

Escrow Commission Meeting Minutes

October 23, 2007

Attendees:

Commissioners: Robert Golden (Chair), Stan Pilon, Laurie LeMay, Chariese Adams, and Phil Dryden

Consumer Services Division Representation: Deb Bortner, Division Director; Kwadwo Boateng, Program Manager; James Brusselback, Program Manager; Levi Clemmens, Program Manager; Rick St. Onge, Financial Examiner Supervisor; Cindy Fazio, Financial Legal Examiner, and Jeannette Terry, Administrative Assistant

Additional Guests: Barbara Karl (Fircrest Escrow), Erwin Wood (Professional Escrow Services), Jim Wagner (Approved Escrow), Adeen Sells (Reconveyance Services), Lora Lilly (A'lora Escrow), Jonelle Wheeler (ACS Northwest), and Dennis Daus (Seatac Escrow)

Approve Minutes from July 10, 2007, Meeting – Handout

Laurie LeMay moved to approve the minutes from the July 10, 2007, Escrow Commission meeting. Robert Golden seconded the motion. All were in favor and the minutes were approved.

Commission Vacancies

Bob Golden's term expires December 22, 2007. He has already served for two terms. Phil Dryden's term also expires December 22, 2007. Deb encouraged Phil to re-apply and said to send her an email if anyone is interested in applying for the Commission vacancies. The Governor's office limits people to serving two consecutive terms.

Exam Report – Kwadwo Boateng and Rick St. Onge

Kwadwo introduced Rick St. Onge, Financial Examiner Supervisor, from Exams.

As of September 30, Consumer Services has conducted 15 exams:

5 compliance exams – 4 were rated a 2 and 1 was rated a 1
3 are still ongoing

Top five common violations:

1. Failure to itemize third party fees on HUD1 (i.e. courier fees)
2. Failure to receipt funds before disbursement
3. Overdrawn trust accounts
4. Failure to maintain copy of endorsement of checks, only front of check is kept
5. Failure to file quarterly reports on time (58 people, one third were late)

Rick St. Onge said some of the quarterly reports went to the wrong people because of the transition of the Escrow program from Securities to Consumer Services. He reminded people to use the form on the website with the Consumer Services contact information.

Stan said it would be good to know what companies have reported late more than once.

Rick said we now track that information, and we will report back at the next Commission meeting.

Stan has a concern about late reports. These are supposed to be used to schedule risk based exams. This isn't a new report, and DFI keeps reporting back that these quarterly reports aren't going well.

Deb said the number of risk based exams identified is larger than the number we can get to because of resources.

Licensing Update – Levi Clemmens

As of October 22:

- 184 - Escrow Agents - main offices (that's an increase of six from the last meeting)
- 24 - Branch offices
- 267 - Escrow Officers and Designated Escrow Officers (that's a decrease of five from the last meeting)
- 131 – Inactive Escrow Officers
- 3 - Licenses pending since the last meeting

The online renewal is going on now. In the past two months, 38 EOs have renewed online compared to 39 in the past six months.

We have issued 12,900 Loan Originator licenses. We have 350 potentially complete applications that we are still working on. Only 2,000 Loan Originators have taken the test so far. Ten thousand still have to take the test by December 31, 2007. We are gearing up for renewals now, which will be done online. We will need to check continuing education course documentation.

Deb said we have drafted a rule saying Loan Originators will be allowed to be paid directly from escrow. They need to have their license number on documents, as well as, Mortgage Brokers.

Phil asked if DFI still sends out reminder notices that Escrow Officers need to renew their license.

Levi said he doesn't think we do. Deb said we will revisit that at the next meeting.

Enforcement Update – James Brusselback

This report is for July 1 – September 30, 2007.

- 19 - New complaints
- 14 - Closed complaints
- 37 – Open complaints (carry over from previous period)
- 840 - Open complaints for all industries

Most common violations:

- Unlicensed activity
- Disbursement irregularities
- Mistakes on closing documents
- Failing to respond to the Department

Resolutions:

- Voluntary cease and desist
- Refund fees
- Revise policies or documents
- Encourage training

There are 14 investigations pending for Escrow. A lot of those are unlicensed activity, some are mortgage fraud and flipping.

Enforcement actions:

- TransUnion Real Estate Services, Inc.
 - Statement of charges
 - \$20,000 fine
 - \$750 investigation fee paid
 - TransUnion is now licensed

- Informed Escrow - Marilyn Jackson
 - Settled in August
 - Agreement to five year ban from industry

- Richmond Title Services
 - Settled for \$22,000 fine.

- Exceptional Escrow
 - Pending, moving along
 - Temporary order to cease and desist

We received a complaint from a bank. We are taking more steps to reconcile.

Deb said the receivership statute is not written in a way to make things easy for us. The process is very slow. We are going to re-examine options.

Reconveyance Services – Discussion – Deb Bortner and Cindy Fazio

We have revoked the policy. There are still a few areas that need to be updated. Cindy discussed this at the July 10 meeting. Jonelle Wheeler and others came to DFI to discuss this issue. The future draft will list required documentation we want to see in your files: tracking fees documented and fees bearing a reasonable relationship to services provided. Some elements that will be the same are: necessary refunds to borrower, fees that can be kept.

Stan said we didn't address sub-escrows where we share duties with title companies. Their practices are in direct conflict with where we are going.

Deb said we will talk to the Office of the Insurance Commissioner, and we will get back to the Commissioners.

Rulemaking – Handout - Cindy Fazio

Cindy distributed a concise explanatory statement. DFI held a rules hearing on October 2. We had a couple written comments, which were read into the record. The comment period remained open until October 15. We are on track for adoption of the rules. DFI will file a CR-103, rulemaking order form, on October 25. The rules will become effective 31 days after that filing, which will be November 26.

2008 Meeting Schedule

January 8, 2008
April 8, 2008
July 8, 2008
October 7, 2008

Old Business

Reconveyance letter
Quarterly report form
Internet renewal is required

Laurie LeMay asked when the Escrow newsletter will be sent out. Whittier Johnson will send one out in the next few months. Email Whittier with any articles you want included.

New Business

None.

The meeting was adjourned at 11:09 a.m.