewer 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 an approved status; (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. One of the factors related to sufficient production is inaccurate or late mortgage call report filings by regulated entities which hinders SML's ability to detect when loan production reaches the level requiring an examination.

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Outcome Measure 3:

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 Multistate 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 results are 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 Measure 1:

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 uses 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

Output Measure 2:

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. SML also tracks the acceptance, leveraging, and participation of multi-state 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 includes multi-state examinations conducted by other state regulators that are accredited by CSBS.

Calculation Method

Cumulative

New Measure

No

Target Attainment

Higher than target

Efficiency Measure 1:

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

Non-Cumulative

New Measure

No

Target Attainment

Lower than target

Explanatory Measure

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 uses 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

Explanatory Measure 2:

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 extent to which examination activity covered the population of licensed residential mortgage loan originators (MLOs) during the period.

Data Source

When SML issues an examination report, examination data is documented in the system including the number of MLOs examined. SML staff prepares a report tracking the number of issued examinations and the number of licensed MLOs employed by the company at the time the examination was initiated.

Methodology

Arithmetically count the number of MLOs examined during the reporting period.

Data Limitations

The total number of MLOs examined will vary depending on the size and complexity of the entity being examined. A significant change in the number of licensed MLOs impacts this measure.

Calculation Method

Cumulative

New Measure

No

Target Attainment

Higher than target

Goal 3: Effective Consumer Responsiveness

Outcome Measure 1:

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

Definition

The total number of complaints closed within ten business days of receipt of complete information is divided by the total number of complaints closed.

Purpose

To indicate whether complaints are being timely closed following the receipt of complete information.

Data Source

SML staff maintains a database of complaints where detailed information about each complaint is entered, including the date of receipt of complete information and the date the complaint was closed.

Methodology

Each complaint is calculated by counting the number of days between the date complete information is received and the date the complaint is closed. The number of complaints closed within ten 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 resolution can be determined This measure evaluates the effectiveness of administrative closure and not the effectiveness of the investigation process, which is evaluated through the measure below.

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Outcome Measure 2:

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

To indicate whether complaints are being investigated and closed in a timely manner. The measure also indicates whether staffing levels are appropriate to address complaint volume.

Data Source

SML staff maintains a database of complaints where detailed information about each complaint is entered, including the date received and the date closed.

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. The measure also does not account for increases in complaint volume that can extend timelines.

Calculation Method

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Output Measure 1:

Number of complaints closed

Definition

The number of complaints closed during the reporting period.

Purpose

To indicate the level of consumer complaints' investigations activity. 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 is entered, including the date closed. 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

Non-Cumulative

New Measure

No

Target Attainment

Higher than target

Efficiency Measure 1:

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 calculated 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

Non-Cumulative

New Measure

No

Target Attainment

Lower than target

Goal 4: Effective Agency Administration

Outcome Measure 1:

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

Outcome Measure 2:

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: HUB

Historically Underutilized Business (HUB) Policy

It is SML's goal to support historically underutilized businesses and to maintain policies governing purchasing and contracting that foster meaningful and substantive inclusion of HUBs as required by law.

SML supports state leadership's policy directing state agencies to use 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 2024 and 2025, SML exceeded the state's annual procurement goals for the percentage of funds spent with HUBs in the professional and other services categories of spending.

SML did not meet the state's annual procurement goals for HUB spending in the commodities category due to limited availability of certified HUB vendors able to provide the IT related commodities we procure most frequently. In FY2024, few certified IT HUB vendors offered the specific equipment required, and in competitive procurements, HUB vendors were not the lowest bidders in most cases. Additionally, three of SML's primary IT suppliers lost their HUB certifications, further reducing available qualifying vendors.

Category	State's Goal %	SML's Spending with HUBs %	
		FY2024	FY2025
Professional Services	23.7%	100.0%	100.0%
Other Services	26.0%	49.88%	52.12%
Commodity Purchasing	21.1%	.52%	20.87%

Schedule F: Agency Workforce Plan

WORKFORCE PLAN
FISCAL YEARS 2027-2031

Agency 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, and to promote a healthy residential mortgage lending environment and safe and sound savings institutions.

Guiding Principles

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.

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.

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 (MGF), administered by SML's Commissioner, which awards grants to organizations that provide education to Texas consumers concerning mortgage loans.

In 2023, the inaugural grant cycle of the MGF grant program began.

Strategic Structure

Goal: Effective Regulation of Savings Institutions (Thrifts)

Supervise, regulate, and enforce the organization, operation, and liquidation of savings institutions (thrifts).

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 mortgage 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 process to submit inquiries and complaints and investigate complaints.

Goal: Effective Agency Administration

Promote strong governance, accountability, and operational integrity by aligning people, processes, and resources.

Core Business Functions

The Department of Savings and Mortgage Lending (SML) has two key areas of regulatory responsibility: the chartering, regulation, and supervision of the state's savings institutions (thrifts); and the licensing/registration and regulation of the state's residential 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 savings institution (thrift) and mortgage industries continues to exist.

SML proactively adapts its methods and tools to ensure effectiveness and efficiency in performing its regulatory responsibilities, in response to shifts in regulated industry practices and changing consumer needs influenced by advancing 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 2025, the survey was sent to 68 employees, 67 of which responded for a response rate of 98.5%. 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 matched the overall score from the survey conducted in 2023. 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 category increased from 48% to 52%.

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 8 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: Strategic, Community, and Supervision, with scores of 436, 436, and 435, respectively. Job Satisfaction, Benefits, and Pay, had the lowest three scores of 419, 411, and 336, respectively.

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

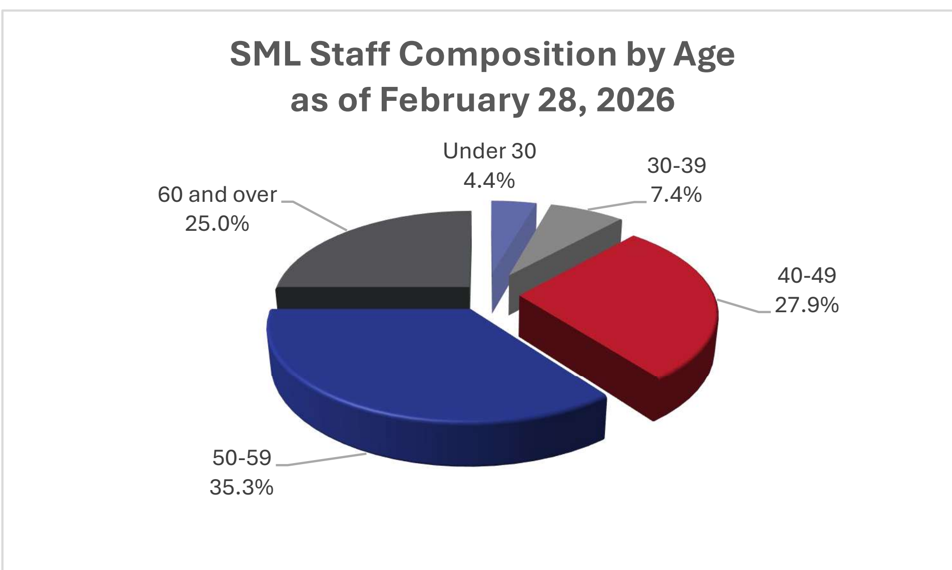
Current Workforce Profile

Composition of SML Staff

Demographics Information

As of February 28, 2026, SML's workforce is comprised of 68 employees - 35 females (51.5%) and 33 males (48.5%).

The chart below shows SML staff composition by age. The average age has increased to 51 years compared to 50 in 2024.



The employees' length of agency service distribution has shifted towards growth in the categories over 2 years of experience, indicating improved retention and a stabilizing workforce.

SML Staff Composition by Length of Agency Service as of February 28/29th

Service Category	2022	2024	2026
Under 2 years	31.6%	35.9%	30.9%
2-5 years	14.0%	26.6%	23.5%
Over 5 years	54.4%	37.5%	45.6%
Total	100.00%	100.00%	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 28, 2026, eleven (11) employees, or 16.1% are eligible to retire. By February 2031, nineteen (19) additional employees, or 27.9% will become eligible for retirement with benefits. A total of 30 potential retirees represent 44.1% 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 11.4 years. It is important to ensure that their knowledge and organizational experience is not lost.

Veterans

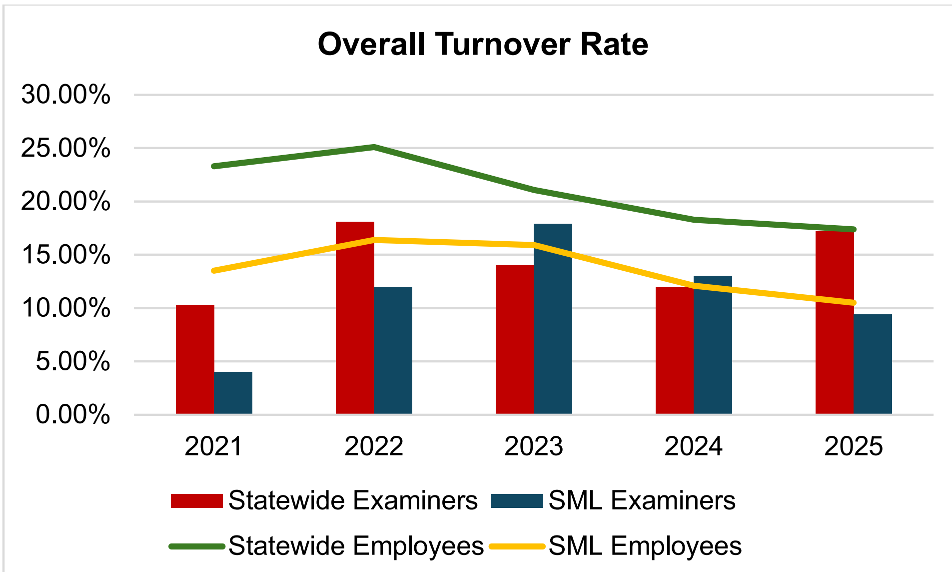
The 84th Legislature amended Government Code Section 657.004, requiring state agencies to establish a goal of hiring veterans in full-time positions to equal at least 20% of the total number of employees. The agency takes advantage of the resources offered by the Texas Veterans Commission and the Texas Workforce Commission. As of February 28, 2026, SML employs 7 veterans or 10.3%.

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 to increase employee satisfaction include expanded flexible work schedules, a relaxed dress code, and a health and fitness program. SML continues to search for tools and mechanisms to reduce preventable 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 year 2021, SML experienced financial examiner turnover of 17.9% in 2023, decreasing to 9.4% in 2025.

The graph below compares SML turnover to statewide turnover for fiscal years 2021-2025, 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 2024-2025

SML lost eight employees during fiscal year 2024 and seven in fiscal year 2025. 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	53.3%	60.2%
2-4.99 years	26.7%	16.0%
5-9.99 years	13.3%	11.2%
10-14.99 years	-	4.6%
15-19.99 years	-	3.2%
More than 20 years	6.7%	4.8%

Turnover by Age for FYs 2024-2025

Most of the turnover during fiscal years 2024 and 2025 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	13.3%	31.4%
30-39 years	6.7%	22.2%
40-49 years	26.7%	16.3%
50-59 years	33.3%	16.8%
60 years and over	20.0%	13.3%

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 savings institution (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

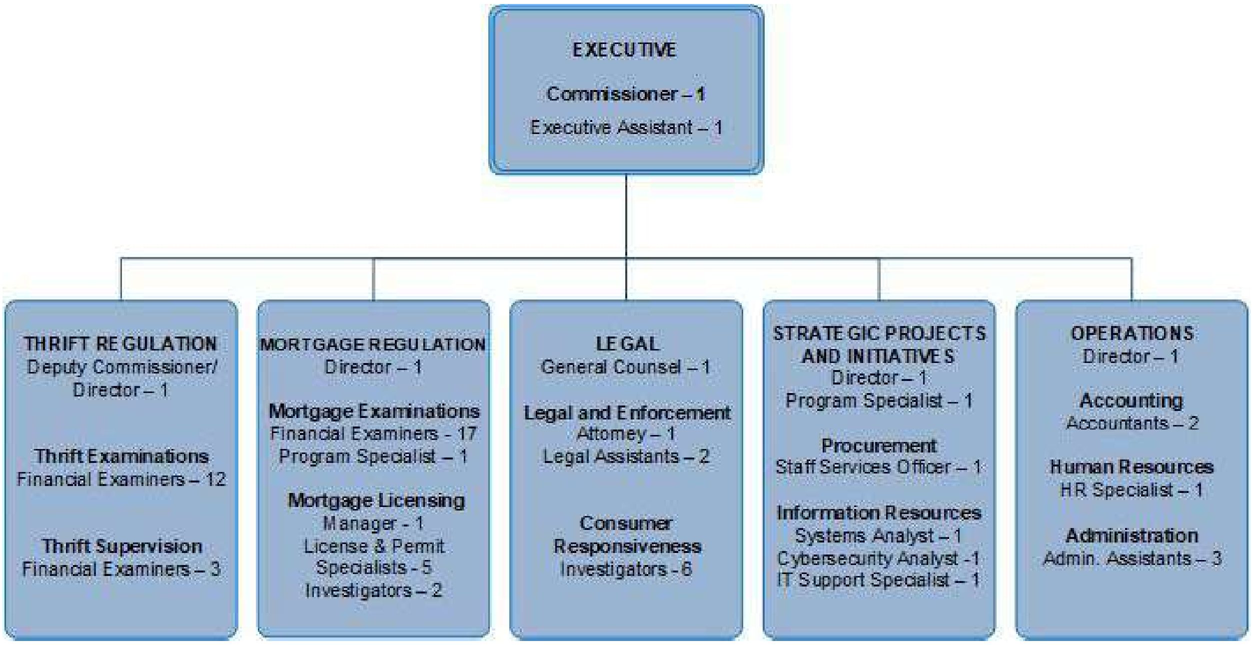
- Strategic planning
- Performance management
- Leadership and human resources management

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 28, 2026.



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 within regulated entities continue to evolve due to rapid advancements in information technology, SML's future workforce must remain agile and prepared to adapt. Emerging technologies – particularly artificial intelligence (AI) – are reshaping how information is created, analyzed, and communicated. To continue delivering high-quality services, responding effectively to customers, and conducting business efficiently, staff will increasingly need to understand AI capabilities and limitations, recognize potential risks, and apply sound judgment when evaluating AI-generated information. SML will continue to monitor technology trends, identify operational impacts, and invest in building staff competencies that support safe, effective, and compliant use of technologies.

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 enhanced collaboration, increased productivity, improved knowledge transfer, strengthened overall organizational performance, 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
- Foundational understanding of digital assets and emerging financial technologies
- Increased information technology expertise
- Working knowledge of artificial intelligence tools, prompt development, and the ability to critically evaluate AI-generated information
- 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 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 SML's strategic and operational planning. The agency continues to ensure its 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.
- Evaluate and adjust employee development plans regularly to ensure alignment of developmental needs and available opportunities.
- Increase the focus on internal training to transfer knowledge.
- Provide multiple opportunities for information resources-related training.

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 have 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's website (sml.texas.gov), along with the agency's mailing address and phone number.

External Customers and Services Provided

Savings Institution (Thrift) Industry

Safety and Soundness

A safe and sound savings institution (thrift) industry 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. Indirect customers of the safety and soundness function include Texans who are borrowers and depositors of savings institutions and investors in those institutions. The indirect customer base cannot be uniquely identified in connection with the services provided, and survey responses from these indirect customers would not be useful in guiding agency operations. Instead, SML sends the customer satisfaction survey to the direct customers of the examination and supervision function described below.

Examination and Supervision

The customers of the examination and supervision function are the regulated savings institutions that are examined and supervised. 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 savings institution, ultimately benefiting the institution's customers and shareholders. The customer satisfaction survey is sent to the chief executive officers of the regulated savings institutions.

Mortgage Industry

Regulation

Indirect customers of the mortgage industry regulation function include all the diverse parties that participate in the residential mortgage market and the secondary market for investment in such mortgages, including individuals seeking a mortgage loan, lenders and investors, appraisers, title companies, surveyors, realtors, and federal agencies such as the Federal Housing Administration (FHA), Veterans Administration (VA), and the Department of Housing and Urban Development (HUD). The indirect customer base cannot be uniquely identified in connection with the services provided, and survey responses from these indirect customers would not be useful in guiding agency operations. Instead, SML sends the customer satisfaction survey to the direct customers of the mortgage licensing and examination function described below.

Licensing and Examination

The customers of the mortgage licensing and examination function are the entities licensed by or registered with SML. The customer satisfaction survey is sent to licensed and registered mortgage entities that recently went through the licensing or examination process.

Consumers

Complaint and Inquiry Process

The customers of the complaint and inquiry process are consumers who submitted a complaint or inquiry to SML. The customer satisfaction survey is sent to complainants who recently went through the complaint process.

Information Gathering Methods

SML uses electronic surveys to collect responses from customers. The surveys are sent with varying frequency, depending on the type of customer, as detailed below. All responses were submitted anonymously. The survey data shows 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

Savings Institution (Thrift) Industry

Savings institutions' operations are calendar-year based; therefore, the savings institution (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 40 surveys were sent over the previous two calendar years, with an average 45.9% response rate. The survey covered the full range of SML activities: examination, monitoring, enforcement, and application processing.

The state-chartered savings institution (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, deputy commissioner, examiners, and supervision staff.

State Savings Bank Chief Executive Officer Survey – CY2024 and CY2025

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?	5	5	3	1	1	9
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?	17	4	0	0	3	0
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?	16	4	0	0	2	2
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?	9	9	3	1	0	2
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?	6	5	4	1	0	8
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?	13	7	1	0	2	1
7	How satisfied are you with any agency brochures or other printed information, including the accuracy of that information?	8	5	3	0	0	8
8	Please rate your overall satisfaction with the agency.	16	6	0	1	1	0
	Overall Totals	90	45	14	4	9	30

		Strongly Agree	Agree	Disagree	Strongly Disagree	N/A or No Answer
	Overall Composite Results	46.9%	23.4%	7.3%	2.1%	4.7%	15.6%
	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	7	0	0	1
10	Examiner requests for information are timely and reasonable.	12	10	0	0	1
11	Examiners conduct themselves professionally.	18	4	0	0	1
12	Examiner communication with management during the examination meets my needs.	15	7	0	0	1
13	Examiners are informed on current industry issues, adequately trained, and qualified.	17	5	0	0	1
14	Examiner findings and concerns are clearly communicated at exit meetings.	15	7	0	0	1
15	Examiner conclusions are well-supported.	11	11	0	0	1
16	Examiner recommendations are clear and reasonable the circumstances.	11	11	0	0	1
17	Examination time frames are reasonable.	14	7	1	0	1
18	Reports of examination are consistent with findings discussed at exit meetings.	15	7	0	0	1
19	Reports of examination are received timely.	7	7	5	3	1
20	Supervisory action and correspondence is consistent with examination findings.	12	10	0	0	1
	Examination and Supervision Totals	225	126	8	8	89
	Examination and Supervision Results	49.3%	27.6%	1.8%	1.8%	19.5%
	Overall satisfaction with specified services	**Strongly Agree**	**Agree**	**Disagree**	**Strongly Disagree**	**N/A or No Answer**
Questions	**Corporate Activities**					
21	Correspondence with the Department regarding routine business matters is handled promptly and effectively.	14	8	0	1	1

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.	13	8	0	1	2
23	My calls, e-mails, or letters are routed to the appropriate person.	14	7	0	1	2
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.	5	3	1	0	15
	b. Responses to my inquiries were timely, appropriate, and helpful.	6	2	0	1	15
	c. The process was efficient and professional.	5	3	0	1	15
	d. Requests for additional information are reasonable and appropriate.	6	2	1	0	15
	Corporate Activities Totals	63	33	2	5	65
	Corporate Activities Results	37.5%	19.6%	1.2%	3.0%	38.7%

Analysis of the Savings Institution (Thrift) Industry Survey

The aggregated results for 2024–2025 show consistently strong satisfaction across agency services, examination processes, and corporate activities. For general customer service areas, such as facilities, staff interactions, communications, website usability, complaint handling, and timeliness of service, respondents most frequently selected “Very Satisfied” or “Satisfied,” with relatively few neutral or negative responses. Overall agency satisfaction remained high, with 70.3% “Very Satisfied” and “Satisfied” responses compared to only 6.8% “Unsatisfied” and “Very Unsatisfied.” Examination and supervision feedback was even more positive: large majorities “Strongly Agreed” or “Agreed” that examiners were professional, well trained, clear in communication, and reasonable in requests, though timeliness of examination reports showed a noticeable cluster of disagreement. Corporate activities also received favorable ratings, with most respondents affirming accurate, timely responses and effective routing of inquiries. Items related to supervisory approvals (when applicable) were similarly positive, indicating that staff were accessible, helpful, and professional. Overall, the combined results reflect a high level of confidence and satisfaction with agency operations, with only a few isolated concerns, primarily around the timeliness of examination reports, emerging across the two years.

The one consistent area of concern involved the timeliness of examination reports, where several respondents selected “Disagree” or “Strongly Disagree,” and multiple open ended comments referenced delays—specifically noting a 90day delay for one exam report and expressing a desire for faster issuance after fieldwork concludes.

Mortgage Industry

Surveys were sent to the customers of the Mortgage Examination and the Mortgage Licensing sections. The results below represent the totals from all surveys conducted between March 1, 2024, and February 28, 2026.

Mortgage Examination Survey

The mortgage examination survey population included regulated mortgage entities that received a full-scope examination between March 1, 2024, and February 28, 2026, which was a total of 783. The survey was received by 742 customers. Some did not receive the survey because of inaccurate email addresses, while others opted out from receiving it. The average response rate was 21.2%.

Mortgage Examination Survey: March 1, 2024 – February 28, 2026

	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?	42	13	8	1	3	85
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?	105	23	3	1	6	14
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?	99	31	6	0	6	10
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?	61	45	23	6	9	8

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?	42	17	11	0	5	77
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?	71	26	7	1	6	41
7	How satisfied are you with any agency brochures or other printed information, including the accuracy of that information?	53	31	11	1	4	52
8	Please rate your overall satisfaction with the agency.	89	39	14	2	6	2
	Overall Totals	562	225	83	12	45	289
	Overall Results	46.2%	18.5%	6.8%	1.0%	3.7%	23.8%

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 scope and goals of the examination.	123	26	2	0	1
10	The examiner conducted the examination in a professional manner.	128	22	1	0	1
11	The examiner communicated effectively throughout the examination process.	125	24	1	1	1
12	The examiner was knowledgeable and provided relevant guidance.	123	28	0	0	1
13	The examination findings and conclusions were well-supported and clearly communicated at the exit meeting.	107	39	3	2	1
	Examination Totals	606	139	7	3	5
	Examination Results	79.7%	18.3%	0.9%	0.4%	0.7%

Analysis of the Mortgage Examination Survey

The Mortgage Examination Survey results reflect exceptional performance across the mortgage examination function. With nearly 98% of responses falling within the top two satisfaction categories (“Strongly Agree” and “Agree”), the data demonstrates that:

- Examiners are consistently professional and knowledgeable.
- Communication – both at the outset and throughout the exam – is a strength.
- Licensees and registrants generally view the examination process positively and find it constructive.

Mortgage Licensing Survey

The mortgage licensing survey 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, 2024, and February 28, 2026. The survey was sent to 35,029 customers. Some did not receive the survey because of inaccurate email addresses, while others opted out from receiving it. The average response rate was 3.7%.

Mortgage Licensing Survey: March 1, 2024 – February 28, 2026

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?	407	177	88	16	34	483
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?	532	227	95	28	44	279
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?	511	293	134	69	67	131
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?	477	354	146	75	64	89

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?	354	154	124	13	44	516
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?	472	253	127	48	70	235
7	How satisfied are you with any agency brochures or other printed information, including the accuracy of that information?	386	204	141	11	35	428
8	Please rate your overall satisfaction with the agency.	546	372	129	67	57	34
	Overall Totals	3,685	2,034	984	327	415	2,195
	Overall Results	38.2%	21.1%	10.2%	3.4%	4.3%	22.8%

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.	521	425	98	59	102
10	My license was issued in a reasonable period after required information was submitted.	583	404	87	69	62
11	The process was efficient and professional.	567	434	90	65	49
	License Processing Totals	1,671	1,263	275	193	213
	License Processing Results	46.2%	34.9%	7.6%	5.3%	5.9%

Analysis of the Mortgage Licensing Survey

The Mortgage Licensing Survey shows strong and encouraging feedback from customers, highlighting consistent satisfaction with the licensing process and the quality of service provided.

Across key areas of communication, timeliness, and professionalism, respondents expressed overwhelmingly positive experiences. Nearly 81% of all responses fell into the "Strongly Agree" or "Agree" categories when evaluating the clarity of information provided, the timeliness of license issuance, and the efficiency and professionalism of the process.

These high satisfaction levels demonstrate that the licensing team is delivering a reliable, customer-focused experience.

Consumer Responsiveness

Surveys were sent to complainants of the Consumer Responsiveness section monthly throughout FY2025-2026. The results below represent the totals from all surveys conducted between March 1, 2024, and February 28, 2026.

The population included all complainants with an email address whose complaints were closed between March 1, 2024, and February 28, 2026, a total of 1,572. The survey was received by 1,505 customers. Some did not receive the survey because of inaccurate email addresses, while others opted out from receiving it.. The average response rate was 20%.

	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?	52	14	37	7	43	150
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?	95	32	30	19	60	66
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?	104	41	35	32	60	30
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?	103	75	59	15	39	11

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?	105	48	30	37	74	0
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?	100	40	46	23	52	41
7	How satisfied are you with any agency brochures or other printed information, including the accuracy of that information?	50	23	54	11	24	143
8	Please rate your overall satisfaction with the agency.	105	29	33	44	88	3
	Overall Totals	714	302	324	188	440	444
	Overall Results	29.6%	12.6%	13.4%	7.8%	18.2%	18.4%
	Overall satisfaction with specified services	**Very Easy**	**Easy**	**Neither Easy or Difficult nor**		**Difficult**	**Very Difficult**
Questions	**Consumer Complaints**						
9	How easy was the complaint process?	103	82	67		19	30
	Consumer Complaints Results	34.2%	27.3%	22.3%		6.3%	9.9%

Analysis of the Consumer Complaints Survey Results

Customers reported strong positive experiences in key areas such as complaint handling, staff courtesy and knowledge, and overall satisfaction. A majority of customers who rated the complaint handling process (approximately 58%) indicated they were satisfied or very satisfied. More than 61% of customers found the complaint process easy to use. The results indicate that the agency excels in providing professional, courteous service and delivering a complaint process that works well for most users.

DEPARTMENT OF SAVINGS AND MORTGAGE LENDING

Customer Service Performance Measures

Outcome Measures	
• Percentage of Surveyed Customer Respondents Expressing Overall Satisfaction with Services Received*.	71.4%
Output Measures	
• Total Customers Surveyed: The number of customers who receive access to surveys regarding SML's services.	34,931
• Response Rate: The percentage of total customers surveyed who completed the survey.	4.8%
• Total Customers Served: Total number of customers receiving services through SML's programs.	37,413
Efficiency Measures	
• Cost per Customer Surveyed: Total costs for SML 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***.	37,413
• Total Customer Groups Inventoried: The total number of unique customer groups identified for each SML 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 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, 2063.103 and 2063.104.

Chief Executive Officer	Board or Commission Chair
	Phillip Holt (Jun 3, 2026 11:32:55 CDT)
Signature	Signature
Hector Retta	Phillip A. Holt
Printed Name	Printed Name
Commissioner	Chairman Finance Commission of Texas
Title	Title
03/06/2026	06/03/2026
Date	Date

DEPARTMENT OF
SAVINGS AND
MORTGAGE LENDING

Schedule J: Certification of Compliance with Artificial Intelligence Training

Department of Savings and Mortgage Lending

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

Chief Executive Officer	Board or Commission Chair
	Phillip Holt (Jun 3, 2026 11:32:55 CDT)
Signature	Signature
Hector Retta	Phillip A. Holt
Printed Name	Printed Name
Commissioner	Chairman Finance Commission of Texas
Title	Title
03/06/2026	06/03/2026
Date	Date