

# LEGISLATIVE APPROPRIATIONS REQUEST

For Fiscal Years 2010 and 2011

Submitted to the Governor's Office of Budget and Planning and the Legislative Budget Board

by the

**TEXAS DEPARTMENT OF SAVINGS AND MORTGAGE LENDING**



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*Finance Commission of Texas*

---

**Commission Members**

John L. Snider, Chair  
Mike Bradford  
Vidal Gonzalez  
Stacy London  
Cindy F. Lyons  
Jonathan Newton  
Paul Plunket  
Stanley Rosenberg  
W. J. (Bill) White

**End of Term**

February 1, 2012  
February 1, 2012  
February 1, 2012  
February 1, 2014  
February 1, 2010  
February 1, 2010  
February 1, 2014  
February 1, 2014  
February 1, 2010

**Hometown**

Center, Texas  
Midland, Texas  
San Antonio, Texas  
Houston, Texas  
El Paso, Texas  
Houston, Texas  
Dallas, Texas  
San Antonio, Texas  
Georgetown, Texas

**Submitted August 13, 2008**

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Submitted August 13, 2008

Signed: \_\_\_\_\_

  
Douglas B. Foster  
Savings and Mortgage Lending Commissioner

Approved: \_\_\_\_\_

  
John L. Snider  
Chair, Finance Commission of Texas



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**ADMINISTRATOR'S STATEMENT**  
81st Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008  
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Agency code: 450

Agency name: Department of Savings and Mortgage Lending

## OVERVIEW

The Texas Department of Savings and Mortgage Lending charters and supervises state savings institutions and regulates mortgage originators doing business in Texas. These industries provide the vast majority of mortgage lending in Texas. A major component of the department's responsibility is protecting the state's home buying consumers from abusive mortgage practices by ensuring Texas residential mortgage providers comply with state and federal laws. The department is a self-funding, self-leveling agency, raising all the revenue necessary to fund operations through fees and assessments against its regulated entities, and therefore is neutral to general revenue.

The worsening economic climate is negatively impacting the department's regulation of the thrift and mortgage industries. Safety and soundness in state savings banks is declining and the number of mortgage originators has dropped. These industry trends create stresses upon departmental staffing, especially when examiners have less experience in troubled markets and revenues decline.

## THRIFT INDUSTRY

Despite significant deterioration in certain segments, the Texas thrift industry is generally sound. Turmoil in mortgage markets and the sluggish economy are impacting profitability and creating regulatory challenges. The following combination of factors is exerting pressure on the department's competent but small team of thrift examiners and may force the department to activate its thrift contingency rider to ensure proper oversight of the state thrift system. Examination cycles for thrift institutions range from 12 to 18 months with frequency based on multiple factors, including institution size, CAMELS safety rating, and length of time in operation. New institutions (de novos) receive a visitation after the first 6 months of operations and a full scope exam every 12 months for the first three years of operation. Because the number of de novo charters is high in comparison to the total population (6 of the 27 institutions), the average exam cycle is shorter than usual. Also, several institutions' CAMELS ratings have declined on the 1-5 scale from 1 or 2 ratings to 3 or 4 ratings due to a mix of deteriorating financial factors. Institutions rated 3 or lower receive full scope examinations every 12 months and 6 month visitations between each full scope examination until they improve the rating to a 1 or 2. The department's policy of early intervention and increased monitoring to address safety and soundness problems has historically proven effective in returning "problem institutions" to a safe and sound condition, but the decline in overall CAMELS ratings will further shorten the average exam cycle. The FDIC and OTS have reassigned federal examiners from Texas to states experiencing more severe banking conditions, further increasing demands on state staff examining institutions jointly with federal regulators. The department cross-trains thrift and mortgage broker examiners whenever feasible and in short term staffing shortages, examiners are shifted between programs, but broker examiners are also dealing with challenging conditions, rendering them less available for crossover exams.

## MORTGAGE INDUSTRY

Each of the last five legislatures has expanded the state's oversight of mortgage originators and the department has quadrupled in size since 1999 as programs have grown. The department currently regulates approximately 26,000 licensed, registered, or approved mortgage originators. Texas's mortgage loan activity is among the highest in the country; its licensees reported originating 251,693 loans amounting to over \$38 billion in calendar year 2006 and 161,847 loans amounting to over \$28 billion in 2007. The turmoil in the mortgage industry is reflected not only in the precipitous drop in volume and value of originations, but also in applications for licensure. New license applications fell from an average of 530 per month during FY 2007 to 131 per month for the first 3 quarters of FY 2008.

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The State Auditor's Office audited the department (report number 07-023) in early FY 2007 to determine its effectiveness in protecting consumers from predatory lending. Their overall conclusion confirmed an effective license application process, but determined that inspection procedures and staffing were in need of expansion. Recommendations included increasing the frequency of inspections, and taking the extra step of looking for evidence of predatory mortgage lending practices. The audit recognized the agency's limited authority as most lenders are not regulated by the department. Further, the ability to add staff was revenue restricted due to reaching the statutory cap on licensing fees. The audit report stated, "Therefore, the Legislature would have to increase or eliminate this cap on the license fees before the department could hire additional examiners. Applying additional appropriated resources toward inspections of mortgage brokers would allow the department to improve its protection of consumers." The department has met most of the audit recommendations. However, due to the current state of the mortgage industry and legislative oversight wherein the fee cap was raised by \$100 on new loan officer applications but not on renewal applications, funding issues have not been corrected. The department examined 5,196 licensees during FY 2007, approximately 21% of its licensee population. The department activated its mortgage broker contingency rider early in FY 2008 but the low level of applications has created a revenue shortfall, leaving the department reluctant to fill the approved positions until revenue availability was ascertained.

In FY 2006, the department initiated an interagency fraud task force comprised of investigators from the department, the Texas Real Estate Commission, the Texas Appraiser Certification and Licensing Board, and the Texas Department of Insurance, with federal authorities invited as needed, to collectively discuss overlapping cases under investigation. The 80th Legislature enacted HB 716, formalizing the Texas Mortgage Fraud Task Force under the leadership of the Attorney General's Office. This bill also required that each home loan applicant sign a notification of penalties for making false or misleading written statements, among other statutory changes to combat mortgage fraud. This interagency sharing of information is a valuable tool in expediting enforcement.

The department is closely monitoring progress of US HR 3221. This bill mandates state participation in a National Mortgage Licensing System ("NMLS"), a task complicated by significant differences in state licensing statutes. Although the bill's final outcome is unknown at this time, overwhelming pass rates in both houses make the success of a threatened veto unlikely. If Texas participates in the NMLS, major portions of Texas law would require amendment. For example, under Texas law mortgage banker companies are only registered, whereas the NMLS requires each originator to be individually licensed. The NMLS mandates one year license renewals effective December 31 each year while Texas law allows for two-year license terms spread throughout the year on the original license anniversary date. Moreover, processing fees over and above what is authorized under Texas law would be passed down to the applicant or licensee. The department has already been asked to provide \$500,000 in initial development costs with the amount expected to grow as the system matures. While the NMLS does capture basic licensing requirements, it does not currently incorporate other functions necessary for effective regulatory oversight including examination, complaint, and enforcement information. Our management database system already meets or exceeds most standards identified but, depending on the outcome of this national legislation which mandates use of the system, if the Legislature does not expand the department's regulatory oversight over mortgage bankers, Texas would face federal preemption of all existing non-depository mortgage regulation. If the Legislature chooses to participate in the NMLS, a substantial fiscal note will necessarily be attached to the enabling legislation to cover the cost.

#### CONSUMER PROTECTION AND COMPLAINT RESOLUTION

As awareness of the Department's complaint resolution process spreads, the volume of consumer complaints and the level of effort required to reach resolution has heightened enforcement activities, despite a stable or declining licensee base. The Department opened a record 1,002 complaints during FY 2007 and disposed of 1,015 complaints, marking the third consecutive year in which the number of dispositions exceeded new complaint intake. The investigative staff has been recruited from applicants with substantial industry experience. This experience, combined with enhanced compliance knowledge, makes for a highly competent investigator staff. Nevertheless, the Department continues to be challenged because of the limited number of investigators and the complexity of complaints. The complaints caseload also presents additional challenges for examiners and legal staff.

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Claims of falsification of borrower information, the use of "straw borrowers", and other loan scams comprise about 30% of all complaints. These cases are complex and complicated to unravel, often requiring interagency cooperation to achieve enforcement. The agency devotes considerable resources to combating fraud, cooperating with federal and state law enforcement agencies independently or through the Mortgage Fraud Task Force.

The last three legislatures granted additional FTEs for mortgage regulation and complaint resolution. The additional staff has been instrumental in: addressing the consumer complaint backlog; allowing new procedures to be established to process complaints and investigations more timely; providing more examiners to increase the number and frequency of inspections; and effecting the payment of over \$640,000 in restitution to Texas home buyers since FY 2006. Even with the additional staff, the Department faces serious challenges given the large number of licensees it regulates and the number and complexity of consumer complaints it must investigate and resolve. Enforcement is very staff intensive with license denials, suspensions and revocations, appeal hearings, referrals to and coordination with the Texas Attorney General's Office, and the related follow-up processes. Effective enforcement reduces mortgage loan costs for Texas consumers by methodically eliminating illegal, unearned, and unjustified fees.

#### EFFICIENCY, eGOVERNMENT AND TEXASONLINE

The department continuously seeks ways to improve efficiency, revising procedures and employing technology to become more effective with limited staff. In FY 2002, the department embraced eGovernment by volunteering to become an early participant in TexasOnline. We encourage licensees to renew through TexasOnline and designed a renewal application that does not impede online renewal. In FY 2007, 89% of licenses were renewed online.

The department's website is a primary communication vehicle. The site provides downloadable applications, responses to frequently asked questions, industry statutes, and regulations and policies. An online searchable database provides information about mortgage brokers and license status. Field staff also has secure access to the mortgage database and the document imaging system to facilitate efficiency and effectiveness when conducting examinations, inspections and investigations.

#### APPROACH TO THE FY 2010-2011 LEGISLATIVE APPROPRIATIONS REQUEST

**BASE APPROPRIATIONS.** The department raises all the revenue necessary to fund its operations and is a self-funding, self-leveling agency with a neutral impact on general revenue. The department collects revenue from the state thrift industry through assessments calculated to collect sufficient biennial revenue to offset all costs of operations, including employee benefits and statewide allocation costs. Statutory authority provides complete flexibility to increase thrift assessments to cover all costs of thrift regulation. Revenue to fund mortgage originator regulation is derived from license and registration fees, branch offices, address changes, and other similar activities to fully fund all costs of operations, including employee benefits and statewide allocation costs. Statutory fee caps have impaired the ability of the department to cover the cost of meeting the standards suggested in the SAO audit. No revenue from the state general tax base or other state fees is required as a source of funding for the department. Due to the drop in revenue caused by the current economic environment, the department held vacancies in FY 2008, and will finish the fiscal year with a revenue surplus. The surplus will be used in FY 2009 as the department fills its vacant positions.

**POSSIBLE 10% BUDGET REDUCTION.** The FY 2010-2011 LAR includes a schedule reducing appropriations by 10% as instructed. Until FY 2006, the agency operated with inadequate staff for mortgage broker regulation. Even with the decline in new applications, the current number of licensees exceeds initial expectations by over 400% and for the first six years far exceeded the agency's resources to license, inspect, and resolve consumer complaints against licensees. The last three legislatures added FTEs



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and corresponding funding to address the situation. As a result, the agency has been able to effectively address licensing, conduct meaningful inspections, reduce the consumer complaint backlog, and take enforcement action against licensees who violate state and federal mortgage law. A reduction of this magnitude would return the agency to an understaffed condition, reduce the number of mortgage broker inspections, place the agency back in the position of being unable to promptly resolve complaints and effectively protect consumers, and may jeopardize the safety and soundness of the state's thrift industry. This level of funding does not provide adequate appropriations or FTEs for industry regulation and consumer protection. The current unstable economic environment and deteriorating financial market condition requires a "critical" staffing level to properly oversee agency programs. In order to deal with these conditions, it is most important that the department receives support for its base appropriations and the requested contingency appropriations for both the thrift and mortgage broker industries.

#### EXCEPTIONAL APPROPRIATIONS

**CONTINGENCY APPROPRIATIONS.** Since the financial institution crisis of the 1980's, the department has received legislative support for a contingency rider granting additional appropriations to address unanticipated significant growth of the thrift industry, deterioration in economic conditions affecting the safety and soundness of state savings institutions, or any shift in regulatory priority by the federal banking regulators. Any deterioration of the state thrift system beyond current levels will require greater appropriation authority to effectively supervise and regulate the thrift industry. The Contingency Appropriation – Thrift Regulatory Response is used primarily to add examination and supervisory staff and will assure the department's ability to respond to these challenging circumstances.

Since FY 2004, the department has had access to the similarly styled Contingency Appropriation – Mortgage Broker Regulatory Response to address any resumption of the extraordinary growth in the number of mortgage broker licensees or greater than expected levels of non-compliance or mortgage abuse. The mortgage broker contingency is needed to assure mortgage consumers are adequately protected from those who engage in abusive mortgage practices. The deteriorating economic environment makes availability of the contingency rider critical to ensuring that mortgage originators are effectively regulated. Both riders are contingent on the department raising enough revenue above its base appropriations to be able to fund all direct and indirect costs associated with rider activation.

**COMMISSIONER SALARY INCREASE.** The maximum salary of \$100,000 for the savings and mortgage lending commissioner is too low. When the previous commissioner retired in December 2007, despite extensive job postings, publicity, and advertising, only eight applications were submitted and only three applicants met the minimum statutory qualifications. Pursuant to the Texas Finance Code, the savings and mortgage lending commissioner must have not less than seven years' experience in the executive management of a savings association or savings bank or in savings association or savings bank supervision – the current commissioner has 26 years of qualifying experience. Financial institution CEOs in the private sector with similar or lesser skill sets earn a median salary of \$147,000, excluding bonus, in the Austin-Round Rock, Killeen-Temple-Fort Hood, San Antonio and Waco MSA as reported in the Federal Reserve Bank 2007 salary survey. The Department requests an increase in the commissioner's line item exempt salary to \$140,000 and Group 5 or 6.

#### UNNECESSARY SCHEDULES

The department does not plan any capital project expenditures for the FY 2010-2011 biennium and therefore capital project schedules are not included. The department does not project any one-time expenditures for the current biennium, has not expended funds on homeland security, and does not receive federal funds and therefore schedules 6B, 6C, 6D, AND 6G are not included. Direct strategies do not contain indirect administrative costs and therefore schedule 7B is not included.

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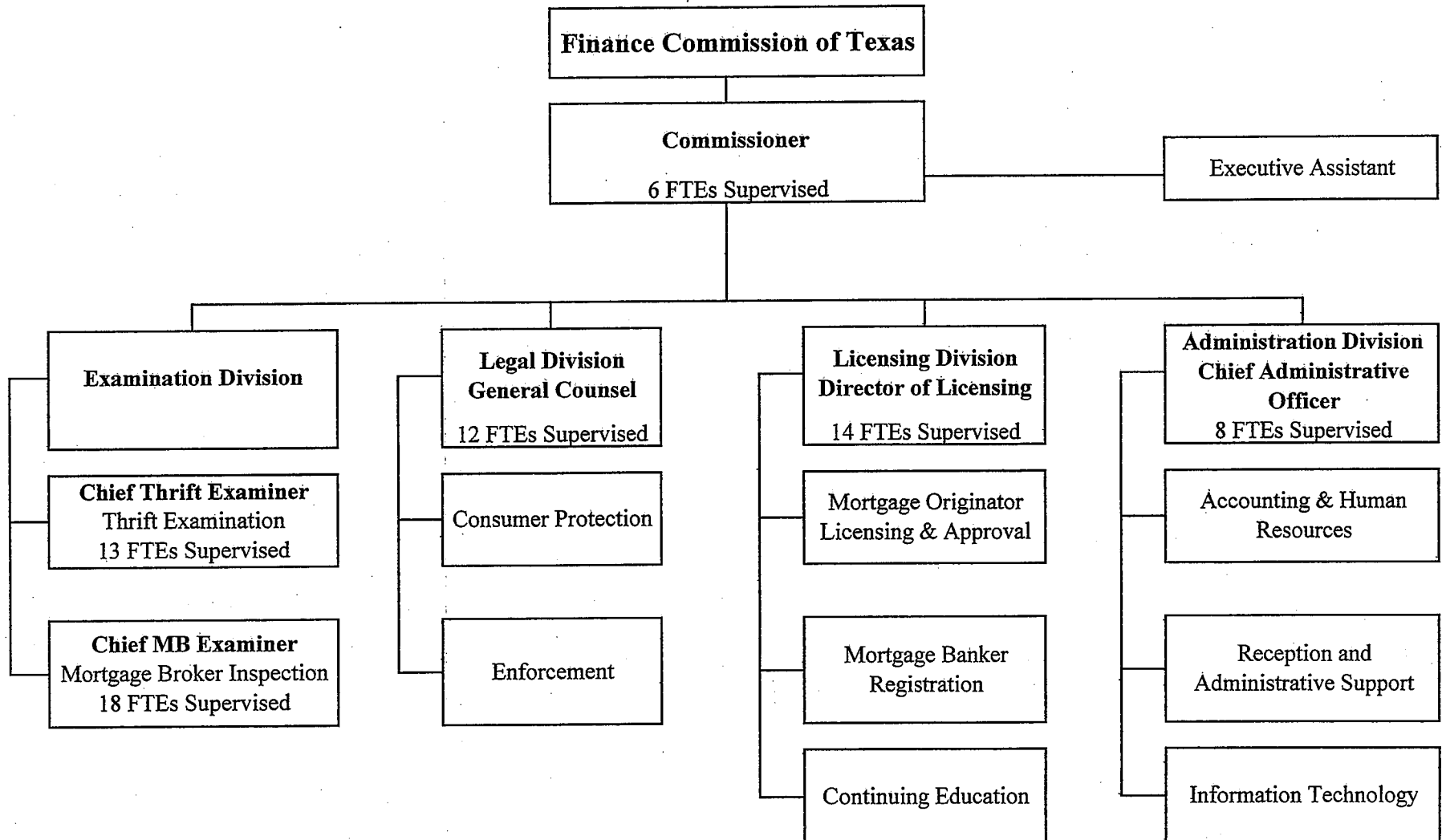
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Agency name: Department of Savings and Mortgage Lending

FINANCE COMMISSION OF TEXAS

COMMISSION MEMBER	END OF TERM	HOMETOWN
John L. Snider, Chair	February 1, 2012	Center, Texas
Mike Bradford	February 1, 2012	Midland, Texas
Vidal Gonzalez	February 1, 2012	San Antonio, Texas
Stacy London	February 1, 2014	Houston, Texas
Cindy F. Lyons	February 1, 2010	El Paso, Texas
Jonathan B. Newton	February 1, 2010	Houston, Texas
Paul Plunket	February 1, 2014	Dallas, Texas
Stanley D. Rosenberg	February 1, 2014	San Antonio, Texas
W. J. "Bill" White	February 1, 2010	Georgetown, Texas

**Texas Department of Savings and Mortgage Lending  
Organizational Chart as of August 2008**



The Examination Division performs thrift examination and mortgage broker inspection, and off-site monitoring and supervision of thrift institutions.

The Legal Division develops cases for administrative enforcement action and investigates and resolves consumer complaints.

The Licensing Division licenses mortgage brokers and registers mortgage bankers, processes license applications, and approves education providers and programs.

The Administration Division provides administrative, accounting, budget, human resources, payroll, and information technology services to the agency.

2.A. SUMMARY OF BASE REQUEST BY STRATEGY  
 81st Regular Session, Agency Submission, Version 1  
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DATE: 7/30/2008  
 TIME: 4:02:42PM

Agency code: 450

Agency name: Department of Savings and Mortgage Lending

Goal / Objective / STRATEGY	Exp 2007	Est 2008	Bud 2009	Req 2010	Req 2011
<b>1</b> Aggressively Enforce Thrift Safety and Soundness Standards					
<b>1</b> Examine and Supervise State Chartered Savings Institutions					
1 THRIFT EXAMINATION AND SUPERVISION	878,997	1,168,729	1,296,544	1,278,388	1,278,388
TOTAL, GOAL      1	<u>\$878,997</u>	<u>\$1,168,729</u>	<u>\$1,296,544</u>	<u>\$1,278,388</u>	<u>\$1,278,388</u>
<b>2</b> Regulate Mortgage Originators					
<b>1</b> Ensure Efficient Processing of Licenses/Compliance w/ Applicable Laws					
1 MORTGAGE BROKER LICENSING	1,003,167	999,063	923,802	924,320	924,320
2 MORTGAGE BROKER EXAMINATION	1,305,487	1,261,398	1,370,192	1,270,667	1,270,667
3 TEXASONLINE	44,752	50,888	52,000	52,000	52,000
TOTAL, GOAL      2	<u>\$2,353,406</u>	<u>\$2,311,349</u>	<u>\$2,345,994</u>	<u>\$2,246,987</u>	<u>\$2,246,987</u>
<b>3</b> To Ensure Responsiveness to Inquiries, Requests and Complaints					
<b>1</b> Ensure Timely and Efficient Resolution of Complaints					
1 COMPLAINT AND INQUIRY PROCESS	409,378	447,917	494,877	534,027	534,027
TOTAL, GOAL      3	<u>\$409,378</u>	<u>\$447,917</u>	<u>\$494,877</u>	<u>\$534,027</u>	<u>\$534,027</u>
<b>4</b> Indirect Administration					
<b>1</b> Indirect Administration					
1 INDIRECT ADMINISTRATION	313,170	354,674	344,251	348,515	348,515
TOTAL, GOAL      4	<u>\$313,170</u>	<u>\$354,674</u>	<u>\$344,251</u>	<u>\$348,515</u>	<u>\$348,515</u>

2.A. SUMMARY OF BASE REQUEST BY STRATEGY  
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Agency name: Department of Savings and Mortgage Lending

Goal / Objective / STRATEGY	Exp 2007	Est 2008	Bud 2009	Req 2010	Req 2011
<b>5</b> Regulatory Response					
<b>1</b> Regulatory Response					
2 CONTINGENCY BROKER REG RESPONSE	0	0	778,889	0	0
TOTAL, GOAL 5	\$0	\$0	\$778,889	\$0	\$0
TOTAL, AGENCY STRATEGY REQUEST	\$3,954,951	\$4,282,669	\$5,260,555	\$4,407,917	\$4,407,917
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				\$0	\$0
GRAND TOTAL, AGENCY REQUEST	\$3,954,951	\$4,282,669	\$5,260,555	\$4,407,917	\$4,407,917
<u>METHOD OF FINANCING:</u>					
<b>General Revenue Funds:</b>					
1 General Revenue Fund	3,954,951	4,263,169	5,254,555	4,401,917	4,401,917
SUBTOTAL	\$3,954,951	\$4,263,169	\$5,254,555	\$4,401,917	\$4,401,917
<b>Other Funds:</b>					
666 Appropriated Receipts	0	19,500	6,000	6,000	6,000
SUBTOTAL	\$0	\$19,500	\$6,000	\$6,000	\$6,000
TOTAL, METHOD OF FINANCING	\$3,954,951	\$4,282,669	\$5,260,555	\$4,407,917	\$4,407,917

\*Rider appropriations for the historical years are included in the strategy amounts.

**2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
 81st Regular Session, Agency Submission, Version 1  
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Agency code: 450 Agency name: Department of Savings and Mortgage Lending

METHOD OF FINANCING	Exp 2007	Est 2008	Bud 2009	Req 2010	Req 2011
<b><u>GENERAL REVENUE</u></b>					
<u>1</u> General Revenue Fund					
<i>REGULAR APPROPRIATIONS</i>					
General Revenue	\$3,990,176	\$6,246,116	\$6,472,713	\$4,401,917	\$4,401,917
<i>RIDER APPROPRIATION</i>					
Art IX, Sec 19.19, HB 2783 (2008-09 GAA)	\$0	\$353,153	\$299,153	\$0	\$0
Mortgage Broker Reg Response (2006-07 GAA, Rider 5)	\$1,865,000	\$0	\$0	\$0	\$0
Thrift Reg response (2006-07 GAA, Rider 4)	\$739,100	\$0	\$0	\$0	\$0
<i>TRANSFERS</i>					
Art IX, Sec 13.17(a), Salary Increase (2006-07 GAA)	\$159,756	\$0	\$0	\$0	\$0
Art IX, Sec 19.62(a), Salary Increase (2008-09 GAA)	\$0	\$55,000	\$120,000	\$0	\$0
<i>LAPSED APPROPRIATIONS</i>					
Art IX, Sec. 19.19, HB 2783 (2008-09 GAA)	\$0	\$(117,000)	\$0	\$0	\$0

**2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
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METHOD OF FINANCING	Exp 2007	Est 2008	Bud 2009	Req 2010	Req 2011
<b><u>GENERAL REVENUE</u></b>					
Mortgage Broker Reg Response (2006-07 GAA, Rider 5)	\$(1,865,000)	\$0	\$0	\$0	\$0
Mortgage Broker Reg Response (2008-09 GAA, Rider 5)	\$0	\$(1,677,100)	\$(898,211)	\$0	\$0
Regular Appropriations	\$(194,981)	\$(84,500)	\$0	\$0	\$0
Thrift Reg Response (2006-07 GAA, Rider 4)	\$(739,100)	\$0	\$0	\$0	\$0
Thrift Reg Response (2008-09 GAA, Rider 4)	\$0	\$(512,500)	\$(739,100)	\$0	\$0
<b>TOTAL, General Revenue Fund</b>	<b>\$3,954,951</b>	<b>\$4,263,169</b>	<b>\$5,254,555</b>	<b>\$4,401,917</b>	<b>\$4,401,917</b>
<b>TOTAL, ALL GENERAL REVENUE</b>	<b>\$3,954,951</b>	<b>\$4,263,169</b>	<b>\$5,254,555</b>	<b>\$4,401,917</b>	<b>\$4,401,917</b>

**OTHER FUNDS**

666 Appropriated Receipts

RIDER APPROPRIATION

Art IX, Sec 12.02, Publications or Sales of Records (2006-07 GAA)

\$772	\$0	\$0	\$0	\$0
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**2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
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METHOD OF FINANCING	Exp 2007	Est 2008	Bud 2009	Req 2010	Req 2011
<b><u>OTHER FUNDS</u></b>					
Art IX, Sec 12.02, Publications or Sales of Records (2008-09 GAA)	\$0	\$1,500	\$1,000	\$1,000	\$1,000
Art IX, Sec 8.03, Reimbursements and Payments (2006-07 GAA)	\$10,282	\$0	\$0	\$0	\$0
Art IX, Sec 8.03, Reimbursements and Payments (2008-09)	\$0	\$18,000	\$5,000	\$5,000	\$5,000
<i>LAPSED APPROPRIATIONS</i>					
Lapse Appropriated Receipts	\$(11,054)	\$0	\$0	\$0	\$0
<b>TOTAL, Appropriated Receipts</b>	<b>\$0</b>	<b>\$19,500</b>	<b>\$6,000</b>	<b>\$6,000</b>	<b>\$6,000</b>
<b>TOTAL, ALL OTHER FUNDS</b>	<b>\$0</b>	<b>\$19,500</b>	<b>\$6,000</b>	<b>\$6,000</b>	<b>\$6,000</b>
<b>GRAND TOTAL</b>	<b>\$3,954,951</b>	<b>\$4,282,669</b>	<b>\$5,260,555</b>	<b>\$4,407,917</b>	<b>\$4,407,917</b>



**2.B. SUMMARY OF BASE REQUEST BY METHOD OF FINANCE**  
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METHOD OF FINANCING	Exp 2007	Est 2008	Bud 2009	Req 2010	Req 2011
<b><u>FULL-TIME-EQUIVALENT POSITIONS</u></b>					
<b>REGULAR APPROPRIATIONS</b>					
General Revenue	63.0	99.0	102.0	72.0	72.0
<b>RIDER APPROPRIATION</b>					
Mortgage Broker reg Response (2006-07 GAA, Rider 5)	30.0	0.0	0.0	29.0	29.0
Mortgage Broker Reg Response (2006-07 GAA, Rider 5)	(30.0)	0.0	0.0	(29.0)	(29.0)
Thrift Reg response (2006-07 GAA, Rider 4)	10.0	0.0	0.0	7.0	7.0
Thrift Reg Response (2006-07 GAA, Rider 4)	(10.0)	0.0	0.0	(7.0)	(7.0)
Art IX, Sec. 19.19, HB 2783 (2008-09 GAA)	0.0	9.0	9.0	0.0	0.0
Art IX, Sec. 19.19, HB 2783 (2008-09 GAA)	0.0	(4.0)	(1.0)	0.0	0.0
<b>UNAUTHORIZED NUMBER OVER (BELOW) CAP</b>					
Unauthorized Number Over (Below) Cap	(4.9)	(37.0)	(22.0)	(2.0)	(2.0)
<b>TOTAL, ADJUSTED FTES</b>	<b>58.1</b>	<b>67.0</b>	<b>88.0</b>	<b>70.0</b>	<b>70.0</b>
<b>NUMBER OF 100% FEDERALLY FUNDED FTES</b>					
<b>FTEs</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**2.C. SUMMARY OF BASE REQUEST BY OBJECT OF EXPENSE**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME: 4:05:43PM

Agency code: 450	Agency name: Department of Savings and Mortgage Lending				
OBJECT OF EXPENSE	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
1001 SALARIES AND WAGES	\$2,520,290	\$2,792,010	\$3,868,255	\$3,253,166	\$3,253,166
1002 OTHER PERSONNEL COSTS	\$276,311	\$167,385	\$90,000	\$67,001	\$67,001
2001 PROFESSIONAL FEES AND SERVICES	\$141,930	\$163,694	\$74,700	\$48,700	\$48,700
2003 CONSUMABLE SUPPLIES	\$27,658	\$39,804	\$49,000	\$40,000	\$40,000
2004 UTILITIES	\$3,253	\$12,211	\$12,897	\$6,898	\$6,898
2005 TRAVEL	\$282,677	\$376,071	\$548,392	\$408,000	\$408,000
2006 RENT - BUILDING	\$5,554	\$7,365	\$7,002	\$7,002	\$7,002
2009 OTHER OPERATING EXPENSE	\$697,278	\$718,129	\$604,309	\$577,150	\$577,150
5000 CAPITAL EXPENDITURES	\$0	\$6,000	\$6,000	\$0	\$0
<b>OOE Total (Excluding Riders)</b>	<b>\$3,954,951</b>	<b>\$4,282,669</b>	<b>\$5,260,555</b>	<b>\$4,407,917</b>	<b>\$4,407,917</b>
<b>OOE Total (Riders)</b>	<b>\$3,954,951</b>	<b>\$4,282,669</b>	<b>\$5,260,555</b>	<b>\$4,407,917</b>	<b>\$4,407,917</b>
<b>Grand Total</b>	<b>\$3,954,951</b>	<b>\$4,282,669</b>	<b>\$5,260,555</b>	<b>\$4,407,917</b>	<b>\$4,407,917</b>

2.D. SUMMARY OF BASE REQUEST OBJECTIVE OUTCOMES

81st Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation system of Texas (ABEST)

Date : 7/30/2008  
Time : 4:46:52PM

Agency code: 450

Agency name: Department of Savings and Mortgage Lending

Goal/ Objective / Outcome	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
1 Aggressively Enforce Thrift Safety and Soundness Standards <i>1 Examine and Supervise State Chartered Savings Institutions</i>					
<b>KEY 1 % Savings Institutions Receiving Exams Required by Priority Schedule</b>	100.00%	100.00%	100.00%	100.00%	100.00%
<b>KEY 2 Percent of Safe and Sound Institutions to Total Savings Institutions</b>	95.70%	80.00%	65.00%	75.00%	80.00%
<b>3 Percent Assets in Safe and Sound Institutions</b>	99.80%	50.00%	65.00%	75.00%	75.00%
<b>4 % of Applications Receiving Final Action within Statutory Time Frames</b>	100.00	100.00	100.00	100.00	100.00
2 Regulate Mortgage Originators <i>1 Ensure Efficient Processing of Licenses/Compliance w/ Applicable Laws</i>					
<b>1 % of Licensees and Mortgage Originators with No Recent Violations</b>	100.00%	85.00%	85.00%	85.00%	85.00%
<b>KEY 2 Percent of Licensees and Mortgage Originators Who Renew Online</b>	89.00%	80.00%	80.00%	80.00%	80.00%
3 To Ensure Responsiveness to Inquiries, Requests and Complaints <i>1 Ensure Timely and Efficient Resolution of Complaints</i>					
<b>KEY 1 % of Complaints, Requests and Inquiries Answered within Ten Days</b>	83.60%	82.00%	85.00%	85.00%	85.00%

**2.E. SUMMARY OF EXCEPTIONAL ITEMS REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME : 4:03:31PM

Agency code: 450

Agency name: Department of Savings and Mortgage Lending

Priority	Item	2010			2011			Biennium	
		GR and GR/GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds
1	Rider 4 Contingency Appropriation	\$815,800	\$815,800	10.0	\$815,800	\$815,800	10.0	\$1,631,600	\$1,631,600
2	Rider 5 Contingency Appropriation	\$1,404,400	\$1,404,400	26.0	\$1,404,400	\$1,404,400	26.0	\$2,808,800	\$2,808,800
3	Financial Examiner Compensation Adj	\$213,000	\$213,000		\$265,028	\$265,028		\$478,028	\$478,028
4	Commissioner Salary Adjustment	\$40,000	\$40,000		\$40,000	\$40,000		\$80,000	\$80,000
<b>Total, Exceptional Items Request</b>		<b>\$2,473,200</b>	<b>\$2,473,200</b>	<b>36.0</b>	<b>\$2,525,228</b>	<b>\$2,525,228</b>	<b>36.0</b>	<b>\$4,998,428</b>	<b>\$4,998,428</b>
<b>Method of Financing</b>									
	General Revenue	\$2,473,200	\$2,473,200		\$2,525,228	\$2,525,228		\$4,998,428	\$4,998,428
	General Revenue - Dedicated								
	Federal Funds								
	Other Funds								
		<b>\$2,473,200</b>	<b>\$2,473,200</b>		<b>\$2,525,228</b>	<b>\$2,525,228</b>		<b>\$4,998,428</b>	<b>\$4,998,428</b>
<b>Full Time Equivalent Positions</b>				<b>36.0</b>				<b>36.0</b>	
<b>Number of 100% Federally Funded FTEs</b>				<b>0.0</b>				<b>0.0</b>	

**2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 7/30/2008  
 TIME : 4:02:59PM

Agency code: 450                      Agency name: Department of Savings and Mortgage Lending

<i>Goal/Objective/STRATEGY</i>	<b>Base 2010</b>	<b>Base 2011</b>	<b>Exceptional 2010</b>	<b>Exceptional 2011</b>	<b>Total Request 2010</b>	<b>Total Request 2011</b>
<b>1 Aggressively Enforce Thrift Safety and Soundness Standards</b>						
1 <i>Examine and Supervise State Chartered Savings Institutions</i>						
1 THRIFT EXAMINATION AND SUPERVISION	\$1,278,388	\$1,278,388	\$861,200	\$887,780	\$2,139,588	\$2,166,168
<b>TOTAL, GOAL 1</b>	<b>\$1,278,388</b>	<b>\$1,278,388</b>	<b>\$861,200</b>	<b>\$887,780</b>	<b>\$2,139,588</b>	<b>\$2,166,168</b>
<b>2 Regulate Mortgage Originators</b>						
1 <i>Ensure Efficient Processing of Licenses/Compliance w/ Applicable L</i>						
1 MORTGAGE BROKER LICENSING	924,320	924,320	334,400	334,400	1,258,720	1,258,720
2 MORTGAGE BROKER EXAMINATION	1,270,667	1,270,667	875,700	901,148	2,146,367	2,171,815
3 TEXASONLINE	52,000	52,000	0	0	52,000	52,000
<b>TOTAL, GOAL 2</b>	<b>\$2,246,987</b>	<b>\$2,246,987</b>	<b>\$1,210,100</b>	<b>\$1,235,548</b>	<b>\$3,457,087</b>	<b>\$3,482,535</b>
<b>3 To Ensure Responsiveness to Inquiries, Requests and Complaints</b>						
1 <i>Ensure Timely and Efficient Resolution of Complaints</i>						
1 COMPLAINT AND INQUIRY PROCESS	534,027	534,027	336,950	336,950	870,977	870,977
<b>TOTAL, GOAL 3</b>	<b>\$534,027</b>	<b>\$534,027</b>	<b>\$336,950</b>	<b>\$336,950</b>	<b>\$870,977</b>	<b>\$870,977</b>
<b>4 Indirect Administration</b>						
1 <i>Indirect Administration</i>						
1 INDIRECT ADMINISTRATION	348,515	348,515	64,950	64,950	413,465	413,465
<b>TOTAL, GOAL 4</b>	<b>\$348,515</b>	<b>\$348,515</b>	<b>\$64,950</b>	<b>\$64,950</b>	<b>\$413,465</b>	<b>\$413,465</b>
<b>5 Regulatory Response</b>						
1 <i>Regulatory Response</i>						
2 CONTINGENCY BROKER REG RESPONSE	0	0	0	0	0	0
<b>TOTAL, GOAL 5</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/13/2008  
 TIME : 1:45:46PM

Agency code: 450		Agency name: Department of Savings and Mortgage Lending				
<u>Goal/Objective/STRATEGY</u>	<u>Base 2010</u>	<u>Base 2011</u>	<u>Exceptional 2010</u>	<u>Exceptional 2011</u>	<u>Total Request 2010</u>	<u>Total Request 2011</u>
<b>TOTAL, AGENCY STRATEGY REQUEST</b>	\$4,407,917	\$4,407,917	\$2,473,200	\$2,525,228	\$6,881,117	\$6,933,145
<b>TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST</b>						
<b>GRAND TOTAL, AGENCY REQUEST</b>	\$4,407,917	\$4,407,917	\$2,473,200	\$2,525,228	\$6,881,117	\$6,933,145

**2.F. SUMMARY OF TOTAL REQUEST BY STRATEGY**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/13/2008  
 TIME : 1:45:46PM

Agency code: 450      Agency name: Department of Savings and Mortgage Lending							
<b>Goal/Objective/STRATEGY</b>		<b>Base 2010</b>	<b>Base 2011</b>	<b>Exceptional 2010</b>	<b>Exceptional 2011</b>	<b>Total Request 2010</b>	<b>Total Request 2011</b>
<b>General Revenue Funds:</b>							
1 General Revenue Fund		\$4,401,917	\$4,401,917	\$2,473,200	\$2,525,228	\$6,875,117	\$6,927,145
		<b>\$4,401,917</b>	<b>\$4,401,917</b>	<b>\$2,473,200</b>	<b>\$2,525,228</b>	<b>\$6,875,117</b>	<b>\$6,927,145</b>
<b>Other Funds:</b>							
666 Appropriated Receipts		6,000	6,000	0	0	\$6,000	\$6,000
		<b>\$6,000</b>	<b>\$6,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,000</b>	<b>\$6,000</b>
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$4,407,917</b>	<b>\$4,407,917</b>	<b>\$2,473,200</b>	<b>\$2,525,228</b>	<b>\$6,881,117</b>	<b>\$6,933,145</b>
<b>FULL TIME EQUIVALENT POSITIONS</b>		<b>70.0</b>	<b>70.0</b>	<b>36.0</b>	<b>36.0</b>	<b>106.0</b>	<b>106.0</b>

**2.G. SUMMARY OF TOTAL REQUEST OBJECTIVE OUTCOMES**

81st Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation system of Texas (ABEST)

Date : 8/13/2008  
Time : 12:47:57PM

Agency code: 450                      Agency name: Department of Savings and Mortgage Lending

Goal/ Objective / Outcome

	BL 2010	BL 2011	Excp 2010	Excp 2011	Total Request 2010	Total Request 2011
1      Aggressively Enforce Thrift Safety and Soundness Standards						
1 <i>Examine and Supervise State Chartered Savings Institutions</i>						
<b>KEY</b> <b>1 % Savings Institutions Receiving Exams Required by Priority Schedule</b>						
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
<b>KEY</b> <b>2 Percent of Safe and Sound Institutions to Total Savings Institutions</b>						
	75.00%	80.00%			75.00%	80.00%
<b>3 Percent Assets in Safe and Sound Institutions</b>						
	75.00%	75.00%			75.00%	75.00%
<b>4 % of Applications Receiving Final Action within Statutory Time Frames</b>						
	100.00	100.00			100.00	100.00
2      Regulate Mortgage Originators						
1 <i>Ensure Efficient Processing of Licenses/Compliance w/ Applicable Laws</i>						
<b>1 % of Licensees and Mortgage Originators with No Recent Violations</b>						
	85.00%	85.00%			85.00%	85.00%
<b>KEY</b> <b>2 Percent of Licensees and Mortgage Originators Who Renew Online</b>						
	80.00%	80.00%			80.00%	80.00%
3      To Ensure Responsiveness to Inquiries, Requests and Complaints						
1 <i>Ensure Timely and Efficient Resolution of Complaints</i>						
<b>KEY</b> <b>1 % of Complaints, Requests and Inquiries Answered within Ten Days</b>						
	85.00%	85.00%			85.00%	85.00%



**3.A. STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME: 4:02:17PM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

GOAL: 1 Aggressively Enforce Thrift Safety and Soundness Standards  
 OBJECTIVE: 1 Examine and Supervise State Chartered Savings Institutions  
 STRATEGY: 1 Perform Examinations and Coordinate with Federal Regulators

Statewide Goal/Benchmark: 7 0  
 Service Categories:  
 Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
<b>Output Measures:</b>						
KEY 1	Number of Examinations Performed	18.00	22.00	25.00	25.00	25.00
2	Detected Instances of Unauthorized or Prohibited Financial Activity	0.00	3.00	3.00	3.00	3.00
3	Number of Formal and Informal Regulatory Actions	1.00	5.00	2.00	2.00	2.00
4	Number of Applications Processed	28.00	12.00	12.00	12.00	12.00
<b>Efficiency Measures:</b>						
1	Number of Assets Examined Per Examiner Day (In Millions)	5.30	8.00	8.00	8.00	8.00
2	Average Number of Days to Analyze Monthly and Quarterly Financial Data	1.00	2.00	2.00	2.00	2.00
3	Average Time (Business Days) to Initiate Regulatory Action	22.00	5.00	5.00	5.00	5.00
<b>Explanatory/Input Measures:</b>						
KEY 1	Number of State-Chartered Savings Institutions	23.00	27.00	28.00	28.00	30.00
KEY 2	Dollar Amount of Assets under Regulation (in Billions)	9.40	11.00	12.00	12.00	12.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$540,304	\$784,108	\$962,006	\$962,006	\$962,006
1002	OTHER PERSONNEL COSTS	\$68,513	\$39,145	\$20,925	\$15,578	\$15,578
2001	PROFESSIONAL FEES AND SERVICES	\$11,105	\$10,729	\$17,368	\$11,323	\$11,323
2003	CONSUMABLE SUPPLIES	\$5,922	\$9,526	\$9,300	\$9,300	\$9,300
2004	UTILITIES	\$910	\$2,921	\$2,999	\$1,604	\$1,604
2005	TRAVEL	\$162,628	\$188,035	\$202,562	\$199,920	\$199,920
2006	RENT - BUILDING	\$1,156	\$1,763	\$1,628	\$1,628	\$1,628
2009	OTHER OPERATING EXPENSE	\$88,459	\$131,066	\$78,361	\$77,029	\$77,029
5000	CAPITAL EXPENDITURES	\$0	\$1,436	\$1,395	\$0	\$0

**3.A. STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME: 4:21:32PM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

GOAL: 1 Aggressively Enforce Thrift Safety and Soundness Standards Statewide Goal/Benchmark: 7 0  
 OBJECTIVE: 1 Examine and Supervise State Chartered Savings Institutions Service Categories:  
 STRATEGY: 1 Perform Examinations and Coordinate with Federal Regulators Service: 17 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
<b>TOTAL, OBJECT OF EXPENSE</b>		\$878,997	\$1,168,729	\$1,296,544	\$1,278,388	\$1,278,388
<b>Method of Financing:</b>						
1	General Revenue Fund	\$878,997	\$1,168,729	\$1,296,544	\$1,278,388	\$1,278,388
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		\$878,997	\$1,168,729	\$1,296,544	\$1,278,388	\$1,278,388
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					\$1,278,388	\$1,278,388
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		\$878,997	\$1,168,729	\$1,296,544	\$1,278,388	\$1,278,388
<b>FULL TIME EQUIVALENT POSITIONS:</b>		12.7	17.1	16.3	16.3	16.3

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Subtitles B and C of the Texas Finance Code direct the Department to periodically examine the affairs of each state chartered savings institution. Examinations are performed jointly with the FDIC on a priority schedule. Institutions with not more than \$250 million in assets and graded a CAMELS 1 or 2 receive an exam at least every eighteen months. All other institutions receive an annual examination. Additionally, institutions graded a CAMELS 3, 4, or 5 receive a 6 month visitation and at least one additional limited or full scope examination annually.

Pursuant to Texas Finance Code Section 13.007, supervisory analysts review quarterly reports submitted by each state chartered institution to conduct off-site monitoring of institutions, build an institution data model and evaluate interest rate risk. Analysts also review examination reports and requests for regulatory approval, recommend appropriate action, and make suggestions for future examinations. They produce detailed reports which help identify developing problems and allow more timely supervisory response between examinations. Once supervisory problems are identified through examinations, financial data analysis, or by other means, the Department determines the appropriate supervisory response ranging from an informal directive to formal action. In case of voluntary supervisory control or conservatorship, a state agent is placed in the institution, at the institution's expense, until rehabilitation or resolution by the FDIC or other federal agency occurs.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**3.A. STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME: 4:21:59PM

Agency code: **450**      Agency name: **Department of Savings and Mortgage Lending**

GOAL:	1	Aggressively Enforce Thrift Safety and Soundness Standards	Statewide Goal/Benchmark:	7	0
OBJECTIVE:	1	Examine and Supervise State Chartered Savings Institutions	Service Categories:		
STRATEGY:	1	Perform Examinations and Coordinate with Federal Regulators	Service:	17	Income: A.2    Age: B.3

<b>CODE</b>	<b>DESCRIPTION</b>	<b>Exp 2007</b>	<b>Est 2008</b>	<b>Bud 2009</b>	<b>BL 2010</b>	<b>BL 2011</b>
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See the supplemental requests regarding this program for the FY 2010-2011 biennium.

This strategy is most impacted by the size and average CAMELS ratings of the state chartered savings banks, general economic conditions, changes in resources or commitments by federal regulatory agencies, and the degree of supervisory problems.

Salaries were generally higher in all strategies beginning in FY 2009 due to FY 2007 and 2008 employee salary increases and filling vacant positions. Other Personnel fluctuates between years due to payment of one time merit increases and projection of lump sum termination payments for retiring employees. Travel was generally higher in all strategies beginning in FY 2008 due to increased FTEs and reimbursement rates. Other operating was generally higher in all strategies beginning in FY 2008 due to increased FTEs and scheduled computer replacements.

Performance measure anomalies in output measure 01-01-01-01 are attributable to the increase in the number of thrift institutions rated below CAMELS 1 or 2 and the disproportionately high number of de novo institutions. These institutions are subject to annual exams and 6 month visitations. Visitations are limited in scope and require less time to complete, allowing the same number of FTEs to complete more exams.

**3.A. STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME: 4:02:23PM

Agency code: **450** Agency name: **Department of Savings and Mortgage Lending**

GOAL: 2 Regulate Mortgage Originators  
 OBJECTIVE: 1 Ensure Efficient Processing of Licenses/Compliance w/ Applicable Laws  
 STRATEGY: 1 Process License Applications, Establish Continuing Education Standards

Statewide Goal/Benchmark: 7 0  
 Service Categories:  
 Service: 16 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
<b>Output Measures:</b>						
KEY 1	Number of New Licenses Issued and Mortgage Originators Approved	4,847.00	3,500.00	3,500.00	3,600.00	3,600.00
2	Number of Licenses Renewed and Mortgage Originators Reapproved	6,101.00	6,200.00	6,000.00	6,850.00	6,850.00
3	Total Number of Mortgage Bankers Registered	431.00	390.00	390.00	400.00	400.00
<b>Efficiency Measures:</b>						
1	Average Cost Per Licensee and Mortgage Originator Approved	36.04	54.52	50.08	47.96	47.96
2	Percentage of New Licences/Approvals Issued within Ten Days	97.60 %	80.00 %	90.00 %	95.00 %	95.00 %
<b>Explanatory/Input Measures:</b>						
1	Total Number of Licensees and Mortgage Originators Approved	24,420.00	20,000.00	20,000.00	20,950.00	20,950.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$497,055	\$541,514	\$607,330	\$607,330	\$607,330
1002	OTHER PERSONNEL COSTS	\$54,591	\$41,320	\$18,611	\$13,855	\$13,855
2001	PROFESSIONAL FEES AND SERVICES	\$75,054	\$60,389	\$15,447	\$10,070	\$10,070
2003	CONSUMABLE SUPPLIES	\$8,080	\$10,604	\$8,271	\$8,271	\$8,271
2004	UTILITIES	\$497	\$3,253	\$2,666	\$1,427	\$1,427
2005	TRAVEL	\$4,428	\$3,761	\$4,134	\$4,080	\$4,080
2006	RENT - BUILDING	\$1,315	\$1,962	\$1,448	\$1,448	\$1,448
2009	OTHER OPERATING EXPENSE	\$362,147	\$334,662	\$264,654	\$277,839	\$277,839
5000	CAPITAL EXPENDITURES	\$0	\$1,598	\$1,241	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$1,003,167</b>	<b>\$999,063</b>	<b>\$923,802</b>	<b>\$924,320</b>	<b>\$924,320</b>

**3.A. STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME: 4:02:23PM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

GOAL: 2 Regulate Mortgage Originators  
 OBJECTIVE: 1 Ensure Efficient Processing of Licenses/Compliance w/ Applicable Laws  
 STRATEGY: 1 Process License Applications, Establish Continuing Education Standards

Statewide Goal/Benchmark: 7 0  
 Service Categories:  
 Service: 16 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
<b>Method of Financing:</b>						
1	General Revenue Fund	\$1,003,167	\$993,063	\$922,135	\$922,653	\$922,653
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$1,003,167</b>	<b>\$993,063</b>	<b>\$922,135</b>	<b>\$922,653</b>	<b>\$922,653</b>
<b>Method of Financing:</b>						
666	Appropriated Receipts	\$0	\$6,000	\$1,667	\$1,667	\$1,667
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$0</b>	<b>\$6,000</b>	<b>\$1,667</b>	<b>\$1,667</b>	<b>\$1,667</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$924,320</b>	<b>\$924,320</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$1,003,167</b>	<b>\$999,063</b>	<b>\$923,802</b>	<b>\$924,320</b>	<b>\$924,320</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>14.8</b>	<b>17.1</b>	<b>14.5</b>	<b>14.5</b>	<b>14.5</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Pursuant to Subtitle E of the Texas Finance Code (Mortgage Broker License Act), the Department licenses, registers, and approves mortgage originators, and establishes and monitors continuing education requirements (Strategy 02-01-01), inspects the operations of mortgage brokers and loan officers (Strategy 02-02-01), and investigates consumer complaints regarding licensees and initiates disciplinary action necessary to protect consumers (Strategy 03-01-01).

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

**3.A. STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME: 4:02:23PM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

GOAL: 2 Regulate Mortgage Originators  
 OBJECTIVE: 1 Ensure Efficient Processing of Licenses/Compliance w/ Applicable Laws  
 STRATEGY: 1 Process License Applications, Establish Continuing Education Standards

Statewide Goal/Benchmark: 7 0  
 Service Categories:  
 Service: 16 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
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See the supplemental requests regarding this program for the FY 2010-2011 biennium.

Salaries were generally higher in all strategies beginning in FY 2009 due to FY 2007 and 2008 employee salary increases and filling vacant positions. Other Personnel fluctuates between years due to payment of one time merit increases and projection of lump sum termination payments for retiring employees. Professional Fees fluctuates between years due to changes in the number of hearings before the administrative law judge and the use of temporary employees to fill vacancies. Travel was generally higher in all strategies beginning in FY 2008 due to increased FTEs and reimbursement rates. Other operating was generally higher in all strategies beginning in FY 2008 due to increased FTEs and scheduled computer replacements.

Performance measure anomalies are generally attributable to the current turmoil in the mortgage industry, and are exacerbated by increased fees for new loan officers and increased educational requirements for licensees. New applications dropped precipitously in FY 2008 and many loan officers opted not to renew, although the workload has not decreased due to the implementation of entity licensing which was directed by the 80th Legislature. Explanatory measure 02-01-01-01 is lower in the FY 2008-09 biennium because the mortgage broker/loan officer population has declined and entity licenses, financial services companies and financial services agents are not included in the definition until FY 2010-11.

**3.A. STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME: 4:02:23PM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

GOAL: 2 Regulate Mortgage Originators  
 OBJECTIVE: 1 Ensure Efficient Processing of Licenses/Compliance w/ Applicable Laws  
 STRATEGY: 2 Mortgage Broker Examination

Statewide Goal/Benchmark: 7 0  
 Service Categories:  
 Service: 16 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
<b>Output Measures:</b>						
KEY 1	Number of Licensees Inspected	5,196.00	5,100.00	4,800.00	4,800.00	4,800.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$916,330	\$855,806	\$973,183	\$923,183	\$923,183
1002	OTHER PERSONNEL COSTS	\$85,410	\$35,123	\$28,189	\$20,985	\$20,985
2001	PROFESSIONAL FEES AND SERVICES	\$31,622	\$32,187	\$23,397	\$15,254	\$15,254
2003	CONSUMABLE SUPPLIES	\$8,647	\$11,343	\$12,529	\$12,529	\$12,529
2004	UTILITIES	\$1,256	\$3,481	\$4,039	\$2,160	\$2,160
2005	TRAVEL	\$106,236	\$179,553	\$201,322	\$198,696	\$198,696
2006	RENT - BUILDING	\$1,867	\$2,099	\$2,193	\$2,193	\$2,193
2009	OTHER OPERATING EXPENSE	\$154,119	\$140,096	\$123,461	\$95,667	\$95,667
5000	CAPITAL EXPENDITURES	\$0	\$1,710	\$1,879	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$1,305,487</b>	<b>\$1,261,398</b>	<b>\$1,370,192</b>	<b>\$1,270,667</b>	<b>\$1,270,667</b>
<b>Method of Financing:</b>						
1	General Revenue Fund	\$1,305,487	\$1,255,398	\$1,368,525	\$1,269,000	\$1,269,000
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$1,305,487</b>	<b>\$1,255,398</b>	<b>\$1,368,525</b>	<b>\$1,269,000</b>	<b>\$1,269,000</b>
<b>Method of Financing:</b>						
666	Appropriated Receipts	\$0	\$6,000	\$1,667	\$1,667	\$1,667
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$0</b>	<b>\$6,000</b>	<b>\$1,667</b>	<b>\$1,667</b>	<b>\$1,667</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$1,270,667</b>	<b>\$1,270,667</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$1,305,487</b>	<b>\$1,261,398</b>	<b>\$1,370,192</b>	<b>\$1,270,667</b>	<b>\$1,270,667</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>16.8</b>	<b>18.8</b>	<b>21.9</b>	<b>21.9</b>	<b>26 21.9</b>

**3.A. STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME: 4:02:23PM

Agency code: 450 Agency name: **Department of Savings and Mortgage Lending**

GOAL: 2 Regulate Mortgage Originators  
 OBJECTIVE: 1 Ensure Efficient Processing of Licenses/Compliance w/ Applicable Laws  
 STRATEGY: 2 Mortgage Broker Examination

Statewide Goal/Benchmark: 7 0  
 Service Categories:  
 Service: 16 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
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**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Pursuant to Subtitle E of the Texas Finance Code (Mortgage Broker License Act), the Department licenses, registers, and approves mortgage originators, and establishes and monitors continuing education requirements (Strategy 02-01-01), inspects the operations of mortgage brokers and loan officers (Strategy 02-02-01), and investigates consumer complaints regarding licensees and initiates disciplinary action necessary to protect consumers (Strategy 03-01-01).

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

See the supplemental requests regarding this program for the FY 2010-2011 biennium.

Salaries were generally higher in all strategies beginning in FY 2009 due to FY 2007 and 2008 employee salary increases and filling vacant positions. Other Personnel fluctuates between years due to payment of one time merit increases and projection of lump sum termination payments for retiring employees. Professional Fees fluctuates between years due to changes in the number of hearings before the administrative law judge and the use of temporary employees to fill vacancies. Travel was generally higher in all strategies beginning in FY 2008 due to increased FTEs and reimbursement rates. Other operating was generally higher in all strategies beginning in FY 2008 due to increased FTEs and scheduled computer replacements.

Performance measure anomalies in the number of licensees inspected are mainly attributable to the decline in the number of loan officers. Each mortgage broker is examined, and the broker population is more stable than the loan officer population, so the number of exams and examiner FTEs will remain fairly constant, but the average number of loan officers sponsored by mortgage brokers has declined due to turmoil in the mortgage industry. Loan officers are included in the calculation of inspected licensees.



**3.A. STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME: 4:02:23PM

Agency code: **450** Agency name: **Department of Savings and Mortgage Lending**

GOAL: 2 Regulate Mortgage Originators  
 OBJECTIVE: 1 Ensure Efficient Processing of Licenses/Compliance w/ Applicable Laws  
 STRATEGY: 3 TexasOnline. Estimated and Nontransferable

Statewide Goal/Benchmark: 7 0  
 Service Categories:  
 Service: 16 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
<b>Objects of Expense:</b>						
2009	OTHER OPERATING EXPENSE	\$44,752	\$50,888	\$52,000	\$52,000	\$52,000
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$44,752</b>	<b>\$50,888</b>	<b>\$52,000</b>	<b>\$52,000</b>	<b>\$52,000</b>
<b>Method of Financing:</b>						
1	General Revenue Fund	\$44,752	\$50,888	\$52,000	\$52,000	\$52,000
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$44,752</b>	<b>\$50,888</b>	<b>\$52,000</b>	<b>\$52,000</b>	<b>\$52,000</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$52,000</b>	<b>\$52,000</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$44,752</b>	<b>\$50,888</b>	<b>\$52,000</b>	<b>\$52,000</b>	<b>\$52,000</b>

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

**3.A. STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME: 4:02:23PM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

GOAL: 3 To Ensure Responsiveness to Inquiries, Requests and Complaints  
 OBJECTIVE: 1 Ensure Timely and Efficient Resolution of Complaints  
 STRATEGY: 1 Provide a Forum for Registering Complaints, and Respond to Requests

Statewide Goal/Benchmark: 7 0  
 Service Categories:  
 Service: 16 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
<b>Output Measures:</b>						
KEY 1	Number of Consumer Complaints Completed	1,018.00	1,000.00	1,100.00	1,200.00	1,200.00
2	Number of Informational Inquiries & Requests Completed (Phone/Written)	71,343.00	60,000.00	65,000.00	70,000.00	70,000.00
<b>Efficiency Measures:</b>						
1	Average Cost Per Consumer Complaint Completed	437.15	481.39	485.37	481.50	481.50
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$300,433	\$311,955	\$403,626	\$453,626	\$453,626
1002	OTHER PERSONNEL COSTS	\$33,783	\$22,735	\$14,561	\$10,840	\$10,840
2001	PROFESSIONAL FEES AND SERVICES	\$27,194	\$60,389	\$12,085	\$7,879	\$7,879
2003	CONSUMABLE SUPPLIES	\$3,035	\$4,325	\$6,471	\$6,471	\$6,471
2004	UTILITIES	\$393	\$1,327	\$2,087	\$1,116	\$1,116
2005	TRAVEL	\$9,232	\$3,761	\$4,134	\$4,080	\$4,080
2006	RENT - BUILDING	\$709	\$800	\$1,133	\$1,133	\$1,133
2009	OTHER OPERATING EXPENSE	\$34,599	\$41,973	\$49,809	\$48,882	\$48,882
5000	CAPITAL EXPENDITURES	\$0	\$652	\$971	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$409,378</b>	<b>\$447,917</b>	<b>\$494,877</b>	<b>\$534,027</b>	<b>\$534,027</b>
<b>Method of Financing:</b>						
1	General Revenue Fund	\$409,378	\$440,417	\$492,211	\$531,361	\$531,361
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$409,378</b>	<b>\$440,417</b>	<b>\$492,211</b>	<b>\$531,361</b>	<b>\$531,361</b>
<b>Method of Financing:</b>						
666	Appropriated Receipts	\$0	\$7,500	\$2,666	\$2,666	\$2,666
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$0</b>	<b>\$7,500</b>	<b>\$2,666</b>	<b>\$2,666</b>	<b>\$2,666</b>

**3.A. STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME: 4:02:23PM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

GOAL: 3 To Ensure Responsiveness to Inquiries, Requests and Complaints  
 OBJECTIVE: 1 Ensure Timely and Efficient Resolution of Complaints  
 STRATEGY: 1 Provide a Forum for Registering Complaints, and Respond to Requests

Statewide Goal/Benchmark: 7 0  
 Service Categories:  
 Service: 16 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					\$534,027	\$534,027
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		\$409,378	\$447,917	\$494,877	\$534,027	\$534,027
<b>FULL TIME EQUIVALENT POSITIONS:</b>		8.1	7.0	11.3	11.3	11.3

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Pursuant to Subtitles B, C, and E of the Texas Finance Code the Department investigates consumer complaints regarding regulated individuals and entities and initiates disciplinary action necessary to protect consumers.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

See the supplemental requests regarding this program for the FY 2010-2011 biennium.

Current mortgage industry conditions have led to new legislation to combat mortgage abuse. Complaint volume tends to fluctuate inversely with interest rates charged on mortgage loans (low interest rate availability typically triggers higher volumes of mortgage refinancing and related complaints), although the current media attention about mortgages is generating additional activity. Complaint volume has remained fairly constant, but the complexity of the complaints has increased.

Salaries were generally higher in all strategies beginning in FY 2009 due to FY 2007 and 2008 employee salary increases and filling vacant positions. Other Personnel fluctuates between years due to payment of one time merit increases and projection of lump sum termination payments for retiring employees. Professional Fees fluctuates between years due to changes in the number of hearings before the administrative law judge and the use of temporary employees to fill vacancies. Travel was generally higher in all strategies beginning in FY 2008 due to increased FTEs and reimbursement rates. Other operating was generally higher in all strategies beginning in FY 2008 due to increased FTEs and scheduled computer replacements.

The reported average cost per consumer complaint completed (efficiency 03-01-01-01) is not indicative of the actual cost of complaint resolution because the same strategy includes legal and enforcement personnel and total costs of the strategy are allocated to complaint completion.

**3.A. STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME: 4:02:23PM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

GOAL: 4 Indirect Administration  
 OBJECTIVE: 1 Indirect Administration  
 STRATEGY: 1 Indirect Administration

Statewide Goal/Benchmark: 7 0  
 Service Categories:  
 Service: 09 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$266,168	\$298,627	\$307,021	\$307,021	\$307,021
1002	OTHER PERSONNEL COSTS	\$34,014	\$29,062	\$7,714	\$5,743	\$5,743
2001	PROFESSIONAL FEES AND SERVICES	\$(3,045)	\$0	\$6,403	\$4,174	\$4,174
2003	CONSUMABLE SUPPLIES	\$1,974	\$4,006	\$3,429	\$3,429	\$3,429
2004	UTILITIES	\$197	\$1,229	\$1,106	\$591	\$591
2005	TRAVEL	\$153	\$961	\$1,240	\$1,224	\$1,224
2006	RENT - BUILDING	\$507	\$741	\$600	\$600	\$600
2009	OTHER OPERATING EXPENSE	\$13,202	\$19,444	\$16,224	\$25,733	\$25,733
5000	CAPITAL EXPENDITURES	\$0	\$604	\$514	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$313,170</b>	<b>\$354,674</b>	<b>\$344,251</b>	<b>\$348,515</b>	<b>\$348,515</b>
<b>Method of Financing:</b>						
1	General Revenue Fund	\$313,170	\$354,674	\$344,251	\$348,515	\$348,515
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$313,170</b>	<b>\$354,674</b>	<b>\$344,251</b>	<b>\$348,515</b>	<b>\$348,515</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$348,515</b>	<b>\$348,515</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$313,170</b>	<b>\$354,674</b>	<b>\$344,251</b>	<b>\$348,515</b>	<b>\$348,515</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>5.7</b>	<b>7.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>
<b>STRATEGY DESCRIPTION AND JUSTIFICATION:</b>						
Indirect Administration						
<b>EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:</b>						

**3.A. STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME: 4:02:23PM

Agency code: **450**      Agency name: **Department of Savings and Mortgage Lending**

GOAL:            4   Indirect Administration  
 OBJECTIVE:    1   Indirect Administration  
 STRATEGY:    1   Indirect Administration

Statewide Goal/Benchmark:    7   0  
 Service Categories:  
 Service: 09    Income: A.2    Age: B.3

CODE	DESCRIPTION	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
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See the supplemental requests regarding this program for the FY 2010-2011 biennium.

Salaries were generally higher in all strategies beginning in FY 2009 due to FY 2007 and 2008 employee salary increases and filling vacant positions. Other Personnel fluctuates between years due to payment of one time merit increases and projection of lump sum termination payments for retiring employees. Travel was generally higher in all strategies beginning in FY 2008 due to increased FTEs and reimbursement rates. Other operating was generally higher in all strategies beginning in FY 2008 due to increased FTEs and scheduled computer replacements.

**3.A. STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
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DATE: 7/30/2008  
 TIME: 4:02:23PM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

GOAL: 5 Regulatory Response  
 OBJECTIVE: 1 Regulatory Response  
 STRATEGY: 1 Contingency Appropriation. Nontransferable.

Statewide Goal/Benchmark: 7 0  
 Service Categories:  
 Service: NA Income: NA Age: NA

CODE	DESCRIPTION	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$0	\$0	\$0	\$0	\$0
1002	OTHER PERSONNEL COSTS	\$0	\$0	\$0	\$0	\$0
2001	PROFESSIONAL FEES AND SERVICES	\$0	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$0	\$0	\$0	\$0	\$0
2004	UTILITIES	\$0	\$0	\$0	\$0	\$0
2005	TRAVEL	\$0	\$0	\$0	\$0	\$0
2009	OTHER OPERATING EXPENSE	\$0	\$0	\$0	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)**

**TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)**

**FULL TIME EQUIVALENT POSITIONS:** 0.0 0.0 0.0 0.0 0.0

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

**3.A. STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008  
 TIME: 10:11:06AM

Agency code: **450** Agency name: **Department of Savings and Mortgage Lending**

GOAL:	5	Regulatory Response	Statewide Goal/Benchmark:	7	0
OBJECTIVE:	1	Regulatory Response	Service Categories:		
STRATEGY:	1	Contingency Appropriation. Nontransferable.	Service:	NA	Income: NA Age: NA

CODE	DESCRIPTION	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
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Subtitles B and C of the Texas Finance Code direct the Department to periodically examine the affairs of each state chartered savings institution. (01-01-01)

Examination frequency for thrift institutions ranges from 12 to 18 months based on multiple factors, including institution size, the institution's CAMELS rating (1 to 5 scale assessing institution capital, assets, management, equity, liquidity, and sensitivity to interest rate risk), and length of time in operation. New institutions (de novos) receive a visitation after the first 6 months of operations and a full scope exam every 12 months for the first three years of operation. Institutions rated 3 or lower are examined every 12 months and also receive 6 month visitations until they improve the rating to a 1 or 2.

Pursuant to Texas Finance Code Section 13.007, supervisory analysts conduct off-site monitoring of institutions, review examination reports and requests for regulatory approval, recommend action, and make suggestions for future examinations.

Pursuant to Texas Finance Code Section 13.007, the Department receives and responds to complaints and inquiries from customers of its regulated entities. A complaint resolution investigator attempts to facilitate resolution of issues in dispute. (03-01-01)

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

Since the financial institution crisis of the 1980's, the agency has received legislative support for a contingency rider granting additional appropriations and FTEs to address significant growth of the thrift industry, deterioration in economic conditions affecting the safety and soundness of state chartered savings institutions, or shifts in regulatory priority by federal banking regulators. Turmoil in mortgage markets and the sluggish economy are impacting financial institution profitability and creating regulatory challenges. The following combination of factors is exerting pressure on the department's competent but small team of thrift examiners. The number of de novo charters is high in comparison to the total population (6 of the 27 institutions), so the average exam cycle is shorter than usual. Also, several institutions' CAMELS ratings have declined on the 1-5 scale from 1 or 2 ratings to 3 or 4 ratings due to a mix of deteriorating financial factors. The department's policy of early intervention and increased monitoring to address safety and soundness problems has historically proven effective in restoring "problem institutions" to a safe and sound condition, but the decline in overall CAMELS ratings will further shorten the average exam cycle. The FDIC and OTS have reassigned federal examiners from Texas to states experiencing more severe banking conditions, further increasing demands on state staff examining institutions jointly with federal regulators.

**3.A. STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME: 4:02:23PM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

GOAL: 5 Regulatory Response  
 OBJECTIVE: 1 Regulatory Response  
 STRATEGY: 2 Contingency Appropriation. Nontransferable.

Statewide Goal/Benchmark: 7 0  
 Service Categories:  
 Service: NA Income: NA Age: NA

CODE	DESCRIPTION	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$0	\$0	\$615,089	\$0	\$0
1002	OTHER PERSONNEL COSTS	\$0	\$0	\$0	\$0	\$0
2001	PROFESSIONAL FEES AND SERVICES	\$0	\$0	\$0	\$0	\$0
2003	CONSUMABLE SUPPLIES	\$0	\$0	\$9,000	\$0	\$0
2004	UTILITIES	\$0	\$0	\$0	\$0	\$0
2005	TRAVEL	\$0	\$0	\$135,000	\$0	\$0
2006	RENT - BUILDING	\$0	\$0	\$0	\$0	\$0
2009	OTHER OPERATING EXPENSE	\$0	\$0	\$19,800	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$0</b>	<b>\$0</b>	<b>\$778,889</b>	<b>\$0</b>	<b>\$0</b>
<b>Method of Financing:</b>						
1	General Revenue Fund	\$0	\$0	\$778,889	\$0	\$0
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$0</b>	<b>\$0</b>	<b>\$778,889</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$0</b>	<b>\$0</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$0</b>	<b>\$0</b>	<b>\$778,889</b>	<b>\$0</b>	<b>\$0</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>0.0</b>	<b>0.0</b>	<b>18.0</b>	<b>0.0</b>	<b>0.0</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Pursuant to Subtitle E of the Texas Finance Code (Mortgage Broker License Act), the Department licenses (Strategy 02-01-01) and inspects (Strategy 02-01-02) mortgage brokers and loan officers, investigates consumer complaints regarding licensees (Strategy 03-01-01), initiates disciplinary action necessary to protect consumers, and establishes and monitors continuing education requirements (Strategy 02-01-01).



**3.A. STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME: 4:02:23PM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

GOAL: 5 Regulatory Response

Statewide Goal/Benchmark: 7 0

OBJECTIVE: 1 Regulatory Response

Service Categories:

STRATEGY: 2 Contingency Appropriation. Nontransferable.

Service: NA Income: NA Age: NA

CODE	DESCRIPTION	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
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**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

The state's oversight of the mortgage industry has grown dramatically since its inception in FY 2000, and the agency has grown with the program changes.

FY 2000 - mortgage broker licensing

FY 2002 - on-site licensee inspection and expanded complaint processing

FY 2004 - mortgage banker registration

FY 2006 and FY 2008 - educational requirements were increased

FY 2008 - entity licensing of mortgage companies

Mortgage regulation currently consumes more than half the agency's resources. Until FY 2006 the agency labored under a staffing shortage in the mortgage regulation and consumer protection areas due to enormous growth in the number of licensees and the high level of non-compliance and mortgage abuse identified through inspections. With additional FTEs granted by the last 3 legislatures, realigning program duties, and streamlining procedures, and the decline in the regulated population, the agency is able to perform more effectively. Considering the turmoil in mortgage markets and the effect on the economy, the level of non-compliance and potential damage to consumers, maintaining this contingency item is critical. The agency requests this Contingency Appropriation – Mortgage Broker Regulatory Response to address greater than expected levels of non-compliance or mortgage abuse or a return of the previous dramatic growth in the regulated population.

This request is subject to a finding of fact, limited to need, subject to approval by the governor and LBB, and both direct and related indirect costs will be fully covered by additional fee revenue.

3.A. STRATEGY REQUEST  
81st Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
TIME: 4:02:23PM

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**SUMMARY TOTALS:**

<b>OBJECTS OF EXPENSE:</b>	<b>\$3,954,951</b>	<b>\$4,282,669</b>	<b>\$5,260,555</b>	<b>\$4,407,917</b>	<b>\$4,407,917</b>
<b>METHODS OF FINANCE (INCLUDING RIDERS):</b>				<b>\$4,407,917</b>	<b>\$4,407,917</b>
<b>METHODS OF FINANCE (EXCLUDING RIDERS):</b>	<b>\$3,954,951</b>	<b>\$4,282,669</b>	<b>\$5,260,555</b>	<b>\$4,407,917</b>	<b>\$4,407,917</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>	<b>58.1</b>	<b>67.0</b>	<b>88.0</b>	<b>70.0</b>	<b>70.0</b>

### 3.B. Rider Revisions and Additions Request

<b>Agency Code:</b> 450	<b>Agency Name:</b> Texas Department of Savings and Mortgage Lending	<b>Prepared By:</b> Margaret Wofford	<b>Date:</b> 8/13/08	<b>Request Level:</b> Base
<b>Current Rider Number</b>	<b>Page Number in 2008-09 GAA</b>	<b>Proposed Rider Language</b>		
4	VIII-73	<p><b>Contingency Appropriation: Thrift Regulatory Response.</b></p> <p>a. Amounts appropriated above to the Department of Savings and Mortgage Lending not to exceed \$815,800 in each fiscal year \$512,500 in fiscal year 2008 and \$739,100 in fiscal year 2009 in General Revenue in Strategy E.1.1, Contingency Thrift Regulatory Response, and <u>10.0 7-0 Full-Time-Equivalents (FTE) positions in each fiscal year 2008 and 10.0 FTEs in fiscal year 2009</u> included above in the "Number of Full-Time-Equivalents (FTE)" are contingent upon a finding of fact by the Finance Commission that:</p> <ol style="list-style-type: none"> <li>(1) the size of the state-chartered thrift industry under the jurisdiction of the Department of Savings and Mortgage Lending, determined either as a function of assets or number of institutions, has grown to a point where additional appropriations are deemed necessary to maintain adequate regulation of the industry; or</li> <li>(2) increased incidents of regulatory and supervisory concern regarding the safe and sound operations of thrift institutions under the department's jurisdiction have occurred to the extent that additional appropriations are deemed necessary to maintain adequate regulation of the industry; or</li> <li>(3) a reduction of federal regulatory resources applied to the Texas state-chartered thrift industry by the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, Federal Reserve Board, or their successors, has occurred to the extent that additional appropriations are deemed necessary to maintain adequate regulation of the industry; <del>or; then</del></li> <li>(4) <u>the Department of Savings and Mortgage Lending is unable to maintain adequate supervision of the industry or is unable to meet its examination frequency performance measures due to reductions in the quality or quantity of its examination staff, resulting from examiner turnover, or an inability to recruit adequately qualified examiners because of salary levels, or the salary levels of the FTEs involved in regulatory supervision fall to a level that is not competitive with the FDIC or other state regulators; then</u></li> </ol> <p>b. None of the funds appropriated in Strategy E.1.1, Contingency Thrift Regulatory Response, above may be expended and none of <u>10.0 7-0 Full-Time-Equivalents (FTE) positions in each fiscal year 2008 and 10.0 FTEs in fiscal year 2009</u> included above in the "Number of Full-Time-Equivalents (FTE)" may be used by the Department of Savings and Mortgage Lending unless:</p>		

### 3.B. Rider Revisions and Additions Request (continued)

4	VIII-73 (continued)	<p>(1) the Finance Commission files a written copy of the finding of fact, referenced in subsection 4(a) above, with the Governor and the Legislative Budget Board; and</p> <p>(2) neither the Governor nor the Legislative Budget Board issues a written disapproval not later than:</p> <p style="padding-left: 40px;">(a) the 10th day after the date the staff of the Legislative Budget Board concludes its reviews of findings of fact and forwards those findings of fact along with the conclusions or comments of the Legislative Budget Board staff to the Chair of the House Appropriations Committee, Chair of the Senate Finance Committee, Speaker of the House, and Lieutenant Governor; and</p> <p style="padding-left: 40px;">(b) within 10 business days of the receipt of the finding of fact by the Governor.</p> <p>(3) The appropriations above in Strategy E.1.1, Contingency Thrift Regulatory Response, and <del>10.0</del> <del>7.0</del> Full-Time-Equivalents (FTE) positions in <u>each</u> fiscal year <del>2008</del> and <del>10.0 FTEs in fiscal year 2009</del> <u>included</u> <del>include</del> above in the "Number of Full-Time-Equivalents (FTE)" are also contingent upon the department generating sufficient additional fee revenues to cover these contingency appropriations and related employee benefits and providing such information as may be deemed necessary by the Comptroller of Public Accounts to issue a finding of fact that the increased revenues will be available to fund the increased appropriations. These increased revenues must exceed <del>\$1,639,000</del> <del>\$980,000</del> for fiscal year <del>2010</del> <del>2008</del> and <del>\$1,639,000</del> <del>\$980,000</del> for fiscal year <del>2011</del> <del>2009</del> (Object Code 3172) contained in the Comptroller of Public Accounts' Biennial Revenue Estimate.</p> <p>c. Funds appropriated above in Strategy E.1.1, Contingency Thrift Regulatory Response, and <del>10.0</del> <del>7.0</del> Full-Time-Equivalents (FTE) positions in <u>each</u> fiscal year <del>2008</del> and <del>10.0 FTEs in fiscal year 2009</del> <u>included</u> <del>include</del> above in the "Number of Full-Time-Equivalents (FTE)" may only be used to address issues included in the finding of fact submitted to the Governor and the Legislative Budget Board pursuant to subsection 4(b) above, and apply only to the <del>2010-11</del> <del>2008-09</del> biennium unless otherwise appropriated. <u>Salary increases given with funds appropriated above shall be considered salary supplements and not merit increases or equity adjustments. Except for appropriations granted for salary increases, it</u> <del>It</del> is the intent of the Legislature that these funds not be included in base level funding requests for the <del>2012-2013</del> <del>2010-11</del> biennium.</p> <p><i>This contingency rider has been revised to reflect the correct fiscal years and estimated revenue and expand the conditions under which the rider may be activated. This change is based on the Department of Banking's regulatory response contingency rider.</i></p>
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**3.B. Rider Revisions and Additions Request  
(continued)**

5	VIII-74	<p><b>Contingency Appropriation: Mortgage Broker Regulatory Response.</b></p> <p>d. Amounts appropriated above to the Department of Savings and Mortgage Lending not to exceed <u>\$1,404,400</u> <del>\$1,677,100</del> in each fiscal year in General Revenue in Strategy E.1.2, Contingency Broker Regulatory Response, and <u>26.0</u> <del>29.0</del> Full-Time-Equivalents (FTE) positions in each fiscal year included above in the "Number of Full-Time-Equivalents (FTE)" are contingent upon a finding of fact by the Finance Commission that either:</p> <ol style="list-style-type: none"><li>(1) the size of the mortgage <del>broker</del> industry under the jurisdiction of the Department of Savings and Mortgage Lending, determined as a function of the number of licensees <u>and originators</u>, has grown to a point where additional appropriations are deemed necessary to maintain adequate regulation of the industry; or</li><li>(2) increased incidents of regulatory and supervisory concern regarding compliance with applicable statutes and regulations by mortgage <u>industry broker</u> licensees <u>and originators</u> under the department's jurisdiction have occurred to the extent that additional appropriations are deemed necessary to maintain adequate regulation of the industry; or</li><li>(3) <u>the Department of Savings and Mortgage Lending is unable to maintain adequate supervision of the industry or is unable to meet its examination performance target due to reductions in the quality or quantity of its examination staff, resulting from examiner turnover, or an inability to recruit adequately qualified examiners because of salary levels, or the salary levels of the FTEs involved in regulatory supervision fall to a level that is not competitive with positions requiring equivalent skills in the regulated entities or other state regulators; then</u></li></ol> <p>e. None of the funds appropriated in Strategy E.1.2, Contingency Broker Regulatory Response, above may be expended and none of the <u>26.0</u> <del>29.0</del> Full-Time-Equivalents (FTE) positions in each fiscal year included above in the "Number of Full-Time-Equivalents (FTE)" may be used by the Department of Savings and Mortgage Lending unless:</p> <ol style="list-style-type: none"><li>(1) the Finance Commission files a written copy of the finding of fact, referenced in subsection 5(a) above, with the Governor and the Legislative Budget Board; and</li><li>(2) neither the Governor nor the Legislative Budget Board issues a written disapproval not later than:<ol style="list-style-type: none"><li>a) the 10th day after the date the staff of the Legislative Budget Board concludes its review of the findings of fact and forwards those findings of fact along with the conclusion or comments of the Legislative Budget Board staff to the Chair of the House Appropriations Committee, Chair of the Senate Finance Committee, Speaker of the House, and Lieutenant Governor; and</li><li>b) within 10 business days of the receipt of the finding of fact by the Governor.</li></ol></li></ol>
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**3.B. Rider Revisions and Additions Request  
(continued)**

	VIII-74 (continued)	<p>(3) The appropriations in Strategy E.1.2, Contingency Broker Regulatory Response, and <del>26.0</del> <del>29.0</del> Full-Time-Equivalents (FTE) positions in each fiscal year <del>included</del> <del>include</del> above in the "Number of Full-Time-Equivalents (FTE)" are also contingent upon the department generating sufficient additional fee revenues to cover these contingency appropriations and related employee benefits and providing such information as may be deemed necessary by the Comptroller of Public Accounts to issue a finding of fact that the increased revenues will be available to fund the increased appropriations. These increased revenues must exceed <del>\$3,656,000</del> <del>\$3,000,000</del> for fiscal year <del>2010</del> <del>2008</del> and <del>\$3,656,000</del> <del>\$3,000,000</del> for fiscal year <del>2011</del> <del>2009</del> (Object Code 3175) contained in the Comptroller of Public Accounts' Biennial Revenue Estimate.</p> <p>f. Funds appropriated above in Strategy E.1.2, Contingency Broker Regulatory Response, and <del>26.0</del> <del>29.0</del> Full-Time-Equivalents (FTE) positions in each fiscal year <del>included</del> <del>include</del> above in the "Number of Full-Time-Equivalents (FTE)" may only be used to address issues included in the finding of fact submitted to the Governor and the Legislative Budget Board pursuant to subsection 5(b) above, and apply only to the <del>2010-11</del> <del>2008-09</del> biennium unless otherwise appropriated. <u>Salary increases given with funds appropriated above shall be considered salary supplements and not merit increases or equity adjustments. Except for appropriations granted for salary increases, it is the intent of the Legislature that these funds not be included in base level funding requests for the <del>2012-2013</del> <del>2010-11</del> biennium.</u></p> <p><i>This contingency rider has been revised to reflect the correct fiscal years and estimated revenue, to expand the description of the industry to include all regulated entities, and expand the conditions under which the rider may be activated. The last change is based on the Department of Banking's regulatory response contingency rider.</i></p>
Sec. 19.19	IX-74	<p><b>Contingency Appropriation for House Bill 2783.</b></p> <p>Contingent upon the enactment of House Bill 2783, or similar legislation relating to the regulation of certain persons involved in mortgage lending, by the Eightieth Legislature, Regular Session, the Department of Savings and Mortgage Lending is hereby appropriated the amounts of <del>\$353,153</del> in fiscal year 2008 and <del>\$299,153</del> in fiscal year 2009 out of General Revenue for the purpose of implementing that Act. Also, the "Number of Full Time Equivalents (FTE)" figure is increased by <del>9.0</del> FTEs in each fiscal year.</p> <p><i>This contingency rider has been implemented and rolled into the agency's base appropriations request.</i></p>
701		<p><b><u>Appropriation of Unexpended Balances Within the Biennium.</u></b> The unobligated and unexpended balances of <u>appropriations to the Department of Savings and Mortgage Lending for the fiscal year ending August 31, 2010 are hereby appropriated to the Department of Savings and Mortgage Lending for the same purposes for the fiscal year beginning September 1, 2011.</u></p> <p><i>This rider will allow the agency the authority to transfer appropriations from one year to another within a biennium. The rider was patterned after a rider approved for the other finance commission agencies, Department of Banking and Office of Consumer Credit Commissioner, in the 80<sup>th</sup> Legislative Session. The rider would have no impact on appropriations or activities of the agency when compared to the 2008-2009 biennium.</i></p>

**4.A. EXCEPTIONAL ITEM REQUEST SCHEDULE**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME: 4:06:13PM

Agency code: 450

Agency name:

**Department of Savings and Mortgage Lending**

CODE	DESCRIPTION	Excp 2010	Excp 2011
	<b>Item Name:</b> Rider 4 Contingency Appropriation: Thrift Institution Regulatory Response		
	<b>Item Priority:</b> 1		
	<b>Includes Funding for the Following Strategy or Strategies:</b>		
	01-01-01 Perform Examinations and Coordinate with Federal Regulators		
	03-01-01 Provide a Forum for Registering Complaints, and Respond to Requests		
	04-01-01 Indirect Administration		

**OBJECTS OF EXPENSE:**

1001	SALARIES AND WAGES	616,500	616,500
2003	CONSUMABLE SUPPLIES	5,000	5,000
2004	UTILITIES	11,000	11,000
2005	TRAVEL	128,500	128,500
2006	RENT - BUILDING	6,000	6,000
2009	OTHER OPERATING EXPENSE	48,800	48,800
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$815,800</b>	<b>\$815,800</b>

**METHOD OF FINANCING:**

1	General Revenue Fund	815,800	815,800
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$815,800</b>	<b>\$815,800</b>

**FULL-TIME EQUIVALENT POSITIONS (FTE):**

	10.00	10.00
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**DESCRIPTION / JUSTIFICATION:**

Subtitles B and C of the Texas Finance Code direct the Department to periodically examine the affairs of each state chartered savings institution. (01-01-01)

Pursuant to Texas Finance Code Section 13.007, supervisory analysts conduct off-site monitoring of institutions, review examination reports and requests for regulatory approval, recommend action, and make suggestions for future examinations.

Pursuant to Texas Finance Code Section 13.007, the Department receives and responds to complaints and inquiries from customers of its regulated entities. A Complaint Resolution Investigator attempts to facilitate resolution of issues in dispute. (03-01-01)

The Contingency Appropriation - Thrift Regulatory Response will be used primarily to add examination, supervisory and enforcement staff and will assure the Department's ability to respond to regulatory challenges.

**EXTERNAL/INTERNAL FACTORS:**

4.A. EXCEPTIONAL ITEM REQUEST SCHEDULE  
81st Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008  
TIME: 10:10:01AM

Agency code: 450

Agency name:

**Department of Savings and Mortgage Lending**

**CODE DESCRIPTION**

**Excp 2010**

**Excp 2011**

Since the financial institution crisis of the 1980's, the agency has received legislative support for a contingency rider granting additional appropriations and FTEs to address significant growth of the industry, deterioration in economic conditions affecting the safety and soundness of state chartered savings institutions, or shifts in regulatory priority by federal banking regulators. Turmoil in mortgage markets and the sluggish economy are impacting financial institution profitability and creating regulatory challenges. The following combination of factors is exerting pressure on the department's competent but small team of thrift examiners. Examination frequency for thrift institutions ranges from 12 to 18 months based on multiple factors, including institution size, CAMELS rating, and length of time in operation. New institutions (de novos) receive a visitation after the first 6 months of operations and a full scope exam every 12 months for the first three years of operation. Because the number of de novo charters is high in comparison to the total population (6 of the 27 institutions), the average exam cycle is shorter than usual. Also, several institutions' CAMELS ratings have declined on the 1-5 scale from 1 or 2 ratings to 3 or 4 ratings due to a mix of deteriorating financial factors. Institutions rated 3 or lower receive full scope exams every 12 months and 6 month visitations between full scope exams until they improve the rating to a 1 or 2. The department's policy of early intervention and increased monitoring to address safety and soundness problems has historically proven effective in returning "problem institutions" to a safe and sound condition, but the decline in overall CAMELS ratings will further shorten the average exam cycle. The FDIC and OTS have reassigned federal examiners from Texas to states experiencing more severe banking conditions, further increasing demands on state staff examining institutions jointly with federal regulators.



**4.A. EXCEPTIONAL ITEM REQUEST SCHEDULE**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME: 4:06:17PM

Agency code: 450

Agency name:

**Department of Savings and Mortgage Lending**

CODE	DESCRIPTION	Excp 2010	Excp 2011
	<b>Item Name:</b> Rider 5 Contingency Appropriation: Mortgage Originator Response		
	<b>Item Priority:</b> 2		
	<b>Includes Funding for the Following Strategy or Strategies:</b>		
	02-01-01 Process License Applications, Establish Continuing Education Standards		
	02-01-02 Mortgage Broker Examination		
	03-01-01 Provide a Forum for Registering Complaints, and Respond to Requests		
	04-01-01 Indirect Administration		

**OBJECTS OF EXPENSE:**

1001	SALARIES AND WAGES	1,015,000	1,015,000
2001	PROFESSIONAL FEES AND SERVICES	80,000	80,000
2003	CONSUMABLE SUPPLIES	20,800	20,800
2004	UTILITIES	2,600	2,600
2005	TRAVEL	154,000	154,000
2006	RENT - BUILDING	28,000	28,000
2009	OTHER OPERATING EXPENSE	104,000	104,000
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$1,404,400</b>	<b>\$1,404,400</b>

**METHOD OF FINANCING:**

1	General Revenue Fund	1,404,400	1,404,400
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$1,404,400</b>	<b>\$1,404,400</b>

**FULL-TIME EQUIVALENT POSITIONS (FTE):**

		26.00	26.00
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**DESCRIPTION / JUSTIFICATION:**

Pursuant to Subtitle E of the Texas Finance Code (Mortgage Broker License Act), the Department licenses (Strategy 02-01-01) and inspects (Strategy 02-01-02) mortgage originators, investigates consumer complaints regarding licensees (Strategy 03-01-01), initiates disciplinary action necessary to protect consumers, and establishes and monitors continuing education requirements (Strategy 02-01-01).

**EXTERNAL/INTERNAL FACTORS:**

4.A. EXCEPTIONAL ITEM REQUEST SCHEDULE  
81st Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
TIME: 4:06:17PM

Agency code: 450

Agency name:

Department of Savings and Mortgage Lending

CODE DESCRIPTION

Excp 2010

Excp 2011

The state's oversight of mortgage originators has grown dramatically since the inception of mortgage regulation in FY 2000, and the Department has grown with the program. Licensing of mortgage brokers and loan officers began in FY 2000. On-site inspection of licensees and expanded complaint processing began in FY 2002. Registration of mortgage bankers began in FY 2004. Educational requirements for originators were increased in FY 2006 and again in FY 2008. Entity licensing of mortgage companies began in FY 2008. Mortgage broker regulation currently consumes more than half of the Department's resources.

Until FY 2006 the Department faced a critical shortage of manpower in the mortgage originator regulation and consumer protection areas due to enormous increases in the number of licensees and the high level of non-compliance and significant mortgage abuses identified through mortgage broker inspections. With additional FTEs granted by the 78th and 79th Legislatures, realigning program duties, and instituting more efficient procedures, the Department is able to perform more productively and effectively. Considering the current turmoil in mortgage markets and its impact on the economy, and the serious nature of non-compliance and the potential damage to consumers, maintaining this contingency item is critical. The Department is requesting this Contingency Appropriation – Mortgage Broker Regulatory Response to address greater than expected levels of non-compliance or mortgage abuse or a return of the previous dramatic growth in the regulated population.

This contingency request is subject to a finding of fact, limited to need, subject to approval by the governor and LBB, and both direct and related indirect costs will be fully covered by additional fee revenue.

**4.A. EXCEPTIONAL ITEM REQUEST SCHEDULE**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME: 4:06:17PM

Agency code: 450

Agency name:

Department of Savings and Mortgage Lending

CODE	DESCRIPTION	Excp 2010	Excp 2011
	<b>Item Name:</b> Financial Examiner Performance-Based Compensation Adjustments <b>Item Priority:</b> 3 <b>Includes Funding for the Following Strategy or Strategies:</b> 01-01-01 Perform Examinations and Coordinate with Federal Regulators 02-01-02 Mortgage Broker Examination		

**OBJECTS OF EXPENSE:**

1001 SALARIES AND WAGES

**TOTAL, OBJECT OF EXPENSE**

213,000	265,028
<b>\$213,000</b>	<b>\$265,028</b>

**METHOD OF FINANCING:**

1 General Revenue Fund

**TOTAL, METHOD OF FINANCING**

213,000	265,028
<b>\$213,000</b>	<b>\$265,028</b>

**DESCRIPTION / JUSTIFICATION:**

Subtitles B and C of the Texas Finance Code direct the Department to periodically examine the affairs of each state chartered savings institution. (Strategy 01-01-01)

Subtitle E of the Texas Finance Code (Mortgage Broker License Act), directs the Department to inspect mortgage brokers and loan officers, investigate consumer complaints regarding licensees, and initiate disciplinary action necessary to protect consumers. (Strategy 02-01-02)

**EXTERNAL/INTERNAL FACTORS:**

The Texas Department of Savings and Mortgage Lending and the other financial regulatory agencies (Department of Banking, Office of Consumer Credit Commissioner, Credit Union Department) all rely heavily on the financial examiner series in their regulatory oversight and employ approximately 56% of the state's employees in the financial examiner series. The agencies have continued concerns that the pay ranges of the financial examiners series lags behind a market competitive rate. The agencies continue to have difficulties attracting qualified applicants and hiring and retaining employees in this series as we compete with our regulated private sector entities, federal counterparts including the FDIC, and accounting firms for qualified applicants. Turnover rates remain a concern, especially considering the sizeable cost of training new examiners. The two reasons financial examiners most frequently cite for leaving are low pay and high travel. We must be able to pay competitive salaries to attract and retain qualified examiners. This exceptional request will be used to provide performance based salary adjustments throughout the financial examiner classification series.

**4.A. EXCEPTIONAL ITEM REQUEST SCHEDULE**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 7/30/2008  
 TIME: 4:06:17PM

Agency code: 450

Agency name:

Department of Savings and Mortgage Lending

CODE	DESCRIPTION	Excp 2010	Excp 2011
	<b>Item Name:</b> Commissioner Salary Adjustment		
	<b>Item Priority:</b> 4		
	<b>Includes Funding for the Following Strategy or Strategies:</b>		
	01-01-01 Perform Examinations and Coordinate with Federal Regulators		
	02-01-01 Process License Applications, Establish Continuing Education Standards		
	02-01-02 Mortgage Broker Examination		
	03-01-01 Provide a Forum for Registering Complaints, and Respond to Requests		
	04-01-01 Indirect Administration		

**OBJECTS OF EXPENSE:**

1001 SALARIES AND WAGES

**TOTAL, OBJECT OF EXPENSE**

40,000	40,000
<b>\$40,000</b>	<b>\$40,000</b>

**METHOD OF FINANCING:**

1 General Revenue Fund

**TOTAL, METHOD OF FINANCING**

40,000	40,000
<b>\$40,000</b>	<b>\$40,000</b>

**DESCRIPTION / JUSTIFICATION:**

The Department requests an increase in the commissioner's line item exempt salary to \$140,000 and Group 5 or 6. The commissioner's LIE salary has increased only 13% in 10 years, not even keeping pace with inflation, while the agency quadrupled in FTEs and appropriations as mortgage regulation programs were implemented and expanded. To meet the statutory requirements for the position and be successful, the commissioner must have extensive expertise and experience with the complex issues in the regulated entities and be able to develop supervisory standards, regulatory policies, and precedures to ensure compliance with state and federal regulations. The median salary, excluding bonus, for financial institution CEOs in the Austin-Round Rock, Killeen-Temple-Fort Hood, San Antonio and Waco MSA as reported in the Federal Reserve Bank 2007 salary survey is \$147,000.

By statute, TDSML is a self-funding, self-leveling agency, raising all the revenue necessary to fund operations through fees and assessments against its regulated entities, and therefore is neutral to general revenue. Its regulated entities have always fully supported funding the agency at whatever level necessary to achieve the agency's mission. In the past, this commitment has been pledged not only for operations needs, but also for increased salaries for agency employees.

**EXTERNAL/INTERNAL FACTORS:**

Agency code: 450

Agency name:

Department of Savings and Mortgage Lending

**CODE DESCRIPTION**

**Excp 2010**

**Excp 2011**

Pursuant to Finance Code Section 13.002 the savings and mortgage lending commissioner must have not less than seven years' experience in the executive management of a savings association or savings bank or in savings association or savings bank supervision.

TDSML's previous commissioner announced his impending retirement 10-19-07 and retired 12-31-07. The job posting or links to the posting were placed on the agency and Finance Commission websites, workintexas.com, the American Council of State Savings Supervisors (organization of state thrift regulators) website, the American Association of Residential Mortgage Regulators (organization of state mortgage lending regulators) website, and the Council of State Banking Supervisors (organization of state bank regulators) website. The agency ran a paid ad for a week in early December in the American Banker newspaper. The announcement of the previous commissioner's retirement was distributed to top management at each state chartered savings bank, ran in the December issue of Texas Mortgage Press, and was sent to the American Council of State Savings Supervisors. Besides the regular state postings on workintexas.com and the agency website, the agency chose the aforementioned outlets to announce the opening because their readers include many who work in our regulated industries and might meet the minimum qualifications. Eight applications were received with only 3 meeting the minimum qualifications. The qualified external applicants met the statutory experience requirement without any recent experience, but with employment which was more than 13 years previous.

The agency's former deputy commissioner, who has 26 years of regulatory and depository institution experience, accepted the position, suffering a pay cut from his classified rate. The agency was fortunate that he is dedicated to serving the industry in the public sector, and stable enough to accept the personal financial challenges of doing so.

**4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE**

81st Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008  
TIME: 10:19:36AM

Agency code: 450                      Agency name: Department of Savings and Mortgage Lending

Code Description	Excp 2010	Excp 2011
<b>Item Name:</b>	Rider 4 Contingency Appropriation: Thrift Institution Regulatory Response	
<b>Allocation to Strategy:</b>	1-1-1	Perform Examinations and Coordinate with Federal Regulators
<b>STRATEGY IMPACT ON OUTCOME MEASURES:</b>		
<u>1</u> % Savings Institutions Receiving Exams Required by Priority Schedule	100.00%	100.00%
<u>2</u> Percent of Safe and Sound Institutions to Total Savings Institutions	50.00%	50.00%
<u>3</u> Percent Assets in Safe and Sound Institutions	60.00%	60.00%
<b>OUTPUT MEASURES:</b>		
<u>1</u> Number of Examinations Performed	6.00	6.00
<u>3</u> Number of Formal and Informal Regulatory Actions	5.00	5.00
<u>4</u> Number of Applications Processed	5.00	5.00
<b>EXPLANATORY/INPUT MEASURES:</b>		
<u>1</u> Number of State-Chartered Savings Institutions	32.00	32.00
<u>2</u> Dollar Amount of Assets under Regulation (in Billions)	24.00	24.00
<b>OBJECTS OF EXPENSE:</b>		
1001 SALARIES AND WAGES	547,000	547,000
2003 CONSUMABLE SUPPLIES	4,500	4,500
2004 UTILITIES	10,400	10,400
2005 TRAVEL	128,500	128,500
2006 RENT - BUILDING	2,000	2,000
2009 OTHER OPERATING EXPENSE	46,800	46,800
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$739,200</b>	<b>\$739,200</b>
<b>METHOD OF FINANCING:</b>		
1 General Revenue Fund	739,200	739,200
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$739,200</b>	<b>\$739,200</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>	9.0	9.0

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008  
 TIME: 10:09:02AM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

Code	Description	Excp 2010	Excp 2011
<b>Item Name:</b> Rider 4 Contingency Appropriation: Thrift Institution Regulatory Response			
<b>Allocation to Strategy:</b> 3-1-1 Provide a Forum for Registering Complaints, and Respond to Requests			
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	52,000	52,000
2003	CONSUMABLE SUPPLIES	250	250
2004	UTILITIES	300	300
2006	RENT - BUILDING	2,000	2,000
2009	OTHER OPERATING EXPENSE	1,000	1,000
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$55,550</b>	<b>\$55,550</b>
<b>METHOD OF FINANCING:</b>			
1 General Revenue Fund		55,550	55,550
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$55,550</b>	<b>\$55,550</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>		0.5	0.5

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008  
 TIME: 10:09:02AM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

Code	Description	Excp 2010	Excp 2011
<b>Item Name:</b> Rider 4 Contingency Appropriation: Thrift Institution Regulatory Response			
<b>Allocation to Strategy:</b> 4-1-1 Indirect Administration			
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	17,500	17,500
2003	CONSUMABLE SUPPLIES	250	250
2004	UTILITIES	300	300
2006	RENT - BUILDING	2,000	2,000
2009	OTHER OPERATING EXPENSE	1,000	1,000
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$21,050</b>	<b>\$21,050</b>
<b>METHOD OF FINANCING:</b>			
1 General Revenue Fund		21,050	21,050
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$21,050</b>	<b>\$21,050</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>		0.5	0.5



4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008  
 TIME: 10:09:02AM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

Code	Description	Excp 2010	Excp 2011
<b>Item Name:</b> Rider 5 Contingency Appropriation: Mortgage Originator Response			
<b>Allocation to Strategy:</b> 2-1-1 Process License Applications, Establish Continuing Education Standards			
<b>OUTPUT MEASURES:</b>			
1	Number of New Licenses Issued and Mortgage Originators Approved	10,000.00	10,000.00
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	205,000	205,000
2001	PROFESSIONAL FEES AND SERVICES	80,000	80,000
2003	CONSUMABLE SUPPLIES	4,800	4,800
2004	UTILITIES	600	600
2005	TRAVEL	5,000	5,000
2006	RENT - BUILDING	12,000	12,000
2009	OTHER OPERATING EXPENSE	24,000	24,000
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$331,400</b>	<b>\$331,400</b>
<b>METHOD OF FINANCING:</b>			
1	General Revenue Fund	331,400	331,400
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$331,400</b>	<b>\$331,400</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>		6.0	6.0

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008  
 TIME: 10:09:02AM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

Code	Description	Excp 2010	Excp 2011
<b>Item Name:</b> Rider 5 Contingency Appropriation: Mortgage Originator Response			
<b>Allocation to Strategy:</b> 2-1-2 Mortgage Broker Examination			
<b>OUTPUT MEASURES:</b>			
1	Number of Licensees Inspected	2,000.00	2,800.00
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	540,000	540,000
2003	CONSUMABLE SUPPLIES	10,400	10,400
2004	UTILITIES	1,300	1,300
2005	TRAVEL	144,000	144,000
2006	RENT - BUILDING	2,000	2,000
2009	OTHER OPERATING EXPENSE	52,000	52,000
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$749,700</b>	<b>\$749,700</b>
<b>METHOD OF FINANCING:</b>			
1 General Revenue Fund		749,700	749,700
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$749,700</b>	<b>\$749,700</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>		13.0	13.0

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008  
 TIME: 10:09:02AM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

Code	Description	Excp 2010	Excp 2011
<b>Item Name:</b> Rider 5 Contingency Appropriation: Mortgage Originator Response			
<b>Allocation to Strategy:</b> 3-1-1 Provide a Forum for Registering Complaints, and Respond to Requests			
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	234,000	234,000
2003	CONSUMABLE SUPPLIES	4,800	4,800
2004	UTILITIES	600	600
2005	TRAVEL	5,000	5,000
2006	RENT - BUILDING	12,000	12,000
2009	OTHER OPERATING EXPENSE	24,000	24,000
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$280,400</b>	<b>\$280,400</b>
<b>METHOD OF FINANCING:</b>			
1 General Revenue Fund		280,400	280,400
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$280,400</b>	<b>\$280,400</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>		6.0	6.0

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008

TIME: 10:09:02AM

Agency code: 450

Agency name: Department of Savings and Mortgage Lending

Code	Description	Excp 2010	Excp 2011
<b>Item Name:</b> Rider 5 Contingency Appropriation: Mortgage Originator Response			
<b>Allocation to Strategy:</b> 4-1-1 Indirect Administration			
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	36,000	36,000
2003	CONSUMABLE SUPPLIES	800	800
2004	UTILITIES	100	100
2006	RENT - BUILDING	2,000	2,000
2009	OTHER OPERATING EXPENSE	4,000	4,000
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$42,900</b>	<b>\$42,900</b>
<b>METHOD OF FINANCING:</b>			
1 General Revenue Fund		42,900	42,900
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$42,900</b>	<b>\$42,900</b>
<b>FULL-TIME EQUIVALENT POSITIONS (FTE):</b>		1.0	1.0

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008  
 TIME: 10:09:02AM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

Code	Description	Excp 2010	Excp 2011
<b>Item Name:</b> Financial Examiner Performance-Based Compensation Adjustments			
<b>Allocation to Strategy:</b> 1-1-1 Perform Examinations and Coordinate with Federal Regulators			
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	102,000	128,580
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$102,000</b>	<b>\$128,580</b>
<b>METHOD OF FINANCING:</b>			
1	General Revenue Fund	102,000	128,580
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$102,000</b>	<b>\$128,580</b>

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008  
 TIME: 10:09:02AM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

Code	Description	Excp 2010	Excp 2011
<b>Item Name:</b> Financial Examiner Performance-Based Compensation Adjustments			
<b>Allocation to Strategy:</b> 2-1-2 Mortgage Broker Examination			
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	111,000	136,448
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$111,000</b>	<b>\$136,448</b>
<b>METHOD OF FINANCING:</b>			
1	General Revenue Fund	111,000	136,448
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$111,000</b>	<b>\$136,448</b>

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008  
 TIME: 10:09:02AM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

Code	Description	Excp 2010	Excp 2011
<b>Item Name:</b> Commissioner Salary Adjustment			
<b>Allocation to Strategy:</b> 1-1-1 Perform Examinations and Coordinate with Federal Regulators			
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	20,000	20,000
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$20,000</b>	<b>\$20,000</b>
<b>METHOD OF FINANCING:</b>			
1	General Revenue Fund	20,000	20,000
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$20,000</b>	<b>\$20,000</b>

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008  
 TIME: 10:09:02AM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

Code	Description	Excp 2010	Excp 2011
<b>Item Name:</b> Commissioner Salary Adjustment			
<b>Allocation to Strategy:</b> 2-1-1 Process License Applications, Establish Continuing Education Standards			
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	3,000	3,000
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$3,000</b>	<b>\$3,000</b>
<b>METHOD OF FINANCING:</b>			
1	General Revenue Fund	3,000	3,000
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$3,000</b>	<b>\$3,000</b>



4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008  
 TIME: 10:09:02AM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

Code	Description	Excp 2010	Excp 2011
<b>Item Name:</b> Commissioner Salary Adjustment			
<b>Allocation to Strategy:</b> 2-1-2 Mortgage Broker Examination			
<b>OBJECTS OF EXPENSE:</b>			
1001	SALARIES AND WAGES	15,000	15,000
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$15,000</b>	<b>\$15,000</b>
<b>METHOD OF FINANCING:</b>			
1	General Revenue Fund	15,000	15,000
<b>TOTAL, METHOD OF FINANCING</b>		<b>\$15,000</b>	<b>\$15,000</b>

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008

TIME: 1:59:09PM

Agency code: 450 Agency name: Department of Savings and Mortgage Lending

Code Description	Excp 2010	Excp 2011
<b>Item Name:</b> Commissioner Salary Adjustment		
<b>Allocation to Strategy:</b> 3-1-1 Provide a Forum for Registering Complaints, and Respond to Requests		
<b>OBJECTS OF EXPENSE:</b>		
1001 SALARIES AND WAGES	1,000	1,000
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$1,000</b>	<b>\$1,000</b>
<b>METHOD OF FINANCING:</b>		
1 General Revenue Fund	1,000	1,000
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$1,000</b>	<b>\$1,000</b>

4.B. EXCEPTIONAL ITEMS STRATEGY ALLOCATION SCHEDULE

81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008

TIME: 1:58:47PM

Agency code: 450

Agency name: Department of Savings and Mortgage Lending

Code Description	Excp 2010	Excp 2011
<b>Item Name:</b> Commissioner Salary Adjustment		
<b>Allocation to Strategy:</b> 4-1-1 Indirect Administration		
<b>OBJECTS OF EXPENSE:</b>		
1001 SALARIES AND WAGES	1,000	1,000
<b>TOTAL, OBJECT OF EXPENSE</b>	<b>\$1,000</b>	<b>\$1,000</b>
<b>METHOD OF FINANCING:</b>		
1 General Revenue Fund	1,000	1,000
<b>TOTAL, METHOD OF FINANCING</b>	<b>\$1,000</b>	<b>\$1,000</b>

**4.C. EXCEPTIONAL ITEMS STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

**DATE:** 8/13/2008  
**TIME:** 1:59:44PM

Agency Code: **450** Agency name: **Department of Savings and Mortgage Lending**

GOAL: 1 Aggressively Enforce Thrift Safety and Soundness Standards Statewide Goal/Benchmark: 7 - 0  
 OBJECTIVE: 1 Examine and Supervise State Chartered Savings Institutions Service Categories:  
 STRATEGY: 1 Perform Examinations and Coordinate with Federal Regulators Service: 17 Income: A.2 Age: B.3

<b>CODE DESCRIPTION</b>	<b>Excp 2010</b>	<b>Excp 2011</b>
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**STRATEGY IMPACT ON OUTCOME MEASURES:**

1 % Savings Institutions Receiving Exams Required by Priority Schedule	100.00 %	100.00 %
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**OBJECTS OF EXPENSE:**

1001 SALARIES AND WAGES	669,000	695,580
2003 CONSUMABLE SUPPLIES	4,500	4,500
2004 UTILITIES	10,400	10,400
2005 TRAVEL	128,500	128,500
2006 RENT - BUILDING	2,000	2,000
2009 OTHER OPERATING EXPENSE	46,800	46,800
<b>Total, Objects of Expense</b>	<b>\$861,200</b>	<b>\$887,780</b>

**METHOD OF FINANCING:**

1 General Revenue Fund	861,200	887,780
<b>Total, Method of Finance</b>	<b>\$861,200</b>	<b>\$887,780</b>

**FULL-TIME EQUIVALENT POSITIONS (FTE):**

	9.0	9.0
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**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Rider 4 Contingency Appropriation: Thrift Institution Regulatory Response  
 Financial Examiner Performance-Based Compensation Adjustments  
 Commissioner Salary Adjustment

**4.C. EXCEPTIONAL ITEMS STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

**DATE:** 8/13/2008  
**TIME:** 2:00:29PM

Agency Code: **450**

Agency name: **Department of Savings and Mortgage Lending**

**GOAL:** 2 Regulate Mortgage Originators  
**OBJECTIVE:** 1 Ensure Efficient Processing of Licenses/Compliance w/ Applicable Laws  
**STRATEGY:** 1 Process License Applications, Establish Continuing Education Standards

Statewide Goal/Benchmark: 7 - 0  
 Service Categories:  
 Service: 16 Income: A.2 Age: B.3

<b>CODE DESCRIPTION</b>	<b>Excp 2010</b>	<b>Excp 2011</b>
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**OBJECTS OF EXPENSE:**

1001 SALARIES AND WAGES	208,000	208,000
2001 PROFESSIONAL FEES AND SERVICES	80,000	80,000
2003 CONSUMABLE SUPPLIES	4,800	4,800
2004 UTILITIES	600	600
2005 TRAVEL	5,000	5,000
2006 RENT - BUILDING	12,000	12,000
2009 OTHER OPERATING EXPENSE	24,000	24,000
<b>Total, Objects of Expense</b>	<b>\$334,400</b>	<b>\$334,400</b>

**METHOD OF FINANCING:**

1 General Revenue Fund	334,400	334,400
<b>Total, Method of Finance</b>	<b>\$334,400</b>	<b>\$334,400</b>

**FULL-TIME EQUIVALENT POSITIONS (FTE):**

6.0	6.0
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**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Rider 5 Contingency Appropriation: Mortgage Originator Response  
 Commissioner Salary Adjustment

**4.C. EXCEPTIONAL ITEMS STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

**DATE:** 8/13/2008  
**TIME:** 2:00:29PM

Agency Code: **450**

Agency name: **Department of Savings and Mortgage Lending**

GOAL: 2 Regulate Mortgage Originators

Statewide Goal/Benchmark: 7 - 0

OBJECTIVE: 1 Ensure Efficient Processing of Licenses/Compliance w/ Applicable Laws

Service Categories:

STRATEGY: 2 Mortgage Broker Examination

Service: 16 Income: A.2 Age: B.3

**CODE DESCRIPTION**

**Excp 2010**

**Excp 2011**

**OBJECTS OF EXPENSE:**

1001 SALARIES AND WAGES	666,000	691,448
2003 CONSUMABLE SUPPLIES	10,400	10,400
2004 UTILITIES	1,300	1,300
2005 TRAVEL	144,000	144,000
2006 RENT - BUILDING	2,000	2,000
2009 OTHER OPERATING EXPENSE	52,000	52,000
<b>Total, Objects of Expense</b>	<b>\$875,700</b>	<b>\$901,148</b>

**METHOD OF FINANCING:**

1 General Revenue Fund	875,700	901,148
<b>Total, Method of Finance</b>	<b>\$875,700</b>	<b>\$901,148</b>

**FULL-TIME EQUIVALENT POSITIONS (FTE):**

13.0 13.0

**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Rider 5 Contingency Appropriation: Mortgage Originator Response  
 Financial Examiner Performance-Based Compensation Adjustments  
 Commissioner Salary Adjustment

**4.C. EXCEPTIONAL ITEMS STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

**DATE:** 8/13/2008  
**TIME:** 2:00:29PM

Agency Code: **450** Agency name: **Department of Savings and Mortgage Lending**

GOAL: 3 To Ensure Responsiveness to Inquiries, Requests and Complaints Statewide Goal/Benchmark: 7 - 0  
 OBJECTIVE: 1 Ensure Timely and Efficient Resolution of Complaints Service Categories:  
 STRATEGY: 1 Provide a Forum for Registering Complaints, and Respond to Requests Service: 16 Income: A.2 Age: B.3

<b>CODE DESCRIPTION</b>	<b>Excp 2010</b>	<b>Excp 2011</b>
<b>OBJECTS OF EXPENSE:</b>		
1001 SALARIES AND WAGES	287,000	287,000
2003 CONSUMABLE SUPPLIES	5,050	5,050
2004 UTILITIES	900	900
2005 TRAVEL	5,000	5,000
2006 RENT - BUILDING	14,000	14,000
2009 OTHER OPERATING EXPENSE	25,000	25,000
<b>Total, Objects of Expense</b>	<b>\$336,950</b>	<b>\$336,950</b>

**METHOD OF FINANCING:**

1 General Revenue Fund	336,950	336,950
<b>Total, Method of Finance</b>	<b>\$336,950</b>	<b>\$336,950</b>

**FULL-TIME EQUIVALENT POSITIONS (FTE):**

6.5	6.5
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**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Rider 4 Contingency Appropriation: Thrift Institution Regulatory Response  
 Rider 5 Contingency Appropriation: Mortgage Originator Response  
 Commissioner Salary Adjustment

**4.C. EXCEPTIONAL ITEMS STRATEGY REQUEST**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

**DATE:** 8/13/2008  
**TIME:** 2:00:29PM

Agency Code: 450 Agency name: Department of Savings and Mortgage Lending

GOAL: 4 Indirect Administration Statewide Goal/Benchmark: 7 - 0  
 OBJECTIVE: 1 Indirect Administration Service Categories:  
 STRATEGY: 1 Indirect Administration Service: 09 Income: A.2 Age: B.3

CODE DESCRIPTION	Excp 2010	Excp 2011
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**OBJECTS OF EXPENSE:**

1001 SALARIES AND WAGES	54,500	54,500
2003 CONSUMABLE SUPPLIES	1,050	1,050
2004 UTILITIES	400	400
2006 RENT - BUILDING	4,000	4,000
2009 OTHER OPERATING EXPENSE	5,000	5,000
<b>Total, Objects of Expense</b>	<b>\$64,950</b>	<b>\$64,950</b>

**METHOD OF FINANCING:**

1 General Revenue Fund	64,950	64,950
<b>Total, Method of Finance</b>	<b>\$64,950</b>	<b>\$64,950</b>

**FULL-TIME EQUIVALENT POSITIONS (FTE):**

1.5	1.5
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**EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:**

Rider 4 Contingency Appropriation: Thrift Institution Regulatory Response  
 Rider 5 Contingency Appropriation: Mortgage Originator Response  
 Commissioner Salary Adjustment



**6.A. HISTORICALLY UNDERUTILIZED BUSINESS SUPPORTING SCHEDULE**

81st Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/13/2008  
Time: 2:00:48PM

Agency Code: 450 Agency: Department of Savings and Mortgage Lending

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

**A. Fiscal Year 2006 - 2007 HUB Expenditure Information**

Statewide HUB Goals	Procurement Category	HUB Expenditures FY 2006			Total Expenditures FY 2006	HUB Expenditures FY 2007			Total Expenditures FY 2007
		% Goal	% Actual	Actual \$		% Goal	% Actual	Actual \$	
11.9%	Heavy Construction	0.0 %	0.0%	\$0	\$0	0.0 %	0.0%	\$0	\$0
26.1%	Building Construction	0.0 %	0.0%	\$0	\$0	0.0 %	0.0%	\$0	\$0
57.2%	Special Trade Construction	57.2 %	88.7%	\$3,497	\$3,941	57.2 %	0.0%	\$0	\$1,098
20.0%	Professional Services	20.0 %	100.0%	\$9,411	\$9,411	20.0 %	100.0%	\$5,522	\$5,522
33.0%	Other Services	33.0 %	12.6%	\$7,470	\$59,395	33.0 %	4.4%	\$4,729	\$106,616
12.6%	Commodities	12.6 %	69.7%	\$26,363	\$37,804	12.6 %	67.0%	\$68,271	\$101,866
	<b>Total Expenditures</b>		<b>42.3%</b>	<b>\$46,741</b>	<b>\$110,551</b>		<b>36.5%</b>	<b>\$78,522</b>	<b>\$215,102</b>

**B. Assessment of Fiscal Year 2006 - 2007 Efforts to Meet HUB Procurement Goals**

**Attainment:**

The agency attained or exceeded three of four, or 75%, of the applicable statewide HUB procurement goals in FY 2006 and two of four, or 50%, for FY 2007.

**Applicability:**

The Heavy Construction and the Building Construction categories are not applicable to the agency. There was no purchases in these two categories.

**Factors Affecting Attainment:**

The agency is hampered in its ability to increase HUB purchases in the Other Services category because of disproportionately large purchases with non-HUB vendors for access to credit reporting services, maintenance of its mortgage broker licensing database and document imaging system, and court reporter services.

**"Good-Faith" Efforts:**

The agency ensured that contract specifications, terms, and conditions reflected the agency's actual requirements, were clearly stated, and did not impose unreasonable or unnecessary contract requirements, and also prepared and distributed information on potential purchases in a manner that encouraged participation in agency contracts by all businesses.

**6.E. ESTIMATED REVENUE COLLECTIONS SUPPORTING SCHEDULE**

DATE: 8/13/2008

81st Regular Session, Agency Submission, Version 1

TIME: 2:01:11PM

Automated Budget and Evaluation System of Texas (ABEST)

Agency Code: 450

Agency name: Department of Savings and Mortgage Lending

FUND/ACCOUNT	Act 2007	Exp 2008	Exp 2009	Bud 2010	Est 2011
<b>1 General Revenue Fund</b>					
Beginning Balance (Unencumbered):	\$950,612	\$0	\$416,692	\$0	\$0
Estimated Revenue:					
3172 Financial Institution Regulation	1,048,019	1,305,310	1,757,551	1,639,164	1,639,164
3175 Professional Fees	3,545,682	4,145,479	4,154,374	3,656,081	3,656,081
Subtotal: Actual/Estimated Revenue	4,593,701	5,450,789	5,911,925	5,295,245	5,295,245
<b>Total Available</b>	<b>\$5,544,313</b>	<b>\$5,450,789</b>	<b>\$6,328,617</b>	<b>\$5,295,245</b>	<b>\$5,295,245</b>
<b>DEDUCTIONS:</b>					
Expended/Budgeted/Requested	(3,954,951)	(4,263,169)	(5,254,555)	(4,401,917)	(4,401,917)
Empl Benefits (BRP, OASI, Ret, Ins)	(721,184)	(770,928)	(1,065,639)	(891,655)	(891,655)
<b>Total, Deductions</b>	<b>\$(4,676,135)</b>	<b>\$(5,034,097)</b>	<b>\$(6,320,194)</b>	<b>\$(5,293,572)</b>	<b>\$(5,293,572)</b>
<b>Ending Fund/Account Balance</b>	<b>\$868,178</b>	<b>\$416,692</b>	<b>\$8,423</b>	<b>\$1,673</b>	<b>\$1,673</b>

**REVENUE ASSUMPTIONS:**

The Texas Department of Savings and Mortgage Lending is a self-funded, self-leveling agency, which covers 100% of its cost of operations, including employee benefits and other direct and indirect costs, be fees assessed to its regulated entities. The Department's statutory authority has historically limited its assessments and fees to no more than amounts reasonable and necessary to support its operations and the Finance Commission (Section 13.008, Texas Finance Code). These fees are set at the beginning of the assessment or fee period and remain in effect for the full period. Annual fees and assessments are based on anticipated operating costs and are adjusted as necessary to cover those costs without overassessment. Therefore, revenue collections are estimated at or near the projected level of expenditures, including indirect costs.

**CONTACT PERSON:**

Margaret Wofford

6.E. ESTIMATED REVENUE COLLECTIONS SUPPORTING SCHEDULE

DATE: 8/13/2008

81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

TIME: 2:01:23PM

Agency Code: 450

Agency name: Department of Savings and Mortgage Lending

FUND/ACCOUNT	Act 2007	Exp 2008	Exp 2009	Bud 2010	Est 2011
<b>666 Appropriated Receipts</b>					
Beginning Balance (Unencumbered):	\$0	\$0	\$0	\$0	\$0
Estimated Revenue:					
3719 Fees/Copies or Filing of Records	0	1,500	1,000	1,000	1,000
3802 Reimbursements-Third Party	0	18,000	5,000	5,000	5,000
Subtotal: Actual/Estimated Revenue	0	19,500	6,000	6,000	6,000
<b>Total Available</b>	<b>\$0</b>	<b>\$19,500</b>	<b>\$6,000</b>	<b>\$6,000</b>	<b>\$6,000</b>
<b>DEDUCTIONS:</b>					
Expensed/Budgeted/Requested	0	(19,500)	(6,000)	(6,000)	(6,000)
<b>Total, Deductions</b>	<b>\$0</b>	<b>\$(19,500)</b>	<b>\$(6,000)</b>	<b>\$(6,000)</b>	<b>\$(6,000)</b>
<b>Ending Fund/Account Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

REVENUE ASSUMPTIONS:

CONTACT PERSON:

Margaret Wofford

**6.F.a. ADVISORY COMMITTEE SUPPORTING SCHEDULE ~ PART A**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/13/2008  
 Time: 2:01:43PM

Agency Code: 450      Agency: Department of Savings and Mortgage Lending

**MORTGAGE BROKER ADVISORY COMMITTEE**

Statutory Authorization: Finance Code, §156.104  
 Number of Members: 6  
 Committee Status: Ongoing  
 Date Created: 09/01/1999  
 Date to Be Abolished: N/A  
 Strategy (Strategies): 2-1-1 MORTGAGE BROKER LICENSING  
                                   2-1-2 MORTGAGE BROKER EXAMINATION  
                                   2-1-3 TEXASONLINE

Advisory Committee Costs	Expended 2007	Estimated 2008	Budgeted 2009	Requested 2010	Requested 2011
Committee Members Direct Expenses					
Travel - Other Operating	\$3,550	\$4,250	\$5,000	\$5,000	\$5,000
<b>Total, Committee Expenditures</b>	<b>\$3,550</b>	<b>\$4,250</b>	<b>\$5,000</b>	<b>\$5,000</b>	<b>\$5,000</b>
Method of Financing					
General Revenue Fund	\$3,550	\$4,250	\$5,000	\$5,000	\$5,000
<b>Total, Method of Financing</b>	<b>\$3,550</b>	<b>\$4,250</b>	<b>\$5,000</b>	<b>\$5,000</b>	<b>\$5,000</b>
<b>Meetings Per Fiscal Year</b>	4	5	6	6	6

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Agency Code: 450      Agency: Department of Savings and Mortgage Lending

**Description and Justification for Continuation/Consequences of Abolishing**

Pursuant to the Finance Code, §156.104, Mortgage Broker Licensing Act, the Mortgage Broker Advisory Committee was created to advise and assist the Commissioner regarding the regulation of mortgage brokers and loan officers with respect to the proposal and adoption of rules relating to licensing, education and experience requirements, conduct and ethics, continuing education requirements, the granting or denying of licenses, and the interpretation, implementation, and enforcement of the chapter.

The committee consists of six members, with four licensed and active mortgage brokers appointed by the Commissioner and two licensed real estate brokers or salespersons appointed by the Texas Real Estate Commission. Members serve for staggered three year terms, with the terms of two members expiring February 1 of each year.

The industry expertise has been helpful in establishing standards for this program. Without the committee, the Department would need to establish other relationships to obtain professional input regarding the industry.

Committee members receive no compensation. Several current members do not claim reimbursement for travel costs; for the members who do claim reimbursement, the claim for attendance at 3-6 meetings annually are minimal. They are paid from Department appropriations.

## 6.I. 10 Percent Biennial Base Reduction Options Schedule

**Approved Reduction Amount**

**\$856,384**

"Approved Base" here refers to approved 2008-09 base AFTER policy letter exceptions have been excluded.

Agency Code:		Agency Name:									
Rank	Reduction Item		Biennial Application of 10% Percent Reduction					FTE Reductions (FY 2010-11 Base Request Compared to Budgeted 2009)		Revenue Impact? Y/N	Cumulative GR-related reduction as a % of Approved Base
	Strat	Name	GR	GR-Dedicated	Federal	Other	All Funds	FY 08	FY 09		
1	1-1-1	Thrift Examinations	298,842	0			\$ 298,842	2.0	2.0	N	3.5%
2	2-1-1	Consumer Complaints	94,090	0			\$ 94,090	1.0	1.0	N	4.6%
3	2-1-2	Mortgage Broker Examination	463,452	0			\$ 463,452	4.0	4.0	N	10.0%
4							\$ -				10.0%
5							\$ -				10.0%
<b>Agency Biennial Total</b>			<b>\$ 856,384</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 856,384</b>	<b>7.0</b>	<b>7.0</b>		<b>10.0%</b>
<b>Agency Biennial Total (GR + GR-D)</b>				<b>\$ 856,384</b>							

**Rank / Name**

**Explanation of Impact to Programs and Revenue Collections**

**1 Thrift Examinations**

The Department is a self-funding, self-leveling agency and all costs, including employee benefits and other direct and indirect costs are funded by revenue generated by the Department.

Field examiners were chosen to absorb the majority of the reduction because of their relatively high per capita cost. They are higher paid on average and incur high travel cost and use more expensive computers and telephone service than administrative staff so fewer FTEs are sacrificed to achieve the 10% reduction. Because of the current turmoil in the mortgage industry and the abuses found through broker inspections, the agency has chosen not to take all of the 10% reduction in the mortgage regulation program, even though it consumes the larger part of the agency's resources. Curtailing the thrift examination program will result in the agency failing to complete the number of examinations required by the priority schedule. The agency cannot afford to sacrifice thrift safety and soundness staff in the current economic environment.

**2 Consumer Complaints**

The Department is a self-funding, self-leveling agency and all costs, including employee benefits and other direct and indirect costs are funded by revenue generated by the Department.

Until the last biennium the agency was inadequately staffed for mortgage originator regulation from its inception in FY 2000. The current population of originators, although down from the peak near 30,000 in 2005, still exceeds initial projections by over 400%. To combat mortgage fraud and address the understaffing, the 78th, 79th, and 80th Legislatures increased FTEs and funding. As a result, the agency has been able to promptly license applicants, conduct meaningful inspections, reduce the consumer complaint backlog, and take enforcement action against licensees who violate state and federal mortgage law.

Findings from the inspection and complaint resolution programs continue to indicate a high degree of non-compliance and mortgage abuse, as evidenced by the consumer protection division effecting the payment of over \$640,000 in restitution to Texas home buyers since FY 2006. A reduction of this magnitude, particularly in the current environment of turmoil and uncertainty in the mortgage industry, will return the agency to an understaffed level and place the agency back in the position of being unable to promptly resolve complaints and effectively protect consumers.

**3 Mortgage Broker Examination**

The Department is a self-funding, self-leveling agency and all costs, including employee benefits and other direct and indirect costs are funded by revenue generated by the Department.

Until the last biennium the agency was inadequately staffed for mortgage originator regulation from its inception in FY 2000. The current population of originators, although down from the peak near 30,000 in 2005, still exceeds initial projections by over 400%. To combat mortgage fraud and address the understaffing, the 78th, 79th, and 80th Legislatures increased FTEs and funding.

Findings from regulatory programs continue to indicate a high degree of non-compliance and mortgage abuse. Field examiners were chosen to absorb the majority of the reduction because of their relatively high per capita cost. They are higher paid on average and incur high travel cost and use more expensive computers and telephone service than administrative staff so fewer FTEs are sacrificed to achieve the reduction. Because of the current turmoil in the mortgage industry and the abuses found through broker inspections, the agency cannot afford to take most of the 10% reduction in the mortgage regulation program, even though it consumes the larger part of the agency's resources. A reduction of this magnitude will leave the agency understaffed, reduce the number of inspections and increase the likelihood of Texas consumers falling prey to mortgage fraud.

**7.A. INDIRECT ADMINISTRATIVE AND SUPPORT COSTS**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008  
 TIME : 2:03:20PM

Agency code: 450

Agency name: Department of Savings and Mortgage Lending

Strategy	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
<b>1-1-1 Perform Examinations and Coordinate with Federal Regulators</b>					
<b>OBJECTS OF EXPENSE:</b>					
1001 SALARIES AND WAGES	\$ 65,043	\$ 90,019	\$ 97,436	\$ 97,942	\$ 97,942
1002 OTHER PERSONNEL COSTS	8,312	8,761	2,448	1,832	1,832
2001 PROFESSIONAL FEES AND SERVICES	-744	0	2,032	1,332	1,332
2003 CONSUMABLE SUPPLIES	482	1,208	1,088	1,094	1,094
2004 UTILITIES	48	370	351	189	189
2005 TRAVEL	37	290	394	390	390
2006 RENT - BUILDING	124	223	190	191	191
2009 OTHER OPERATING EXPENSE	3,226	5,861	5,149	8,209	8,209
5000 CAPITAL EXPENDITURES	0	182	163	0	0
<b>Total, Objects of Expense</b>	<b>\$ 76,528</b>	<b>\$ 106,914</b>	<b>\$ 109,251</b>	<b>\$ 111,179</b>	<b>\$ 111,179</b>
<b>METHOD OF FINANCING:</b>					
1 General Revenue Fund	76,528	106,914	109,251	111,179	111,179
<b>Total, Method of Financing</b>	<b>\$ 76,528</b>	<b>\$ 106,914</b>	<b>\$ 109,251</b>	<b>\$ 111,179</b>	<b>\$ 111,179</b>
<b>FULL TIME EQUIVALENT POSITIONS</b>	<b>1.4</b>	<b>2.1</b>	<b>1.9</b>	<b>1.9</b>	<b>1.9</b>

**Method of Allocation**

Indirect administrative and support costs are allocated among strategies on the basis of appropriation level in each strategy as a percent of total direct strategy appropriation level. This method was selected because the agency is small but labor intensive and both appropriation level and administrative demands are closely related to staffing and the amount of travel required for a strategy.

**7.A. INDIRECT ADMINISTRATIVE AND SUPPORT COSTS**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008  
 TIME : 2:03:28PM

Agency code: 450

Agency name: Department of Savings and Mortgage Lending

Strategy	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
<b>2-1-1</b>	<b>Process License Applications, Establish Continuing Education Standards</b>				
<b>OBJECTS OF EXPENSE:</b>					
1001 SALARIES AND WAGES	\$ 74,231	\$ 76,951	\$ 69,424	\$ 70,815	\$ 70,815
1002 OTHER PERSONNEL COSTS	9,486	7,489	1,744	1,325	1,325
2001 PROFESSIONAL FEES AND SERVICES	-849	0	1,448	963	963
2003 CONSUMABLE SUPPLIES	551	1,032	775	791	791
2004 UTILITIES	55	317	250	136	136
2005 TRAVEL	43	248	280	282	282
2006 RENT - BUILDING	141	191	136	138	138
2009 OTHER OPERATING EXPENSE	3,682	5,010	3,669	5,935	5,935
5000 CAPITAL EXPENDITURES	0	156	116	0	0
<b>Total, Objects of Expense</b>	<b>\$ 87,340</b>	<b>\$ 91,394</b>	<b>\$ 77,842</b>	<b>\$ 80,385</b>	<b>\$ 80,385</b>

**METHOD OF FINANCING:**

1 General Revenue Fund	87,340	91,394	77,842	80,385	80,385
<b>Total, Method of Financing</b>	<b>\$ 87,340</b>	<b>\$ 91,394</b>	<b>\$ 77,842</b>	<b>\$ 80,385</b>	<b>\$ 80,385</b>

**FULL TIME EQUIVALENT POSITIONS**

	1.6	1.8	1.4	1.4	1.4
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**Method of Allocation**

Indirect administrative and support costs are allocated among strategies on the basis of appropriation level in each strategy as a percent of total direct strategy appropriation level. This method was selected because the agency is small but labor intensive and both appropriation level and administrative demands are closely related to staffing and the amount of travel required for a strategy.



**7.A. INDIRECT ADMINISTRATIVE AND SUPPORT COSTS**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008  
 TIME : 2:03:28PM

Agency code: 450

Agency name: Department of Savings and Mortgage Lending

Strategy	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
<b>2-1-2 Mortgage Broker Examination</b>					
<b>OBJECTS OF EXPENSE:</b>					
1001 SALARIES AND WAGES	\$ 96,602	\$ 97,157	\$ 102,971	\$ 97,350	\$ 97,350
1002 OTHER PERSONNEL COSTS	12,345	9,455	2,587	1,821	1,821
2001 PROFESSIONAL FEES AND SERVICES	-1,105	0	2,147	1,323	1,323
2003 CONSUMABLE SUPPLIES	716	1,303	1,150	1,087	1,087
2004 UTILITIES	71	400	371	187	187
2005 TRAVEL	56	313	416	388	388
2006 RENT - BUILDING	184	241	201	190	190
2009 OTHER OPERATING EXPENSE	4,791	6,326	5,441	8,159	8,159
4000 GRANTS	0	197	172	0	0
<b>Total, Objects of Expense</b>	<b>\$ 113,660</b>	<b>\$ 115,392</b>	<b>\$ 115,456</b>	<b>\$ 110,505</b>	<b>\$ 110,505</b>

**METHOD OF FINANCING:**

1 General Revenue Fund	113,660	115,392	115,456	110,505	110,505
<b>Total, Method of Financing</b>	<b>\$ 113,660</b>	<b>\$ 115,392</b>	<b>\$ 115,456</b>	<b>\$ 110,505</b>	<b>\$ 110,505</b>

**FULL TIME EQUIVALENT POSITIONS**

	2.1	2.3	2.0	1.9	1.9
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**Method of Allocation**

Indirect administrative and support costs are allocated among strategies on the basis of appropriation level in each strategy as a percent of total direct strategy appropriation level. This method was selected because the agency is small but labor intensive and both appropriation level and administrative demands are closely related to staffing and the amount of travel required for a strategy.

7.A. INDIRECT ADMINISTRATIVE AND SUPPORT COSTS  
81st Regular Session, Agency Submission, Version 1  
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008  
TIME : 2:03:28PM

Agency code: 450

Agency name: Department of Savings and Mortgage Lending

Strategy	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
2-1-3 TexasOnline. Estimated and Nontransferable					

**Method of Allocation**

No indirect administrative and support costs are allocated to this strategy.

**7.A. INDIRECT ADMINISTRATIVE AND SUPPORT COSTS**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008  
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Agency code: 450

Agency name: Department of Savings and Mortgage Lending

Strategy	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
<b>3-1-1</b>	<b>Provide a Forum for Registering Complaints, and Respond to Requests</b>				
<b>OBJECTS OF EXPENSE:</b>					
1001 SALARIES AND WAGES	\$ 30,293	\$ 34,500	\$ 37,190	\$ 40,914	\$ 40,914
1002 OTHER PERSONNEL COSTS	3,871	3,357	934	765	765
2001 PROFESSIONAL FEES AND SERVICES	-347	0	776	556	556
2003 CONSUMABLE SUPPLIES	225	463	415	457	457
2004 UTILITIES	22	142	134	79	79
2005 TRAVEL	17	111	150	163	163
2006 RENT - BUILDING	58	86	73	80	80
2009 OTHER OPERATING EXPENSE	1,503	2,246	1,965	3,429	3,429
5000 CAPITAL EXPENDITURES	0	70	62	0	0
<b>Total, Objects of Expense</b>	<b>\$ 35,642</b>	<b>\$ 40,975</b>	<b>\$ 41,699</b>	<b>\$ 46,443</b>	<b>\$ 46,443</b>
<b>METHOD OF FINANCING:</b>					
1 General Revenue Fund	35,642	40,975	41,699	46,443	46,443
<b>Total, Method of Financing</b>	<b>\$ 35,642</b>	<b>\$ 40,975</b>	<b>\$ 41,699</b>	<b>\$ 46,443</b>	<b>\$ 46,443</b>
<b>FULL TIME EQUIVALENT POSITIONS</b>	<b>0.6</b>	<b>0.8</b>	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>

**Method of Allocation**

Indirect administrative and support costs are allocated among strategies on the basis of appropriation level in each strategy as a percent of total direct strategy appropriation level. This method was selected because the agency is small but labor intensive and both appropriation level and administrative demands are closely related to staffing and the amount of travel required for a strategy.

**7.A. INDIRECT ADMINISTRATIVE AND SUPPORT COSTS**  
 81st Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/13/2008  
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Agency code: 450

Agency name: Department of Savings and Mortgage Lending

	Exp 2007	Est 2008	Bud 2009	BL 2010	BL 2011
<b>GRAND TOTALS</b>					
<b>Objects of Expense</b>					
1001 SALARIES AND WAGES	\$266,169	\$298,627	\$307,021	\$307,021	\$307,021
1002 OTHER PERSONNEL COSTS	\$34,014	\$29,062	\$7,713	\$5,743	\$5,743
2001 PROFESSIONAL FEES AND SERVICES	\$(3,045)	\$0	\$6,403	\$4,174	\$4,174
2003 CONSUMABLE SUPPLIES	\$1,974	\$4,006	\$3,428	\$3,429	\$3,429
2004 UTILITIES	\$196	\$1,229	\$1,106	\$591	\$591
2005 TRAVEL	\$153	\$962	\$1,240	\$1,223	\$1,223
2006 RENT - BUILDING	\$507	\$741	\$600	\$599	\$599
2009 OTHER OPERATING EXPENSE	\$13,202	\$19,443	\$16,224	\$25,732	\$25,732
4000 GRANTS	\$0	\$197	\$172	\$0	\$0
5000 CAPITAL EXPENDITURES	\$0	\$408	\$341	\$0	\$0
<b>Total, Objects of Expense</b>	<b>\$313,170</b>	<b>\$354,675</b>	<b>\$344,248</b>	<b>\$348,512</b>	<b>\$348,512</b>
<b>Method of Financing</b>					
1 General Revenue Fund	\$313,170	\$354,675	\$344,248	\$348,512	\$348,512
<b>Total, Method of Financing</b>	<b>\$313,170</b>	<b>\$354,675</b>	<b>\$344,248</b>	<b>\$348,512</b>	<b>\$348,512</b>
<b>Full-Time-Equivalent Positions (FTE)</b>	<b>5.7</b>	<b>7.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>