



Mortgage Industry Webinar Agenda

Thursday, October 13, 2016

9:00 a.m.

Call In #: 1-877-668-4493

Meeting #: 926 174 573

Password: October132016

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 – Alan Leingang

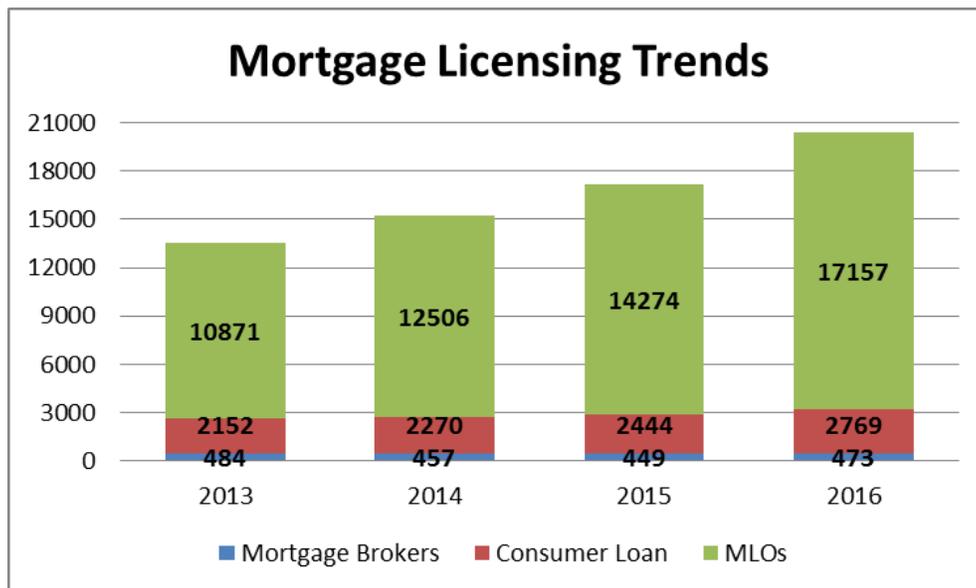
4. Enforcement Update – Steve Sherman

5. Opportunity to Submit Questions – Cindy Fazio / Devon Phelps

Licensing Unit Report - Mortgage Program

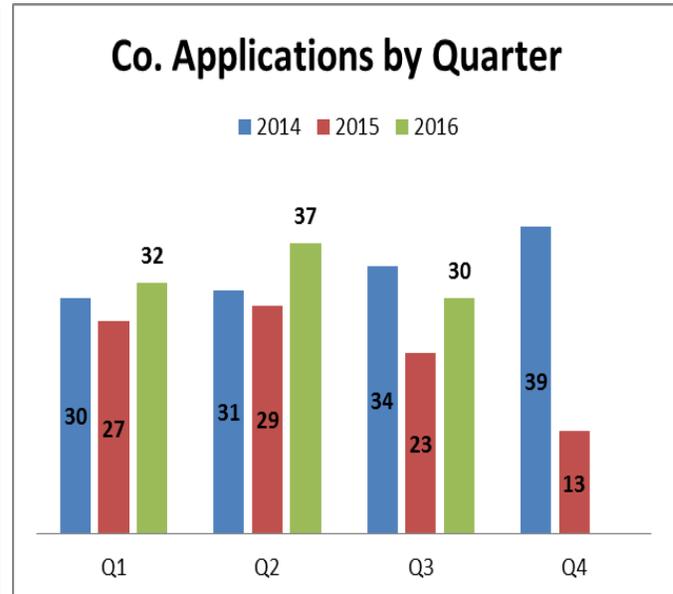
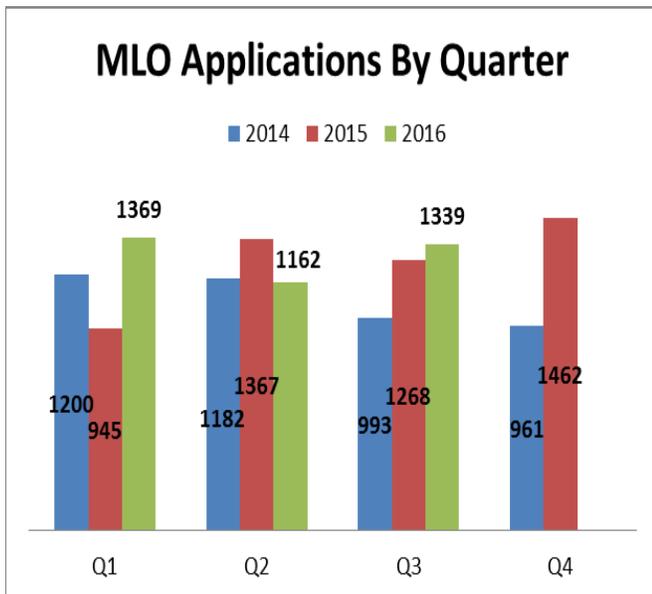
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License Types	Oct 2013	Oct 2014	Oct 2015	Oct 2016	Total Change
Mortgage Broker Main	335	301	283	282	-53
Mortgage Broker Branch	149	156	166	191	+42
Consumer Loan Main	475	497	533	575	+100
Consumer Loan Branch	1,677	1,773	1,911	2,194	+517
MLOs (Active & Inactive)	10,871	12,506	14,274	17,157	+6,286



Licensing Trends

- Number of mortgage licensees continues to grow, increasing nearly 19% over last year
 - MLOs make up the majority of mortgage licensees
 - Number of MLO licensees is the highest ever for the Department
 - Highest level of inactive MLO licensees thus far this year, about 2,400, not unusual as renewals approach and many elect not to renew
 - Consumer Loan Act licensees still increasing, both mortgage & consumer lending
 - Slow and steady growth of Mortgage Broker licensees has brought that industry's total licensee count to nearly even with the count a year ago



Application Trends

- Currently seeing renewed growth in MLO applications, Q3 brought nearly 15% growth in MLO applications over Q2 and about 6% growth over Q3 2015
 - Late Sept/Oct typically brings a decrease in applications as individuals wait to apply until after the renewal period starts
- Company applications remain steady, slowing some from Q2 but more than last year

New NMLS Functionality – Compliance Tips

Individual Document Uploads – Expands document upload functionality to individuals, both control people and MLOs

- Follow the [Document Upload Descriptions and Examples](#) to upload documents
- “Credit Report Explanations” is for derogatory accounts not bankruptcy, lien, judgments

Criminal Background Checks (CBC) in NMLS for control people – Expands NMLS ability to process fingerprints to non-MLO individuals, when required by existing state law

- Extra step beyond paying for CBC and getting fingerprinted – Granting Agency Access
- Will accept paper fingerprints through November 30, after that CBCs must be in NMLS

Electronic Surety Bonds – New functionality allows for the issuance and maintenance of surety bonds on NMLS

- DFI is one of the pilot states, but only for Mortgage Broker Licensees
 - New applicants must have electronic bond in order to apply
 - Existing licensees have until December 31, 2017 to convert bond onto NMLS
- In January, DFI will expand pilot to include Consumer Loan Licensees
 - New applicants must have electronic bond in order to apply
 - No deadline set yet for existing licensees to convert bond onto NMLS
- Almost all surety companies on NMLS, many producers are not - ask producer to get signed up so they can continue to maintain your surety bond

Mortgage Renewals for 2017

What You Need to Know

- Renewal period opens November 1
- MLOs and Designated Brokers are required to authorize and complete a new Criminal Background Check (CBC) and Credit Check in conjunction with their renewal
 - Criminal Background Checks have 90 day lookback period
 - Credit Checks have 30 day lookback period
- DFI's renewal deadline is **December 15**
- **ACT EARLY** – Many MLOs and Designated Brokers still haven't completed CE

YOUR LICENSE IS YOUR BUSINESS

Where is YOUR renewal request for 2017?

You are encouraged to submit for renewal early. Some agencies have specific renewal deadlines sooner or different than those listed above.

Consult the Renewal Page of the NMLS Resource Center for details. Licensing renewal processing times vary by state agency. Any approval or license requirements are at the discretion of each agency.

Submitted by **11/30**
ON TARGET

Submitted by **12/15**
AT RISK

NMLS

Mortgage Renewals - MLOs

Do These Steps Now - MLOs

- ✓ Log into NMLS to verify you know your User Name and Password
- ✓ Resolve all license items
- ✓ Review current record for accuracy – don't wait until November to file updates
- ✓ Complete Continuing Education (CE)
 - 9 hours consisting of the 8 hour SAFE Core + 1 hour in WA law
 - NOTE: Retaking PE does not meet CE requirements

Renewal Fees – if done before 12/31

\$125.00	Renewal Fee
\$30.00	NMLS System Fee
\$15.00	Credit Report Fee
<u>\$36.25</u>	Criminal Background Check (CBC) Fee
\$206.25	

Additional Notes

- License items, other than pending ACH payments, **will** delay renewal processing
- If renewal not approved by 12/31, license marked as expired until renewal completed
- All licenses, including inactive ones, must be renewed to be maintained for 2017
- Reinstatement Period runs Jan 1-Feb 28
 - Late Fee imposed on renewals during this period

Mortgage Renewals - Companies

Do These Steps Now - Companies

- ✓ Log into NMLS to verify you know your User Name and Password
- ✓ Resolve all license items
- ✓ File Q3 Mortgage Call Report (MCR) ahead of Nov 14 deadline
- ✓ Review current record for accuracy – don't wait until November to file updates

Mortgage Brokers Only

- ✓ Complete Continuing Education (CE)
 - 9 hours consisting of the 8 hour SAFE Core + 1 hour in WA law

Renewal Requirements for each License Type

<u>Mortgage Broker</u>	<u>Consumer Loan</u>
<ul style="list-style-type: none">• Non-Perpetual License, must be renewed• Renewal Fees<ul style="list-style-type: none">○ \$530 per location○ \$100 (main), \$20 (branch) NMLS System Fee• If renewal not approved by 12/31, license marked as expired until renewal done• Designated Broker Requirements must be met & renewal submitted at same time• Renewed license emailed• Reinstatement Period: Jan 1-Feb 28<ul style="list-style-type: none">○ Late Fee imposed• If not renewing, prefer to surrender but can allow license to expire	<ul style="list-style-type: none">• Perpetual License, must be attested to• Annual Attestation Fees<ul style="list-style-type: none">○ \$100 (main), \$20 (branch) NMLS System Fee• If renewal not approved by 12/31, no impact on license status• No new license• Reinstatement Period: Jan 1-Feb 28• If not renewing, <u>must</u> request surrender and provide closure documents - marking "Not Renewing" does <u>not</u> surrender

Upcoming Deadlines

Nov 1	Renewal Period Opens
Nov 14	Q3 Mortgage Call Report Filing Deadline
Dec 15	DFI's Renewal Deadline
Dec 31	End of Renewal Period

CS - Examination Unit Report

Consumer Loan and Mortgage Broker Programs

Mortgage Industry Meeting
October 13, 2016

Examination Summary – Consumer Loan

26 exams completed for July – September 2016

Type of Exam	Composite Rating	Number of Licensees	Average Billable Hours	Average Exam Cost
Full Scope	1	5	97.6	\$6,734.40
Full Scope	2	7	120.5	\$8,314.50
Full Scope	3	8	154.5	\$10,660.5
Full Scope	4	2	134.5	\$9,280.50
*MMC	N/A	3	556.27	\$38,382.63
**Desk Review/Initial Compliance	N/A	1	N/A	N/A

*MMC exams are not assigned a rating

**Desk Review/Initial Compliance exams are not assigned a rating or billed

**Examination Summary – Mortgage Brokers

8 exams completed for July – September 2016

Type of Exam	Composite Rating	Number of Licensees	Average Billable Hours	Average Exam Cost
N/A	1	0	N/A	N/A
N/A	2	0	N/A	N/A
Full Scope	3	4	N/A	N/A
Full Scope	4	3	N/A	N/A
*Desk Review/Initial Compliance	N/A	1	N/A	N/A

*Desk Review/Initial Compliance exams are not assigned a rating or billed

**Mortgage Brokers are not billed for exam hours unless under orders by the Department

Common Violations on “3” and “4” rated Consumer Loan Exams

- Advertised using the phrase “Lowest Rate” or “Best Rate” – The use of such terms is misleading and cannot be supported by facts.
- Failure to accurately complete Residential Loan Application Form – Companies are neglecting to put their name, address, and/or NMLS numbers on loan applications. The violations may be one missing piece of information or multiple pieces. Leaving blank fields on documents is a pervasive problem.
- Failure to provide accurate and complete rate lock agreements – Companies are leaving blank fields on rate lock agreements (number of days locked, expiration date, ARM information) or not providing them within three business days of locking the rate.
- Failure to maintain records – This covers numerous documents that examiners request and cannot be provided. *All* documents in the loan file must be retained for a minimum of three years, or the period required by federal law, whichever is longest, from the date of the last entry in the file.

Common Violations on “3” and “4” rated Mortgage Broker Exams

- Failure to provide accurate and complete rate lock agreements – Companies are leaving blank fields on rate lock agreements (number of days locked, expiration date, ARM information) or not providing them within three business days of locking the rate. In addition, whether the lock is guaranteed and the name of the company guaranteeing the rate is frequently omitted.
- Advertised using the phrase “Lowest Rate” or “Best Rate” – The use of such terms is misleading and cannot be supported by facts. Additionally, companies are advertising “fixed” rates when it is actually for a five year ARM, advertising note rates without including the A.P.R., stating the A.P.R. in smaller font than the note rate, and neglecting to state the quoted payment does not include taxes and insurance.
- Failure to file an accurate Mortgage Call Report – Company numbers don’t balance either in terms of applications in process at the end and beginning of quarterly periods and/or in terms of dollar amounts in the pipeline.
- Failure to maintain an adequate surety bond – Based on the previous calendar year’s loan volume the bond requirements are:

Loan Volume in Millions	Bond Amount
\$40+	\$60,000
\$20 to \$40	\$40,000
\$0 to \$20	\$20,000

Residential Mortgage Loan Servicing Exams Re-cap

1. July – Preparation and then two weeks on-site at a Multi-State Mortgage Committee (MMC) exam followed by Report writing and a small off-site exam reviewing policies, financials, and 15 servicing files.
2. August – Preparation and then two weeks on-site at an MMC exam and two small off-site exams reviewing policies, financials, and samples of 15 and 30 servicing files, respectively.
3. September – Three small to medium sized off-site exams reviewing, 25, 35, and 40 servicing files along with policies and financials. Preparation for an MMC exam with two weeks on-site beginning the week of September 26, 2016.

Common Servicing Violations

- Failure to reconvey title to collateral within 30 business days of payoff
- Failure to provide an accurate and complete loan modification decision letter
 1. Not allowing 30 days to appeal decision as required by Washington regulation
 2. Stating “investor guidelines” as reason for denial without naming the investor and the specific guideline as required by Washington regulation

**Mortgage Industry
Enforcement Unit Report
April 1, 2016 – September 30, 2016**

Complaints	MBPA For this period	CLA For this period	All Industries For this period
Received	19	289	591
Closed	27	312	649
Open as of 9/30/2016 (all industries)	n/a	n/a	242

Investigations

Investigations – Open (MBPA only)	54
Investigations – Open (CLA only)	69
Investigations – Open (all industries)	175

Enforcement Actions for this period	
CCSA	2
CLA	24
EARA	0
MBPA	16
UMSA	3

Enforcement Actions for this period – Mortgage Broker Practices Act

Statements of Charges	5
Consent Orders	4
Consent Orders pertaining to Loan Modification services	1
Temporary Order to Cease and Desist	0
Criminal Referrals	0
Final Orders	7
Civil Actions: (injunction, enforce subpoena)	0

Statements of Charges (issued in period)

Pacific Finance Group, LLC - 8/31/2016 [C-14-1499-16-SC01]

See Consent Order description

Wallingford Mortgage Services, Inc. – 9/26/2016 [C-15-1689-16-SC01]

An examination by the Department found several notable violations to the act including exceeding funding limits in 2012 and 2013, failure to increase the required surety bond, late filings of the RMLA component on NMLS, 250+ days late filing FC reports on NMLS, failure to deliver Rate Lock Agreements, Truth in Lending disclosures, and Good Faith Estimates to borrowers within 3 days, failure to provide borrowers with the Dual Capacity disclosure and approximately 12 other violations.

The Department seeks these sanctions:

- Revoke license of Wallingford Mortgage Services, Inc.
- Prohibit participation in the industry for 5 years
- Respondent Jeffrey Steingraber's license be revoked
- Prohibit respondent Steingraber's participation in the industry for 5 years
- \$50,000 fine to date of SOC
- \$1,680 investigation fee to date of SOC
- Cost of prosecution to be determined
- Maintain records in compliance with the act

Real Property Funding Group, LLC – 8/24/2016 [C-15-1803-16-SC01]

Joint respondents Real Property Funding Group, LLC and Stephen Boyd were subject to an examination by the Department and were found to have notable violations to the act including failure to provide initial disclosures and timely rate lock agreements, failure to deposit third party fees into a trust account, failure to maintain records, engaging in prohibited practices and approximately 17 other notable violations. The Department is seeking these sanctions:

- Revoke the license of all respondents
- Prohibition from the industry for 5 years
- \$50,000 fine to date of the SOC
- \$1,759.80 restitution to consumers
- \$2,124 investigation fee to date of SOC
- Cost of prosecution to be determined
- Maintain records in compliance with the act

Hometown Financial Group, LLC – 8/12/2016 [C-15-1827-16-SC01]

Hometown Financial Group, Luisito Flores III, and Joseph Thomas Kelly are all respondents in this SOC. The Department intends to order:

- Revocation of all respondent's licenses
- 10 year ban for all respondents
- \$100,000 fine – jointly and severally
- Examination fee plus accrued interest - \$5,759.06 to date of SOC
- \$3,091.20 investigation fee to date of SOC
- Cost of prosecution to be determined
- Maintain records in compliance with the act

Lowenthal, Meier G – 6/8/2016 [C-16-1895-16-SC01]

Respondents Meier Lowenthal and Allegra Mortgage are alleged to have failed to comply with the Director's Examination Authority and late filing of the 2014 and 2015 Mortgage Call reports. The Department intends to order that:

- Respondents jointly and severally pay a fine - \$5,000 to date of SOC
- Respondents jointly and severally pay an investigation fee - \$240 to date of SOC
- Cost of prosecution to be determined

Consent Orders (issued in period)

Pacific Finance Group, LLC – 9/29/2016 [C-14-1499-16-CO01]

The Department issued a SOC (see above) alleging false advertising, manufacturing bias in its online reputation, failing to timely file the mortgage call report, and failing to comply with two prior directives. The Department entered a Consent Order agreeing to these terms:

- Cease and desist from the conduct described in the SOC.
- Future Compliance with the Act.
- Affirmative Actions
 - Hire an outside auditor within 6 months
 - Hire a compliance officer within 6 months
 - Respondent subject to a compliance examination within 1 year
- \$10,000.00 for the purposes of financial literacy and education programs
- \$6,000 fine
- \$10,000 investigation fee

Shumei Wang – 4/11/2016 [C-15-1663-16-CO01]

The Department issued a SOC alleging the respondent altered documents in order to obtain financing for the purchase of an investment property and the respondent did not amend applicable disclosure questions on the NMLS regarding termination of employment. The Department entered a Consent Order agreeing to these terms:

- 10 year prohibition from the industry
- \$1,500 fine
- \$1,888 investigation fee

Cascade Northern Mortgage, Inc. – 8/11/2016 [C-15-1690-16-CO01]

As a result of examination findings the Department issued a SOC alleging the respondents brokered at least 2 mortgage loans to an unlicensed lender, employed a loan originator who engaged in business under the Respondent's license from an unlicensed location, and failed to maintain the trust account. The Consent Order filed by the Department agreed to these terms:

- \$10,000 Fine
- \$720 Investigation Fee
- \$1,848.07 restitution to one consumer

Law Offices of Harvey Scholl, The Real Estate Defense Law Group – 4/12/2016 [C-15-1809-16-CO01]

This respondent was found to have provided a mortgage loan modification without obtaining a mortgage broker or loan originator license or having met the requirements of an exemption from the act. The Department entered into a Consent Order agreeing to these terms:

- Cease and desist until licensed by the Department
- \$1,500 fine
- \$1,500 investigation fee
- \$1,200 restitution to one consumer

Final Orders (issued in period)

Family 1st Home Preservation; Tobias West – 6/9/2016 [C-12-1054-16-FO01]

These respondents (Tobias West, Homeowner Defense Group, and Family 1st Home Preservation) defaulted on Consent Order C-12-1054-15-CO03 after paying partial restitution to identified consumers. The fine stayed in CO03 was lifted and all other terms of CO03 remain in effect.

Balances due:

- \$48,000 Fine
- \$12,730 restitution remaining due to 5 consumers
- Banned until 1/28/2020

Evertree, LLC and Michael Rodriguez – 6/3/2016 [C-14-1591-16-FO01]

The SOC entered in this case alleges unlicensed activity under the MBPA. The respondents were alleged to be offering mortgage loan modification services to at least 2 Washington residents. The Final Order entered made these requirements:

- Cease and desist
- 5 year prohibition
- \$3,000 restitution to 2 consumers
- \$6,000 fine
- \$984 investigation fee
- \$257.18 cost of prosecution

Farzad Naderi dba Pacific National Law Center – 5/26/2016 [C-14-1593-16-FO01]

This company was also allegedly offering loan modification services to Washington residents without obtaining proper licensing required by the act and taking advance fees. The Final Order seeks these sanctions:

- Cease and desist
- 5 year prohibition
- \$3,000 restitution to one consumer
- \$3,000 fine
- \$1,324.80 investigation fee
- \$680.64 cost of prosecution

Yolanda Maria Brown – 6/3/2016 [C-15-1637-16-FO01]

Mauricio Maguira Alfaro – 6/17/2016 [C-15-1637-16-FO02]

These two respondents along with their various DBA companies were alleged to be offering loan modification services and collecting advance fees for these services without a license from the Department. There were 4 consumers identified in this case and the respondents represented that they were licensed in the state. Under these two Final Orders the respondents were individually ordered and these sanctions have been sought:

- Cease and desist
- 5 year prohibition
- \$9,800 restitution to 4 consumers
- \$6,000 fine
- \$4,939.20 investigation fee

Crouse Law Group, PLLC and Michael Edmond Crouse – 8/8/2016 [C-15-1681-16-FO01]

The Department alleged that Crouse Law Group and Michael Crouse entered into contractual agreements with a least 6 Washington residents to provide loan modification services and collected advance fees while not licensed by the Department. The respondents represented to these consumers that they were licensed to provide residential loan modification services or omitted disclosing that they were not licensed. The Final Order seeks these sanctions:

- All respondents cease and desist
- All respondents prohibited from the industry for 5 years
- \$17,751 restitution to 6 consumers
- \$18,000 fine
- \$1,228.38 investigation fee

Home Tech Group and Jenean Taylor – 5/2/2016 [C-15-1754-16-FO01]

The Department alleged the respondents were offering residential loan modification services to Washington residents without a license and represented they were licensed to provide such service or omitted that they were not licensed. Sanctions sought in the Final order:

- 5 year prohibition from the industry
- \$2,550 restitution to one consumer
- \$3,000 fine
- \$912 investigation fee
- Maintain records in compliance with the act

Enforcement Actions per this period – Consumer Loan Act

Statements of Charges	6
Consent Agreements	0
Consent Orders (none applying to Loan Modification cases)	15
Temporary Order to Cease and Desist	0
Criminal Referrals	0
Final Orders	4
Civil Actions: (injunction, enforce subpoena)	0

Statements of Charges and/or Consent Orders Resolved (in period)

The following cases are a result of the New Day Financial, LLC investigation:

C-15-1729-16-CO01 - Brandon Scott Hooper
C-15-1731-16-CO01 - Tracy Michael Howett
C-15-1732-16-CO01 - Derrick William Krout
C-15-1733-16-CO01 - Julie McMillin Lee
C-15-1734-16-CO01 - Joseph Alexander Lee
C-15-1742-16-CO01 - Ryan Thomas Smith

Youron Ulus Knighton III - 9/26/2016 [C-16-1921-16-CO01]

The Consent Order entered resolved the following:

- Mortgage Loan Originator license application denial
- 5 year prohibition from the industry
- 5 year do not apply
- \$3,000 fine
- \$450 investigation fee

Other Statements of Charges (issued in period)

Noel B Scruggs and Avant Capital LLC 5/6/2016 [C-15-1661-15-SC01]
Chad Carter Schneider 9/2/2016 [C-15-1808-16-SC01]
Karl Richard Wiesner 6/10/2016 [C-15-1822-16-SC01]

Other Consent Orders (issued in period)

MLD Mortgage – 4/2/2016 [C-14-1565-16-CO06]

Company agreed to:

- Cease and Desist
- Stayed license revocation
- Affirmative remedial action
- Refund \$34,190.09 non-3rd party fees
- \$250,000 fine with \$85,205 stayed
- \$96,000 costs

Randolph Anthony Stolle – 4/11/2016 [C-14-1541-16-CO02]

Mr. Stolle agrees to:

- Cease & desist
- 5 year prohibition
- \$15,000 fine
- Confession of Judgment filed

Quicken Loans – 4/11/2016 [C-14-1568-15-CO01]

Company agreed to:

- Compliance with the Act when advertising in Washington
- \$250,000 for financial literacy and education programs

American Pacific Mortgage Corp – 9/9/2016 [C-15-1647-16-CO01]

Company agreed to:

- Cease & desist advertising in a manner that violated the act and agrees to as many as 2 compliance examinations by the Department
- \$90,000 fine
- \$4,009.36 investigation fee

Amos Financial LLC – 5/24/2016 [C-16-1865-16-CO01]

This Consent Order resolves prior unlicensed activity and the Department will continue to process the Respondent's application of a consumer loan license.

- \$790.16 investigation fee

Ocwen Loan Servicing LLC, Ocwen Business Solutions, Inc.; Ocwen Financial Solutions Private Limited – 8/24/2016 [C-16-1867-16-CO010]

Ocwen agrees:

- Each respondent must obtain and maintain its own Consumer Loan license in accordance with the act or qualify for an exclusion from licensing
- CL License applications for OFSPL & OBS are withdrawn
- Cease & desist from conducting unlicensed servicing of Washington residential loans
- \$900,000 fine
- Submit to compliance exam and pay all costs associated with said exam
- \$10,000 investigation fee

Trinity Financial Services LLC dba T Financial Services LLC – 8/30/2016 [C-16-1928-16-CO01]

Respondent allegedly was servicing 17 residential mortgage loans in Washington before applying for a consumer loan license. This order resolved the following:

- Respondent must obtain a license in accordance with the act
- \$1,000 fine
- \$1,510.67 investigation fee
- Maintain records in accordance with the act
- The Department will process the Consumer Loan license application as long as all requirements are satisfactorily met and the application is complete

Rural Community Development Resources – 9/26/2016 [C-16-1964-16-CO01]

The respondent was alleged to be conducting business as a consumer lender in Washington without a license from the Department. The Consent Order resolved:

- The respondent will not engage in the business of consumer lending until such time that it obtains a license in accordance with the act or is granted a waiver from the Department
- Maintain records in compliance with the act

Final Orders (issued in period)

Jeffrey Bell and CLS Mortgage 9/6/2016 [C-13-1377-16-FO02]

This Final Order requires:

- CLS Mortgage & Jeffrey Bell's license is revoked
- 5 year prohibition for respondents
- Respondents jointly and severally pay \$67,171.21 restitution to 17 consumers
- Respondents jointly and severally pay \$50,000 fine
- Respondents jointly and severally pay \$2,863.91 investigation fee
- Respondents jointly and severally pay \$15,663 examination fee

Olga Ivanovna Weaver 4/15/2016 [C-14-1542-16-FO01]

Respondent was alleged to be altering loan documents including signatures and dates. The Final Decision and Order directs:

- 10 year prohibition, ban, and non-application
- License revoked
- \$2,091 investigation fee
- \$24,000 fine
- 17 victims

Criminal Referral to King County Prosecutor's office in previous period.

William McKibbin 4/22/2016 [C-15-1804-16-FO02]

The respondent and DBA Auto Loans were alleged to be engaged in unlicensed activity with at least 13 loan transactions, engaging in deceptive or unfair practices, and obtaining property by fraud. The Final Order requires:

- Respondent cease and desist
- Prohibition from industry
- \$110,000 fine
- Refund all fees and interest charges to consumers
- \$4,000 investigation fee
- Maintain records in compliance with the act

Destino Ferguson 5/11/2016 [C-16-1854-16-FO01]

Application denial