



Douglas B. Foster
Commissioner

TEXAS

Department of Savings & Mortgage Lending

Senate Committee on Business and Commerce Second Quarter 2014 Agency Update

- State Savings Banks – Safety and soundness measures reflect the industry in Texas is stronger than before the recent financial crisis began. The FDIC recently initiated a nationwide measure of depository institutions exposure to interest rate risk. The FDIC is concerned institutions are extending the maturities of their assets for higher yields while funding those investments with short term funds. This causes problems in a rising rate environment. Our state savings banks, with their emphasis on providing home loans to Texas citizens, are historically exposed to this risk. The FDIC identified 752 banks nationwide with excess exposure, but none of them were Texas state savings banks. Our agency initiated a similar monitoring program over two years ago which provided motivation and guidance to our exposed institutions as they worked their way into a more balanced position.
- 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 with our department. Many federal rules with significant implications for the availability of mortgage credit take 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.
- Mortgage Loan Originator License Applications - The volume of new applications continues at a higher rate than predicted, as did the renewal of expiring licenses. Despite recent increases in mortgage rates causing a contraction in originations and large depository institutions announcing layoffs of originators, Texas continues to be one of the strongest mortgage markets in the country.