



Mortgage Industry Webinar Agenda

Thursday, October 22, 2015

9:00 a.m.

1. Welcome – Charlie Clark

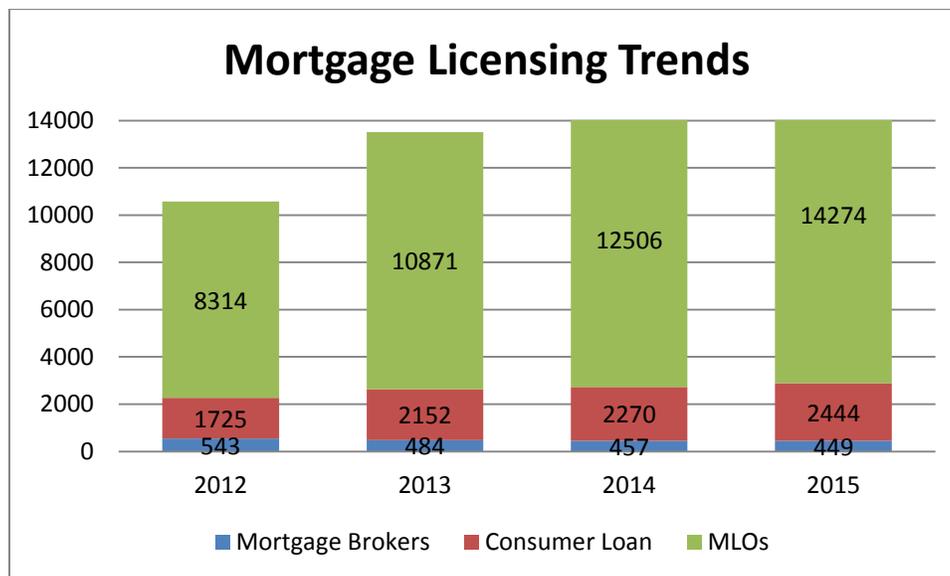
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2. Rules Update – Cindy Fazio
3. Licensing Update – Maureen Camp
4. Examination Update – Alan Leingang
5. Enforcement Update – Steve Sherman
6. Opportunity to Submit Questions – Cindy Fazio

Licensing Unit Report - Mortgage Program

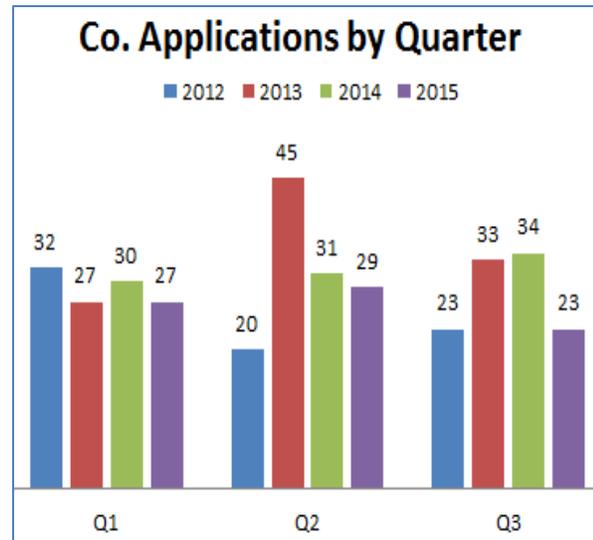
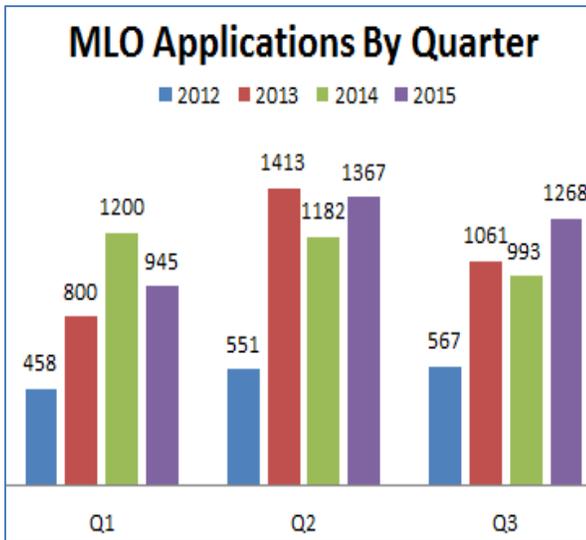
Mortgage Industry Webinar
October 22, 2015

License Types	Sept 2012	Sept 2013	Sept 2014	Sept 2015	Total Change
Mortgage Broker Main	376	335	301	283	-93
Mortgage Broker Branch	167	149	156	166	-1
Consumer Loan Main	431	475	497	533	+102
Consumer Loan Branch	1,294	1,677	1,773	1,911	+617
MLOs (Active & Inactive)	8,314	10,871	12,506	14,274	+5,960



Licensing Trends

- Most growth is still in Consumer Loan Act licensees and MLO licensees
- Mortgage Broker licensees slowly increasing, typically 1-2 approvals a month
- Some characteristics about licensees:
 - **Consumer Loan Main Office:** about 10% are located in Washington with about 40% of branch locations in Washington
 - **Mortgage Broker Main Office:** about 55% are located in Washington with about 70% of branch locations in Washington
 - **Mortgage Loan Originators:** about 23% report an employment address which is located in Washington



Application Trends

- Mortgage Loan Originator applications decreased slightly from Q2, but still higher than previous years in Quarter 3
 - A small number of applicants are individuals previously licensed with DFI
- Company applications declined after peaking in Q2, still a steady amount of applications being filed

Licensing Highlights

- Annual Renewal

Mortgage Renewals for 2016

What You Need to Know:

- Renewal period opens November 1
- DFI's renewal deadline is **December 15**
- **ACT EARLY** – About ½ of MLO licensee have CE done

ACT IN NOV.
Your License is your Business
Log in to your account

94.6%
approved by 12/31

NOV. 1st 15th
DEC. 15th 31st

*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 licensee requirements are at the discretion of each agency.

Mortgage Renewals - MLOs

Do These Steps Now:

- User Name and Password
- Clear all license items
- Review your record for accuracy
- Complete Continuing Education
 - 9 hours consisting of the 8 hour SAFE Core + 1 hour in WA law

- ✓ Renewal Fees:
 - \$125 renewal + \$30 NMLS System Fee

- ✓ Inactive licenses must be renewed if wish to be maintained

- ✓ If a renewal isn't approved by 12/31, the license will be marked as expired until the renewal is processed

- ✓ Reinstatement Period runs Jan 1-Feb 29
 - Late Fee imposed on renewals during this period

- ✓ Renewal approval notification email from NMLS

Mortgage Renewals - Companies

Do These Steps Now:

- User Name and Password
- Clear all license items
- File Q3 Mortgage Call Report ahead of Nov 14 deadline
- Review your record for accuracy

Mortgage Brokers Only

- MLO requirements for Designated Broker
- Designated Broker Continuing Education

Mortgage Brokers:

- ✓ Renew company and Designated Broker Registration together
- ✓ Renew Early – sponsored MLOs not renewed without company\
- ✓ Renewal Fees:
 - \$530 renewal + \$100 for main/\$20 for branch NMLS System Fee
- ✓ If a renewal isn't approved by 12/31, the license will be marked as expired until the renewal is processed
- ✓ Reinstatement Period runs Jan 1-Feb 29
 - Late Fee imposed on renewals during this period
- ✓ Renewal approval notification email from NMLS
- ✓ Mortgage Brokers emailed updated license

A Note About Closing

Consumer Loan Licensees:

- ✓ Actively must request surrender
- ✓ Marking “Not Renewing” or doing nothing doesn’t close license

Mortgage Broker and MLO Licensees:

- ✓ Can let license expire
- ✓ Companies are recommended to actively surrender

Upcoming Items

November 14	Q3 Mortgage Call Report Filing Deadline
December 15	DFI's Renewal Deadline
December 31	Non-Renewed Mortgage Broker and MLO licenses expire
February 14	Q4 Mortgage Call Report Filing Deadline
February 29	End of Reinstatement Period
March 1	Consumer Loan Annual Assessment & Report Deadline

CS - Examination Unit Report

Consumer Loan and Mortgage Broker Programs

Mortgage Industry Meeting
October 22, 2015

Examination Summary – Consumer Loan

31 exams completed for June-September 2015

Composite Rating	Number of Licensees	Avg. Billable Hrs	Avg. Exam Cost
1	8	129.06	8,905.31
2	12	139.81	9,647.06
3	10	143.78	9,920.48
4	1	116.00	8,004.00
5	0	N/A	N/A

**Examination Summary – Mortgage Brokers

45 exams completed for June-September 2015

Composite Rating	Number of Licensees	Avg. Billable Hrs	Avg. Exam Cost
1	1	N/A	N/A
2	8	N/A	N/A
3	13	N/A	N/A
4	9	N/A	N/A
5	0	N/A	N/A
*N/A	14	N/A	N/A

*Desk Review exams are not assigned a rating or billed

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

Common Origination Violations

1. Failed to Ensure Loan Originators are Licensed

The examiners are finding unlicensed loan originators taking applications and negotiating loan terms for borrowers. Companies must ensure that a license is maintained by any person taking applications or negotiating loan terms or holding themselves out as a loan originator.

A mortgage loan originator license is required for any person who for direct or indirect compensation or gain, or in the expectation of direct or indirect compensation:

- Takes a residential mortgage loan application; or
- Offers or negotiates terms of a mortgage loan, including short sale transactions.

In addition, any person who holds themselves out to the public as able to perform any of the activities described in this definition must be licensed. For purposes of this definition, a person "holds themselves out" by advertising or otherwise informing the public that the person engages in any of the activities of a mortgage broker or loan originator, including the use of business cards, stationery, brochures, rate lists, or other promotional items.

Please see RCW 31.04.010 and RCW 19.146.010 for definitions of a loan originator. Please review RCW 31.04.221 and RCW 19.146.200(1) for requirements of loan originator licensure.

2. Failed to Originate from a Licensed Location

Some loan originators are taking applications or negotiating loan terms from unlicensed branch locations. Companies must obtain a branch license for each branch location including residential home offices in which the loan originators are performing origination activities. Companies must:

- Ensure that all loan originators are taking applications and negotiating loan terms from a licensed location.

Please see WAC 208-660-195(1) and WAC 208-620-250(2).

3. Making Unsubstantiated Statements in Advertisements

The examiners are finding unsubstantiated statements in licensees' advertisements which include both print and web page advertisements. Examples of these statements include:

- "We can close within ten days"
- "We can improve your credit score"
- "We guarantee our financing options are better than other lenders"

Statements that cannot be supported or proven may be considered an unfair, misleading, or deceptive practice toward consumers. Licensees should ensure that all statements made in advertisements are accurate and can be substantiated.

Please see RCW 31.04(1),(2), and (7) and RCW 19.146.0201(1),(2), and (7).

4. Failed to Include or List Loan Originator's License Number Near Names

The examiners are finding loan documents, web pages and various advertisement that include loan originators' names without listing their license numbers closely following their names.

When loan originators include their names, their license numbers must closely follow their names. Companies must ensure loan originators' license numbers are displayed whenever their names appear.

Please see WAC 208-620-622, WAC 208-620-710(24), WAC 208-660-446, and WAC 208-660-350(23).

5. Failed to Include Dates on Applications

The examiners are finding applications that do not include the dates the loan originators took the applications or the dates of revised applications.

Consumer Loan licensees are required to show the dates the applications were taken as well as the revision dates on subsequent applications. Examiners review the application dates to determine compliance of various disclosures.

Please see WAC 208-620-550(16)

6. Failed to Include the Loan Originator's Name on the Applications.

Examiners are finding that the applications do not include the loan originator's name.

Licensees must ensure that the loan originator who is taking the application is listed on the application. Examiners review loan originator names to determine compliance with the relevant Acts.

Loan originators may disclose their names using the name on their license with the following exceptions:

- Use of your middle name is not required.
- You may use only your middle and last name.
- You may use a nickname as your first name, if it is registered in NMLS on your MU4, as an "other" name.

Please see WAC 208-620-710(26) and WAC 208-660-350(25)

7. Information Security Consumer Loan and Mortgage Broker Exams

The Consumer Services Exams Unit has developed an information security (IS) component to the examinations of both the Consumer Loan and Mortgage Broker licensees in accordance with the federal Safeguards Rule in 16 CFR, Part 314.

In addition to complying with federal law, licensees must comply with the applicable state law, RCW 19.255, entitled Personal Information-Notification of Security Breaches. That law requires notification to consumers and, under certain circumstances, to the Attorney General's Office, when a data breach occurs. The law contains specific language required in any notification. Recent amendments to this law became effective July 24, 2015.

Trial IS reviews are currently scheduled through December, 2015, and will not affect the Report of Examination. Instead, the examiner will discuss any deficiencies found directly with the companies. For additional information regarding the IS review visit the DFI Web site in the Consumer Services Consumer Loan Companies and Mortgage Brokers Examination sections. Please be prepared to provide documentation regarding your company IS program during your next examination.

Mortgage Industry

Enforcement Unit Report

August 21, 2015 – October 13, 2015

Complaints	MBPA For this period	CLA For this period	All Industries For this period
Received	13	68	179
Closed	11	88	167
Open as of 10/13/2015 (all industries)	n/a	n/a	268

Investigations

Investigations – Open (MBPA only)	42
Investigations – Open (CLA only)	56
Investigations – Closed in period (all industries)	3

Enforcement Actions for this period

CCSA	0
CLA	4
EARA	4
MBPA	6
UMSA	1

Enforcement Actions for this period – Mortgage Broker Practices Act

Statements of Charges	5
Consent Orders (none applying to Loan Modification cases)	0
Temporary Order to Cease and Desist	0
Criminal Referrals	0
Final Orders	1
Civil Actions: (injunction, enforce subpoena)	0

Enforcement Actions per this period – Consumer Loan Act

Statements of Charges	2
Consent Agreements	0
Consent Orders (none applying to Loan Modification cases)	1
Temporary Order to Cease and Desist	0
Criminal Referrals	0
Final Orders	1
Civil Actions: (injunction, enforce subpoena)	0

Notable Recent Violations

RCW 19.146.235: Failed to comply with examination or investigation authorities pursuant to this section.

RCW 31.04.027(2): Engaged, directly or indirectly, in an unfair or deceptive practice.

RCW 31.04.027(7): Made false or deceptive statements or representations.

RCW 31.04.027(13) Violate any applicable state or federal law relating to the activities governed by this chapter

RCW 31.04.035: Failed to obtain and maintain a license in accordance with this chapter

RCW 31.04.045(4): Failed to maintain a bond

RCW 31.04.145: Failed to comply with investigation authority.

RCW 31.04.155: Failed to comply with record keeping or reporting requirements of this section.

RCW 31.04.290(1)(c): Failed to credit a payment to a borrower's account or notify a borrower of the disposition of a payment not credited to the account

WAC 208-620-430(2): Failed to remit late penalties assessed for failure to file annual report, worksheet or assessment by due date