



STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS

IN THE MATTER OF DETERMINING  
Whether there has been a violation of the  
Mortgage Broker Practices Act of Washington by:

WLN FINANCIAL, INC. d/b/a WASHINGTON  
LOAN NETWORK, INC., and HENRY DEPANO,  
Owner, President and Designated Broker,

Respondents.

NO. C-08-303-09-FO01

FINAL ORDER OF DEFAULT

I. DIRECTOR'S CONSIDERATION

A. Default. This matter has come before the Director of the Department of Financial Institutions of the State of Washington (Director), through his designee, Consumer Services Division Director Deborah Bortner, pursuant to RCW 34.05.440(1). On October 23, 2008, the Director, through Consumer Services Division Director Deborah Bortner, entered a Statement of Charges and Notice of Intention to Enter an Order to Revoke Licenses, Prohibit from Industry, Impose Fine, Order Restitution, and Collect Investigation Fee (Statement of Charges). A copy of the Statement of Charges is attached and incorporated into this order by this reference. The Statement of Charges was accompanied by a cover letter dated October 24, 2008, a Notice of Opportunity to Defend and Opportunity for Hearing, and blank Applications for Adjudicative Hearing for Respondents. The Department served the Statement of Charges, cover letter dated October 24, 2008, Notice of Opportunity to Defend and Opportunity for Hearing, and blank Applications for Adjudicative Hearing on Respondents on October 24, 2008, by First-Class mail and Federal Express overnight delivery. On October 27, 2008, the documents sent via Federal Express overnight delivery were delivered. The

1 documents sent via First-Class mail were not returned to the Department by the United States Post  
2 Office.

3 Respondents did not request an adjudicative hearing within twenty calendar days after the  
4 Department served them with the Notice of Opportunity to Defend and Opportunity for Hearing, as  
5 provided for in WAC 208-08-050(2).

6 B. Record Presented. The record presented to the Director's designee for her review and  
7 for entry of a final decision included the Statement of Charges, cover letter dated October 24, 2008,  
8 Notice of Opportunity to Defend and Opportunity for Hearing, and blank Applications for Adjudicative  
9 Hearing for Respondents, with documentation of service;

10 C. Factual Findings and Grounds For Order. Pursuant to RCW 34.05.440(1), the  
11 Director's designee hereby adopts the Statement of Charges, which is attached hereto.

## 12 II. FINAL ORDER

13  
14 Based upon the foregoing, and the Director's designee having considered the record and  
15 being otherwise fully advised, NOW, THEREFORE:

16 A. IT IS HEREBY ORDERED, That:

- 17 1. Respondent WLN Financial Inc. d/b/a Washington Loan Network Inc.'s license to  
18 conduct the business of a mortgage broker is revoked;
- 19 2. Respondent Henry T. Depano's loan originator license is revoked;
- 20 3. Respondent WLN Financial Inc. d/b/a Washington Loan Network Inc. is prohibited  
21 from participation in the conduct of the affairs of any mortgage broker subject to  
22 licensure by the Director, in any manner, for a period of 5 years;
- 23 4. Respondent Henry T. Depano is prohibited from participation in the conduct of the  
24 affairs of any mortgage broker subject to licensure by the Director, in any manner, for  
25 a period of 5 years;

- 1 5. Respondents WLN Financial Inc. d/b/a Washington Loan Network Inc. and Henry T.  
2 Depano jointly and severally pay a fine of \$36,500;
- 3 6. Respondents WLN Financial Inc. d/b/a Washington Loan Network Inc. and Henry T.  
4 Depano jointly and severally pay an investigation fee of \$720;
- 5 7. Respondents maintain records in compliance with the Act and provide the Department  
6 with the location of the books, records and other information relating to Respondent  
7 WLN Financial Inc.'s mortgage broker business, and the name, address and telephone  
8 number of the individual responsible for maintenance of such records in compliance  
9 with the Act.

10 B. Reconsideration. Pursuant to RCW 34.05.470, Respondents have the right to file a  
11 Petition for Reconsideration stating the specific grounds upon which relief is requested. The Petition  
12 must be filed in the Office of the Director of the Department of Financial Institutions by courier at 150  
13 Israel Road SW, Tumwater, Washington 98501, or by U.S. Mail at P.O. Box 41200, Olympia,  
14 Washington 98504-1200, within ten (10) days of service of the Final Order upon Respondents. The  
15 Petition for Reconsideration shall not stay the effectiveness of this order nor is a Petition for  
16 Reconsideration a prerequisite for seeking judicial review in this matter.

17 A timely Petition for Reconsideration is deemed denied if, within twenty (20) days from the date  
18 the petition is filed, the agency does not (a) dispose of the petition or (b) serve the parties with a written  
19 notice specifying the date by which it will act on a petition.

20 C. Stay of Order. The Director's designee has determined not to consider a Petition  
21 to Stay the effectiveness of this order. Any such requests should be made in connection with a Petition  
22 for Judicial Review made under chapter 34.05 RCW and RCW 34.05.550.

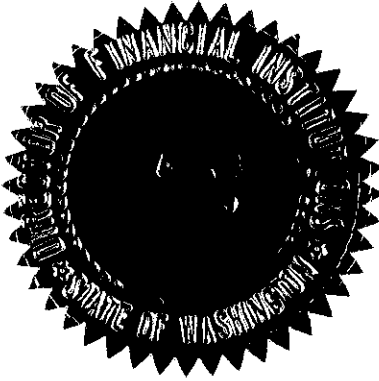
23 D. Judicial Review. Respondents have the right to petition the superior court for  
24 judicial review of this agency action under the provisions of chapter 34.05 RCW. For the requirements  
25 for filing a Petition for Judicial Review, see RCW 34.05.510 and sections following.


1 E. Non-compliance with Order. If you do not comply with the terms of this order, the  
2 Department may seek its enforcement by the Office of Attorney General to include the collection of the  
3 fines and fees imposed herein.

4 F. Service. For purposes of filing a Petition for Reconsideration or a Petition for  
5 Judicial Review, service is effective upon deposit of this order in the U.S. mail, declaration of service  
6 attached hereto.

7  
8 DATED this 7<sup>th</sup> day of October, 2009.

9 STATE OF WASHINGTON  
10 DEPARTMENT OF FINANCIAL INSTITUTIONS



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13 DEBORAH BORTNER  
14 DIRECTOR  
15 DIVISION OF CONSUMER SERVICES

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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
DIVISION OF CONSUMER SERVICES**

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IN THE MATTER OF DETERMINING  
Whether there has been a violation of the  
Mortgage Broker Practices Act of Washington by:

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WLN FINANCIAL, INC. d/b/a WASHINGTON  
LOAN NETWORK, INC., and HENRY  
DEPANO, Owner, President and Designated  
Broker,

Respondents.

NO. C-08-303-08-SC01

STATEMENT OF CHARGES and NOTICE OF  
INTENTION TO ENTER AN ORDER TO REVOKE  
LICENSES, PROHIBIT FROM INDUSTRY, IMPOSE  
FINE, ORDER RESTITUTION, AND COLLECT  
INVESTIGATION FEE

**INTRODUCTION**

Pursuant to RCW 19.146.220 and RCW 19.146.223, the Director of the Department of Financial  
Institutions of the State of Washington (Director) is responsible for the administration of chapter 19.146 RCW, the  
Mortgage Broker Practices Act (Act)<sup>1</sup>. After having conducted an investigation pursuant to RCW 19.146.235, and  
based upon the facts available as of the date of this Statement of Charges, the Director, through his designee,  
Division of Consumer Services Director Deborah Bortner, institutes this proceeding and finds as follows:

**I. FACTUAL ALLEGATIONS**

**1.1 Respondents.**

A. **WLN Financial Inc. d/b/a Washington Loan Network, Inc. (Respondent WLN)** was  
licensed by the Department of Financial Institutions of the State of Washington (Department) to conduct  
business as a mortgage broker on February 1, 2005. Respondent WLN was licensed to conduct business at  
4522 S. 221<sup>st</sup> Kent, Washington 98032. WLN was also licensed to conduct business at one branch location.  
WLN surrendered its mortgage broker license on July 10, 2008.

B. **Henry T. Depano (Respondent Depano)** was the Owner, President and Designated Broker of  
Respondent WLN for all relevant periods outlined in this Statement of Charges. Respondent Depano is  
currently licensed as a loan originator with the Department, however his license is inactive.

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<sup>1</sup> RCW 19.146 (2006)

1 **1.2 Examination.** On July 24, 2008, the Department conducted an on-site examination of Respondents'  
2 loan portfolio (16 loans examined) and business practices for the period of March 31, 2006, through April 30,  
3 2008. During the course of the examination the Department discovered violations of the Act.

4 **1.3 Failing to Disclose Increased Fees.** Respondents did not provide 6 borrowers with subsequent  
5 disclosures and a written explanation identifying a fee increase that benefited Respondents. The fees increased  
6 from the initial Good Faith Estimate (GFE) to the HUD-1 without the required disclosures being provided to  
7 borrowers at least 3 days prior to signing the loan closing documents.

8 **1.4 Deceptive Disclosures.** Respondents did not provide 7 borrowers with accurate Truth In Lending  
9 Statements (TILs). Six of the 7 borrowers were provided TILs that contained no information regarding the  
10 prepayment penalty, late charges, property address, demand feature, or whether the loan was assumable. One of  
11 the borrowers received a TIL that did not disclose an adjustable rate loan as the variable rate feature box was  
12 not checked.

13 **1.5 Failing to Disclose Fees.** Respondents did not specify on 14 borrowers' GFEs that they were being  
14 charged a processing and administrative fee. The 14 borrowers were charged fees totaling \$11,440. In  
15 addition, Respondents used line 801, rather than lines 808-811, of the GFE to disclose the mortgage broker fee  
16 to 6 borrowers.

17 **1.6 Failing to Properly Disclose Loan Originator's License.** Respondents failed to include individual  
18 loan originator license numbers on 16 residential mortgage loans.

19 **1.7 Incomplete Rate-Lock Agreement.** Respondents did not provide complete rate-lock agreements to  
20 ten borrowers when the rate-locks had been confirmed by the lenders.

21 **1.8 Failing to Properly Disclose the Yield Spread Premium on the GFE.** Respondents did not properly  
22 disclose the Yield Spread Premium (YSP) to 6 borrowers as a "yield spread premium" on the GFE, did not list  
23 the YSP in the 800 series of lines on the GFE, and did not disclose the YSP as a dollar amount or a dollar range  
24 on the GFE.

25

1 In addition, Respondents did not disclose the YSP on the GFE to 5 borrowers. Respondents received  
2 YSP fees for the 5 loans, from lenders, in the amount of \$3,534.21.

3 **1.9 Failing to Comply with Department Directive.** As part of the July 24, 2008, examination, the  
4 Department sent, via mail and email, Respondents a request to provide a loan list and a Designated Broker's  
5 Questionnaire. The request was sent to Respondents on April 7, 2008, with a deadline to respond of May 9,  
6 2008. Respondents did not respond to the request. During the on-site exam Respondent Depano informed  
7 examiners that he would provide them with the loan list and Questionnaire during the exam. Respondent  
8 Depano did not provide the requested items and has not as of the date of this Statement of Charges.

9 **1.10 Operating Under Unlicensed Name.** Respondent WLN was licensed to conduct the business of a  
10 Mortgage Broker in the State of Washington under the name WLN Financial, Inc. d/b/a Washington Loan  
11 Network, Inc. Respondents never received the written consent of the Director to operate under any name other  
12 than the one under which the license was issued. Respondents used the unregistered trade name Depano  
13 Mortgage on borrowers' 1003 mortgage applications, GFEs, HUD-1s, and rate-lock agreements. Respondents  
14 also received checks from escrow made payable to Depano Mortgage. The unregistered trade name was used  
15 on all 16 files reviewed by the Department.

16 **1.11 Investigation Fees.** As a result of the examination, the Department conducted an investigation into  
17 the violations of the Act and has accrued investigation fees, as of the date of this document, totaling \$720.

18 **1.12 On-Going Investigation.** The Department's investigation into the alleged violations of the Act by  
19 Respondents continues to date.

## 20 II. GROUNDS FOR ENTRY OF ORDER

21 **2.1 Prohibited Acts.** Based on the Factual Allegations set forth in Section I above, Respondents are in  
22 apparent violation of RCW 19.146.0201(1), (2), (3), (6), (7),(11), (13) and (15) for directly or indirectly  
23 employing a scheme, device or artifice to defraud or mislead borrowers or lenders or any person, engaging in an  
24 unfair or deceptive practice toward any person, obtaining property by fraud or misrepresentation, failing to  
25 make disclosures to loan applicants and noninstitutional investors as required by RCW 19.146.030 and any

1 other applicable state or federal law, making, in any manner, any false or deceptive statement or representation  
2 with regard to the rates, points, or other financing terms or conditions for a residential mortgage loan or  
3 engaging in bait and switch advertising, failing to comply with any requirement of the Truth In Lending Act,  
4 15, U.S.C. Sec. 1601, Regulation Z, 12 C.F.R. Sec. 226, the Real Estate Settlement Procedures Act, 12 U.S.C.  
5 Sec. 2601, Regulation X, 24 C.F.R. Sec. 3500, collecting, charging, attempting to collect or charge or using or  
6 proposing any agreement purporting to collect or charge any fee prohibited by RCW 19.146.030 or RCW  
7 19.146.070, failing to comply with any provision of RCW 19.146.030 through 19.146.080 or any rule adopted  
8 under those sections.

9 **2.2 Requirement to Disclose Residential Mortgage Loan Fees.** Based on the Factual Allegations set  
10 forth in Section I above, Respondents are in apparent violation of RCW 19.146.030(1), for failing to provide  
11 borrowers with full written disclosures, containing an itemization and explanation of all fees and costs that the  
12 borrowers were required to pay in connection with obtaining a residential mortgage loan, within three days  
13 following receipt of a loan application or any moneys from the borrowers.

14 **2.3 Prohibited Fees.** Based on the Factual Allegations set forth in Section I above, Respondents are in  
15 apparent violation of RCW 19.146.030(4) for charging fees inuring to the benefit of a mortgage broker in  
16 excess of the fees disclosed on the initial written disclosures where the fees were reasonably foreseeable by the  
17 mortgage broker at the time the initial written disclosures were provided to borrowers, and/or where the  
18 mortgage broker failed to provide the borrowers, no less than three business days prior to the signing of the loan  
19 closing documents, a clear written explanation of the fees and the reason for charging fees exceeding those  
20 which were previously disclosed.

21 **2.4 Requirement to Display Loan Originator's License.** Based upon the Factual Allegations set forth in  
22 Section I above, Respondents are in apparent violation of WAC 208-660-350(27) for failing to include loan  
23 originator license numbers on residential mortgage loan applications.

24 **2.5 Requirement to Disclose Rate-Lock Agreement.** Based upon the Factual Allegations set forth in  
25 Section I above, Respondents are in apparent violation of RCW 19.146.030(2)(c) and (e) for failing to provide

1 written disclosures of the cost, terms, duration, and conditions of a lock-in agreement and whether a lock-in  
2 agreement has been entered, and whether the lock-in agreement is guaranteed by the mortgage broker or lender,  
3 and if a lock-in agreement has not been entered, disclosure in a form acceptable to the director that the disclosed  
4 interest rate and terms are subject to change, and for failing to disclose whether and under what conditions any  
5 lock-in fees are refundable to the borrower.

6 **2.6 Requirement to Properly Disclose the YSP on the GFE.** Based on the Factual Allegations set forth  
7 in Section I above, Respondents are in apparent violation of WAC 208-660-430(5)(a) for failing to disclose the  
8 YSP in the 800 series of lines on the GFE, failing to use the words "yield spread premium" on the GFE, and for  
9 failing to express the YSP as a dollar amount or dollar amount range on the GFE.

10 **2.7 Requirement to Maintain Accurate and Current Books and Records.** Pursuant to RCW 19.146.060  
11 and WAC 208-660-450, a mortgage broker shall make accurate and current books and records readily available  
12 to the Department until at least twenty-five months have elapsed following the effective period to which the  
13 books and records relate.

14 **2.8 Operating Under Unregistered Name.** Based on the Factual Allegations set forth in Section I above,  
15 Respondents are in apparent violation of RCW 19.146.250 and WAC 208-660-180(9) for operating under a  
16 name other than the one under which the license is issued without obtaining the written consent of the Director.

### 18 III. AUTHORITY TO IMPOSE SANCTIONS

19 **3.1 Authority to Revoke License.** Pursuant to RCW 19.146.220(2)(b)(i), (ii), (iii) and (iv), and WAC  
20 208-660-160, the Director may revoke a license for failure to comply with any directive or order of the  
21 Director, any violation of RCW 19.146.050, RCW 19.146.060(3), RCW 19.146.0201(1) through (9) or (12),  
22 RCW 19.146.205(4), or RCW 19.146.265.

23 **3.2 Authority to Prohibit from the Industry.** Pursuant to RCW 19.146.220(5)(a) and (d), the Director  
24 may issue orders removing from office or prohibiting from participation in the conduct of the affairs of a  
25 licensed mortgage broker, or both, any officer, principal, employee, or loan originator of any licensed mortgage

1 broker or any person subject to licensing under the Act for any violation of RCW 19.146.0201(1) through (9) or  
2 (13), RCW 19.146.030 through RCW 19.146.080, or failure to comply with a directive or order of the Director.

3 **3.3 Authority to Impose Fine.** Pursuant to RCW 19.146.220(3)(a) and (b) and WAC 208-660-530, the  
4 Director may impose fines on a licensee, employee or loan originator of the licensee, or other person subject to  
5 the Act for any violations of RCW 19.146.0201(1) through (9) or (12), RCW 19.146.030 through RCW  
6 19.146.080, RCW 19.146.200, RCW 19.146.205(4), or RCW 19.146.265, or failure to comply with a directive  
7 or order of the Director.

8 **3.4 Authority to Order Restitution.** Pursuant to RCW 19.146.220(2)(e), the Director may issue orders  
9 directing a licensee, its employee or loan originator, or other person subject to the Act to pay restitution for any  
10 violation of the Act.

11 **3.5 Authority to Collect Investigation Fee.** Pursuant to RCW 19.146.228(2) and WAC 208-660-550(5),  
12 upon completion of any investigation of the books and records of a licensee or other person subject to the Act, the  
13 Department will furnish to the licensee or other person subject to the Act a billing to cover the cost of the  
14 investigation. The investigation charge will be calculated at the rate of forty-eight dollars per hour that each staff  
15 person devoted to the investigation.

#### 16 **IV. NOTICE OF INTENTION TO ENTER ORDER**

17 Respondents' violations of the provisions of chapter 19.146 RCW and chapter 208-660 WAC, as set forth  
18 in the above Factual Allegations, Grounds for Entry of Order, and Authority to Impose Sanctions, constitute a basis  
19 for the entry of an Order under RCW 19.146.220, RCW 19.146.221 and RCW 19.146.223. Therefore, it is the  
20 Director's intention to ORDER that:

- 21 **4.1** Respondent WLN Financial Inc.'s license to conduct the business of a mortgage broker be revoked; and  
22 **4.2** Respondent Henry T. Depano's loan originator license be revoked; and  
23 **4.3** Respondent WLN Financial Inc. be prohibited from participation in the conduct of the affairs of any  
24 mortgage broker subject to licensure by the Director, in any manner, for a period of 5 years; and  
25 **4.4** Respondent Henry T. Depano be prohibited from participation in the conduct of the affairs of any mortgage  
broker subject to licensure by the Director, in any manner, for a period of 5 years; and