

# CS - Examination Unit Report

## Consumer Loan and Mortgage Broker Programs

Mortgage Industry Meeting

October 30, 2014

### Examination Summary – Consumer Loan

- 8 Exams completed in July
  - 9 Exams completed in August
  - 4 Exams completed in September
- } **21 exams completed from July 2014-September 2014**

Composite Rating	Number of Licensees	Avg. Billable Hrs	Avg. Exam Cost
1	5	44.00	\$ 3,036.00
2	6	156.04	\$10,766.87
3	4	96.94	\$ 6,688.69
4	1	223.00	\$15,387.00
5	0	0.00	\$ 0.00
*N/A	5	45.00	\$ 3,105.00

\*These are SWE exams that are not assigned a rating.

### \*Examination Summary – Mortgage Brokers

- 5 Exams completed in July
  - 4 Exams completed in August
  - 7 Exams completed in September
- } **16 exams completed from July 2014-September 2014**

Composite Rating	Number of Licensees	Avg. Billable Hrs	Avg. Exam Cost
1	3	N/A	N/A
2	5	N/A	N/A
3	7	N/A	N/A
4	1	N/A	N/A
5	0	N/A	N/A

\*This program does not bill for examinations.

### Common Origination Violations

#### 1. Privacy Policy Disclosures not Adequately Provided to Borrowers

Licensees are either not providing privacy policy disclosures to borrowers or the disclosures are not compliant with Regulation P. Regulation P 12 CFR Subpart A, Section 1016.4 and the Model Privacy Forms in the corresponding Appendix to Part 1016 provides detailed explanation of how to disclose information to the customers.

#### 2. Rate Lock Agreements not Adequately Provided to Borrowers

Licensees are either not providing:

- rate lock agreement disclosures to borrowers within three days of locking the interest rate, or
- the disclosures are not compliant with WAC 208-620-510(3) under the Consumer Loan Act or WAC 208-660-430(3),(7), and (8) under the Mortgage Broker Practices Act.

These rules provide the information required to be disclosed to borrowers. The Department has posted on its Web site model rate lock agreement forms for both Consumer Loan and Mortgage Broker licensees to use. However, these forms are not required forms.

### **3. Unlicensed Loan Originators**

Examiners have found unlicensed loan originators listed on the loan documents and on licensee web pages. Licensees should ensure all employees originating loans or advertised as loan originators are appropriately licensed through NMLS.

### **4. Use of Unregistered Trade Names**

Examiners have found both on the loan documents and on the licensee web pages licensees use trade names (or dbas) that are not registered with the Department or without its main office name or license number. Listed below are the rules relating to the use of trade names.

Consumer Loan licensees are required to identify their trade names as follows:

- WAC 208-620-420 states the licensees may apply to the Department to add a trade name but the trade name must not be used alone to transact business. If the licensee uses a trade name, it must use either the main office license number or the main office license name with the trade name. This WAC applies to documents that are provided to borrowers.
- WAC 208-620-620 states that when a licensee uses a trade name in an advertisement, it must use both its main office licensee name and license number.

Mortgage Broker licensees are required to identify their trade names as follows:

- WAC 208-660-180(9) states that licensee may apply to the Department to add a trade name but the trade name must not be used alone to transact business. If the licensee uses a trade name, it must use either the main office license number or the main office license name with the trade name. This WAC applies to both advertisements as well as documents that are provided to borrowers.

## **Common Servicing Violations**

### **1. Failed to reconvey title to collateral within 30 business days**

WAC 208-620-550 (13)

### **2. Failed to correctly apply payments – applying incorrect amounts to principal and interest – WAC 208-620-551 (3)(a)**

### **3. Failed to maintain records – must keep all documents for three years after making the final entry on the loan – RCW 31.04.155**

4. **Failed to clearly and conspicuously disclose fees** – must provide the borrower a written notice no more than 30 days after assessing the fee and the notice must clearly disclose *each* fee assessed – WAC 208-620-900 (3)(e)
5. **Failed to include a link to the NMLS Consumer Access Web site on the Company's main web page** – WAC 208-620-622 (1)(c)