

**Minutes**

**Mortgage Brokerage Commission Meeting**

**Wednesday, February 14, 2007**

**9:00 to 11:00 am**

**Renton City Hall**

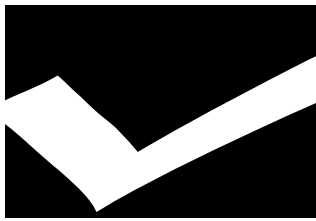
**7<sup>th</sup> Floor, Council Chambers**

**1055 S. Grady Way, Renton, WA 98055**

<b>Continuing Education</b>	Attendance may be applied towards continuing education requirement: please use DFI sign-up sheet for proper record keeping. PLEASE PRINT CLEARLY!
<b>Next Meeting:</b>	May 9, 2007, 9-11 a.m. Renton City Hall
<b>For Additional Information Contact:</b>	Dept. of Financial Institutions, Division of Consumer Services 150 Israel Road SW, Tumwater, WA 98501 PO Box 41200, Olympia, WA 98504-1200 phone: 360/902-8703, fax: 360/664-2258, TDD: 360/664-8126 website: <a href="http://www.dfi.wa.gov/cs">http://www.dfi.wa.gov/cs</a> , e-mail: <a href="mailto:acampbell@dfi.wa.gov">acampbell@dfi.wa.gov</a>

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

1. Introduction of Deb Bortner, Acting Division Director of Consumer Services	Adam Stein	
2. Welcome New Commissioners	Deb Bortner	
3. Thank You to Outgoing Commissioner	Deb Bortner	
3. a. Elect New Commission Chair	Deb Bortner	
4. Approve Minutes from November 8, 2006	Adam Stein	Draft e-mailed earlier
5. Loan Originator Update	Deb Bortner / Whittier Johnson / Levi Clemmens	
6. Designated Broker Licensing	Deb Bortner	
7. Mortgage Broker Examination Findings	Deb Bortner / Kwadwo Boateng	Handout
8. Ads (No Cost Loans)	Deb Bortner	
9. Guidance on Non-Traditional Mortgage Product Risks	Deb Bortner / Kwadwo Boateng	Handout
10. Mailing Meeting Notices vs. Website Posting and Emails	Deb Bortner	
11. Possible Rulemaking	Cindy Fazio	
12. Other Business		



# Minutes

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**Wednesday, February 14, 2007**  
**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 Jeff Berglund, Commissioner Laura Kiel, Commissioner Jeffrey Lorsch, Commissioner Anne Pulitano, Commissioner Stephen Bozick, Commissioner Guests: 62
<b>Note taker:</b>	Jeannette Terry, Administrative Assistant 5 Beth Craig, Administrative Assistant 5
<b>Resource persons:</b>	Deb Bortner, DFI, Division Director Whittier Johnson, DFI, Program Manager Kwadwo Boateng, DFI, Program Manager Levi Clemmens, DFI, Program Manager Cindy Fazio, DFI, Financial Legal Examiner
<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)</p>
<b>Future Agenda Topics:</b>	

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

<b>1. Introduction of Deb Bortner, Acting Division Director of Consumer Services</b>		<b>Adam Stein</b>	
<b>Discussion:</b>			
Adam introduced Deb Bortner, Acting Division Director of the Consumer Services Division. She was instrumental in the rules drafting process.			
Deb said she's happy to be with the Consumer Services Division. She has been with DFI since 1993 and was a Securities regulator for many years prior to that. Her legal career has been as a regulatory person, and she is looking forward to meeting and interacting with the Commission and the industry in the coming years.			
<b>Conclusions:</b>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>
<b>2. Welcome New Commissioners</b>		<b>Deb Bortner</b>	
<b>Discussion:</b>			
Deb said we are reappointing Adam Stein for his second term. The Governor encourages people serving a couple terms on Commissions if they are willing to do so. We're happy to have Adam back on the Commission. He put in a lot of time during the rules drafting process.			
Deb also introduced our two loan originator representatives: Steve Bozick and Anne Pulitano. Welcome!			
<b>Conclusions:</b>			
Adam Stein appointed to Commission a second time. Adam was also appointed Chair to the Commission.			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>
<b>3. Thank You to Outgoing Commissioner</b>		<b>Deb Bortner</b>	
<b>Discussion:</b>			
We have a thank you letter and plaque for Rich Bennion for his years of service on the Commission.			
<b>Conclusions:</b>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>
<b>3. a. Elect Commission Chair</b>		<b>Deb Bortner</b>	
<b>Discussion:</b>			
Laura nominated Adam Stein to serve as the chair again this year. Jeffrey Lorsch seconded the motion.			
<b>Conclusions:</b>			
The Commissioners voted to approve Adam serving as the chair.			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>

<b>4. Approve Minutes from November 8, 2006</b>	<b>Adam Stein</b>	<b>Handout</b>	
<b>Discussion:</b>			
<p>Jeffrey has a couple changes to the November 8 minutes:</p> <p>Page 4 of 6, third to the last paragraph - "GFE compensation of the broker, a range is not acceptable, it must be specific." That relates to line 808, not the yield spread premium. This should be changed to "<u>GFE compensation of the broker, a range is acceptable, as long as it is a dollar amount.</u>"</p> <p>Page 6 of 6, 8. Other Business, last paragraph, last sentence – "Taking an extra course in 2006 will help to fulfill the 2007 requirement."</p> <p>Loan originators could not take any courses in 2006 for 2007, because the Act was not in force yet. The reality is during 2006 or prior to the start of the new rules, you could only get credit for what you would have had the old rules been in force.</p> <p>Adam asked if a Mortgage Broker's license expires in mid 2007, does that designated broker need to have three courses by the close of 2007 even in the event that their old license doesn't expire until October.</p> <p>Whittier said the expiration date would be December 2007. You still have to get all three courses in by December 2007.</p>			
<b>Conclusions:</b>			
Approved: Laura moved to approve the minutes with Jeffrey's changes.			
Seconded: Jeffrey seconded.			
<b>Action items:</b>	<b>Person responsible:</b>	<b>Deadline:</b>	
Copies of the minutes will be available upon request from DFI.	Jeannette Terry	Now	
You are able to listen to this podcast (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>			
<b>5. Loan Originator Update</b>	<b>Deb Bortner / Whittier Johnson / Levi Clemmens</b>		
<b>Discussion:</b>			
<p>Deb said we wish we would have been more prepared for the loan originator licensing. If all parts of the application are submitted as a loan originator, you may do business. DFI originally stated that all paperwork must be in by December 31, 2006. If the paperwork was in after that, then loan originators would have to wait. Over 2,600 applications, and possibly more, have come in since December 31, and we decided we couldn't keep people out of business. DFI realizes that we didn't give people much time, about a month to five weeks, to apply. It is acknowledged that part of this is DFI's fault and now everyone who gets all three parts of their license in can continue to do business.</p>			
<p>Levi Clemmens stated that over 8,000 loan originators have applied online, and there are others who have applied by paper. To date over 1,800 licenses have been issued. There are currently 190 other license types waiting to be processed. Levi said that 70 loan originator applications will be processed daily. We will shift to other types of applications after that. We are working on a first in/first out basis. The oldest mortgage broker main office application is dated December 27, 2006. The oldest branch office application is January 2, 2007. DFI is working on gaining additional efficiencies to help expedite this process.</p>			
<p>Whittier said that some of the applications we are processing are incomplete or flawed. Many of those are in the queue in the first in/first out scenario. Since they are flawed or incomplete, there is nothing the licensing staff can do without additional information. It appears that a significant percentage of the applications are like this.</p> <p>Other category – Mistakes were made filling in and submitting the online applications versus the paper application. We cannot always match these up correctly. We will contact the mortgage broker later in the year to let them know a loan originator has applied with their company and DFI needs further clarification.</p>			

<p>DFI is starting to work on the licensing test. The contract hasn't been signed yet. There is a bank of questions that are Washington State specific that the vendor can pull from. The test will have harder questions for the designated broker and easier ones for the loan originator. DFI will keep in mind that the loan originator is an entry level position. The body of the test will focus on federal laws that Washington State law points to, the Mortgage Broker Practices Act (MBPA) and other acts relating to the MBPA. We need a couple more months, but we hope to have the test in place by summer. The test can be taken multiple times.</p>		
<p>Laura asked Levi what date DFI is on for the oldest outstanding loan originator application. Levi said the oldest loan originator application is December 6, and we have issued 1,800 licenses thus far.</p>		
<p>Deb said we just got the hardware and software for the fingerprint cards this week. The cards are scanned and that information is sent to the Washington State Patrol (WSP) and the FBI. An email is sent back from the WSP telling us if there are "hits" or not. A "hit" tells DFI if there is activity in a person's background that would have been filed. If we get a hit that falls within the new rules, the application is sent to enforcement. Then the enforcement unit writes an Order with a Statement of Charges denying the license. The person has 20 days to ask for a hearing. If a hearing is requested, the hearing is scheduled. There is a process that goes along with a license denial.</p>		
<p>Deb said we'll probably have to set a deadline for submitting additional information to the application. We have been contacting people to say we haven't received a complete application. The deadline may be March 15. If loan originators don't have their complete application in to us, they'll need to stop doing business.</p> <p>Adam asked if a loan originator is granted a license number once they complete their online application.</p> <p>Whittier answered that they may be "pending." Those loan originators with a number are okay. Those "pending" have not been completely reviewed or not all information has been received.</p> <p>Deb hopes that by the March 15 deadline, people who only have half their application in will be notified. From the notification date, they will have ten days to respond.</p> <p>Adam asked if DFI will blind cc: the brokers involved if loan originators aren't licensed yet.</p> <p>Deb made a note of that.</p>		
<p>Deb said we ran fingerprint cards in the beginning and got hits on one-third of them. She is told some of those hits are outside the seven years. We should be able to give better statistics later. The hardest ones to deal with are rapes. If the applicant has a rape conviction that is outside the seven year window, and they want to open a branch at their home, what do we do? There is statutory authority seven years from the conviction, but the issues that come up that are beyond the statute or policy must stand up in court when we decide to, or decide not to, issue a license for that reason.</p> <p>Whittier said if people answer "yes" to convictions on their online application, it slows the process down. We have to review them more closely. About 200 of the 9,000 applicants have answered "yes" to a conviction. Other state agencies have had to change their statutes to allow the agency to block licensure for people that are convicted of certain crimes.</p>		
<p>Jeffrey Lorsch said employers can do things also when screening their employees. When doing a search for a designated broker, you can search by legal name and the DBA but not just the DBA. He says it would be nice if that could be changed.</p> <p>Stephen Bozick asked Whittier what happens if someone answers "no" to the felony questions and their fingerprints come back with a hit?</p> <p>Whittier said if it is within the seven years, then it is an easy denial. They are then offered the hearing process.</p> <p>Laura asked if there is a 20-day period that they can appeal the denial.</p> <p>Whittier said yes.</p>		
<p><b>Conclusions:</b></p>		
<p><b>Action items:</b></p>		
<p>Issue a firm cut-off date for applicants.</p>		<p><b>Person responsible:</b> Deb Bortner</p>
		<p><b>Deadline:</b></p>

<b>6. Designated Broker Licensing</b>		<b>Deb Bortner</b>	
<b>Discussion:</b>			
Deb was asked, are designated brokers also loan originators? Do they have to put their LO number on transactions? The answer is yes.			
Adam has an information request for DFI. Can we list who the designated brokers are on the website separate from the loan originators? Deb said she will take that back to DFI's IT (information technology) staff and see what they can do.			
<b>Conclusions:</b>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>
Look into separating the designated brokers from loan originators on the website.		Deb Bortner	

7. Mortgage Broker Examination Findings	Deb Bortner / Kwadwo Boateng	Handout - attached	
<b>Discussion:</b>			
<p>Kwadwo said they started examining Mortgage Brokers on January 2, 2007. They had a couple companies volunteer. There have been some interesting findings. This is the first time there has been an examination for mortgage brokers, so they expected many violations. Kwadwo has listed the 16 most common Mortgage Broker violations cited in exams in the attached handout.</p>			
<p>Jeffrey Lorsch had some comments on the handout: He feels this is the type of information that should be gone over at the Commission meetings. This will help other mortgage brokers learn from these findings.</p> <p>4. Federal Disclosures—Loan origination fee, explain to escrow that it’s line 801 not 808. If there is enough proof that they are instructing the lender and escrow to put the fees on the right line, he does not feel they will “close up shop” on you as the mortgage broker.</p> <p>6. Disclosures RCW 19.146.030(2)(d)--He doesn’t think “title report” is on there. He feels that this is under “Other Disclosures” on the template. It’s required, and he would like Kwadwo to let everyone know when it has been updated on the template.</p> <p>9. Prohibited Practice RCW 19.146.0201(7) bullet item 2—There may be brokers out there that do underwriting and may waive the fee. It says that it’s not allowed here. If you don’t do the service, you cannot collect the fee. If the lender is not charging their underwriting fee, you can’t collect it. You cannot collect funds that are not yours.</p> <p>12. Class C Felony RCW 19.146.050(1)—If you gave instructions to escrow to send the payment directly or to the trust account, and they wire funds to you anyway, this causes you to commingle the third party costs along with your compensation. You have to undo it as soon as possible. There is a specific carve out in the rules that you need to have instructions and proof that they didn’t do what you asked of them by keeping the funds separate.</p> <p>13. Additional Federal Disclosures USA Patriot Act Section 326(a)--Trying to get program disclosures on a home equity line of credit is a fight with some lenders. The more brokers who tell representatives that we need these disclosures, the sooner they will start providing them for us.</p> <p>Adam wanted to clarify that number 13 was referencing only if the home was On the Line Booklet. Kwadwo responded with Yes. It does not fall under any specific loan program.</p> <p>Steve Bozick talked about re-disclosure of fees. If the cost to the borrower has increased, he thought this is if the fees inure to the benefit of the mortgage broker. Kwadwo responded that yes, that is what is meant.</p>			
<p>Deb said if we change from technical violations to real violations, we will tell you. It doesn’t mean that technical violations may not turn into real violations.</p> <p>Adam is concerned with Kwadwo’s reference to an “A” borrower getting a non-prime loan if that is the pattern of practice of the business to operate a non-prime shop. He does not see agencies cracking down on the consumer loan or refinance companies for offering non-prime products to everybody regardless of their credit scores. He can see if they serve “A” paper consumers at non-prime, and it’s a non-prime shop that everyone who goes there gets a non-prime loan that DFI is going to say they must receive a loan at prime.</p> <p>Kwadwo clarified that if an “A” customer is getting a “C” product and DFI sees that, it would be a problem. This has been a pattern in many of the large enforcement cases.</p> <p>Steve Bozick wanted to know how many exams were conducted to gather these findings.</p> <p>Kwadwo said there were 9-10 exams conducted over the last six weeks.</p>			
<b>Conclusions:</b>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>

<b>8. Ads (No Cost Loans)</b>		<b>Deb Bortner</b>	
<b>Discussion:</b>			
DFI is going to crack down on advertising. There is no such thing as a “no cost” loan. There is always a cost on the back end, and it could cost more on the back end than the front. Email Deb if you know of these advertisements, and she will refer them to enforcement.			
<b>Conclusions:</b>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>
<b>9. Guidance on Non-Traditional Mortgage Product Risks</b>		<b>Deb Bortner / Kwadwo Boateng</b>	<b>Handout - attached</b>
<b>Discussion:</b>			
DFI sent a letter regarding the Office of the Comptroller of the Currency (OCC) guidance on non-traditional mortgages. What will DFI look for with mortgage brokers regarding the non-traditional mortgage products? The handout is guidance for mortgage brokers.			
Kwadwo stated that this is just guidance and it is an educational tool. DFI will always educate before we enforce. It is a work in progress. As a regulator, DFI considers non-traditional products those that have interest only payment options and adjustable rate options. It’s a concern because of what has already happened in the market according to industry trends. These types of products tend to be focused on consumers who can’t afford the product. Examiners will review the loan file for these types of products. The examiner will ask the mortgage broker, what does “stated income” mean? They want to know if the consumer was put into a product they can afford. They will also check with the lender if it appears they were put into a product they cannot afford. Kwadwo briefly explained the table in the handout.			
Adam – In general, anything that adds disclosure for consumers on their loan products, specifically with negative amortization and payments, is good. As a mortgage broker, he finds a number of these things to be lender issues. He would like to see this table pared down to focus more on the mortgage broker and what appear to be lender issues.			
Laura said it is up to the consumer to make a decision.			
Deb said some requirements do apply to the lender. We will put this information into the examination manual. This information was sent out to both the mortgage brokers and the consumer loan licensees.			
Jeffrey asked if we can have the table pared down for mortgage brokers only for the next Commission meeting.			
<b>Conclusions:</b>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>
Modify the table for Mortgage Brokers only.		Kwadwo	May 9, 2007

<b>10. Mailing Meeting Notices vs. Website Posting and Emails</b>		<b>Deb Bortner</b>	
<b>Discussion:</b>			
We want to figure out the best way to get meeting notices out to licensees and interested parties. We spend a lot of time preparing mailings. Would it be enough to email these meeting notices out and post the information on our website?			
<b>Conclusions:</b>			
We will mail a written notice out for the May meeting. At that time, we will ask people to notify Beth Craig at <a href="mailto:bcraig@dfi.wa.gov">bcraig@dfi.wa.gov</a> or (360) 902-8793 if you want to continue receiving a written notice. We will add email addresses to the sign-up sheets, and begin sending notices out via email and post meeting notice information on the DFI website.			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>
<b>11. Possible Rulemaking</b>		<b>Cindy Fazio</b>	
<b>Discussion:</b>			
We may need to do rulemaking again to clarify issues.			
<ol style="list-style-type: none"> <li>1. <u>Brief adjudicative proceeding (BAP)</u>. It is available under the Administrative Procedures Act (APA). We want to make a BAP available for license denials also. It is a shortened version of your full-blown rights under the APA if the agency denies, revokes, takes, or suspends a license. It does not preclude you from having full rights under the APA. It's just a shortened, condensed version under the circumstances. The agency has to do a number of technical things to make the BAP available to you under license denials.</li> <li>2. <u>Date for the Mortgage Broker annual report</u>. We put a hard date in the rules. This will cause problems when we join the national database licensing system. Anticipate language that does not include a hard date to link up with the national process.</li> <li>3. <u>Exempt Mortgage Broker License</u>. We want to clarify the language around exempt mortgage brokers. This section is not as clear as it could be. This will clarify what loan originators can expect when working with exempt mortgage brokers.</li> <li>4. <u>Restitution vs. refunds</u>. We need to tighten up the language for consistency.</li> <li>5. <u>Designated Broker qualifications</u>. 19.146.250 states the qualifications and 19.146.260 restates the qualifications, but they appear to be inconsistent.</li> <li>6. <u>Disclosures under Federal law</u>. The section under the Good Faith Estimate is well written but it's not as clear under Truth in Lending.</li> <li>7. <u>Other technical fixes</u>.</li> </ol>			
DFI will do a CR-101, Pre-Proposal Statement of Inquiry (notice of plan to do rulemaking), CR-102, Rulemaking Proposal, and CR-103, Rulemaking Order. We will draft language prior to the May meeting and work with the Mortgage Broker Commission before filing the CR-102. We are making technical changes, not policy changes. We may do emergency rulemaking for the BAP.			
Adam asked that DFI let the Commission know about any emergency rulemaking.			
<b>Conclusions:</b>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>

12. Other Business		
<p><b>Discussion:</b></p> <p>John Long – Regarding the violations handout under the third item. He cautioned the Department that there was a 1998 interpretive letter discussing refunding disclosure spread.</p> <p>If lenders insist on using line 801 for origination, the Department may issue a statement or interpretive letter that could be faxed to the lender regarding using line 801.</p> <p>John has had a problem litigating the issue of charges for fees, this was under the Bait and Switch category. Not only do you not need to charge for a fee or service you don't perform, but, while RESPA is not a rate setting statute, it does require that the broker fees be reasonable. Be consistent in charges and be able to defend them.</p> <p>Non-traditional mortgage products – stated income loans, regarding higher standards, this is what the industry generally requires. He would want to caution all brokers to re-read your wholesale broker agreements because you may be warranting that the stated income is correct.</p> <p>John asked about a distinction between lender and the non-traditional products. If you are a correspondent lender, you are a lender and are you going to be held to those standards? Kwadwo stated, yes.</p> <p>Kwadwo – If you hold yourself out to be underwriting the loan, then your name is on the documents. Servicing is different than being a creditor.</p> <p>Adam – There may be a couple federal statutes in conflict of the non-traditional products.</p> <p>John asked for clarification of why an independent contractor may not have employees.</p> <p>Adam said there is no bonding coverage for those employees of 1099 contractors. There is no oversight.</p>		
<p>Ed Irwin – Comment on John's third point on "stated income." It is totally different depending on who you talk to. It is a huge trap for mortgage brokers. It appears to be more of a lender issue.</p> <p>Adam – Minnesota has some law changes now. It comes down to "suitability." There is significant harm to the industry and, in some cases to the consumer, by holding oneself out to stated income loans. He feels this issue will change in the next couple of years.</p>		
<p>Steve Gerdes –</p> <ol style="list-style-type: none"> <li>1. He has received emails from DFI saying the fingerprint cards are missing. What should he do since he has ten days to respond? The cards were sent all in one packet. Whittier said to mail them again. Need originals.</li> <li>2. Currently there are loan originators that want to transfer to his company from another broker. What should he do? Whittier said to send in another MU4 form with the address change.</li> <li>3. Will the process be the same for new loan originators? Deb said that process will end at some point, possibly March 15. At some point, all information must be submitted.</li> <li>4. What is the turnaround time for new locations? Levi said it is 2-3 months. Steve said they worked with Director Cross in the past to keep the backlog down. Deb pointed out that everybody who comes to us needs something. She will try to get the backlog down to a reasonable time. Within six months, we'll be down to earlier turnaround times. Deb feels that two weeks is a reasonable amount of time.</li> </ol>		
<p>Greg Nick— He would like some clarification on some issues regarding having an assistant at a branch location. If they are licensed as a loan originator, does DFI care who pays them? Deb suggested that Greg talk with his tax advisor to help him make that decision. Jeffrey Lorsch said loan originators cannot have employees, or an independent contractor cannot have employees. Who is the employer and employee? Greg asked if we could revisit this issue in the upcoming rules hearings.</p>		

<p>Deb stated that this rule was set by the Commission during the last rules writing process. Unless a majority of the commission wants to revisit this issue, it stands as written in the rules.</p> <p>Adam stated that the primary concern is the issue of extending bond coverage to all employees and 1099 contractors. Maybe we could revisit it during the upcoming rules process.</p> <p>Greg asked for clarification of loan originator numbers on all forms. Not all forms allow for a loan originators name.</p> <p>Deb stated that it should be on the 1003, business cards, etc.</p> <p>Greg asked at what point does a telemarketer have to be licensed?</p> <p>Adam asked at what point are they triggering an application and meeting the definition of a loan originator?</p> <p>Deb stated that DFI is drafting a policy statement on “lead generators.”</p> <p>Greg asked, if a loan originator changes from one company to the next, is there a fee and does the MU4 have to be completed?</p> <p>Whittier stated there are filing fees and a shortened MU4 form.</p> <p>Greg asked if there was a letter from DFI stating that they have received your branch office application, and it is okay to do business.</p> <p>Deb stated that DFI will consider that.</p>
<p>Shamoria—</p> <p>She has concerns about the turnaround time for the loan originator and mortgage broker company license applications. She states that her company is out of business due to the slow turnaround time of processing company applications.</p> <p>Deb stated that DFI will get to the application as soon as it comes up in the review queue. It’s different with adding a branch office, but there is more to do with a new company.</p>
<p>John Wilde—</p> <p>Mortgage Broker examination form (handout). He asked about adding a hyperlink to the approved pamphlets that were handed out at the meeting.</p> <p>In the examination questionnaire he had a concern about the word “fraud.” The stated income becomes an issue for him because it could be considered fraud as stated at the end of the package. What does DFI consider fraud with the stated income issue? He would like to see some ruling that this could be considered fraud and DFI will hand it over to other authorities. He would like to have “technical time” to clean up his files if this becomes a problem.</p> <p>He has concerns about the issue of loan originators hiring employees. He feels it’s the branch manager or the designated broker’s responsibility to hire and maintain these employees.</p> <p>Jeffrey Lorsch stated that the ethics class that all designated brokers have to attend will go over issues like fraud.</p>
<p>Joseph Buckman—</p> <p>He feels that when the applicant signs the 1003 that they are responsible from then on.</p> <p>Adam warned that large companies had issues with stated income during enforcement actions.</p> <p>He would like to see a one-page disclosure pointing to the websites that the applicant should go to and look. DFI would post all the disclosures on the website, so the LO points the applicant to go there and read them all. Can we save paper by doing this?</p> <p>Deb stated that this may conflict with federal law. DFI cannot say yes to this without checking the federal laws.</p>
<p>Deb talked about the annual report that is due on May 1. DFI has been trying to decide on the assessment date, stating that it would be unfair to ask mortgage brokers to go back through their 2006 records and provide information. She asked the Commission what their thoughts are, do we have a shorter timeline or have them report for all of 2006?</p> <p>Jeffrey Lorsch stated that he would have no reporting for 2006.</p> <p>Adam Stein agreed with Jeffrey Lorsch.</p> <p>Deb said that all mortgage brokers must start to keep records now, so they can report next year.</p>
<p><b>Conclusions:</b></p>

	<b>Action items:</b>	<b>Person responsible:</b>	<b>Deadline:</b>

**Called to Order:** 9:02 a.m.

**Adjourned:** 12:05 p.m.