

Escrow Commission Meeting Minutes July 8, 2008

Attendees:

Commissioners:

Philip Dryden, Chair
Patricia Maddux
Stan Pilon
LaurieLeMay
Chariese Adams

Consumer Services Division Representation:

Deb Bortner, Division Director
James Brusselback, Enforcement Program Manager
Rick St. Onge, Financial Examiner Supervisor
Elizabeth Stancil, Administrative Assistant

Additional Guests:

Dennis Daug, SeaTac Escrow
Jonelle Wheeler, ACS Northwest, Inc
Lora Lilly, A'lora Escrow, LLC
Adeen Sells

Meeting Called to Order 9:02 a.m.

Approve Minutes from April 8, 2008, Meeting – Handout

Patti Maddux moved to accept the minutes from the April 8, 2008, meeting as written. Laurie LeMay seconded the motion. All were in favor and the minutes were approved.

Exam Report – Rick St. Onge

In the second quarter, six exams were completed – two rated at a 1, two rated at a 2, and two rated at a 3.

The Exams group completed two investigations.

Explanation of examination ratings:

Exam Reports are rated on a 1-5 rating. A rating of 1 is the least amount of violations or findings. Ratings of 4 and 5 are the worst; a 5 rating typically isn't ever rated because at that point there are so many violations and findings the case would be referred to the enforcement unit. A rating of 4 indicates that there were a lot of findings but not sufficient reason to refer to the enforcement unit, typically DFI

would go back and do another examination in 6 months to make sure that they are in compliance.

Top three common violations:

1. Failure to sign month-end trust account reconciliations.
2. Failure to perform all duties in a prompt and efficient manner.
3. Failure to file quarterly reports on time.

Quincy Todd, currently the Escrow Supervisor in Consumer Service's Licensing Unit, will join the exam team on July 16, 2008, as a Financial Examiner 1. There will be a total of 2.5 examiners on the escrow side of the Examinations Unit.

Licensing Update – Deb Bortner

Escrow Agent:

- 167 - Main offices (162 reported at April meeting)
- 22 - Branch offices (22 reported at April meeting)
- 254 - Escrow Officers (257 reported at April meeting)
- 123 – Inactive Escrow Officers (117 reported at April meeting)

Mortgage Broker:

- 7,511 – Loan Originators (As of June 30, 2008)
- 1,536 – Mortgage Brokers (As of June 30, 2008)

DFI intends to contract with Promissor as the test administrator by amending the existing Mortgage Broker contract. We are currently working out those specifics with the company.

DFI believes Promissor will increase the professionalism of the test process and make the process easier and more efficient for licensees. Promissor provides an on-line scheduling system as well as their eight convenient locations. Escrow agents may schedule the test at their convenience rather than with DFI each month.

Promissor will use their existing bank of escrow questions as well as the Washington-specific questions developed by the commission and committee some time ago.

Enforcement Update – James Brusselback

There are currently 62 open escrow complaints in the Enforcement Unit. That's a lot considering we received only 77 complaints in all of 2007.

This quarter we received 55 complaints and closed 18 complaints.

Three actions were taken against escrow agents this quarter, 55 actions taken for all other industries, and there are 973 open complaints for all industries.

James Brusselback provided about 10 sample complaints that were analyzed and resolved. The majority involved no violations found and no further requirements sought. Mr. Brusselback explained that complaints are carefully assessed.

Actions taken: (All involve unlicensed activity)

National Title Net out of Texas. DFI is seeking a fine and prohibition or banishment from the industry.

Charges pending:

North American Title Company out of California. DFI is seeking a fine and reimbursement of investigation costs.

Lender Services Direct out of Oklahoma. DFI is seeking 5-year banishment or prohibition from the industry, fine, and reimbursement of investigation costs.

Old Business

Deb Bortner shared the new language in the Reconveyance Policy draft.

Stan Pilon shared some concerns he had about the draft and suggested new language. He also expressed his concerns that independent escrow agents and title escrow agents are regulated differently. He feels that independent escrow agents are put at a disadvantage because title agents aren't regulated in the same manner.

Ms. Bortner stated that DFI will take Mr. Pilon's suggestion and redraft that section of the draft policy.

New Business

Chariese Adams asked about the requirements for keeping physical files in your office once you've digitized all of your documents?

Rick St. Onge said that this has been a common question. As long as the examiners can review complete files and see all the information they need to see, the digital record is fine. The records just need to be complete, whatever form they're in. Mr. St. Onge said that it's best to keep the physical file for one year after making it available digitally. Ms. Adams asked if they could store multiple files on a CD or just one per CD. Mr. St. Onge commented that examiners would prefer that you have one file per CD but if you have them well organized you can add several files to one disc. The key is that the documents can be retrieved and printed on-site for examination.

Philip Dryden asked Deb Bortner if OIC is stepping up enforcement on the kickback law.

Ms. Bortner said yes and that they are taking the matter very seriously.

Mr. Dryden also asked if Licensing is hearing any issues from escrow agents regarding bonding.

Ms. Bortner said that we are hearing a lot about bonding but mostly from lenders and most of the lenders having trouble are out of state.

The meeting was adjourned at 10:35 a.m.