



**Mortgage Broker Commission Meeting**  
**Thursday, August 19, 2009**  
**9:30 am - 12:00 pm**  
**Webinar**

**Minutes**

<p><b>Attendees:</b></p>	<p>Deb Bortner, DFI          Jason Bloom, Commission Chair          Gary Bracht, Commissioner          Jeffrey Lorsch, Commissioner          Stephen Bozick, Commissioner          Nancy Adelson, Commissioner          Guests:</p>
<p><b>Note taker:</b></p>	<p>Elizabeth Hampton, DFI, Administrative Assistant</p>
<p><b>Resource persons:</b></p>	<p>Deb Bortner, DFI, Division Director          Levi Clemmens, DFI, Program Manager          James Brusselback, DFI, Program Manager          Kwadwo Boateng, DFI, Program Manager          Cindy Fazio, DFI, Financial Legal Examiner</p>
<p><b>Abbreviations:</b></p>	<p><b>DFI</b> = Department of Financial Institutions and/or Division of Consumer Services  <b>MB</b> = Mortgage Broker (subject to DFI’s authority under the MBPA)  <b>DB</b> = Designated Broker at the licensed Mortgage Broker  <b>WAMP</b> = Washington Association of Mortgage Professionals  <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>  <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>  <b>AARMR</b> = American Association of Residential Mortgage Regulators  <b>HUD</b> = the Office of Housing and Urban Development (a federal agency)  <b>CRO</b> = Code Revisers Office  <b>CE</b> = Continuing Education (for Designated Brokers and Loan Originators)  <b>S.A.F.E.</b> = Secure And Fair Enforcement Mortgage Licensing Act of 2009</p>
<p><b>Future Agenda Topics:</b></p>	

**----- Agenda Topics -----**

<b>1. Approval of Minutes from the May 13<sup>th</sup> meeting</b>	<b>Jason Bloom</b>		
<b>Discussion:</b>			
<p>Jeffrey Lorsch moved to approve the May 13<sup>th</sup> meeting minutes as written.                  Stephen Bozick seconded and the motion was passed by a unanimous vote.</p> <p>You may listen to our podcast at <a href="http://dfi.wa.gov/cs/mortgage.htm">http://dfi.wa.gov/cs/mortgage.htm</a> under Commission Meetings.</p>			
<b>Action items:</b>	<b>Person responsible:</b>	<b>Deadline:</b>	

<b>2. Rulemaking Update</b>	<b>Deb Bortner</b>	
<p><b>Discussion:</b></p> <p>DFI has had a number of drafts on the rules and those are available at <a href="http://www.dfi.wa.gov">www.dfi.wa.gov</a> under Rulemaking, Consumer Services and then Mortgage Broker. A number of changes have been made as a result of the meeting that was held in Renton. Internal changes have been made as well. In the draft DFI has dropped the amount of the surety bond. It is equal to what it is right now but based upon the number of loans you made the prior year to make sure it's correct.</p> <p>Bond amounts:</p> <p>\$0-\$10 million for the \$20,000 bond</p> <p>\$10-\$30 million for the \$45,000 bond</p> <p>Over \$30 million for the \$60,000 bond</p> <p>A rulemaking meeting will be held today at 1:00 p.m. and this will be discussed further. On September 23, 2009, DFI will be filing a CR102 which is the document that is intended to be a draft proposal. The next rulemaking meeting will be held sometime towards the end of October for final comments on the rules. They will go effective on or before January 1, 2010. Please feel free to send in comments anytime. DFI does take them into consideration and have made substantial changes as a result of those comments.</p>		
<b>Action items:</b>	<b>Person responsible:</b>	<b>Deadline:</b>

**3. Licensing Update**

Levi Clemmens

**Discussion:****LICENSEE COUNTS**

License Type	12/31/07	12/31/08	8/14/09
MBPA - Main	1,911	1,371	957
MBPA - Branch	1,737	1,305	872
CLA – Main	305	355	340
CLA - Branch	1,020	1,034	887
LO	13,722	8,739	5,911

**NEW APPLICATION QUEUE**

App Type	Oldest App	# in Queue
MBPA - Main	7/29/09	1
MBPA - Branch	8/13/09	1
CLA- Main	7/31/09	3
CLA- Branch	7/31/09	13
LO- file by 7/30	7/30/09	9
LO- 7/31 or after	7/31/09	8

Eight have licensed under the new requirements.

Turnaround time right now is at about two weeks. The Loan Originator applications are on time because we tried to keep up on those so we were able to get deficiencies taken care of so they met the deadline.

MBs that lend or do anything beyond table funding or pure brokering, need to transition over to the CLA in order to continue the activity. In order to ensure continued operations and not see potential interruptions they need to submit a consumer loan act license application by October 31, 2009. They can get the CLA bond at the time they apply or they need to get the bond information by January 1, 2010, we will then issue a license. Get their place in line, absent the bond, and then submit the bond when they get that. If they want to maintain their MB license they will need to renew that license and continue to hold a bond for the MB license as well. We have had 10 MB that have transitioned over to CLA. Those that elect to transition will not be required to file an annual assessment or pay assessment fees on those loans they conduct under the CL license.

Effective January 1, 2010, correspondent lending will no longer be acceptable under the MBPA.

You may listen to our podcast at <http://dfi.wa.gov/cs/mortgage.htm> under Commission Meetings.

**Action items:****Person responsible:****Deadline:**

4. Examination Update	Kwadwo Boateng	
<p><b>Discussion:</b></p> <p>There were 14 exams completed from May 2009 to July 2009.</p> <p>The exam ratings were (1 being the best and 5 being the worst):</p> <ul style="list-style-type: none"> <li>1 – 0 licensees</li> <li>2 – 3 licensees</li> <li>3 – 6 licensees</li> <li>4 – 5 licensees</li> <li>5 – 0 licensees</li> </ul> <p>A total of 8 examinations were referred to the Enforcement Unit</p> <ul style="list-style-type: none"> <li>• 30 unlicensed loan originators discovered (43 loans closed by unlicensed loan originators)</li> <li>• 3 instances of occupancy fraud</li> <li>• 1 instance of falsified income</li> </ul> <p>Common violations:</p> <ul style="list-style-type: none"> <li>• Failing to display Loan Originator’s license number on the Company’s website</li> <li>• Disclosure of Annual Percentage Rate (APR)</li> <li>• Suggesting Association with Government Agencies</li> <li>• Deceptive Interest Rate Advertising</li> <li>• Failing to Disclose the Source of Loan Information in Advertisements</li> <li>• Variable Interest Rate Advertisements</li> </ul> <p>The average number of violations per exam: 12</p> <p>You may listen to our podcast at <a href="http://dfi.wa.gov/cs/mortgage.htm">http://dfi.wa.gov/cs/mortgage.htm</a> under Commission Meetings.</p>		
<b>Action items:</b>	<b>Person responsible:</b>	<b>Deadline:</b>

5. Enforcement Update	James Brusselback	
<b>Discussion:</b>		
The following reports activity through June 30, 2009.		
<u>Complaints received by Industry for 2009:</u>		
Mortgage Broker Internal Complaints MBPA Loan Originators MBPA Loan Originator Applications MBPA Loan Originator Internal	16 (referrals from Licensing, Examinations or from other divisions in DFI) 22 14 (these are referrals from the Licensing Unit about an LO application) 6 (issues other than application – non-renewal, unlicensed activity, etc.)	
Consumer Loan Check Cashier/Seller/Payday Escrow Agents Money Servicers RAL Other	333 102 41 15 1 106	
<u>Closed Complaints in 2009:</u>		
MBPA – Brokers Loan Originators Referrals Consumer Loan Check Cashier/Seller/Payday Escrow Agents Money Services	685 26 377 97 57 16	
Enforcement Actions (Cease and Desist Orders, Statements of Charges, Resolution by Final Order or Consent Order, etc.)		
MBPA Consumer Loan Check Cashier/Seller/Payday Escrow Agents Money Services	81 22 5 8 3	
As of 8/7/09 All Industries: 273 Open Investigations (153 are MB), 145 In Litigation (98 are MB), and 235 Orders Monitored (187 are MB)		
Sample complaint findings over the last quarter involved:		
<ul style="list-style-type: none"> <li>• Advertising rates of interest without conspicuously disclosing the APR</li> <li>• Failure to provide or timely provide disclosure, typically GFE, under 030 violation</li> <li>• Failure to respond to Department directives or requests for information</li> <li>• Failure to file the annual report</li> </ul>		
Sample Statement of Charges allegations this quarter:		
<ul style="list-style-type: none"> <li>• Unlicensed Loan Originators</li> <li>• Application Fraud</li> <li>• Disclosure Issues</li> <li>• Loan Originator Denials</li> <li>• Failure to respond to Department directives or requests for information</li> </ul>		
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<b>6. Continuing Education Clarification</b>	<b>Stephen Bozick</b>	
<p><b>Discussion:</b></p> <p>Steven Bozick has been fielding a lot of inquiries regarding the current and future status of continuing education requirements. He asked that DFI staff provide some clarification regarding the requirements.</p> <p>Levi Clemmens reported that for those licensed by July 30, 2009, DBs are required to have three courses of at least three hours each in order to renew for the upcoming 2009-2010 licensing period. DFI has been approving courses. LOs need to obtain eight hours total for this coming period. The new licensing requirements went into effect on July 31<sup>st</sup>. Those licensed after July 31<sup>st</sup> will be issue an interim license that contains further instructions that require them to obtain 20 hours of continuing education through the NMLS to complete their renewal.</p> <p>The S.A.F.E. Act requires all LOs to be compliant by the end of 2010. Those licensed July 30, 2009, or prior to this, will need their 20 hours of pre-licensing education by the end of 2010. Licensees must accumulate those 20 hours under a specific jurisdiction to be eligible.</p> <p>Two hours of ethics education is required every year. "Ethics" is not a course. Ethics classes include courses on fraud issues, consumer protection issues, and fair lending issues. Licensees must take different ethics courses each year.</p> <p>You may listen to our podcast at <a href="http://dfi.wa.gov/cs/mortgage.htm">http://dfi.wa.gov/cs/mortgage.htm</a> under Commission Meetings.</p>		
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<b>7. Update on State Portion of the National Exam</b>	<b>Stephen Bozick</b>	
	<b>Discussion:</b>	
	<p>If a licensee took and passed the PearsonVue state exam between June 2007 and July2009, NMLS will only require that you take the national test. If a licensee did not take a PearsonVue administered test during this time, they will have to take both the state and national exam.</p> <p>You may listen to our podcast at <a href="http://dfi.wa.gov/cs/mortgage.htm">http://dfi.wa.gov/cs/mortgage.htm</a> under Commission Meetings.</p>	
	<b>Action items:</b>	<b>Person responsible:</b>
	<b>Deadline:</b>	

<b>8. Public Comments</b>			
<b>Discussion:</b>			
<p>Comments were received from:</p> <p>Jack Tenold, Quick Mortgage Services, L.L.C.</p> <p>Joe Prevost, Pioneer Financial, LLC</p> <p>Michael Patterson, Land Home Financial Services</p> <p>Olivia Townsend, America Home Lending Mortgage, Inc.</p> <p>Gary Bracht, Mortgage Broker/Commissioner</p> <p>Jeff Lorsch, Mortgage Broker/Commissioner</p> <p>John Lemons, Columbia Mortgage</p> <p>John Long, Mortgage Compliance Attorney</p> <p>To hear the complete comments and discussions, please listen to our podcast at <a href="http://dfi.wa.gov/cs/mortgage.htm">http://dfi.wa.gov/cs/mortgage.htm</a> under Commission Meetings.</p>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>

**Called to Order:** 9:30 a.m.

**Adjourned:** 12:00 p.m.