

Texas Department of Banking Testimony

Briefing Packet for The House Committee on Financial Institutions

Date: April 6, 2000

What is the Department of Banking Doing?

1. Sunset Review of Finance Commission Agencies
2. Responding to Financial Modernization
3. Preparing for Electronic Banking
4. Y2K Post Mortem
5. Implementing Optical Imaging
6. Redirecting Internal Resources to Meet Performance Measures
7. Finance Commission Studies

Sunset Review of Finance Commission Agencies

1. Self-evaluation Reports Submitted in August 1999 for Department of Banking and Finance Commission
2. Reports Posted on Respective Agency Web Sites (under "What's New" for August 1999)
3. Department of Banking
4. Finance Commission
5. Working on Internal Matters in Preparation for On-site-Review by Sunset Advisory Commission Staff in May 2000
6. Briefing Members of Sunset Advisory Commission regarding Department and Finance Commission Operations and Issues

Sunset Issues for:

- **Finance Commission**
 - Administrative Law Judge (ALJ)
Should the Finance Commission Administrative Law Judge be maintained as an independent function of the Finance Commission?
 - Makeup of Commission
Should membership of the Finance Commission be realigned to represent industries currently regulated by the Finance Commission agencies?
 - Self-Directed or Semi-Independent Agency Status
Should the Finance Commission and its agencies become self-directed, semi-independent agencies?
 - Review of Oversight Structure
There is a great variety to organizational structures in states other than Texas
 - Rulemaking Authority over Constitutional Home Equity Lending Provisions

- **Department of Banking**

- Funeral Industry

- Would the licensing, regulation, supervision, and examination of the death care industry be improved through restructuring of supervision, increased specificity in the statutes, and redesigned agency authority to encourage compliance with the statutes?

Responding to Financial Modernization

Received Charge from Involved Legislative Committees to:

- Perform a Cooperative Study of the Impact of Financial Modernization on Existing Texas Statutes and Rules
- Enable Cooperative Authorization and Implementation of Permissible Non-banking Activities
- Make Consensus Recommendations Regarding Needed Legislative Changes to State Law
- Initiated "Functional Regulation" Meetings between the Department of Banking, Savings and Loan Department, State Securities Board, Texas Department of Insurance, and Attorney General's Office
- Working to Complete Revisions to Interagency Agreements between the Functional Regulators
- Addressing Questions Arising from Bankers on Financial Modernization
- Speaking to Bankers and Mixed-industry Groups around the State on Financial Modernization
- Working with the Conference of State Bank Supervisors to Coordinate with Federal and Other States' Efforts

Preparing for Electronic Banking

- Commissioner James and General Counsel Jobe are on Conference of State Bank Supervisors' Committee on Electronic Banking
- Reviewing Current State Law and Proposals in Congress on Digital Signatures
- National Conference of Commissioners on Uniform State Laws (NCCUSL) Proposal to be Voted on in July 2000
- Will Need to be Considered by the 77th Legislature
- Conducting Survey of State-chartered Banks to Determine Level of E-Banking Services Currently Offered
- Training Safety/Soundness Examiners to Conduct Review of E-Banking Activity at Regularly Scheduled Bank Examinations

Y2K Post Mortem

- No Banking System Fall-out from Computer Failures
- Consumer Phone Bank Received Few Calls During Rollover Period
- Bank Information Systems Have Been Upgraded in Preparation for Y2K
- Examiners are Reviewing Bank Loan Portfolios to Detect Potential Problems for Loan Customers

Implementing Optical Imaging

- Bid Opening on Request for Offer on April 5, 2000
- Thirty-day Negotiation Period with Top Three "Best Value" Bidders
Target Implementation May/June 2000

Process will Provide:

- More Efficient Workflow Process
- Increased Access to Public Documents on the Internet

Redirecting Internal Resources to Meet Performance Measures

Difficulty Meeting Examination Mandates in Prepaid Funeral, Perpetual Care Cemetery, Sale of Checks and Currency Exchange Areas due to:

- Examiner Turnover
- Increases in Licensees
- Compliance Problems
- Examiner Staffing Has Been Doubled Over Last Three Years
- Bank Examiners Rotating in to Assist in Non-bank Examination Catch-up

Finance Commission Studies

Section 11.305 of Finance Code Mandates Studies re: Availability, Quality and Pricing of Financial Services & Practices of Financial Servicers

Two Studies Completed:

- 1998 Study on Consumer Depository and Cash Services
- 1999 Study on Home Equity Lending

Studies Available on the Commission's Web Site under "Finance Commission Studies"

- Focus in 2000 on Non-residential Consumer Lending
- Bids Being Reviewed
- Award Expected at April Finance Commission Meeting