



Mortgage Industry Webinar Agenda

Wednesday, March 4, 2015

9:00 a.m.

1. Welcome – Charlie Clark

The information provided during this webinar is for informational purposes only and is not legal advice. You should contact an attorney to obtain advice with respect to any particular business practice. The opinions expressed during the webinar are the opinions of the individuals and may not reflect the opinions of the department. The information provided may not be applicable in all situations or under all circumstances. You are ultimately responsible for compliance with state and federal law.

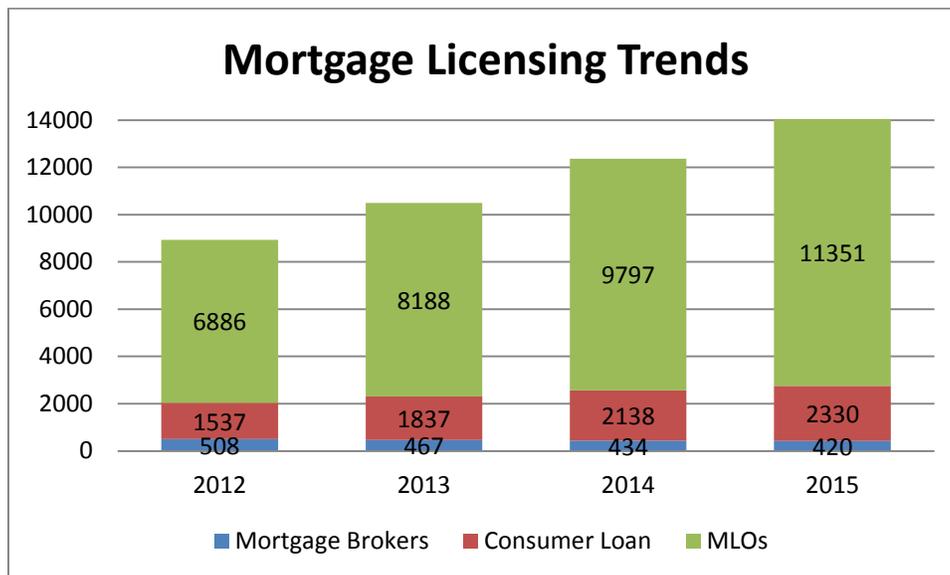
2. Licensing Update – Maureen Camp
3. Examination Update – Tani Thurston
4. Enforcement Update – Steve Sherman
5. Opportunity to Submit Questions – Cindy Fazio

Licensing Unit Report - Mortgage Program

Mortgage Industry Webinar

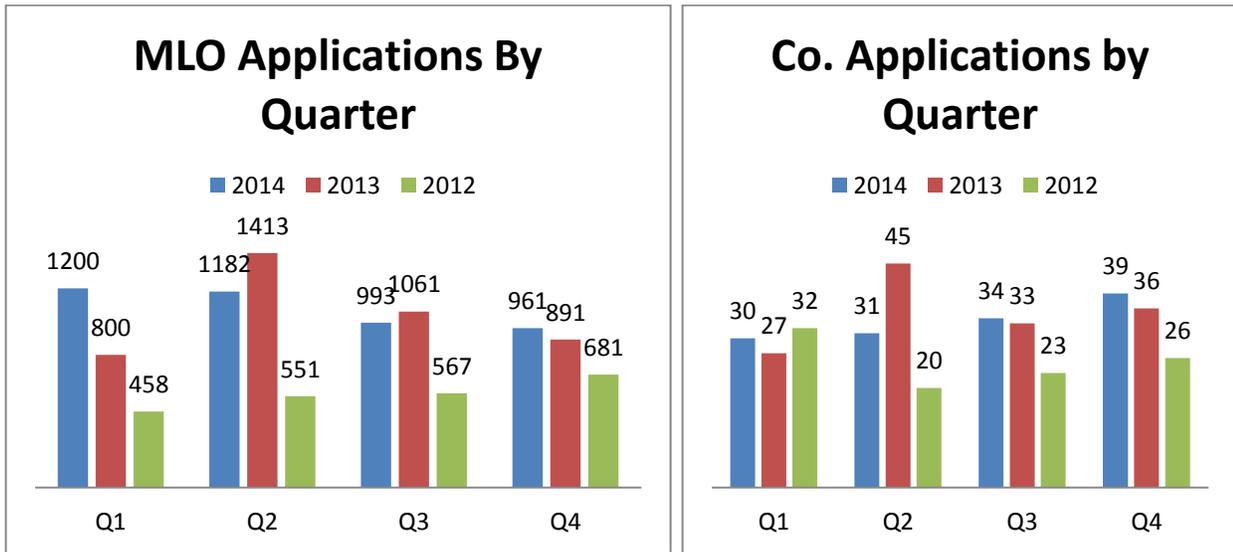
March 4, 2015

License Types	March 2012	March 2013	March 2014	March 2015	Total Change
Mortgage Broker Main	356	334	301	275	-81
Mortgage Broker Branch	152	133	133	145	-7
Consumer Loan Main	418	432	486	519	+101
Consumer Loan Branch	1,119	1,405	1,652	1,811	+692
MLOs (Active & Inactive)	6,886	8,188	9,797	11,351	+4,465



Licensing Trends

- Mortgage Broker licensees still declining while Consumer Loan licensees still increasing
 - 13 Mortgage Brokers moved to the Consumer Loan license in 2014
 - A small but growing number of new Consumer Loan applicants engage in consumer lending, not residential mortgage loan activity
- Mortgage Loan Originator licensees still increasing, mostly still under the Consumer Loan Act
 - Majority of new MLO licensees are initially active (sponsored)
- Branch licensing activity remains strong with about 200 new applications a quarter – also see the highest volume of closures in branch entity type



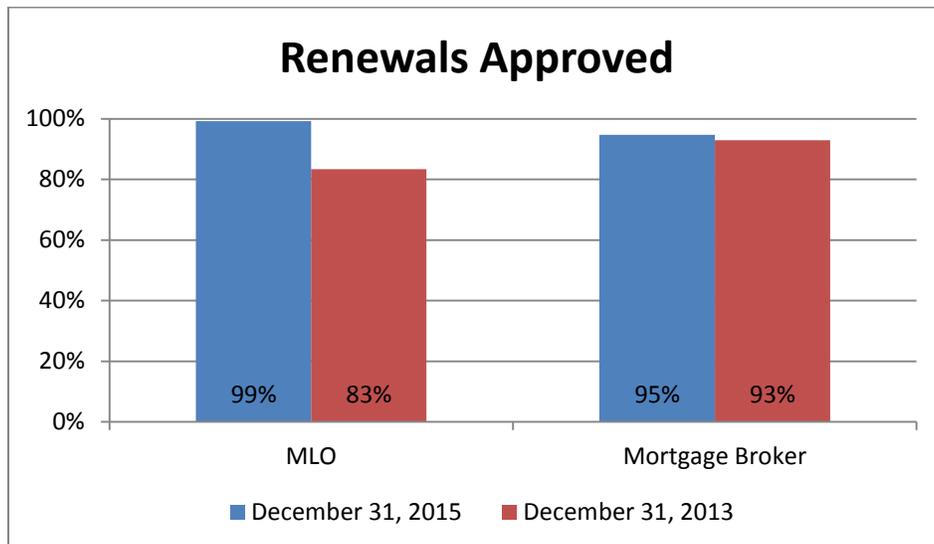
Application Trends

- Mortgage Loan Originator applications declined each quarter in 2014, but total applications for the year is still 4% higher than 2013 and 92% higher than 2012.
- Company applications increased slightly each quarter in 2014 with applications for the year about 4% less than 2013 but 32% higher than 2012.

2015 Renewal Recap

- At the start of renewals, 16,260 licenses were eligible for renewal, including Mortgage Brokers, Consumer Loan companies, MLOs and expansion industries like Money Services entities
 - 10% increase from 2014 renewal period
 - 40% increase from 2013 renewal period
- MLO licensees required to complete new Criminal Background Check and Credit Report

On December 31, 99% of MLO renewals approved and 95% of Mortgage Broker renewals, compared to 83% of MLO renewals approved in 2014 and 93% of Mortgage Broker renewals.



Future Enhancements or Deadlines

- Electronic Surety Bonds in NMLS
- April 1 – Financial Conditions Deadline for Standard MCR filers
- May 15 – Q1 MCR Deadline

CS - Examination Unit Report
Consumer Loan and Mortgage Broker Programs
Mortgage Industry Meeting
March 4, 2015

Examination Summary – Consumer Loan

92 exams completed for the calendar year 2014

Composite Rating	Number of Exams	Avg. Billable Hrs.	Avg. Exam Cost
1	19	44.22	3,051.33
2	25	156.97	8,372.48
3	17	173.40	11,983.09
4	5	154.90	10,688.10
5	N/A	N/A	N/A
*N/A	26	46.01	2,934.66

*These are SWE exams that are not assigned a rating

****Examination Summary – Mortgage Brokers**

70 exams completed for the calendar year 2014

Composite Rating	Number of Exams	Avg. Billable Hrs	Avg. Exam Cost
1	16	N/A	N/A
2	13	N/A	N/A
3	22	N/A	N/A
4	3	N/A	N/A
5	N/A	N/A	N/A
*N/A	14	N/A	N/A

**This program does not bill for examinations, unless under Orders by the Department

*These are SWE exams that are not assigned a rating

Examination Summary – Mortgage Brokers- Billed

Composite Rating	Number of Exams	Avg. Billable Hrs	Avg. Exam Cost
1	N/A	N/A	N/A
2	1	119.50	5,855.50
3	1	194	9,506.00
4	N/A	N/A	N/A
5	N/A	N/A	N/A
*N/A	N/A	N/A	N/A

Two companies were billed exams hours under Orders by the Department

Common Origination Violations

1. Mortgage Brokerage Business Contracts with Consumers

The Mortgage Broker and Consumer Loan exam teams have been reviewing licensees' Mortgage Brokerage Business Contracts provided to borrowers. Some of the contracts include misleading statements regarding litigation fees and various other fees that are either left blank or not allowed under the Consumer Loan Act or the Mortgage Broker Practices Act.

These contracts may be included in origination software systems such as Calyx. If your company is providing these contracts to your borrowers, you should consider either discontinuing the use of this form or ensure the information stated in the form specifically relates to your business and that none of the information is prohibited, misleading, deceptive or harmful to borrowers. Finally, make sure your company maintains the most current version of your loan origination software as it may change periodically.

2. Unlicensed Escrow Companies

The Mortgage Broker and Consumer Loan exam teams are finding unlicensed settlement agents on the Settlement Statements for real estate secured property in the State of Washington during the exam period. Companies acting as escrow agents for Washington State borrowers should either be licensed as escrow agents in the State of Washington or registered with the Office of the Insurance Commissioner (OIC) as an insurance company. Title companies providing escrow services registered with OIC are exempt from licensure under the chapter 18.44 RCW, the Escrow Agent Registration Act.

The use of unlicensed Settlement/Escrow agents and title companies is a deceptive practice and misleading to the borrower who may think that their loan is closing in compliance with state laws. Unlicensed entities that close mortgage loans present severe risk to consumers since there is no safeguard for proper licensing and bonding requirements.

3. Use of the words “Best” or “Lowest” relating to rates or fees in advertisements.

The Mortgage Broker and Consumer Loan exam teams are seeing the words “best” or “lowest” relating to fees and rates in licensees' advertisements. WAC 208-620-630(5) and WAC 208-660-440(7) restrict licensees from referring to the rates or fees they offer as the lowest or best since these statements cannot be substantiated. The Department also extends this restriction to trade names and URLs.

4. Failing to disclose additional terms when advertising a triggering term.

The Mortgage Broker and Consumer Loan exam teams are seeing the use of triggering terms in advertisements that do not include the additional required terms. Regulation Z 12 CFR Section 1026.24(d) requires additional terms to be disclosed when a triggering term is advertised.

Triggering terms include:

- The amount or percentage of any down payment

- The number of payments or period of repayment
- The amount of any payment
- The amount of any finance charge

Additional required terms include:

- The amount or percentage of the down payment
- The terms of repayment, which reflect the repayment obligations over the full term of the loans, including any balloon payment
- The “annual percentage rate,” and if the rate may be increased after consummation, that fact.

Licenses should review Regulation Z and its corresponding Official Staff Commentary to ensure compliance with these regulations.

COMMON SERVICING VIOLATIONS

1. Failed to Reconvey Title to Collateral within 30 Business Days

After the loan is paid-off by the borrower, the companies often fail to send the request for reconveyance to the title company within 30 business days as required by WAC 208-620-550(13).

2. Failed to Include Required Information on Periodic Statements

On monthly periodic statements mailed to borrowers, companies often do not include the Web site to access either the Bureau list or the HUD list of homeownership counselors and counseling organizations and the HUD toll-free telephone number as required by Regulation Z, 12 CFR, Section 1026.41(d)(7)(v).

3. Failed to Clearly and Conspicuously Explain a Fee

On monthly periodic statements mailed to the borrower, companies often do not clearly and conspicuously explain fees by combining fees such as corporate advances, dishonored check fees, property preservation fees, late charge fees, speed pay fees, and attorney fees into a vague section usually named “other charges” in violation of WAC 208-620-900(3)(e).

**Mortgage Industry
Enforcement Unit Report
November 1, 2014 – February 12, 2015**

Complaints	MBPA For this period	CLA For this period	All Industries For this period
Received	21	97	199
Closed	31	70	187
Open as of 2/12/2015 (all industries)	n/a	n/a	149

Investigations

Investigations – Open (MBPA only)	55
Investigations – Open (CLA only)	35
Investigations – Closed in period (all industries)	28

Enforcement Actions to for this period	
CCSA	10
CLA	10
EARA	2
UMSA	2
MBPA	14

Enforcement Actions for this period – Mortgage Broker Practices Act

Statements of Charges	3
Temporary Order to Cease and Desist	0
Criminal Referrals	0
Final Orders	3
Civil Actions: (injunction, enforce subpoena)	0
Consent Orders	8
Consent Orders pertaining to Loan Modification services	7

Enforcement Actions per this period – Consumer Loan Act

Statements of Charges	1
Consent Agreements	1
Consent Orders (none applying to Loan Modification cases)	6
Temporary Order to Cease and Desist	1
Criminal Referrals	0
Final Orders	1
Civil Actions: (injunction, enforce subpoena)	0

Notable Recent Violations

- **Unlicensed activity**
 - ❖ **Unlicensed lending (RCW 31.04.035)**
 - ❖ **Use of unlicensed loan originators (RCW 31.04.221 and RCW 19.146.200)**
 - ❖ **Loan modification services (RCW 19.146.010(11), definition of “loan originator”, and RCW 19.146.200)**
- **Deceptive advertising RCW 19.146.0201, WAC 208-660-440, RCW 31.04.027 and WAC 208-620-630)**
- **Altering signatures and dates on loan documents (RCW 19.146.0201 and RCW 31.04.027)**
- **Failure to use prudent underwriting standards (WAC 208-620-506 and WAC 208-620-507)**
- **Servicing small consumer loans at an illegal rate of interest and servicing small loans made by an unlicensed entity (RCW 31.04.027(13) and RCW 31.04.175)**