

Mortgage Broker Practices Act Rulemaking
Panel Meeting Minutes
July 27, 2006

Panel members present: Chuck Cross, Catherine Mele-Hetter, Laura Kiel, Jeff Berglund, Adam Stein, and Jeffrey Lorsch

Absent: Rich Bennion

1. Welcome and Introductions

Chuck introduced the Panel.

2. Recap of Meeting Format and Protocols

Chuck skipped. It is routine for everyone.

3. Reading and assignment of public comments to date – Deb Bortner

We only have three comments this week. The first one is recommending that hourly requirements be used for continuing education.

Chuck – We will go over that today when we go through the draft WAC.

The other two comments are basic questions.

Chuck – He thinks the loan originator application will be on the website in the late fall.

4. Work Session with latest WAC version

Chuck said we need to move quickly today to make it through all the material. He may allow a certain amount of time for discussion. At that time, we may take a vote or move things back to the Sub-Panels for more work.

We need all licensing comments in by July 31. We need to move forward to exams, trust accounting, enforcement, etc.

Page 4 – (4) Definition of “Application” – Chuck – We’ll either fix it to say “Application or loan application means the same as . . . ,” or we will make two separate definitions saying “loan application means the same as (4) application.”

Page 6 – Change “in” to “on” the very first line on that page.

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Page 6 - (13) – “Compensation or gain” – suggested language – “Compensation or gain means remuneration, benefits, or an increase in something having monetary value, including but not limited to . . .”

Example at the end of the yellow highlights – Chuck - He has an example revolving around a realtor that might fit more than the building example.

Does the example even belong in the definition?

Deb – This was intended to be a separate question at the end of the exemption section. Move the whole “compensation or gain” second paragraph to the exemption section.

Page 7 – (17) – Add a “:” at the end of the paragraph.

Page 10 – (d) - Chuck – add “embezzlement,” change “mail fraud” to “fraud,” change “wire fraud” to “wire or mail fraud,” and “insider trading.”

Page 11 – highlighted paragraph – “For purposes of this definition. . . “ - Adam – That paragraph is in conflict with (30) (b).

That paragraph is intended to modify (30) (a).

Cindy – We can’t move it around, because we need to keep that statute language together.

Chuck - Add something like – “For the purposes of defining loan originator under (30) (a)” . . . to identify what piece it is connected to.

Page 11 – (32) Chuck – Change “Loan processor is” to “Loan processor means.”

Page 11 – (32) – end of highlighted paragraph - Add “provided that such communication does not include offering, negotiating, or counseling the terms of a mortgage loan” at the end of the paragraph.

Page 12 – Chuck - Take the highlighted language out.

Page 14 – (45) Chuck – Add – “For the purposes of handling lock-in agreement fees only, the lender is considered a third-party provider.”

Page 19 – first questions – **If I am an exempt mortgage broker because my business has been approved and is subject to audit by Fannie Mae or Freddie Mac, are my loan originators subject to licensing or any other sections of the act?**

Answer – Cindy Fazio made a comment at the end of the answer.

Chuck - Yes. We need to clarify that it is only W-2 employees of an exempt that share the exemption and independent contractors do not. It is fixed elsewhere. Take out Cindy’s comment.

Page 19 – second question - **As an attorney, must I have a mortgage broker or loan originator license to assist a person in obtaining or applying to obtain a residential mortgage loan in the course of my practice?**

(2) - Change “would” to “will” in the seventh and eighth lines down.

Page 20 – first question – **As a licensed real estate broker or salesperson, must I have a mortgage broker or loan originator license when I assist the purchaser in obtaining financing for a residential mortgage loan involving a bona fide sale of real estate?**

Page 20 – answer - Delete Chuck’s comment about “consider adding examples here.”

Page 20 – Throughout this section, we need to use “exclusive agents.”

Page 20 – second question - **Under what circumstances will the director approve an exemption under RCW 19.146.020 (4) for the loan originators of an affiliate of a bank that is wholly owned by the bank holding company that owns that bank?**

(1) – Chuck – Add “loan originator” before “licensing” in the second line. After that, change “loan originators” to “exclusive agents” like the statute.

(1) – Jeffrey – The loan originators have to be employees, not independent contractors or sub-contractors of that bank, right?

Chuck – He thinks the employee – independent contractor question only arises for Fannie Mae and Freddie Mac. We will stay silent on this one.

(1) – Chuck – Add “and licensed” after “the affiliate is” in the fourth line down.

Chuck to Jeffrey – Comment in middle of page. We need to get some legal analysis on that.

Page 21 – (c) middle of paragraph - Needs to say “exclusive” not “approved” affiliate.

Page 21 – (c) – Change “because during the agent’s contractual relationship with the affiliate the agent has been convicted of a gross misdemeanor involving dishonesty or financial misconduct, or a felony” to “due to failing to meet the requirements of good standing, #5, #6 and #7.”

Chuck – No. Delete the last sentence in (c).

Chuck - (d) – Add “been convicted of a gross misdemeanor involving dishonesty or financial misconduct or a felony” before “had a loan originator . . . “ on the second line.

Page 21 – (2) - Jeffrey – Why do we want to remove the notification deadline?

Jeffrey – Why are they allowed to work before they get an exemption?

Adam – Take it back to the Sub-Panel and craft a date that DFI can live with, but spell it out.

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Chuck – We need a new (3) that says “The licensee or affiliate must receive notice of exemption before the exclusive agents . . . “

Page 23 – top of page - Chuck – We may need to talk to our general counsel first. We think we should stick with the one definition of “application.”

Page 23 (a) - Chuck – What does “in combination” mean?

Chuck to Cindy – (2) - Use “loan application” every place it says “uniform loan application.”

Page 24 – top paragraph - Change “loan officers” to “loan originators” in two places.

Page 25 – fifth question – **Who at the licensed mortgage broker company is responsible for the company’s compliance with the act and these rules?**

Answer - Chuck – There is specific statutory language we need to insert in the answer (owners that have supervisory responsibility).

Page 26 – first question - **What responsibility is carried by companies exempt from licensing?**

Answer - Either the question or the answer is not quite right. The question talks about companies, and the answer talks about principals and owners.

Cindy – Should we move that question and answer to exemptions?

Chuck – Yes.

Page 27 – second question – **What specific information will the department consider to determine if the mortgage broker business will be operated honestly, fairly, and in compliance with applicable law?**

Change “incompliance” to “in compliance.”

Answer – He would like to see the answer before the next meeting.

Cindy – The internal Licensing Sub-Panel meeting will work on this July 28 and email the results to the two Commissioners on that panel.

Page 28 – third question – Jeffrey - **May I advertise my business while I am waiting for my mortgage broker license application to be processed?**

Answer - Change “single family residential mortgage loans” to “residential real estate.”

Page 29 – highlighted section – Does complete application also include fingerprint cards?

Yes. Okay.

Page 29 – first question – Jeffrey – **When does a mortgage broker license expire?**

Answer – Should it say “and must be renewed annually?”

Cindy – The Licensing Sub-Panel will look at that internally. There is more than one date on the license. “Initial issuance date” is just a term of art to have us hook up with the national database.

Page 30 – Jeffrey – first question – **May I still conduct my mortgage broker business if my mortgage broker license has expired?”**

Answer - (2) - This would also apply to the loan originator license. Jeffrey has an objection to “completed within six months.” This is to protect the consumer, not the broker.

Chuck – We can either vote or take it to the Licensing Sub-Panel.

Take it to the Licensing Sub-Panel meeting on July 28.

Page 31 - **3. Mortgage Brokers – Surety Bond**

Answer - (3) - Jeffrey – You might want to have a way in which they confirm notification.

(5) – Laura – Is a mortgage broker who is not licensed still covered for a period of time?

Chuck – Add “provided that the bond continues to provide coverage.” Surety bonds seem to only be written to cover a licensed mortgage broker. This surety bond was written just for this statute. Read the bond.

Page 33 – third question – **If my designated broker leaves, may I continue to operate my mortgage broker business?**

Jeffrey – Re-address that as well in the Licensing Sub-Panel meeting.

Page 34 – fourth question - **What are the disclosure requirements when a mortgage broker is associated with or shares an office with a real estate broker?”**

Jeffrey – Are they really just “sharing” office space?

Chuck – The whole section needs more work. Cindy may be able to make that into two questions. It starts out talking about mortgage brokers and ends up talking about disclosures for loan originators.

Page 36 – fourth question - Jeffrey – **Does my branch office license expire?**

Answer - There is the “initial issuance date” again.

Page 40 – (4) - Chuck – Good standing only kicks in when you are replacing a designated broker. What about when you first get a license?

Adam – Say “initial” or “new.”

New or different is interchangeable to Chuck. Take “new” out if it is confusing.

Chuck – To avoid confusion, add “In addition, if you are a designated broker applying for an existing licensee, then you must be in good standing with the department” or something similar.

Page 41 – **2. Designated Brokers – Testing**

First question – **Where may I get information about the designated broker test?**

Chuck – Add a first sentence that says “You have to take a test.” Use the same language as the first part of the loan originator testing.

Page 41 – sixth question – **As a designated broker, how many clock hours of continuing education must I have?**

Answer - Clock hours – Suggested language from the department: “The continuing education requirement for designated brokers will be in the form of approved courses. While individual clock hours may vary, you must complete three courses of no less than three hours each annually.”

The Panel was all in agreement with that.

Page 42 – Chuck – Delete the example in yellow highlights at the top of the page.

Page 42 – first question – **If I teach an approved continuing education course may I use my course as credit toward my annual continuing education?**

Chuck – We added “approved.” We do not want the same course to be identified by the course type or course name. You could take a course of the same topic if it is taught by another instructor.

Adam – Do they only receive one course credit regardless of how many courses they teach?

You would have to follow the same rules of teaching different courses as taking different courses to get credit.

Adam – Change it to say you may not get credit for teaching the same course in successive years.

Page 42 – third question – **As a designated broker, if I take a continuing education course approved for multiple jurisdictions, will the department accept it as part of my continuing education requirements?**

Jeffrey – How do we find out if the course is approved?

Chuck – If a loan originator in Georgia satisfies their continuing education requirements, we will check with Georgia to make sure that satisfies the Washington requirements also.

Chuck – It is up to the department to determine if continuing education from other states will satisfy Washington’s requirements. There will be a list of states over a period of time.

1. Loan Originators - General

Page 43 – first question - Jeffrey – **If I work as a loan originator for more than one mortgage broker, may I take an application from a borrower without identifying one specific mortgage broker?**

Answer – He would like to add an example. He’ll write it up and send it to Cindy.

Page 45 – (3) **Criminal History.** – Delete Cindy’s note at the end. It is statutory language.

Page 48 – first question Jeffrey – **When does my loan originator license expire?**

Answer – “Initial issuance date” again.

Page 49 – first question - Jeffrey – **May I still originate loans if my loan originator license has expired?**

Answer – If they haven’t finalized the loan origination, can they handle the rest of the process?

Chuck – No. Change “not originate new loans” to “no longer conduct the business of loan originator as defined under”

Page 52 – third question – **As a loan originator, may I take the same approved course multiple times to meet my annual continuing education requirements?**

Answer - Adam – Delete the “For example . . .” in yellow highlights. Rewrite the continuing education answer the same as the answer for a designated broker.

Jeffrey – Fix clock hours for loan originators also.

Page 54 – first question – **As a licensed mortgage broker, what annual report must I provide to the department?**

Jeffrey - Do you want information for Washington only?

Chuck – He’s okay with capturing information for Washington only.

Cindy – The statute limits us to Washington only.

Answer - Chuck – Delete the first “Washington” in (a) and (b).

Page 56 – first question - Jeffrey – **Must I notify the department if I change the business structure of my company?**

Does a change in business structure require a new license?

Adam – It is a significant event.

Deb – What is the purpose of starting over? She thinks it is just an amendment.

Jeffrey – Can we get a question on that?

Chuck – Write another question. The answer would be “There is no change of the company as long as there is no change of control.”

Page 56 – second question – **What are my responsibilities when I sell my business?**

Answer - (4) – Adam – You need to give notice to third-party providers and payment of third-party service providers needs to be maintained.

Chuck – The person buying the new company can have the trust account funds transferred from the old company to the new company.

(6) – Add “or transfer funds into a new trust account at the borrower’s direction” after “or others to whom they belong” in the second line.

Page 59 – first question - Adam – **Are lock-in agreement fees paid by a borrower to the mortgage broker considered trust funds?**

Answer – He has concerns about ordinary care and thirty days.

Chuck – Change it to “three days.”

Page 60 – last question – **May a mortgage broker or loan originator accept and hold a check from a borrower that is made payable to a third party and intended to be used to pay for third-party provider services without depositing the check into a trust account?**

Chuck – Delete “loan originator” from the question and answer. We need to limit this to mortgage brokers only.

Adam – Make a second question about loan originators. Add “but not longer than three business days.”

Trust account questions from Laura Kiel:

Q. Must I maintain a trust account?

A. No. You are not required to maintain a trust account if you never accept borrowers funds. However, BE AWARE AND ALERT. Third party fees paid by closing agents at closing are borrowers funds. Checks from closing agents that contain these fees made out to the mortgage broker may never be deposited in your business checking account for any reason.

Chuck – Agrees with the concept. Needs to be reworked a little bit.

Q .If I choose to not have a trust account, and the closing agent did not follow our written instructions and inadvertently issues a check to me after closing that has fees in it for third party providers, may I deposit the check into my business account and pay those third party providers immediately ?

A .No. It is never allowed for you to deposit those fees into your business checking account under any circumstances.

Chuck – Delete “under any circumstances” at the end.

Deb has language about wires she will submit for next time.

Q. If I choose not to have a trust account, and upon our internal review and auditing of a closed file, I realize that the closing agent did not follow instructions and issued third party provider fees to me in error and that check was already deposited in my business, what do I do ?

A. ????

Q. I would like to operate my business without a trust fund. Is there a sample form or letter prepared by the Department of Financial Institutions that I can provide to the closing agent advising them that I do not have a trust fund and admonishing them to exercise extreme care in handling borrowers funds specifically according to expressly written instructions and not to disburse borrowers funds to the Mortgage Broker for any reason whatsoever ?

A. Yes..... can we put something together for this ???

Chuck – We don’t want to use this question. Deb has language.

Page 68 – J. OUT-OF-STATE MORTGAGE BROKERS AND LOAN ORIGINATORS

Page 68 – first question – Jeffrey – May I be a licensed mortgage broker in Washington and have branch offices both in Washington and outside of Washington?

Chuck – We don’t think we have the statutory authority to limit it. We chose to remain silent.

Page 74 – first question – **Will I get notice if the department wants to expand the scope of the examination of my business?**

Answer - Chuck – Add “the scope of” before “the examination.”

Page 74 – second question - Chuck - **Will I have to pay for an examination of my business?**

Chuck – middle of page – “If the department hires professionals. . . “ – Move to the section that talks about the department hiring professionals.

Chuck – middle of page – “The department will send . . . “ – Move up under (2).

Page 74 and 75 - (1) (b) (c) and (g) – Adam – In reference to supporting rate sheets, they are not always available. Sometimes you get a verbal representation.

Chuck - We’re looking for support to how you came up with the calculations. We could move to a position of obtaining information.

Jeff – Are you going to accept our log saying we were quoted this rate by a certain company on a certain date?

Kwadwo Boateng, Program Manager for Examinations – We will hold you accountable for whatever you put in your log or whatever documents you use. If there is ever a misunderstanding between you and the borrower, we will go with what the borrower told us.

Adam – That sounds like that would be an enforcement issue at that point.

Kwadwo – If you are consistent in keeping your documentation, we can always verify what you put on that documentation.

Chuck – Like Kwadwo said, if you have a system in place that we can rely on, we start with that. That being in place, we test some of these. If you are not able to support that system you use, we dig deeper.

Page 75 – (b) - Chuck - Add “or supporting rate information.”

Page 75 - (c) – Chuck - The last rate sheet or supporting information.”

Page 75 - (g) – Chuck - Add “or related information.”

Chuck – We’ve been consistent on this since 1994. The requirement was to keep those records for six years, then four years, and now it is twenty five months.

Chuck – There are reasons why you might need to keep rate sheets that you didn’t use. If your sales practices tell people they got the best loan they qualified for, you have nothing to prove that.

Chuck – There are tiers by need or liability on your part:

1. If you're using the information, you better maintain it.
2. If you've relied on it in any way.
3. If it came in to your company, the law says you need to keep it.

5. Public Comments

John Wilde -

1. Page 4 (4) application fee – There are two kinds of applications – residential application and application fee.

Chuck – We were going to put “license application fee” for (5).

2. Throughout the document some parts say “application,” some say “loan application,” and some say “residential loan application.”

Page 23 – loan application - Shouldn't it be “residential loan application” throughout the act? Maybe they all say the same thing.

Chuck – Chuck said we will change (4) to “application or loan application” means . . . You're seeing this on page 23 where our legal counsel is using “uniform loan application.” It will say “application means or under the l's of the definition it will say “loan application” means the same as (4).

3. He gave everyone a handout last time with some definitions and suggested language.

Chuck – He read it again and used part of it.

Laura – Some of that language will go before the Misc. Sub-Panel, but they haven't met yet.

Chuck – Page 10 and 11 - John's language would change it from a statutory definition to something else, and we can't do that. That would change the definition of “loan originator.”

Chuck – We have talked about it three times now, Chuck has read John's language thoroughly, and he thinks we're covered. We have acknowledged the suggested language.

4. Page 30 – **“May I still conduct my mortgage broker business if my mortgage broker license has expired?”**

(2) - John gave an example about six months being an okay timeframe.

Chuck – Noted. This will go back to the Licensing Sub-Panel.

4. Page 34 – fourth question – **What are the disclosure requirements when a mortgage broker is associated with or shares an office with a real estate broker?**

Why couldn't page 34 read the same as page 33 with the same disclosure?

One is a shared office, and one is the same individual.

Chuck – As discussed earlier, we'll fix it. Needs to be rewritten or deleted on page 34.

5. Page 75 – Records – He agrees with Jeff that nine times out of ten you will get some supporting document from the lender. Sometimes there are oral agreements made for rebates.

Chuck - Rebates aren't much of a problem.

John supports rate sheets not being the only form of documentation accepted.

Chuck encouraged John to send his comments to DFI in writing.

John said it is difficult to review the draft WAC document with the short turnaround time.

Back to **4. Work Session with latest WAC version**

Page 75 – Chuck – Add a new “(k)” and make the current “(k)” an “(l).”

(k) – “All file correspondence and logs.”

Page 75 – (2) **Advertisements** - Laura – Need to add “or other appropriate supporting documentation” like we did in (1) above it.

Cindy will have to ask Chuck and Kwadwo what they want in those sections.

Page 76 – (4) **Other** - Change training “manuals” to training “materials” in the fifth line down.

Page 76 – first question – **How long must I keep my books and records to comply with the act?**

Answer - (2) – Delete “which may not be sufficient to exonerate your conduct.” Add “alone as evidence in the case.” after “consumer's records.”

Page 77 – middle of page - **“If the department requests . . .”** – Add “in” before “that form.”

Page 77 – second question – **May the department use reports from professionals or specialists, or both, instead of conducting their own examination of a mortgage broker business?**

Answer – Change “the examiner” to “the department” at the end of the fifth line down.

Page 78 – second question – **If the professional's report is missing information, how may the department obtain the missing information?**

Answer – Change “certificate professional” to “certified professional” in the third line down.

Page 80 - (7) – Change “property subject” to “subject property.”

Page 80 (8) – Double check Reg. Z on the wording.

Page 81 – first two questions – **May I suggest property values to an appraiser, prior to the appraisal, without that suggestion constituting improperly influencing the appraiser? And How may I discuss property values with an appraiser, prior to the appraisal, without that discussion constituting improperly influencing the appraiser?**

Chuck has a problem with the first two questions. These questions have to merge into the questions below. We have another question and answer on this in the enforcement language.

Make sure these appraiser questions are grouped together. The Sub-Panel needs to check that.

Page 81 – **What business practices are prohibited?**

We need some bulleted items under these. We are restating the statute, but it is not enough for Chuck. Add “for example,” after some of them.

Appraisers -

Chuck - We had a sub-Sub-Panel meeting on July 26. Attendees were: Chuck Cross (DFI), Rick St. Onge (DFI), Jim Irish (appraisers), Richard Hagar (appraisers), Ralph Birkedahl (Dept. of Licensing), Adam Stein (mortgage brokers), and Laura Kiel (mortgage brokers).

We discussed how we were going to deal with the issue of giving the rules greater prohibitive practices in mortgage broker interaction with the appraisers. We kept going in circles. It ended up that the department needs to flesh out our existing rule (WAC-660-190) a little bit better. Rick St. Onge put together a document last night of questions and answers. Chuck handed out the language to the Panel members.

Question - **May I suggest property values to an appraiser without that suggestion constituting improperly influencing the appraiser?**

Answer - No. You may not suggest, instruct, induce, coerce, or attempt to intimidate an appraiser.

Adam – This has to do with appraisers soliciting a value. The issue of comps follows this issue of soliciting the value. He likes the second question. **(How may I discuss the property value with an appraiser without improperly influencing the appraisal?)**

Adam - The term “suggest” is a very fine line between solicit and area analysis.

Chuck – What about “You may not suggest with the intent of soliciting?”

Richard Hagar – How about “May I suggest a minimum property value?” You can tell me the borrower’s estimate.

Chuck – “May I suggest a minimum property value or a direction in property value?”

Richard – That fits in with the appraiser’s laws.

Advisory Opinion 19 (AO-19) – Chuck said that will be imported into the examination manual, so our examiners and companies realize what is required.

The appraisal sub-committee was created from the Financial Institution Reform and Recovery Act. They receive advisory opinions. This one is called an AO-19. It is their guide. It says appraisers are not to accept any appraiser assignments if there is anything related to minimum value needed. They can’t even accept that appraisal assignment at that point. Any attempt to provide appraisers with direction in value is not acceptable. This is within federal statutes. All lenders must use USPAP compliant appraisals.

Adam – What about an area analysis? There were 5-6 things that could or could not be contained in that. We can ask for an area analysis. What is that comprised of?

Richard – Our solution is already within the federal statutes. It allows appraisers to provide a variety of appraisal reports. “Desk top” appraisal – Here is what we did to come up with a value, and here is what we did not do. You get a written form back. It is an absolute requirement. It must be there on any opinion of value offered by an appraiser.

Adam – Is a desk top appraisal the same as an area analysis?

Richard – No. An area analysis is very general. It isn’t anything that would lead you to a value conclusion.

Adam – Can we stay within the terms of an area analysis?

Richard – If there are specifics given, there would be a problem.

Adam – How can we legally, in your opinion, get an area analysis as close as possible without spending the clients money inappropriately?

Richard – We can’t. If you start refining it down to specifics, we have crossed the line.

Adam – How far can we go down that line without crossing specifics?

Richard – We can’t supply comps that are too specific.

Adam – When an appraiser who does provide an estimate or range of value, which does constitute an appraisal, and they charge something of value for that information, and it crosses over to being a verbal appraisal, is there any requirement for them to bill me for an appraisal?

Richard – No.

New question – Chuck – **“May I suggest a minimum property value or direction in property value to an appraiser without that suggestion constituting improperly influencing the appraiser?”**

New answer – “No. You may not do that.”

New question – **“May I suggest with the intent of influencing, instructing, inducing, coercing, bribing, threatening, withholding payment, or withholding future business . . .?”**

New answer – “No. You may not do anything that would unduly influence an appraiser or lead to a result of that.”

Adam – He would like to recommend that this is taken back to the Sub-Panel. He’d like area analysis information.

Chuck – In the next few days, can the appraisers email Chuck Cross and Cindy Fazio the new language? Cindy will get the language to the Exam Sub-Panel after that.

Jim Irish – handout for the Panel – It is a reprint of the Wall Street Journal article. It talks about as housing cools, inflated appraisals are causing trouble. Read this article and you’ll see where we’re coming from and why. Yesterday we talked about solicitation and the federal government coming down on people for that. One thing on Fannie Mae and Freddie Mac forms is a certification that appraisers must sign (according to standards rule 2-3, line 946, page 30). It says every certification has to contain: My compensation for completing this assignment is not contingent upon the development or reporting of a pre-determined value, or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of the stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

Jim - Any appraiser that takes your request for a comp check before he or she is given the assignment, and signs the certification, is in violation. Ralph Birkedahl and his unit at the Department of Licensing can take their certificate.

Chuck – Chuck asked Jim to clip that paragraph and email it to him.

Chuck – “May I suggest a pre-determined value?”

Richard – Recommends saying “minimum” value, because it is so simple.

Adam – Are we still okay giving you the borrower’s estimated value?

Jim – If you give appraisers the facts, it is okay.

Jeffrey – There are two aspects: One is trying to create more value, and the other is working on behalf of borrowers to find out if it makes sense to even do this transaction for the borrower.

Either there is a benefit to the borrower by getting this information, or there isn't. We need to get this information to the borrower as cheaply and as efficiently as possible early in the process.

Chuck – The argument Jeffrey just made was made by Laura, Adam, and Chuck at the appraisers meeting on July 26. These rules are not only about what is best for the borrower.

Chuck – There are two factions of the industry. It will be some time before there will be a meeting of the minds. Chuck and Ralph will have to step in and make decisions as the regulators that are best for the consumers, the market place, law enforcement, and everyone involved. Let us work on this some more.

Jim - Remember the appraiser's client is not the purchaser or borrower of the property. It is the lender. Our job is to protect the safety and soundness of the financial institution.

Back to page 83 – **4. Work Session with latest WAC version**

Page 83 – last question – **What is a “bona fide” dispute between a mortgage broker and third-party provider?**

Chuck - DFI doesn't need a copy of that in our office.

Chuck to Cindy – There are a couple pages where that exists back-to-back.

Page 84 – second question – **Are there any criminal penalties related to violations of the act?**

Answer - Cindy will Ask Steve Sherman - Chuck thinks it should be up to one thousand dollars and up to twenty thousand dollars.

Page 85 – bottom of page - Chuck – Question for Catherine. Is it even possible to raise our fees, or are we limited by I-601?

Catherine – As long as it is not a new fee. It can't go over the fiscal growth factor for that year.

Cindy - \$47.78.

Page 87 – fourth question – **What is a “course provider” under the act?**

Answer - Chuck – Add “and receiving approval by the department for a specific course of education” to the end of the last sentence.

Page 91 – fourth question – **What must a course provider or a professional organization do if a planned class is not taught?**

Chuck – Why did we delete this question and answer?

Cindy – We moved it to page 89 under what action must a course provider take.

Page 91 – last question – **What topics must be included as continuing education courses?**

Adam – What about mortgage loan products?

Chuck – He wants to avoid a lender coming in and talking about their product.

Chuck asked Adam – Will you submit a list of things that belong there? Make a new “Mortgage services and products” heading.

Chuck would like to add a “Compliance and internal audit standards” heading too.

Adam – Also add “FHA, VA, reverse mortgage and non-prime lending.”

Chuck – What about “underwriting standards, appraisal requirements, etc.?” We need to add more things.

Page 92 - Chuck – We need to add an additional bullet at the end of Washington Law and Associated Regulations and Federal Law and Associated Regulations that says something like the following:

“Any subsequent act or regulation applying to mortgage brokers and their business practices that would have a federal regulation come out that someone would want to do a continuing education course on.”

Page 92 – first question - **How long does department approval of continuing education courses last, and may the approval be renewed?**

Answer – Change – “continuing education provider” to “course of education” is valid for two years in the first sentence.

Page 93 – third question – How do interested parties apply for a position on the Mortgage Commission?

Delete “Mortgage” in the question.

Laura – Will the loan originators serving on the Commission need five years of experience?

Chuck - .280 in the statute says, “No commission member shall be appointed who has had less than five years experience in the residential mortgage lending.”

Catherine – The Misc. Sub-Panel will discuss this.

Chuck – Let the department be the gate keeper. We review all the applications.

Laura – She would also like to see something in the rules about standards for remaining on the Commission.

Chuck – We want the Commission to adopt guidelines or standards.

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Page 94 - Chuck – The rest of these rules, starting with Appendix B, are examples of prohibitive practices, etc. Please read through them before the August 3 meeting.

Page 100 – top of page – Example 2 – Adam - Every loan is subject to availability.

Chuck – Delete the second sentence.

Chuck has some changes he'll make before the next meeting.

Catherine asked Cindy - What is the legal value of the appendix? Is it part of the rules or is it an addition?

ENFORCEMENT SUB-PANEL DRAFT RULES 7/25/06

Enforcement handout – We'll start with the enforcement document next time. Cindy will bring the entire section into the rules and highlight it in yellow.

Catherine – If you don't send Catherine an email by July 28 about the licensing language, it is done, except for the issues we discussed today.

Called to order at 1:10 p.m.

Adjourned at 4:35 p.m.