

Mortgage Brokerage Commission Meeting

Wednesday, November 14, 2007

9:00 to 11:00 am

Renton City Hall

7th Floor, Council Chambers

1055 S. Grady Way, Renton, WA 98055

Minutes

Continuing Education

Attendance may be applied towards continuing education requirement: please use DFI sign-up sheet for proper record keeping. PLEASE PRINT CLEARLY!

Next Meeting:

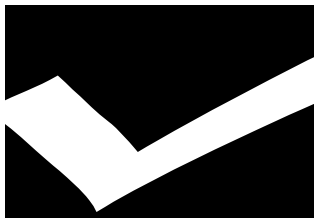
February 12, 2008, 9-11 a.m.
TBD

For Additional Information Contact:

Dept. of Financial Institutions, Division of Consumer Services
150 Israel Road SW, Tumwater, WA 98501
PO Box 41200, Olympia, WA 98504-1200
phone: 360/902-8822, fax: 360/664-2258, TDD: 360/664-8126
website: <http://www.dfi.wa.gov/cs>, e-mail: dc@dfi.wa.gov

----- Agenda Topics -----

1. Approve Minutes from August 8th Meeting	Adam Stein	
2. Loan Originator Update	Levi Clemmens	
3. Rule Making Update	Cindy Fazio	
4. Test Update	Whittier Johnson	
5. Mortgage Broker Examination Findings (New)	Kwadwo Boateng	
6. Enforcement Update	James Brusselback	
7. Schedule 2008 Commission Meetings	Deb Bortner	
8. Thank You to Outgoing Commissioners	Deb Bortner	
9. Other Business		



Minutes

Mortgage Brokerage Commission Meeting

Wednesday, November 14, 2007

9:00 to 11:00 am

Renton City Hall

7th Floor, Council Chambers

1055 S. Grady Way, Renton, WA 98055

Attendees:	<p>Deb Bortner, DFI Adam Stein, Commission Chair Jeff Berglund, Commissioner Laura Kiel, Commissioner Jeffrey Lorsch, Commissioner Stephen Bozick, Commissioner Ann Pulitano, Commissioner Guests: 96</p>
Note taker:	<p>Jeannette Terry, Administrative Assistant 5 Beth Craig, Administrative Assistant 5</p>
Resource persons:	<p>Deb Bortner, DFI, Division Director Whittier Johnson, DFI, Program Manager Levi Clemmens, DFI, Program Manager James Brusselback, DFI, Program Manager Kwadwo Boateng, DFI, Program Manager Cindy Fazio, DFI, Financial Legal Examiner</p>
Abbreviations:	<p>DFI = Department of Financial Institutions and/or Division of Consumer Services MB = Mortgage Broker (subject to DFI’s authority under the MBPA) DB = Designated Broker at the licensed Mortgage Broker WAMB = Washington Association of Mortgage Brokers RCW = 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> WAC = Washington Administrative Code (here, specifically chapter 208-660, promulgated under “The Mortgage Broker Practices Act”) <i>also referred to as “the rules”</i> AARMR = American Association of Residential Mortgage Regulators HUD = the Office of Housing and Urban Development (a federal agency) CRO = Code Reviser’s Office CE = Continuing Education (for Designated Brokers and Loan Originators)</p>
Future Agenda Topics:	

----- Agenda Topics -----

1. Approval of Minutes from February 14th Meeting		Adam Stein	
Discussion:			
<p>Steve Bozick had one change to his name on the minutes. Steve Bozick motioned to accept the minutes as written with change. Laura Keil seconded. Minutes approved.</p>			
Conclusions:			
Action items:		Person responsible:	Deadline:
<p>Copies of the minutes will be available upon request from DFI. You are able to listen to this pod cast (recording) from the following address on DFI's website: http://dfi.wa.gov/cs/mortgage.htm</p>		Beth Craig	Now

2. Loan Originator Update	Levi Clemmens	Handout	
Discussion:			
<p>As of November 13, 2007, DFI has 1,913 main office mortgage broker licensees.</p> <p>There are currently 1,608 branch licensees.</p> <p>There are currently 13,204 loan originator licensees</p> <p>There are 829 inactive loan originators.</p> <p>There has been a reduction in the volume of incoming loan originator applications compared to earlier in the year. There are less than a thousand outstanding deficient loan originator applications including incomplete applications. All deficient licensed loan originator applicants have been notified. This matter needs to be resolved prior to the end of the year or the license will not be renewable.</p> <p>Another type of deficiency is rejected finger prints. These applicants have been notified and asked that different finger print cards be supplied. Non-compliant people who are not responding are being considered for rejection.</p> <p>There is now an online license renewal for loan originators and mortgage brokers. As of November 13, 2007, 266 loan originators have renewed online. Mortgage Brokers can also renew online and 166 have currently renewed. Please renew as quick as possible.</p> <p>Levi Clemmens then gave a demonstration for the audience with the online license renewal process. Please see handout.</p> <p>Deb Bortner encouraged people to use the tutorial to learn how to use the online process.</p> <p>Deb Bortner asked that people who have been convicted of a crime, regardless of the seven year period, mark it on the loan originator application. There are consequences and possible denial when a crime is not marked on the application.</p> <p>Adam Stein asked, of the 13,204 loan originators that have applied to become licensed, how many have applied to take the mortgage broker test.</p> <p>Whittier Johnson stated that there is no way to track that number but there have been roughly 5,000 who have taken the test to date.</p> <p>Steve Bozick asked of the 1,000 deficient loan originator applications does that number include the deficient applications that have bad finger print cards.</p> <p>Levi Clemmens stated, yes it does include the bad finger print cards.</p> <p>Steve Bozick asked if there would be a mass email through the Listserve reminding people to renew their loan originator license.</p> <p>Levi Clemmens stated that there will be one going out on November 15th via the Listserve.</p>			
Conclusions:			
Action items:	Person responsible:	Deadline:	

3. Rule Making Update	Cindy Fazio		
	Discussion:		
	<p>The CR-102 for the proposed rules has not been filed yet. Once the CR-102 has been filed with the Code Reviser's Office then the public comment period will open. The public hearings have not yet been scheduled.</p> <p>Cindy Fazio reported on the updates to the rules but only focused on the main topics. The Commission then discussed the points of interest to the rules but they were not discussed on a page-by-page basis.</p> <p>Please refer to the audio recording for all details. http://dfi.wa.gov/cs/commission_audio.htm</p>		
	Conclusions:		
	Action items:	Person responsible:	Deadline:

4. Test Update	Whittier Johnson		
	Discussion:		
	<p>Whittier Johnson reported that the passing rate for loan originator candidates on the first try of the test is 89.5%. When the loan originators retake the test they pass, on the second try, at a rate of 71%.</p> <p>The designated brokers are passing at a 49% rate the first time they take the test. The designated brokers who retake the test are passing at 55%.</p> <p>There have been roughly 5,000 loan originators who have taken the test. Prommissor will increase their hours as the demand increases. It appears that the demand is growing steadily.</p> <p>Jeff Berglund asked how many loan originators have been screened out of the application process and don't qualify.</p> <p>Levi Clemmens stated that there have been 15,000 loan originators who have applied but only about 13,200 have been licensed. There have also been people who have been referred to the enforcement section for further review.</p> <p>Adam Stein asked about the test questions that have been submitted for editing. How many questions have been submitted for editing?</p> <p>Whittier said that every question submitted has been reviewed. All questions have been correct, none are inaccurate. Some of the questions may have been edited for wording only. The study guide questions have been edited every three months. There won't be another change until February. Some of the questions from the study guide will make it into the test.</p> <p>Steve Bozick asked if there has been a second draft to the test questions put out.</p> <p>Whittier Johnson stated that only the test guide questions have been changed. The study guide on the webpage has been changed from the original study guide.</p> <p>Deb Bortner stated that people who have not passed the test before January 1, 2008, will not be licensed. There will not be another year of leniency.</p> <p>Levi Clemmens also said that new applicants after January 1, 2008, will need to pass the test prior to applying.</p> <p>Laura Kiel asked if the new applicants will have to be licensed prior to working.</p> <p>Levi Clemmens stated, yes.</p>		
	Conclusions:		
	Action items:	Person responsible:	Deadline:

5. Examinations Findings (New)	Kwadwo Boateng	Handout	
Discussion:			
<p>From August 1, 2007, to October 31, 2007, there have been 18 mortgage broker exams performed. Since October 2006 to October 2007 there have been 61 mortgage broker exams conducted.</p> <p>Of the 18 exams from August through October 2007, two companies have been referred to enforcement for lender fraud. One exam has been rated at a "1", four were rated a "2", eleven were rated at a "3" (satisfactory), one was rated a "4" and one was rated a "5".</p> <p>Please see the handout for the most common exam findings. Listen to the audio for the complete Exam Findings section.</p> <p>Jeffrey Lorsch stated that the exam that Deb Bortner gave as an example at the WAMB chapter meeting in King County last month was not explanatory regarding what action needed to be taken by the mortgage broker.</p> <p>Deb Bortner said that an exam cannot tell a company that they are out of business or if a fine will be imposed. They can request refunds and collect on exam hours. The exam must be transferred to our enforcement unit to take further action. The company is in contact with DFI on the status of their exam.</p>			
Conclusions:			
Action items:	Person responsible:	Deadline:	
6. Enforcement Update	James Brusselback		
Discussion:			
<p>James Brusselback reported that the number of complaints received during the first half of 2007 is over the total number for the entire year of 2006.</p> <p>Between August and November 2007 there have been 300 additional mortgage broker complaints totaling over 900 complaints. These complaints are from mortgage brokers and loan originators just this year.</p> <p>The Enforcement Unit has closed over 650 mortgage broker complaints year to date.</p> <p>There are 56 loan originator investigations pending. Ninety cases are in litigation, 59 of which are loan originator cases.</p> <p>There are 60 Statements of Charges. Fifty of the 60 are loan originators.</p> <p>Twenty-seven cases have been settled from August to November 2007.</p>			
Conclusions:			
Action items:	Person responsible:	Deadline:	

6a. Proposed Legislation		Deb Bortner	
Discussion:			
<p>Deb Bortner reported that DFI is working to propose several pieces of legislation with the help of stakeholders (mortgage brokers, bankers, consumer loan companies, credit unions, etc...) regarding subprime lending. DFI's proposed legislation hinges upon the findings of the Governor's Home Security Taskforce and what that group may propose in their legislation. DFI is also proposing a bill on mortgage fraud.</p> <p>The Governor created the Home Security Taskforce specifically to help with legislation. This group includes DFI representatives, mortgage brokers, bankers, the urban league, consumer loan companies, credit unions, and many others who have a good view on the melt down of the subprime market.</p> <p>Adam Stein encouraged mortgage brokers and loan originators to be involved in what happens in the legislature this next year. Keep informed.</p>			
Conclusions:			
Action items:		Person responsible:	Deadline:

7. a Schedule 2008 Commission Meetings		Deb Bortner	
Discussion:			
<p>The tentative schedule for 2008 is the following:</p> <p>February 13, 2008</p> <p>May 14, 2008</p> <p>August 13, 2008, in Spokane, WA</p> <p>November 12, 2008</p> <p>The Renton location may need to be reconsidered to allow for more people. DFI will research a larger facility.</p>			
Conclusions:			
Action items:		Person responsible:	Deadline:
Research a larger facility		Beth Craig	

8. Thank You to Outgoing Commissioners	Deb Bortner		
	Discussion:		
	Deb presented Jeff Berglund and Laura Kiel a plaque for their dedicated work during the Rules writing process and thanked them for their two two-year terms on the Mortgage Broker Commission.		
	Conclusions:		
	Action items:	Person responsible:	Deadline:

9. Public Comment		
Discussion:		
<p>Marvin Rosetty asked if there is national license or testing. What is the status of that?</p> <p>Adam Stein, The Barney Frank Bill currently has a requirement for national registration of all mortgage originators written into it. The federally regulated mortgage loan originators would become licensed on a federal level and overseen by the FDIC. A state regulated entity would be overseen on a state level. It appears that the CSBS/AARMR licensing database will do this task.</p> <p>Deb Bortner stated that Washington state based loan originators will need to become licensed with the national database by July 2008.</p>		
<p>Shemariah Rice had concerns with the rule making update and being paid on the HUD. Are escrow companies going to be required to make sure loan originators are licensed? Are the brokers then responsible to make sure their loan originators get paid?</p> <p>Adam Stein cannot see that escrow would be a “regulatory” type of entity to ensure that loan originators are licensed. The broker is responsible for maintaining compliance with their loan originators.</p>		
<p>Andrew Seitz is disappointed and frustrated with the testing. He feels it was an opportunity to educate and it seems more confusing than educational. He wished the test was more encompassing, complete, and included more real world situations.</p> <p>Deb Bortner stated that if he feels there were issues not covered he should submit comments and DFI will review them.</p> <p>Jeff Berglund feels the test is a “working knowledge” of what loan originators do but maybe the verbiage could be adjusted.</p>		
<p>Nancy Adelson feels we are heading in the right direction with our legislation. What do we see in the near future in regulating all loan originators (i.e. banks, credit unions)?</p> <p>Adam Stein stated that the Barney Frank Bill covers this issue. It will encompass all mortgage loan originators. NAMB has been very involved in this bill.</p>		
<p>John Wilde commented on the study guide. Maybe DFI could install a hyperlink next to the correct answer so loan originators can see where the answer originated from. It’s not an educating tool; it is knowing the correct answer. He then thanked the commissioners and the staff at DFI for all their works on the 2006 rules writing process and improving the professionalism of the industry.</p>		
<p>Micheal Patterson, are the plans left deferring to the Governor for the rules and bills passed. How are we going to educate the people who are not versed in these issues? How are we going to educate the governor on this?</p> <p>Adam Stein, the Governors Housing Safety Committee will educate the Governor on these issues. The agency will educate the mortgage brokers on how to be compliant. If these issues are going to be addressed it is up to the industry to do their lobbying.</p> <p>Michael Patterson asked if there will be meeting minutes from the Governors Taskforce or information sent out via the Listserve regarding this legislation.</p> <p>Deb Bortner said there is a website dedicated to the Governors Taskforce and there is a link on the DFI website.</p>		
<p>Scott Fletcher, has a strong opposition with loan originators being paid out of escrow. Credit reports being trust account violations and being repaid out of HUD. He would like to see stronger regulation vs. less regulation regarding independent contractors. He feels it’s contradictory with the national standard.</p> <p>Adam Stein feels that there will be stronger oversight on independent contractors rather than less regarding independent Contractors paying directly.</p>		
Conclusions:		
Action items:	Person responsible:	Deadline:

--	--	--

Called to Order: 9:15 a.m.

Adjourned: 11:15 a.m.