



Douglas B. Foster
Commissioner

TEXAS

Department of Savings & Mortgage Lending

Senate Committee on Business and Commerce Third Quarter 2014 Agency Update

- All required rule adjustments resulting from statutory changes in the 83rd Legislative Session related to SB 1004 and SB 1008 were proposed to and adopted by the Finance Commission of Texas and implemented by the agency prior to the fiscal year end.
- Several issues of expanded oversight related to mortgage regulations in Chapters 156, 157, and 158 are anticipated to be proposed to the 84th Legislative session in 2015. The purpose is to better align the Department's authority with the Consumer Financial Protection Bureau's (CFPB) authority and multi-state joint examination efforts. An additional purpose for the proposed legislation relates to enforcement powers pertaining to mortgage bankers and adoption of national model state language related to prudential standards and examination authority for mortgage servicers.
- Mortgage Loan Originator License Applications - The volume of new applications has been significantly higher than predicted averaging almost 500 new applications a month for the past 32 months. Recent increases in mortgage rates have caused a contraction in mortgage loan originations, nationwide. However, the strength of the purchase mortgage originations in Texas far exceeds the remainder of the country and makes the state an attractive market for out of state originators to add a Texas license.
- State Savings Banks (SSB) – Safety and soundness measures reflect the industry in Texas is stronger than before the recent financial crisis began. With 93 percent of SSB charters in the top two quality rankings we have every reason to believe that by the time the legislative session begins there will be no SSBs categorized as problem banks.
- Dodd-Frank Wall Street Reform Act - The Department is participating in a test project with the CFPB on consumer complaint resolution and information sharing. The CFPB joint examination schedule for 2014 includes two Texas based mortgage originators. To date, the CFPB has only conducted mortgage servicer examinations in Texas; the Department participated on a limited basis on these examinations because of statutory restraints. Many federal rules with significant implications for the availability of mortgage credit took effect January 10, 2014, including definitions for Qualified Mortgages (QM), addressing "ability to repay" test and loan officer compensation guidance. The new examinations will focus on compliance with these federal changes.