



# Minutes

**Mortgage Brokerage Commission Meeting**  
**Wednesday, February 13, 2008**  
**9:00 to 11:00 am**  
**Renton City Hall**  
**7<sup>th</sup> Floor, Council Chambers**  
**1055 S. Grady Way, Renton, WA 98055**

<b>Attendees:</b>	Deb Bortner, DFI Adam Stein, Commission Chair Jeffrey Lorsch, Commissioner Stephen Bozick, Commissioner Ann Pulitano, Commissioner Jason Bloom, Commissioner Guests: 62
<b>Note taker:</b>	Elizabeth Stancil, Administrative Assistant 3 Kim Hoss, Administrative Assistant 3
<b>Resource persons:</b>	Deb Bortner, DFI, Division Director Levi Clemmens, DFI, Program Manager James Brusselback, DFI, Program Manager Cindy Fazio, DFI, Financial Legal Examiner Kae McDonnell, Financial Examiner Toby Snider, Financial Examiner Supervisor
<b>Abbreviations:</b>	<p><b>DFI</b> = Department of Financial Institutions and/or Division of Consumer Services</p> <p><b>MB</b> = Mortgage Broker (subject to DFI’s authority under the MBPA)</p> <p><b>DB</b> = Designated Broker at the licensed Mortgage Broker</p> <p><b>WAMB</b> = Washington Association of Mortgage Brokers</p> <p><b>RCW</b> = Revised Code of Washington (here, specifically chapter 19.146 known as “The Mortgage Broker Practices Act”) <i>also referred to as “the Act” or “MBPA”</i></p> <p><b>WAC</b> = Washington Administrative Code (here, specifically chapter 208-660, promulgated under “The Mortgage Broker Practices Act”) <i>also referred to as “the rules”</i></p> <p><b>AARMR</b> = American Association of Residential Mortgage Regulators</p> <p><b>HUD</b> = the Office of Housing and Urban Development (a federal agency)</p> <p><b>CRO</b> = Code Reviser’s Office</p> <p><b>CE</b> = Continuing Education (for Designated Brokers and Loan Originators)</p>
<b>Future Agenda Topics:</b>	

## ----- Agenda Topics -----

<b>1. Approval of Minutes from November 14<sup>th</sup> Meeting</b>	<b>Adam Stein</b>		
	<b>Discussion:</b>		
	<p>Jason Bloom moved to accept the minutes as written.</p> <p>Stephen Bozick seconded.</p> <p>Minutes approved.</p> <p>The meeting scheduled for November 11, 2008 falls on Veteran's Day and the Department of Financial Institutions staff will be out of the office that day. This meeting has been rescheduled to take place on November 19, 2008.</p>		
	<b>Action items:</b>	<b>Person responsible:</b>	<b>Deadline:</b>
	<p>Copies of the minutes will be available upon request from DFI.</p> <p>You are able to listen to this pod cast (recording) from the following address on DFI's website: <a href="http://dfi.wa.gov/cs/mortgage.htm">http://dfi.wa.gov/cs/mortgage.htm</a></p>	Elizabeth Stancil	Now

<b>2. Loan Originator Update</b>	<b>Levi Clemmens</b>	
<b>Discussion:</b>		
<p>As of December 31, 2007 there were 12,722 loan originator licensees. The number of renewals as of February 12, 2008 was 6,850.</p> <p>As of December 31, 2007 there were 1,911 main office mortgage broker licensees. The number of renewals as of February 12, 2008 was 1,422.</p> <p>The window to renew an expired mortgage broker or loan originator license ends on February 14, 2008. Failure to submit a renewal before February 15, 2008, will result in having to reapply for a new license. New license applications can take several weeks to process depending upon the adequacy of the data submitted.</p> <p>DFI currently has 15 outstanding Mortgage Broker Main Office and 13 Branch Office applications that have not yet been evaluated. The longest outstanding Mortgage Broker application was received by DFI on January 24, 2008.</p> <p>DFI currently has 53 outstanding Loan Originator applications that have not yet been evaluated. The longest outstanding Loan Originator application was received by DFI on January 28, 2008.</p> <p>Effective January 1, 2008, all Loan Originators must possess a valid Loan Originator license prior to conducting business in Washington. Submitting an application no longer permits them to conduct business while waiting for the license.</p> <p>When signing up for a continuing education course, make sure the continuing education provider and the course are approved. You can check the DFI website <a href="http://www.dfi.wa.gov/cs/mortgage_broker_education.htm">http://www.dfi.wa.gov/cs/mortgage_broker_education.htm</a> for a list of approved providers and courses.</p> <p>The Mortgage Broker Annual Report is due to DFI by March 31, 2008. You can find the fill-in form and details on our website. Enter the data, print, sign, and mail the form to DFI.</p> <p>Adam Stein asked about the length of time it takes to issue a loan originator license for someone that has all of the necessary documentation completed.</p> <p>Levi Clemmens replied the current processing time is approximately three weeks. The typical turnaround is two weeks; however, staff is currently experiencing a high volume of calls while trying to keep up on their regular work. From January to February this year, the licensing staff of eight people received approximately 8,000 phone calls.</p> <p>Jason Bloom asked what the current backlog is on incomplete applications.</p> <p>Levi Clemmens stated the incomplete applications have been closed out and those individuals will need to reapply when ready.</p>		
<b>Action items:</b>	<b>Person responsible:</b>	<b>Deadline:</b>

<b>3. Rule Making Update</b>		<b>Cindy Fazio</b>	
<b>Discussion:</b>			
<p>The comment period on the proposed rules ended on Friday February 8<sup>th</sup>. Two comments were received since the rule making hearing on January 30.</p> <p>The proposal for adoption is as early as next Wednesday, February 20<sup>th</sup>.</p> <p>The concise explanatory statement will be added to the website with the CR 103.</p> <p>The rules hearing audio is available on our website <a href="http://dfi.wa.gov/cs/rulemaking.htm#mortgage">http://dfi.wa.gov/cs/rulemaking.htm#mortgage</a></p>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>
<b>4. Examinations Findings (New)</b>		<b>Toby Snider</b>	
<b>Discussion:</b>			
<p>Toby Snider attended the meeting for Kwadwo Boateng. Toby is the Mortgage Broker Financial Examiner Supervisor with DFI.</p> <p>Toby Snider reported there were 95 examinations performed in 2007 and of those there were 17 enforcement referrals.</p> <p>The Examination Unit performed 23 examinations from November 1, 2007 to January 31, 2008. Thirteen licensees received a “3” composite rating, seven licensees received a “2” rating, and three received a “5” rating.</p> <p>Three Mortgage Brokers were referred to the Enforcement Unit. Reasons for these referrals may have been unlicensed main offices, occupancy fraud, stated income fraud, or loans funded above usury.</p> <p>Please refer to the audio for the list of five most common violations.</p> <p>Ann Pulitano asked what happens when we find occupancy fraud occurring.</p> <p>Toby Snider replied that these cases are sent forward to the Enforcement Unit for review.</p>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>

<b>5. Enforcement Update</b>	<b>James Brusselback</b>		
	<b>Discussion:</b>		
	<p>James Brusselback gave a 2007 Wrap Up report.</p> <p>In 2007, DFI received over 2,100 complaints total for all industries regulated by DFI.</p> <p>Nearly 1,300 complaints involved Mortgage Brokers, unlicensed Mortgage Brokers, Loan Originators or Loan Originator referrals, and exempt Mortgage Brokers.</p> <p>Over 2,000 complaints were closed in 2007 and over 1,200 of those involved Mortgage Brokers. The number of closed cases may include complaints from 2006.</p> <p>In January of 2008, the Enforcement Unit received over 180 complaints and closed almost 150 of those. There were about 95 complaints for the Mortgage Broker industry and 65 of those cases were closed.</p> <p>As of January 2008, there were 136 cases in litigation and 100 of those were Loan Originators.</p> <p>There are just under 300 pending investigations.</p> <p>When a complaint is received, DFI staff tries to contact the complainant and respondent within 30 to 60 business days. They strive to meet a 120 business day turnaround from the receipt of a complaint to closure. In some instances this process could take up to 6 months or more, depending on the circumstances.</p> <p>In 2007, there were 200 statements of charges issued under the Mortgage Broker Practices Act and 181 of those were against Loan Originators and 19 were against Mortgage Broker companies. There have been none issued in January 2008 for Mortgage Brokers or Loan Originators. For all of 2007 the Enforcement Unit issued 76 Final Orders and Consent Orders and for the 1<sup>st</sup> month of January 2008 the unit issued 37 Final Orders and Consent Orders.</p> <p>Ann Pulitano asked about where individuals can send complaints regarding being mistreated by a broker.</p> <p>James Brusselback stated if the complaint involves mortgage in general it goes to the Consumer Services Enforcement Unit.</p> <p>Adam Stein asked if we're going to have a spike in enforcement activity now that we have an exam tool.</p> <p>He suggested we couch this as a unique series of events on the Mortgage Broker Annual Report to the legislature.</p> <p>Deb Bortner replied this will be made clear on the year-end report.</p>		
	<b>Action items:</b>	<b>Person responsible:</b>	<b>Deadline:</b>

<b>6. Welcome New Commissioners</b>		<b>Deb Bortner</b>	
<b>Discussion:</b>			
<p>New commissioners Jason Bloom and Gary Bracht were introduced.</p> <p>Gary Bracht is a new commission member from Eastern Washington. He was unable to make it to this meeting.</p>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>
<b>7. National Multi-State Licensing System</b>		<b>Kae McDonnell</b>	
<b>Discussion:</b>			
<p>Kae McDonnell gave a presentation on the Nationwide Mortgage Licensing System (NMLS) and electronic filing of license activity.</p> <p>As of July 1<sup>st</sup>, Washington state will join the NMLS. Individuals, companies, and branches that apply for a new license after July 1<sup>st</sup> will need to apply with the NMLS. Individuals, companies, and branches with amendments after July 1<sup>st</sup> will need to transition into the NMLS before they can submit the amendment in the NMLS.</p> <p>All licensees will need to transition into the NMLS before renewal in Fall 2008.</p> <p>Please refer to the audio and posted presentation for further information.</p>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>
The NMLS presentation will be posted to the website along with the minutes from this meeting.		Elizabeth Stancil	

8. Public Comment		
<b>Discussion:</b>		
<p>John Wilde, New Hope Mortgage, asked that the amount of restitution paid be included in Mr. Brusselback's report. He also requested a data entry lesson for the Mortgage Broker Annual Report.</p> <p>The Mortgage Broker Annual Report form is available from the website at <a href="http://www.dfi.wa.gov">www.dfi.wa.gov</a> . DFI has received a number of these so it appears to be working for people.</p> <p>Levi Clemmens showed attendees where to find the form online and gave brief instruction and demonstration of data entry.</p> <p>Mortgage brokers do not need to submit a loan list with their mortgage broker annual report. The loan list is a document from the examination manual that brokers may find helpful.</p>		
<p>Barry Wilson, Appraiser's Coalition of Washington, checked the DFI website and could not access the excel spreadsheet that lists licensees.</p> <p>Deb Bortner said we'll consider putting this list back up on the website. It was initially taken down because it was not being updated often enough to give up-to-date licensing information. We will check with the IT department to ensure the DBA search function is working.</p> <p>Levi Clemmens added that he is looking at increasing the functionality of the search database and looking at the possibility of exporting the search results into an excel spreadsheet.</p>		
<p>Adam Stein suggested we put the examination manual loan list in an excel spreadsheet and post it to the website.</p>		
<p>Marvin Rosetti, Loan Originator, commended the attorney's in the Enforcement Unit for doing great job and for being a great source of knowledge.</p> <p>He asked about a recent advertising case DFI handled. The company said they had contacted DFI prior to using this advertisement and someone at the agency said it was okay but that was not correct.</p> <p>Marvin Rosetti asked how far an individual can rely on DFI's advice regarding advertisement or other issues. What can individuals do to protect themselves when this happens?</p> <p>Deb Bortner stated the individual was informed about what needed to be changed even though we did not cite. DFI does not give legal advice because we don't have the resources. We tell individuals that when they have questions.</p> <p>In determining violations in advertisement we typically look at what people are advertising and what they're actually providing. If they are not providing the service they're advertising they need to change it.</p> <p>Adam Stein said if you want a written legal opinion, get one from an attorney.</p>		
<p>Walt Bailey, Olympic NW Mortgage, asked about a Loan Originator's license that was denied. He is entitled to a hearing that will take place in April. Mr. Bailey asked if there was any way this wait time could be shortened so the individual could continue working.</p> <p>Deb Bortner stated that a criminal act would lead to denial and we don't have any leeway with that. The individual will have to wait for their hearing in April.</p>		
<b>Action items:</b>	<b>Person responsible:</b>	<b>Deadline:</b>

**Called to Order:** 9:07 a.m.

**Adjourned:** 10:56 a.m.