



# Minutes

**Mortgage Brokerage Commission Meeting**  
**Wednesday August 6, 2008**  
**Start Time - 9:00 am**  
**Spokane Community College**  
**1810 North Greene St**  
**Spokane, WA 99217**

<b>Attendees:</b>	Deb Bortner, DFI Adam Stein, Commission Chair Jeffrey Lorsch, Commissioner Stephen Bozick, Commissioner Jason Bloom, Commissioner Guests: 13
<b>Note taker:</b>	Elizabeth Stancil, Administrative Assistant
<b>Resource persons:</b>	Deb Bortner, DFI, Division Director Berri Leslie, 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 and Loan Originators)</p> <p><b>NMLS</b> = Nationwide Mortgage Licensing System</p>
<b>Future Agenda Topics:</b>	

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

<b>1. Approval of Minutes from May 13th Meeting</b>	<b>Adam Stein</b>	<b>9:13 a.m.</b>	
<b>Discussion:</b>			
<p>Jeffery Lorsch had one change to the minutes.  Stephen Bozick move to approve the minutes as amended.  Jeffery Lorsch seconded and the motion was passed.</p>			
<b>Action items:</b>	<b>Person responsible:</b>	<b>Deadline:</b>	
<p>You are able to listen to this pod cast (recording) and review the transcribed minutes 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. Rulemaking Update</b>	<b>Cindy Fazio</b>		
<b>Discussion:</b>			
<p>The following handouts were provided to the Commissioners and Visitors:</p> <p><b>Chapter 19.146 RCW – Mortgage Broker Practices Act</b></p> <p>A chapter listing was provided as a guide to show which sections of the MPBA were amended by the laws of 2008. All of the laws have been codified, which means that the actual bill language has now been made a part of the RCW. You can access all of the laws of 2008 from the DFI website under the Mortgage Brokers link.</p> <p><b>2008 Rulemaking under the MBPA Table of Contents</b></p> <p>This was a chart that showed the amendments that have been made and which law or laws caused those changes. This makes reference to HR 3221 which is part of the Federal Regulations known as the SAFE Act (see below).</p> <p><b>2008 SAFE Act Title V</b></p> <p>Secure And Fair Enforcement for Mortgage Licensing Act 2008– This is a Federal Regulation that says all loan originators shall be licensed if they work for non-depository institutions or registered if they work for depository institutions. DFI has just started drafting the language to incorporate this into the MBPA.</p> <p>The SAFE Act requires loan originators to take 20 hours of continuing education prior to taking the licensing test. This is a federal requirement but there is no implementation mechanism for it in Washington state yet.</p> <p>One portion of the Federal Act that DFI will enforce immediately is if an applicant has ever been convicted of a felony based on dishonesty or forgery, they will never qualify for licensure.</p> <p>The SAFE Act became effective in Washington state upon signing of the President on Monday, July 28, 2008.</p> <p><b>Proposed Draft No. 4 – Disclosure Summary Form</b></p> <p>This document is currently in the rulemaking process. This form is required under SHB 2770 a piece of legislation that came out of 2008 from the Governors Task Force on Homeowners Security. A section of the law requires that all financial institutions provide a one page disclosure summary document for all residential mortgage loans in Washington. The draft provided contains the required elements from the statute. This document has been posted so people can be using that right now. The drafts are updated online as they are being improved. You can create your own form to use.</p> <p>We've received close to 75 comments. You can send comments to DFI. DFI is hoping to file the CR-102 in mid-September, so we are moving closer to this document being finalized.</p> <p>Deb Bortner thanked Commissioner Jeffrey Lorsch for providing a cleaner proposal for the top portion of the Disclosure Summary Form to DFI.</p> <p>The commissioner's raised concerns regarding the verbiage used to define YSP at the bottom of the form. The proposed definition may lead consumers to believe they are paying higher rates by using mortgage brokers.</p> <p>To hear the complete discussion regarding Proposed Draft No. 4 of the Disclosure Summary Form, 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>3. Licensing Update</b>		<b>Berri Leslie</b>	
<b>Discussion:</b>			
<p>Berri Leslie reported that the numbers in licensing haven't changed a great deal since March.</p> <p>There are still about 1500 Mortgage Brokers and about 7500 Loan Originators – dramatic decrease since February</p> <p>The Licensing staff's current turnaround time for license applications is approximately 10 days.</p> <p>Mrs. Leslie reported that there are only about 10% of licensees transitioned onto the NMLS as of today. Everyone must be registered with NMLS by October 1, 2008. This gives us six weeks to get about 7,300 people and companies onto the new system.</p> <p>DFI will be at the WAMB conference to assist individuals with the NMLS and answer any questions they might have. The Licensing supervisors are providing NMLS training onsite and over the phone. Please contact DFI if you would like assistance.</p> <p>This is the last year DFI will provide continuing education credits for attending the commission meetings. NMLS will have to approve the providers and the courses must contain certain content. DFI will try to have our commission meetings approved as CE through NMLS.</p>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>
<b>4. Examination Update</b>		<b>Deb Bortner</b>	
<b>Discussion:</b>			
<p>There have been 32 exams completed from May 2008 - July 2008. There were 14 exams completed in July.</p> <p>There ratings were (1 being the best and 5 being the worst):</p> <p>1 – 0 companies</p> <p>2 – 14 companies</p> <p>3 – 15 companies</p> <p>4 – 3 companies</p> <p>5 – 0 companies</p> <p>A total of three examinations were referred to the Enforcement Unit. None of these exams were “for cause” or “targeted” exams.</p> <p>The violations found included:</p> <ul style="list-style-type: none"> <li>• Disclosing Mortgage Broker fees on line 801 of the good faith estimate</li> <li>• No written Explanation of increased fees from the GFE to HUD-1</li> <li>• Failing to deliver and complete Rate Lock-In Agreements upon locking the interest rate</li> <li>• Failing to accurately complete TIL disclosures – Incorrect payment stream – Bottom of TIL blank – Variable Rate box not checked when loan is a variable loan</li> <li>• Failing to disclose Yield Spread Premiums</li> </ul>			
<b>Action items:</b>		<b>Person responsible:</b>	<b>Deadline:</b>

5. Enforcement Update	Deb Bortner														
<b>Discussion:</b>															
<p>As of August 4th, there were a total of 929 open complaints.</p> <p>There were 497 complaints against Mortgage Brokers</p> <ul style="list-style-type: none"> <li>355 Complaints against Mortgage Brokers <ul style="list-style-type: none"> <li>94 Alleging unlicensed activity</li> <li>21 Complaints against LOs</li> <li>15 LO applications</li> <li>12 Complaints against exempt MBs</li> </ul> </li> </ul> <p><u>Other complaints:</u></p> <table border="0" data-bbox="175 573 711 758"> <tr> <td>Consumer Loan</td> <td style="text-align: right;">294</td> </tr> <tr> <td>Check Cashier/Seller/Payday</td> <td style="text-align: right;">57</td> </tr> <tr> <td>Escrow Agents</td> <td style="text-align: right;">43</td> </tr> <tr> <td>Money Servicers</td> <td style="text-align: right;">25</td> </tr> <tr> <td>RAL</td> <td style="text-align: right;">1</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">12</td> </tr> </table> <p>On January 31, 2008, there were 757 open complaints. In both May and June we received over 200 complaints – significantly higher than usual – which greatly attributed to the large number of currently open complaints.</p>				Consumer Loan	294	Check Cashier/Seller/Payday	57	Escrow Agents	43	Money Servicers	25	RAL	1	Other	12
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6. Public Comment		
<b>Discussion:</b>		
<p><b>John Long, Mortgage Compliance Attorney -</b></p> <p>Does the number of licensed Mortgage Brokers include the number of branch offices? Mrs. Leslie said it does not. Mr. Long asked a question for clarification on the rulemaking chart.</p> <p>In the rulemaking, is the issue of Policy and Procedure Manuals and Supervision Plans going to be addressed? Yes.</p> <p>Regarding CE requirements, is there any consideration of going to 1 hour classes so people can take better advantage of online courses? DFI thinks they will have to switch to the hourly because of HR 3221.</p> <p>The leg says you are to draft a form but is the required use or recommended use? Ms. Bortner said you are required to provide a form that has all of the elements of the legislation; you are not required to use DFI's form.</p> <p>Mr. Long is concerned about the definition of YSP on the Disclosure Form and said DFI has an obligation to define it thoroughly.</p> <p>Is DFI going to reexamine what constitutes taking an application? No.</p> <p><b>Elizabeth Cousins, Extraordinary Processing –</b></p> <p>Had a question about YSP and shared her concerns with the current definition of YSP on the Proposed Draft No. 4 of the Disclosure Summary Form.</p> <p>Ms. Cousins asked about the continuing education requirements specific to Ethics and encouraged us to explore the option of online education. Deb Bortner said there is a requirement for two Ethics credits each year.</p> <p><b>John Tenold, Quick Mortgage –</b></p> <p>Expressed his great concern regarding the YSP definition on the Proposed Draft No. 4 of the Disclosure Summary Form.</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>		
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Meeting adjourned at 11:03