

dfi



2009
Annual Report

Letter from DFI Director Scott Jarvis

I present to you the 2009 annual report on behalf of the dedicated staff of the Washington State Department of Financial Institutions (DFI). This document details how each division of DFI is serving our stakeholders and Washington residents.

DFI's nearly 200 employees are committed to maintaining an environment of safe and reliable financial services for Washington consumers and our licensees. Each day, we put into practice our mission — to protect and educate the public and promote economic vitality — through the regulation of financial services in our state. Our licensees include banks, credit unions, mortgage brokers, loan originators, payday lenders, securities brokers, investment advisers and securities issuers, money transmitters, independent escrows, check cashers and check sellers.

A dramatic downturn in our state and national economies brought unprecedented numbers of home foreclosures and bank closures this year – both nationally and locally. We continue to work with partners statewide to address Washington homeowners' needs for access to counseling and legal resources in their efforts to avoid foreclosure. DFI continues to work with our state-chartered financial institutions and federal counterparts to ensure that when closure of a bank or credit union is warranted, consumers' deposits are insured.

Information is key when it comes to protecting consumers and DFI provides detailed information and outreach on financial topics ranging from how to verify the license of a mortgage broker, loan originator, payday lender or financial planner — to the basics of budgeting and credit, or how to avoid becoming victims of financial fraud.

Washington residents of all ages and backgrounds face an ever-increasing number of scam artists creating schemes targeting consumers in an effort to separate them from their hard-earned money. To counter this attack, and better protect consumers, DFI continues to expand our network of financial education partners and increase outreach efforts to residents in communities large and small throughout Washington State.

This agency's employees also are devoted to ensuring our licensees understand and adhere to the law and understand how new legislation affects how they do business in Washington State.

Collectively and independently, the department's five divisions — Securities, Consumer Services, Banks, Credit Unions and Administration — work to create a stronger, more secure financial environment for businesses and consumers. Together we are working to cultivate a stronger economic future for Washington residents and businesses alike.

We look forward to serving you for another year and working hard to make our state an even greater place for all who choose to call it home.

Sincerely,

Scott Jarvis

Director

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Department Overview

The Department of Financial Institutions (DFI) was established in October 1993 by RCW 43.320. Its historical roots date back to the early 1900s with the organization of the Division of Banking in 1907 and the Division of Securities in the 1930s. The Department celebrated its 100th year anniversary of its banking division in 2007.

The Department is composed of five divisions: Administration, Banks, Consumer Services, Credit Unions, and Securities. The Department is self-supported. Fees paid by regulated institutions fund all agency activities. No funding is received from the state General Fund or other tax revenue to support ongoing operations, however, the agency contributes to the General Fund through its Division of Securities, which collects significant revenues in connection with its primary functions of registration, licensing, and enforcement. The Division retains 13 percent of the revenue it receives to fund its activities. The remaining 87 percent of the funds collected are contributed to the Washington State General Fund and are used to fund other areas of state government.

The Department regulates our state's financial services industry. This responsibility includes examining and supervising state-chartered commercial banks, credit unions, savings and loan associations, savings banks, and foreign banks. In addition, the Department regulates the securities industry in Washington, issuing licenses, permits and exemptions for securities broker-dealers, investment advisers and their agents, securities issuers, franchises, franchise brokers, and business opportunities. The Department also regulates consumer loan companies, loan officers, check cashers and sellers (which include payday lenders), money transmitters and currency exchangers, as well as mortgage brokers and escrow agents and officers operating in this state. As a result of 2005 legislation, the Department also began registering entities that offer tax refund anticipation loans.

The Department conducts four core program activities:

- **Chartering, Licensing and Registration**

DFI evaluates and approves bank and credit union applications, mergers, conversions, branches, and corporate governance changes. The Department also conducts licensing, registration and exemption activities for the following financial entities and persons: broker dealers, broker-dealer representatives, investment advisers, investment adviser representatives, securities issuers, franchises, franchise brokers, business opportunities, escrow agents, escrow officers, mortgage brokers, check cashers and sellers (payday lenders), money transmitters, currency exchangers, consumer loan companies, loan officers and providers of tax refund anticipation loans.

- **Examinations**

The Department performs three primary types of examinations: (1) Compliance and for cause examinations of securities broker dealers, mortgage brokers, investment advisers, escrow agents, debenture companies, check cashers and sellers (payday lenders), consumer loan companies, money transmitters, and currency exchangers; (2) safety and soundness examinations of banks, credit unions, debenture companies, money transmitters, trust companies, Small Business Association (SBA) lenders and industrial development corporations; and (3) information system examinations of banks and credit unions.

Department Overview, Continued

• **Enforcement**

The Department conducts various types of supervisory, surveillance and enforcement activities to detect and take corrective action for violations of the regulatory and anti-fraud statutes applicable to financial institutions. Activities include: complaint processing, investigation, and pursuit of appropriate action against securities issuers and brokers, investment advisers, mortgage brokers, check cashers and sellers (payday lenders), money transmitters, currency exchangers, consumer loan companies and escrow agents. DFI also provides assistance and coordinates with other law enforcement agencies and prosecutors – including providing subject matter expert testimony during trials.

• **Education and Public Outreach**

DFI conducts numerous consumer education and outreach activities, and also provides technical assistance and regulatory guidance to banks, credit unions, securities and mortgage brokers, check cashers and sellers (payday lenders), money transmitters, currency exchangers, consumer loan companies and escrow agents.

DFI Vision

Safe, honest and reliable financial service

DFI Mission Statement

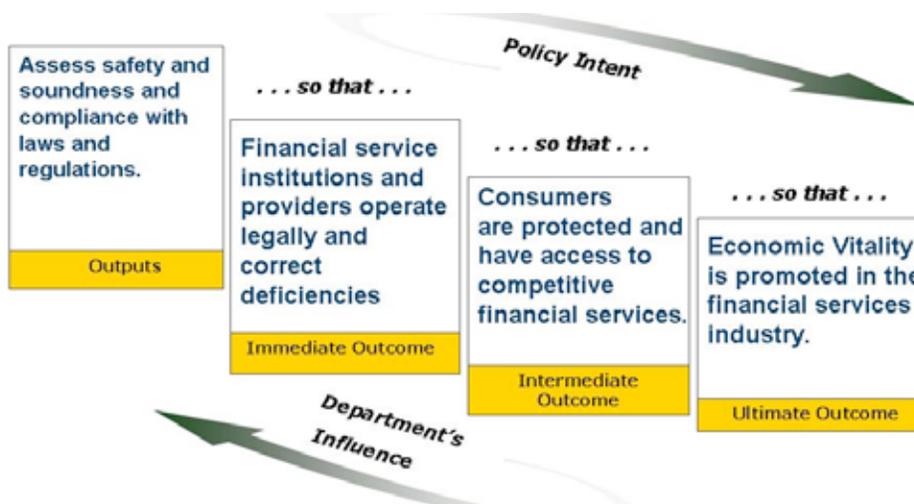
DFI regulates financial services to protect and educate the public and promote economic vitality.

DFI Values

We value:

- Employees – our most important resource
- Empowerment with accountability
- Diversity
- Fairness and respect for individuals and institutions
- Sharing information and knowledge
- Professionalism and integrity
- Providing quality services

DFI Logic Model



Division of Administration

Gloria Papiez, Deputy Director

About the Division of Administration

The Division of Administration performs functions in the areas of policy development and legislation, communications and outreach, budget and accounting, information technology and support, human resources, and facilities and emergency management.

Division accomplishments for 2009

In May 2009, the Department of Financial Institutions implemented a process where the agency's daily deposit is made by transmitting images of all checks to the bank, rather than sending the original paper documents. This process greatly enhances the security and controls over state funds, as well as significantly reduces the need for a courier to transport paper documents to the bank for physical deposit. Several state agencies have looked into our process and are working to implement similar systems within their agencies.

DFI Facts at a Glance

Total budgeted staff:
 Staff composition by gender:
 Total biennial agency budget:
 Racial diversity of workforce:
 Number of complaints resolved:
 Total fines and penalties collected:
 Number of enforcement actions:
 Depository institutions and trust companies combined assets:
 Amount of loans made by payday lenders:
 Total assets of state chartered credit unions:
 Amount of ordered restitution to consumers:

FY 2009 206.2
61% female, 39% male
 2009-2011 Biennium **\$44,476,000**
20%
3,585
 FY 2009 **\$1,700,544**
503
More than \$87 billion
\$1,336,028,845
\$25.97 billion
\$948,288.41

Legislative Report

Catherine Mele-Hetter, Policy Director

The following is a listing and summary of bills related to DFI or our stakeholders that passed the 2009 legislative session and have been signed by Governor Gregoire.

Links to Session Law PDFs, Final Bill Reports, and Fiscal Notes are available at <http://dfi.wa.gov/about/2009-legislature.htm>

Accomplishments

- E2SHB 1078 (chapter 70, Laws of 2009), Exchange Facilitators

Effective Date: July 26, 2009

A tax-deferred exchange is a method by which a property owner trades one or more relinquished properties for one or more “like-kind” replacement properties. This enables a property owner to defer the payment of federal income taxes on the transaction. Exchange facilitators (called “qualified intermediaries” under federal law) are required by federal law to facilitate the like kind exchange.

E2SHB 1078 creates some regulatory requirements for exchange facilitators in Washington. Each person in the exchange facilitator business (“facilitator”) must maintain a fidelity bond or bonds in an amount of not less than \$1 million, or a similar equivalent. Each facilitator must maintain an insurance policy for errors and omissions of not less than \$250,000, or a similar equivalent. A facilitator must act as a custodian for all exchange funds, property, and other items received from the client (except the facilitator’s compensation). The exchange funds must be held in a manner that provides liquidity and preserves principal.

The bill applies certain prohibited practices to exchange facilitators. Violations of these practices may have criminal penalties, and consumers may also pursue remedies under the Consumer Protection Act. The facilitators must file information with the DFI by December 31, 2009 and DFI will prepare a report for the Legislature for 2010.

- HB 1127 (chapter 382, Laws of 2009), Credit and Debit Card Information

Effective Date: July 26, 2009

Persons accepting credit cards or debit cards may not print more than the last five numbers of an account number or print the expiration date on an electronic receipt that is retained by the person or is provided to the cardholder. This restriction does not apply if the means of recording the number is by imprint or handwriting.

- HB 1166 (chapter 384, Laws of 2009), Linked Deposit Program Loans

Effective Date: July 26, 2009

The Linked Deposit Program (Program) purpose is to increase access to capital for the state’s certified minority-owned and women-owned businesses. Under the Program, certified businesses can obtain reduced interest rate loans from participating financial institutions. The State Treasurer is authorized to use up to \$190 million of short-term state treasury surplus funds for the Program. These funds

Legislative Report, Continued

are deposited in public depositories as certificates of deposit (CDs) on the condition that the public depository make “qualifying loans” under the Program. The state forgoes up to 2 percent in interest on the CDs and passes along the savings to the public depository with the condition that the depository reduces the interest rate for the loan recipients.

The bill authorizes Community Development Financial Institutions (CDFI), to participate in the link deposit program. A CDFI is a specialized financial institution certified by the U.S. Department of the Treasury to provide loans for community development purposes. A CDFI works in economically distressed markets that are underserved by traditional financial institutions.

- EHB 1167 Linked Deposit Program Study, (Partial Veto)

Effective Date: July 26, 2009

The Linked Deposit Program (Program) purpose is to increase access to capital for the state’s certified minority-owned and women-owned businesses. Under the Program, certified businesses can obtain reduced interest rate loans from participating financial institutions. The State Treasurer is authorized to use up to \$190 million of short-term state treasury surplus funds for the Program. These funds are deposited in public depositories as certificates of deposit (CDs) on the condition that the public depository make “qualifying loans” under the Program. The state forgoes up to 2 percent in interest on the CDs and passes along the savings to the public depository with the condition that the depository reduces the interest rate for the loan recipients.

The bill also authorizes the State Treasurer to reduce the effective interest rate the state receives on CDs to zero percent.

- EHB 1311 (chapter 149, Laws of 2009), Reverse Mortgages

Effective Date: July 26, 2009

Generally, there are two types of reverse mortgages, those meeting federal underwriting requirements and regulated by the federal government, and those meeting the underwriting standards offered through other financial institutions. The non-government reverse mortgages (proprietary reverse mortgages) are offered by consumer loan companies and contain various provisions, some similar to the federal products, some not. Last year a bill passed (SB 6471) which disallowed consumer loan companies from offering reverse mortgages. This was an unintended consequence and EHB 1311 corrects the provision disallowing reverse mortgages by consumer loan companies. In addition the bill provides DFI with the authority to regulate this type of lending. The bill licenses all lenders offering reverse mortgages and requires that proprietary (private) reverse mortgage products are subject to preapproval by DFI. In addition, lenders offering proprietary reverse mortgage products meet certain capital requirements. Consumers who apply for proprietary reverse mortgages must have counseling and receive certain disclosures.

- SHB 1347 (chapter 443, Laws of 2009), Financial Education

Effective Date: July 26, 2009

The Financial Literacy Public-Private Partnership (FLPPP) was created in 2004 to adopt a definition of financial literacy and identify strategies to increase financial literacy of public school students. The FLPPP is made up of four legislators; four representatives from the financial services sector; four

Legislative Report, Continued

educators; one designee from the Office of the Superintendent of Public Instruction (OSPI); and one designee from the Department of Financial Institutions. The FLPPP is scheduled to expire June 30, 2009.

The bill establishes the Financial Education Public-Private Partnership (Partnership) which replaces FLPPP. The Partnership is composed of four members of the Legislature; four representatives from the financial services sector appointed by the Governor; four teachers appointed by the Superintendent of Public Instruction (SPI); one representative from the Department of Financial Institutions; and two representatives from the Office of the Superintendent of Public Instruction (OSPI), one from curriculum development and one from teacher professional development.

The duties and termination date of the FLPPP are also repealed. The following duties are assigned to the new Partnership and are to be implemented to the extent funds are available: communicate the financial education standards and strategies for improving financial education to school districts; review financial education curriculum; develop evaluation standards and a procedure for endorsing financial education curriculum; identify assessments and outcome measures that schools can use to determine whether students meet the financial education standards; monitor and provide guidance for professional development; work with the OSPI and the Professional Educator Standards Board to create professional development that leads to a certification in financial education; develop guidelines and protocols for classroom volunteers providing financial education; and submit an annual report by December 1 of each year to the Governor, SPI, and the Legislature.

Subject to the availability of funds, the bill directs OSPI and the Partnership to provide technical assistance and competitive grants for up to four demonstration projects to implement financial education standards on a district-wide basis. Selected districts must adopt the Jump Start Coalition National Standards in K-12 Personal Finance Education as the learning standards for financial education; make a commitment to integrate financial education into instruction at all grade levels; establish local partnerships; conduct pre- and post-testing of students' financial literacy; and report back to OSPI and the Legislature by April 30, 2011.

- HB 1475 (chapter 93, Laws of 2009), Agency Rulemaking Information

Effective Date: July 26, 2009

State agencies must maintain a website containing the agency's rulemaking information, including the complete text of proposed rules, emergency rules, and permanent rules proposed or adopted within the past 12 months. A direct link to the rulemaking page must be displayed on the agency's homepage. An agency's rulemaking website may contain a direct link to the index page on the Register website that includes the agency's rulemaking activity. The agency rulemaking website must include the time, date, and place for the required hearing of a proposed rule and procedures and timelines for submitting written comments and supporting data.

- SHB 1621 (chapter 120, Laws of 2009), Consumer Loan Companies

Effective Dates: various effective dates (see session law)

The federal Housing and Economic Reform Act of 2008 made many reforms aimed at stimulating the housing markets, providing mortgage relief for homeowners, and protecting consumers from

Legislative Report, Continued

further harm in the mortgage markets. The new law mandates state licensing of all mortgage loan originators and the use of a nationwide state licensing system to facilitate the licensing process. The law provides that if a state does not act the federal government will step in and become the primary regulator of those licensees.

While currently DFI licenses loan originators under the Mortgage Broker Practices Act, DFI does not license loan originators under the Consumer Loan Act. The legislation adds mortgage loan originator licensing to the Consumer Loan Act and requires our state to participate in licensing through a state run system called the Nationwide Mortgage Licensing System and Registry (NMLSR). It requires licensees to submit fingerprints through the (NMLSR) for criminal history background checks to the FBI. There are also education requirements for pre-licensing; a requirement for national and state testing; and a minimum 8 hour continuing education requirement.

- ESHB 1709 (chapter 510, Laws of 2009), Small Loan Default Risk

Effective Date: January 1, 2010

The Department of Financial Institutions regulates payday lenders under the Check Casher and Sellers Act (RCW 31.45). A payday loan is a small, unsecured, short-term cash loan. The loan, typically given in cash and secured by the borrower's post-dated check, includes the original loan principal and a fee. The maturity date usually coincides with the borrower's next payday. On the maturity date the lender may process the check. The borrower may also repay the loan in person with cash.

Currently, DFI licenses approximately 700 payday lending locations. The license provides a specific authorization to offer payday loans within the terms provided by the statute. According to the Act, licensees may not lend more than \$700 to a single borrower at one time. The licensee may charge 15 percent for the first \$500 and 10 percent on the amount over \$500 up to the \$700 limit. In addition, after four successive loans, a borrower is entitled to convert a loan into a payment plan with the lender.

The terms of the loans are changed in the bill. The minimum term of a loan is the borrower's next paycheck unless that is less than seven days. If it is less than seven days, the minimum term is the date of the next following pay date. A borrower may not take out more than \$700 in small loans at any time from all lenders or may not borrow more than 30 percent of that borrower's gross monthly income whichever is less.

A licensee is prohibited from making a small loan to a borrower if making that small loan would result in a borrower receiving more than eight small loans from all licensees in any 12 month period. The existing payment plan is eliminated. A new installment plan is created. The lender must inform the borrower that if the borrower cannot repay a loan when the loan is due, then the borrower may convert the small loan to an installment plan.

A data base system is authorized to enforce these provisions and other parts of Chapter 31.45 RCW. The use of the system will enable a licensee to verify if the potential borrower is eligible for a small loan. The system must be available in real-time and secure against unauthorized acquisition or use, tampering, or theft. The Director of the DFI (Director) must establish the fee by rule. A lender may not charge an additional sum to recover the fee. Information in the system is exempt from

Legislative Report, Continued

public disclosure. The Director must also collect and submit the payday lending information to the Legislature. The Act takes effect January 1, 2010.

- **SHB 1749, Mortgage Broker Practices**

Effective Dates: various effective dates (see session law)

The federal Housing and Economic Reform Act of 2008 (HERA) made many reforms aimed at stimulating the housing markets, providing mortgage relief for homeowners, and protecting consumers from further harm in the mortgage markets. HERA mandates state licensing of all mortgage loan originators and the use of a nationwide state licensing system to facilitate the licensing process. The law provides that if a state does not adopt a statute requiring licensure of loan originators covered by HERA, the federal government will step in and become the primary regulator of those licensees.

Currently DFI licenses most loan originators under the Mortgage Broker Practices Act. However the federal law covers some loan originators that are currently exempt under the Mortgage Broker Practices Act. As a result, DFI current licensure laws were updated to conform with the federal law. The legislation adds additional mortgage loan originator licensing requirements to the Mortgage Broker Practices Act and requires our state to participate in licensing through a state run system called the Nationwide Mortgage Licensing System and Registry (NMLSR). It requires licensees to submit fingerprints through the NMLSR for criminal history background checks to the FBI. There are also education requirements for pre-licensing; a requirement for national and state testing; and a minimum 8 hour continuing education requirement.

- **SHB 2061 (chapter 9, Laws of 2009), Public Depositories**

Effective Date: March 6, 2009

Public funds may only be deposited in banks and thrift institutions that have been approved as public depositories by the Public Deposit Protection Commission (Commission). The Commission was established in 1969 and is comprised of the Governor, the Lieutenant Governor, and the State Treasurer. The State Treasurer chairs the Commission and provides administrative support. The Commission is responsible for protecting all public funds deposited in public depositories.

“Public funds” are those moneys belonging to or held for the state, its political subdivisions, municipal corporations, agencies, courts, boards, commissions, or committees, and includes moneys held in trust. A “public depository” is defined as a financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has been approved by the Commission to hold public deposits, and which has segregated for the benefit of the Commission eligible collateral having a value of not less than its maximum liability. There are separate collateral pools maintained for banks and thrifts.

The Commission’s powers include: making and enforcing regulations to complete its functions; requiring any public depository to furnish information dealing with public deposits and the exact status of its net worth; taking action for the protection, collection, compromise or settlement of any claim arising in case of loss; fixing the requirements for qualification of financial institutions as public depositories, and fixing other terms and conditions under which public deposits may be received and held; setting criteria establishing minimum standards for the financial condition of bank and

Legislative Report, Continued

thrift depositories and, if the minimum standards are not met, providing for additional collateral requirements or restrictions regarding a public depository's right to receive or hold public deposits; fixing the official date on which any loss shall be deemed to have occurred; and in case loss occurs in more than one public depository, determining the allocation and time of payment of any sums due to public depositors.

To be approved as a public depository, a financial institution must meet minimum requirements of the Commission and must pledge securities as collateral to protect public funds on deposit in all public depositories (not just for that particular institution). For the first 12 months as a public depository, a depository must pledge and segregate eligible securities of at least 10 percent of all public funds on deposit in the depository. If deposit insurance and collateral pledged by a failed institution are insufficient to reimburse all public depositors, the other public depositories are each assessed a proportionate share of the shortfall.

The Commission may require the State Auditor or the Department of Financial Institutions (DFI) to investigate and report on the condition of any financial institution applying to become a public depository. The Commission may also require an investigation and report on the condition of any public depository. The DFI must also advise the Commission of any action the agency has directed a public depository to take which will result in a reduction of greater than 10 percent of the net worth of the depository. A public depository must notify the Commission within five working days of any event that causes a reduction of greater than 10 percent in the net worth of the depository.

SHB 2061 changes the powers of the Commission. The Commission is given "broad administrative discretion" in performing its general powers. The Commission may delegate all of its authority to the State Treasurer, except rulemaking. The enforcement authority of the Commission is clarified. The Commission may assess costs or deny, suspend, or revoke authority to hold public funds, if a public depository fails to: provide, or allow verification of, required information; or comply with relevant laws and rules or policies of the Commission. Further, the Commission may make and enforce sanctions against a public depository for non-compliance with relevant laws, rules, or policies.

The Commission is authorized to set by resolution, based on criteria established in rule, a sum or measure as the maximum liability of public depositories. The State Treasurer may also do so in exigent circumstances, but the sum or measure must be reviewed and ratified by the Commission within 90 days.

In addition to the existing requirement that the DFI certify reports from public depositories, the DFI must provide information or data as may be required by the Commission. Any information or data provided to the Commission by a financial institution or a federal or state regulatory agency must be maintained in the same confidential manner and have the same protections as examination reports received by the Commission from the DFI.

The Commission is required to maintain a single depository pool and treat public depositories uniformly without regard to differences in their charters. The Commission may establish the required amount of eligible securities that a public depository must pledge and segregate. Public depositories must provide the exact status of its capitalization, collateral, and liquidity, in addition to the existing requirement of providing information about its net worth. Public depositories are required to provide the Commission with the uninsured amount of public funds on deposit in each

Legislative Report, Continued

report. They also must notify the Commission of an event which causes its net worth to be reduced in an amount greater than 10 percent, from within five working days to within 48 hours, or by the close of business of the following business day. A public depository's liability is not altered by a merger, takeover, or acquisition, except if liability is assumed by agreement or law by the successor entity or resulting financial institution.

The "maximum liability" of a public depository means, with reference to a public depository's liability for loss per occurrence by another public depository, on any given date is a sum equal to 10 percent of: all uninsured public deposits held by a public depository that has not incurred a loss by the most recent Commission report date; or the average of the balances of uninsured public deposits in the last four reports. An additional way of defining "maximum liability" is also included to mean a sum or measure that the Commission may from time to time set by resolution according to criteria established by rule, consistent with the Commission's broad administrative discretion. If a public depository is 100 percent collateralized by eligible collateral, the "maximum liability" of a public depository that has not incurred a loss may not exceed the 10 percent sum mentioned above. The definition of "maximum liability" does not limit the authority of the Commission to adjust the collateral requirements of public depositories.

- ESHB 2327 (chapter 518, Laws of 2009), State Agency Reports

Effective Date: July 26, 2009

Statute requires state agencies to submit reports to the Governor and the Legislature on the progress, status, or effectiveness of various programs. Many of these reports are submitted annually or on a regular basis, while others may be a one-time requirement to complete a study and make recommendations. The DFI reports to the Legislature regarding mortgage broker complaints received and the mortgage fraud account are each eliminated. The DFI annual report is changed to a report each biennium.

- SSB 5042 (chapter 358, Laws of 2009), Small Business Paperwork

Effective Date: July 26, 2009

The bill provides that state agencies must waive fines, civil penalties, or administrative sanctions for first time paperwork violations by small businesses. A paperwork violation is defined as failure to comply with any statute or regulation requiring an agency to collect data or a business to collect, post, or retain data. In the event of a second violation or failure to correct the first violation, the agency may reinstate the previously waived penalty and impose any new penalty stemming from the second violation.

The waiver is not available to a small business whose owner or operator has previously committed a paperwork violation, and cannot reduce a requirement to apply for a permit or license. The waiver requirement does not apply where the violation: 1) presents a direct danger to the public health, results in a loss of income or benefits to an employee, poses a potentially significant threat to human health or the environment, or causes serious harm to the public interest; 2) involves knowing or willful conduct that may result in a felony conviction; 3) concerns assessment or collection of any tax, debt, revenue, or receipt; or 4) conflicts with federal law or programs. The waiver does not apply to a regulated entity's financial filings, an insurance rate or form filing, any business required

Legislative Report, Continued

to provide accurate and complete information regarding any claim for payment by the state or federal government, or any businesses licensed or certified to provide care to vulnerable adults or children.

- SB 5164 (chapter 13, Laws of 2009), Collection Practices of Payday Lenders

Effective Date: July 26, 2009

The Department of Financial Institutions regulates payday lenders under the Check Cashier and Sellers Act (RCW 31.45). A payday loan is a small, unsecured, short-term cash loan. The loan, typically given in cash and secured by the borrower's post-dated check, includes the original loan principal and a fee. The maturity date usually coincides with the borrower's next payday. On the maturity date the lender may process the check. The borrower may also repay the loan in person with cash.

Currently, DFI licenses approximately 700 payday lending locations. The license provides a specific authorization to offer payday loans within the terms provided by the statute. According to the Act, licensees may not lend more than \$700 to a single borrower at one time. The licensee may charge 15 percent for the first \$500 and 10 percent on the amount over \$500 up to the \$700 limit. In addition, after four successive loans, a borrower is entitled to convert a loan into a payment plan with the lender.

A licensee may take certain actions in furtherance of the collection of a dishonored check. A one-time fee may be charged if the borrower's check is returned unpaid. The licensee may also institute a civil suit under the Uniform Commercial Code for collection of a dishonored check. Only recovery of the cost of collection is allowed, while attorneys' fees and any other interest or damages are not allowed. The requirements for the licensee also apply to any collection agency to which a debt owed to the check cashier or seller may be assigned.

The bill creates various prohibitions on the collection practices of payday lenders. A licensee may not visit to the borrower's place of employment, impersonate a law enforcement officer and impersonate any other governmental official while collecting a loan. Harassing, intimidating, abusive, or embarrassing communication with a borrower is prohibited. A presumption of harassing communication is established by the licensee's communication with the borrower more than three times a week; communication to the borrower at that person's place of employment more than once a week; communication at the borrower's residence between the hours of 9:00 p.m. and 7:30 a.m.; or communication made to someone other than the borrower.

- SB 5221 (chapter 15, Laws of 2009), Distressed Property Conveyances

Effective Date: March 25, 2009

With a rise in foreclosures, there is concern about "sale-leaseback transactions" or similar transactions that appear to help a homeowner facing foreclosure. A sale-leaseback transaction occurs when a purchaser represents to a homeowner facing foreclosure that if the homeowner transfers the title foreclosure will be avoided and after a certain period of time either the purchaser will transfer the title back or promise the homeowner that the homeowner will have the option to buy back the property. Sometimes the homeowner is unaware that he or she is transferring the title or, upon transfer of title, that the purchaser may then evict the homeowner for nonpayment of rent.

Legislative Report, Continued

Last year the Legislature passed HB 2791 which regulates this type of transaction as a “distressed home conveyance” and creates other requirements designed to protect homeowners facing foreclosure. Realtors, who are required to be licensed and have a duty to act in good faith, were not specifically exempt from the definition of distressed home consultant and, over the summer, raised concerns that the work they do in their normal course of business could be interpreted as becoming distressed home consultants. This would trigger certain requirements under the law. For example, a distressed home consultant owes a homeowner a fiduciary duty and the transaction must be in writing in a format proscribed by statute.

The bill provides that a licensed real estate broker or salesperson is not a distressed home consultant when that person is providing services that are governed by the real estate brokerage laws and the broker or salesperson is not engaged in activities designed to result in a distressed home conveyance. A person is not a distressed home consultant when the person assists a homeowner in obtaining a contract to purchase the distressed home within 20 days of foreclosure and the homeowner is represented in the transaction by an attorney or a licensed real estate broker or salesperson. A person is not a distressed home consultant when the person arranges for the homeowner to stay in the home as a lessee or tenant, if the continued residence is for no more than 20 days to arrange for a new residence and the homeowner is represented in the transaction by an attorney or a licensed real estate broker or salesperson.

- SSB 5468 (chapter 311, Laws of 2009), Nonprofit Housing Organizations

Effective Date: July 26, 2009

The Consumer Loan Act requires that lenders making secured and unsecured loans be licensed by the Department of Financial Institutions (DFI). The Consumer Loan Act restricts certain loan provisions, requires disclosure of certain loan terms, requires a surety bond, and prohibits lenders from engaging in unfair and deceptive acts and practices. The Consumer Loan Act currently has an exception for banks, credit unions, pawnbrokers, and credit cards. There are not explicit exceptions for nonprofits.

Last year SB 6471 made all lenders subject to the Consumer Loan Act and did not specifically exclude nonprofit lenders. Thus nonprofit lenders could become subject to all of the requirements under the Act including the necessity of retaining a surety bond. The legislation adds an exception to the Consumer Loan Act for nonprofit housing organizations making loans under certain federal and state funded housing programs.

- SSB 5531 (chapter 371, Laws of 2009), Consumer Protection Act

Effective Date: July 26, 2009

The Consumer Protection Act (CPA), first enacted in 1961, prohibits unfair or deceptive practices in trade or commerce. The act includes prohibitions on anti-competitive behavior and restraints on trade. The act may be enforced by private parties, the state, counties, municipalities, and all political subdivisions of the state.

In a lawsuit for a CPA violation, a prevailing plaintiff may recover (1) the actual damages sustained; (2) the costs of the suit; and (3) reasonable attorney’s fees. Additionally, a court has the discretion to

Legislative Report, Continued

award additional damages in the amount of up to three times the actual damages sustained by the plaintiff. These discretionary treble damages are capped at \$10,000 in superior court and \$75,000 in district court.

To prevail on a private CPA claim, a plaintiff must show (1) an unfair or deceptive act or practice; (2) that occurs in trade or commerce; (3) a public interest; (4) injury to the plaintiff in the plaintiff's business or property; and (5) a causal link between the unfair or deceptive act and the injury suffered.

The bill changes the law so that in a lawsuit for a CPA violation, the district and superior courts have the discretion to award up to \$25,000 in damages. In a private action claiming a CPA violation, a claimant may establish that the act or practice is injurious to the public because it: violates a statute which incorporates the CPA; violates a statute which contains a specific legislative declaration of public interest impact; or injured other persons, had the capacity to injure, or has the capacity to injure other persons.

- SSB 5723 (chapter 486, Laws of 2009), Small Business Assistance

Effective Date: July 26, 2009

The Washington Small Business Development Center (SBDC) provides assistance, training, and support services to small businesses and entrepreneurs. The SBDC currently operates with federal funds and some state funds. Washington's Community Credit Needs Act, patterned after the federal Community Reinvestment Act (CRA), is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate. Under both laws, a depository institution's record in helping meet the credit needs of its entire community is evaluated periodically. The new law states that for state chartered banks, contributions to local or statewide business assistance organizations must be considered in assessing the bank's performance in meeting community credit needs.

- ESB 5810 (chapter 292, Laws of 2009), Deeds of Trust Foreclosure

Effective Date: July 26, 2009

Current law does not require a residential mortgage lender to contact its borrower prior to commencing a non-judicial deed of trust foreclosure, nor does current state law require proof of the existence of the original promissory note secured by the deed of trust prior to a trustee commencing foreclosure. Current law does not require that the successful bidder at a deed of trust sale (either the lender or a third party bidder) provide any notice or time-period after foreclosure before commencing an eviction of an existing tenant. In addition, appellate case law has held that the failure to enjoin a deed of trust sale prior to completion of the foreclosure bars the borrower from bringing any claims against the lender or trustee.

- ESB 5810 (chapter 292, Laws of 2009), Deeds of Trust Foreclosure - *continued*

This bill makes several temporary and permanent changes to the Deed of Trust Act (Ch. 61.24 RCW) that are designed to address the ill-effects of the present mortgage crisis and the perceived inequity of Washington appellate case law:

- * Lender contacting the borrower before starting foreclosure process. The bill requires that the first notice of default, which commences a non-judicial deed of trust foreclosure, may not

Legislative Report, Continued

commence against a borrower on an owner-occupied residential mortgage loan made between January 1, 2003, and December 31, 2007, unless the lender has contacted the borrower and certifies having done so in the notice of default. This contact requirement is temporary and expires December 31, 2012. Deeds of trust securing commercial loans, guaranties, and seller-financed sales are exempt from this temporary requirement.

- * Proof of promissory note prior to trustee commencing foreclosure. Before the statutory notice of sale may be recorded, which is the first act of the appointed trustee in the non-judicial foreclosure process, the trustee must have proof that the purported lender is the actual holder of the promissory note secured by the deed of trust and possesses the original note with authority to commence the deed of trust sale. If the original promissory note is lost, the lender may provide a copy of the note and a notarized statement declaring that the original note has been lost.
 - * Sixty-day notice to tenants after foreclosure of tenant-occupied residence. The bill requires that tenants in possession of non-owner occupied residential property at time of deed of trust foreclosure shall be given a 60-day notice to vacate. The new owner (landlord) by foreclosure still has the option of negotiating a new lease with the tenant or offering to pay the tenant to vacate sooner.
 - * Survival of certain claims against the lender or trustee. The failure of a borrower (beneficiary) or lender (grantor) to enjoin a deed of trust sale under the Deed of Trust Act does not act as a waiver of the claim for actual damages for common law fraud or misrepresentation, conduct in violation of Title 19 RCW, and a failure of the trustee to materially comply with Deed of Trust Act. The claim for actual damages must be brought within two (2) years of the foreclosure's completion.
- ESB 5995 (Signed by Governor) Eliminating certain Boards and Commissions

Effective Date: June 30, 2009

On December 16, 2008, the Joint Legislative Audit and Review Committee (JLARC) released the revised version of a report entitled "Review of Boards and Commissions: Pre-Audit." The JLARC report identified 470 boards and commissions currently operating, or not known to have been disbanded.

This bill eliminates the following boards, commissions, and committees:

- * The Acupuncture Ad Hoc Committee
- * Adult Family Home Advisory Committee
- * Boarding Home Advisory Committee
- * Citizens' Work Group on Health Care Reform
- * Displaced Homemaker Program Statewide Advisory Committee
- * Foster Care Endowed Scholarship Advisory Board
- * Higher Education Coordinating Board Work Study Advisory Committee
- * Model Toxics Control Act Science Advisory Board

Legislative Report, Continued

- * Oil Heat Advisory Committee
 - * Organized Crime Advisory Board
 - * Oversight Committee on Character-Building Residential Services in Prisons
 - * Parks Centennial Advisory Committee
 - * Prescription Drug Purchasing Consortium Advisory Commission
 - * Radiologic Technologists Ad Hoc Committee
 - * Risk Management Advisory Committee
 - * Securities Advisory Committee
 - * Sexual Offender Treatment Providers Advisory Committee
 - * Vendor Rates Advisory Committee
- ESB 6033 (chapter 386, Laws of 2009), Owner Occupied Foreclosure (Partial Veto)

Effective Date: July 26, 2009

Last year the Smart Homeownership Choices program became law. Under this program, the Department of Financial Institutions (DFI) receives an appropriation and uses this money to fund the Washington State Housing Finance Commission (Commission), as needed, to implement and operate the program for the purpose of preventing foreclosures. The Smart Homeownership Choices Program assists homeowners who are delinquent on their mortgage payments in bringing their mortgage payments current so they may refinance the purchase of their homes. In the last year the monies appropriated for the Smart Homeownership Choices Program remained largely unspent.

ESB 6033 replaces the Smart Homeownership Choices Program by a program called Prevent or Reduce Owner-Occupied Foreclosure Program (PROOF). This program is created to assist borrowers facing foreclosure. The program emphasizes borrowers with incomes up to and including 140 percent of the county median income level. PROOF provides a pool of unpaid volunteers from relevant professions, such as accountants, banks, credit unions, mortgage brokers, and attorneys, who provide advice to borrowers in the work-out process. The Commission implements the program by which volunteers and borrowers are paired in the most productive manner. The Housing Finance Commission must establish an oversight committee to serve as the principal advisory body to the commission for PROOF. The act is repealed on June 30, 2011.

DFI Communication Outreach, Continued

In addition to contracting with organizations like Money Savvy Generation, the DFI Communications team continues to develop and expand financial education outreach through partnerships.

- Working with Consumer University and the Washington Society of CPAs DFI offers teacher trainings, sharing information, curriculum and ideas to Washington teachers to take back to their classrooms and teach students throughout the school year.
- Through a partnership with AARP and the Financial Industry Regulatory Authority (FINRA) DFI provides Washington investors with the tools and information necessary to avoid becoming victims of investor fraud.
- DFI collaborated with North American Securities Administrators Association (NASAA) representatives from New Mexico, California, Oklahoma, North Carolina and New Jersey to begin developing an investor education outreach program for Women In Transition.
- With funding from the Investor Protection Trust, DFI contracted with Consumer University to launch an Investor Education In Your Community program in Washington. The program provides free, unbiased investor education to residents of all ages in communities throughout the state.
- Partnering with federal, state, and local organizations, DFI assisted with foreclosure prevention workshops to address the increasing number of foreclosures in Washington. As a result, thousands of Washington homeowners were provided access to counselors, legal aid and time with lenders – all in one location and at no cost to the homeowner.



DFI's two-person Communications, Financial Education and Outreach team completed more than 50 outreach opportunities with a variety of partners throughout Washington State.

Working with local organizations like the Financial Education Public Private Partnership (www.feppp.org), Jump\$tart Washington Coalition (www.wajumpstart.org), Washington Asset Building Coalition (www.washingtonabc.org), and Washington's AARP (<http://www.aarp.org/wa>) DFI continues to find new ways to increase and improve financial education throughout Washington State.

Information and knowledge are powerful tools. We are committed to making sure Washington residents have the tools they need to succeed in their quest for financial freedom.

Division of Banks

Brad Williamson, Director of Banks

About the Division of Banks

The Division of Banks was organized in 1907 and has responsibility for supervising commercial banks, trust companies, savings banks, savings and loan associations, alien banks, SBA 7A lenders, and business development companies incorporated under the laws of the state of Washington.

The division works directly with the institutions it regulates through examination and supervisory activity in an effort to assure the public of adequate services from the institutions. It seeks to ensure the protection of the interests of depositors, borrowers, shareholders, and consumers.

In 2009, many Washington State chartered banks experienced poor financial performance associated with challenging economic conditions and declining real estate markets. Financial performance relative to capital, assets and earnings were negative industrywide in Washington.

Problem loans increased at many banks primarily driven by acquisition, development and construction (ADC) real estate loans. Large loan loss reserve provisions have resulted in many banks losing money during 2009. Banks had a difficult time raising capital which resulted in declines in industry capital levels.

The number of problem rated institutions saw significant increases. Three banks were closed during 2009, all associated with problematic ADC lending practices.

Chartering of new institutions slowed with only one institution chartered in 2009. One bank merger occurred during 2009.

The division's financial condition remains satisfactory.

Several changes to the banking regulations were passed during the legislative session and signed by the Governor. These changes improved the Division's procedures associated with bank closures and enhanced the Division's ability to take enforcement actions against bank holding companies.

Emphasis continued to be placed on training and development of employees, and remaining responsive to changes in the financial services markets. Division personnel have actively responded to the adverse banking conditions and were heavily involved in the examination and supervision of regulated entities.

Statutes Administered by the Division of Banks

Chapter 30 RCW	Banks and Trust Companies
Chapter 31.24 RCW	Business Development Companies
Chapter 31.35 RCW	Agricultural Lenders, Loan Guaranty Program
Chapter 31.40 RCW	Federally Guaranteed Small Business Loans
Chapter 32 RCW	Mutual Savings Banks
Chapter 33 RCW	Savings and Loan Associations

Industry Facts at a Glance

Institutions Regulated by the Division of Banks

Commercial Banks

71

Savings Institutions

9

Trust Companies

7

Branches of foreign banks

2

Business Development Corporations

1

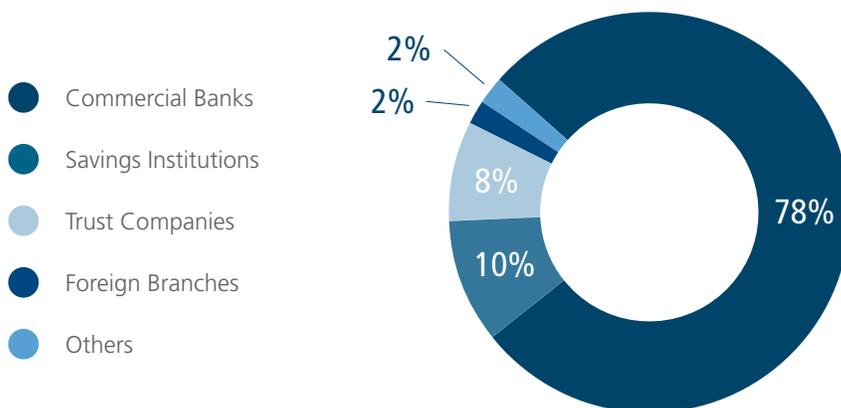
SBA (7) A Lenders

1

Total assets of banks and trust companies:

\$ 95 billion

Regulated Institutions by Charter Type



Division Milestones and Accomplishments

- The division chartered one new commercial bank in 2009.
- The division completed scheduled examinations within their statutory timeframe with assistance from the Federal Deposit Insurance Corporation and the Federal Reserve Board.

New Banks

- Liberty Bank of Washington, Poulsbo. (June 2009)

Mergers and Liquidations

- Washington Trust Bank, Spokane, acquired, Pinnacle Bank, Beaverton, Oregon. (February 2009)

Bank Closures

- Bank of Clark County, Vancouver. (January 2009)
- Westsound Bank, Bremerton. (May 2009)
- Venture Bank, Lacey. (September 2009)

Key Statistics

	2005	2006	2007	2008	2009
Number of State Chartered Commercial Banks	67	72	73	73	71
Number of State Chartered Savings Institutions	11	10	10	9	9

Division of Consumer Services

Deborah Bortner - Director of Consumer Services

About the Division of Consumer Services

The mission of the Division of Consumer Services is to protect consumers from illegal and fraudulent lending practices. The division accomplishes its mission through licensing, conducting examinations of the books and records of licensees, investigating consumer complaints, and enforcing selected state and federal statutes and rules relating to lending practices.

Consumer Services regulates the business activities of consumer loan companies, mortgage brokers, money transmitters and currency exchangers, as well as check cashers and sellers, also known as “payday lenders.” The division regularly reviews the books and records of consumer loan companies, check cashers and sellers, money transmitters and currency exchangers, for compliance with state and federal law. When a company is found to have collected inappropriate fees and charges, the division makes sure that refunds are made to customers.

The division’s effectiveness in protecting citizens against fraud is difficult to measure, but one way that we can measure our success is by the dollar amounts of restitution or refunds made to consumers as a result of the division’s examinations of licensees.

The Division of Consumer Services is entirely self-supporting, with funding provided by licensing, auditing, and policing of regulated businesses and individuals. No money is received from the state General Fund or other public revenue source.

Accomplishments

During 2009 Consumer Services collaborated with the Conference of State Bank Supervisors (CSBS) and American Association of Residential Mortgage Regulators (AARMR), two state regulatory trade groups, to develop a new electronic documentation protocol for examination modernization called Modernization and Enhancement of the Mortgage Examination Process (the Examination Protocol). A technology solution called ComplianceAnalyzer was chosen to implement the Examination Protocol. When we fully implement this Examination Protocol, Consumer Services will be able to review almost 100 percent of a licensee’s loan portfolio information for compliance with Washington State and Federal laws and regulations including anti-predatory lending, the Truth-In-Lending Act (TILA), the Real Estate Settlement Procedures Act (RESPA), the Consumer Loan Act (chapter 31.04 RCW), and the Mortgage Broker Practices Act (chapter 19.146 RCW).

With implementation of this technology solution, Consumer Services hopes to accomplish effective and efficient allocation of resources to licensees posing greater risk and fewer resources to licensees exhibiting less risk; while at the same time maintaining effective regulatory presence for all licensees through advanced offsite reviews and limited scope visits. In other words, we expect to spend less examination time on licensees whose loan files indicate compliance.

Division of Consumer Services, Continued

Statutes Administered by the Division of Consumer Services

Chapter 31.04 RCW	Consumer Loan Act
Chapter 31.45 RCW	Check Cashers and Sellers Act
Chapter 19.146 RCW	Mortgage Broker Practices Act
Chapter 19.230 RCW	Uniform Money Services Act
Chapter 18.44 RCW	Escrow Agent Registration Act
Chapter 36.22/43.320 RCW	Mortgage Fraud Prosecution Account
Chapter 19.265 RCW	Refund Anticipation Loan
Chapter 19.265 RCW	Mortgage Lending & Homeownership
Chapter 19.52 RCW	Washington Usury Law

Industry Facts at a Glance

Mortgage Broker Licenses	834
Mortgage Broker Branch Office Licenses	869
Mortgage Loan Originators (Active)	4473
Mortgage Loan Originators (Inactive)	1491
Consumer Loan Company Licenses	353
Consumer Loan Company Branch Office Licenses	1017
Money Transmitter and Currency Exchange Offices	86
Money Transmitter Delegates	8361
Check Cashier Company Licenses*	204
Check Cashier Branch Office Licenses	723
Check Seller Company Licenses*	3
Check Seller Branch Office Licenses	4
Payday Lender Endorsement Licenses*	121
Payday Lender Endorsement Branch Office Licenses	508
Escrow Agents	140
Escrow Agent Branch Offices	15
Escrow Officers	338
Tax Refund Anticipation Loan Facilitators	321

*Check Cashier, Check Seller and Payday Lender endorsements overlap. The identified Check Sellers are also Check Cashiers and either a Check Cashier or Seller license is required in order to obtain a Payday Lender endorsement. Many licensees only conduct payday loan activity despite holding a Check Cashier or Seller license.

Division of Consumer Services, Continued

Division Milestones and Accomplishments

	MB	CL	LO	MT	CCS	EA
2005	1,771	323	0	84	162	198
2006	2,038	356	0	91	177	173
2007	1,911	305	13,770	94	197	184
2008	1,371	355	8,739	77	194	172
2009	892	340	5971	84	203	142

Enforcement Accomplishments*America One Finance, Inc. and Matthew Steven Simmons. (Mortgage Broker Practices Act)*

After a lengthy investigation, the Division issued a Statement of Charges against America One Finance, Inc. and its owner, CEO, and former Designated Broker, Matthew Steven Simmons on October 23, 2009. The allegations include not complying with state and federal loan disclosure requirements, charging unearned discount points, misrepresenting information to borrowers and lenders, not maintaining funds in a trust account, overcharging borrowers for third-party provider services, not complying with an order of the Department, operating from unlicensed locations, and operating under unapproved names. The Division seeks revocation of America One's mortgage broker license and Mr. Simmons loan originator license, prohibitions from the industry of America One and Mr. Simmons, payment of a fine totaling \$500,000, payment of restitution to borrowers, reimbursement of investigation fees of over \$36,000, and maintenance of books and records. America One and Mr. Simmons requested an administrative hearing to contest the allegations.

Taylor, Bean & Whitaker Mortgage Corp. (Consumer Loan Act)

Within days of learning of sanctions imposed by the Federal Housing Administration, the Division issued a Temporary Order to Cease and Desist and Summary Suspension of License against Taylor, Bean & Whitaker Mortgage Corp. on August 7, 2009. The allegations included that over 1000 loans totaling over \$200 million had not or would not be funded. The order summarily suspended the company's consumer loan license and directed the company to immediately cease and desist: (1) accepting any applications for loans from Washington consumers, and (2) advertising in Washington or to Washington consumers. The order also required the company immediately: (1) to notify all Washington applicants of the status of their loan applications and loans and make reasonable efforts to assist in the placement of pending loan applications with other lenders; (2) to provide the Division with contact information of all Washington consumers with loan applications or loans pending; (3) to place any fees paid by or collected from Washington consumers into a separately maintained escrow account and return all fees paid by Washington consumers whose loans were not placed with other lenders; (4) to release any liens filed on Washington real property or filed on property owned by any Washington consumer of any residential mortgage loans that were originated but did not fund; and (5) to maintain all records at approved locations and allow Division free access to the records.

Division of Consumer Services, Continued

Builders Escrow Inc., Gerald Schneider, and Karen M. Adams. (Escrow Agent Registration Act)

As a result of the Division's examination of Builders Escrow Inc., the Division discovered potential violations. On December 7, 2009, the Division issued a Statement of Charges against Builders Escrow Inc., Gerald Schneider, and Karen M. Adams alleging failure to maintain sufficient funds in trust, failure to completely and accurately maintain all required records, failure to properly display licenses, failure to properly reconcile trust bank account, and collecting unrelated fees from an escrow transaction. The Division seeks revocation of the escrow agent, designated escrow officer, and escrow officer licenses, prohibitions from the escrow industry for five years, a fine of \$50,000, and examination and investigation costs of nearly \$15,000. Builders Escrow Inc., Mr. Schneider, and Ms. Adams requested an administrative hearing to contest the allegations.

NovaStar Mortgage, Inc. (Consumer Loan Act)

Settlement was reached on March 25, 2009, with Novastar which surrendered its license, was prohibited from the industry for two years, paid an \$80,000 fine, refunded \$2,075 to five consumers, and reimbursed the Division its investigation and examination costs of nearly \$40,000. The agreement resolved the administrative charges alleging the company did not comply with the Director's investigative authority and committed multiple repeat violations of the Consumer Loan Act. NovaStar did not admit to any violations by entering into the order.

Paramount Equity Mortgage, Inc., Hayden D. "Hayes" Barnard, Matthew J. "Matt" Dawson, and John J. "Jason" Walker. (Mortgage Broker Practices Act)

An investigation of several complaints culminated in the issuance of a Statement of Charges in July 2008 accusing Paramount et. al. of charging and collecting unearned fees, charging consumers to buy down interest rates without actually reducing the rate, failing to make required disclosures, making state and federally-required disclosures in a deceptive manner, and engaging in deceptive advertising. Paramount Equity Mortgage Inc. undertook significant efforts to investigate, address, and correct the compliance issues that lead to the Statement of Charges. Those efforts resulted in the expenditure of significant resources of time and money and resulted in improved compliance systems. The Division settled the charges resulting in Paramount Equity Mortgage Inc. paying a fine of \$225,000, restitution of \$139,075 to 52 consumers, investigation costs of \$25,000, and examination fees of \$3,366, and agreeing to substantial injunctive provisions.

Loan Modification Investigations and Enforcement Actions.

With the economy reeling and homeowners struggling to keep mortgages current, the Department saw a surge of people entering the loan modification services business. The Department urged homeowners to verify the licenses of anyone offering loan modifications before retaining their services. Consumers were advised to be cautious about using the services of someone offering to help them work with their lender to modify the terms of their home loan – and to be especially wary if asked to pay a fee upfront. While there is nothing inherently illegal about this business, those providing this service in the State of

Division of Consumer Services, Continued

Washington must be licensed by the Department as loan originators, mortgage brokers, or consumer loan companies. Under applicable law, the loan modification provider associated with mortgage brokers have a fiduciary relationship with the borrower and must act in their best interest. The Department expended significant efforts educating consumers and stepped up enforcement activities to ensure loan modification service providers become licensed and stop such activity until becoming licensed.

Federal Loan Modification Law Center, LLP, d/b/a FLM Law Center, Federal Loan Modification, and Federal Loan Modification Law Center, Jeffrey Broughton, Nabile Anz, Boaz Minitzer, and Steven Oscherowitz. (Mortgage Broker Practices Act)

On November 24, 2009, the Division issued a Statement of Charges against Federal Loan Modification Law Center et. al. alleging unlicensed loan modification activities by assisting borrowers in applying to obtain a loan modification on property located in Washington, advertising and representing to consumers that loan modifications could be obtained from their lenders and charging upfront fees, and failing to respond to requests for information and documents regarding the agreements with borrowers. The Division seeks a cease and desist order, prohibitions from the industry for five years, payment of a \$30,400 fine, payment of over \$11,000 in restitution, payment of the investigation fees, and maintenance of business records. Mr. Broughton and Mr. Oscherowitz requested an administrative hearing to contest the allegations.

Jet City Mortgage, LLC, Tan My Doan, Holly Duyen Le aka Ha Duyen Le. (Mortgage Broker Practices Act)

Administrative charges were issued in July 2008 alleging that Jet City Mortgage, LLC et. al. (1) provided falsified income and employment information and W-2 forms and pay stubs to lenders while originating mortgage loans; (2) did not deposit third party fees collected into a trust account; and (3) did not fully respond to the Department's subpoena. On April 16, 2009, a Consent Order was entered which revoked Jet City Mortgage's mortgage broker license, revoked Tan My Doan's designated broker and loan originator license, prohibited Jet City Mortgage, Mr. Doan, and Ms. Le from the industry for 15 years and from applying for any license under any name for 15 years, and acknowledged payment of nearly \$2,400 in investigation fees.

Mark S. Kinder d/b/a America First Mortgage and Mark S. Kinder. (Mortgage Broker Practices Act)

Culminating from an extensive investigation, the Division issued charges in late 2008 alleging an elaborate scheme orchestrated by America First Mortgage and Mr. Kinder. As described in the charging document: Mr. Kinder, acting as a real estate agent and a mortgage broker, presented a plan to borrowers to make significant sums of money buying, leasing, and selling real estate by taking equity from their current residences and using it to purchase investment properties. Mr. Kinder got individuals to purchase multiple properties at the same time, not disclose all the properties on the loan applications, inflate incomes, and then submit the loans to different lenders who had no way of knowing the borrower was purchasing other property simultaneously. Mr. Kinder often obtained unfavorable loans for borrowers that typically contained option ARMs (Adjustable Rate Mortgages) as well as prepayment penalties. On September 14, 2009, the Division entered a settlement with Mr. Kinder who admitted and stipulated to certain facts and who agreed to: (1) revocation of his mortgage broker license, (2) a 30-year prohibition from the escrow

Division of Consumer Services, Continued

agent, mortgage broker, money transmitter, consumer lender, and check casher or seller industries, (3) not apply for any license under any name for 30 years, and (4) a Confession of Judgment in the amount of \$166,800 representing a fine of \$150,000 and investigation fees totaling \$16,800.

Criminal Referrals in 2009

During 2009 DFI referred 7 cases for prosecution involving these counties:

Snohomish County	1
Pierce County	1
King County	3
Thurston County	1
Kittitas County	1

During 2009, other statistics of note include:

Number of convictions or guilty pleas	5
Number of active cases pending (charges filed)	11
Number of active investigations being prepared for criminal charges	16

Legislative Activities

During 2009 the Department worked to ensure timely implementation and enforcement of several new laws aimed at protecting consumers and providing more consistent regulation of its mortgage industry and payday loan company licensees. These changes were designed to align with the Department's mission of "Making Washington a better place to live and do business". They include the following:

- ESHB 1709, Chapter 510 Laws of 2009 Payday Loans

Effective Jan. 1, 2010

- o Limits the total loan(s) amount to \$700 or 30% of the borrower's gross monthly income.
- o Limits the number of loans a borrower can take to eight (8) in a 12-month period.
- o Creates a single database for all payday loan companies to enter borrower data, thereby preventing lenders from making larger loans or more loans than is legally allowed.
- o Replaces the previous payment plan with an installment plan for borrowers who can not pay back their loan as agreed. The installment plan is available at the borrower's request at any time before their loan is due. The installment plan provides a longer payback time with no additional fees.
- o New loans may not be made to borrowers in default or in an installment plan on existing loans.

Division of Consumer Services, Continued

- SB 5164, Chapter 13 Laws of 2009 Payday Loan Collection Practices

Effective July 26, 2009

In the past, when a payday loan company collected its own debts it was not subject to Washington's collection agency practices act which has many protections for consumers. With this law, consumers are protected from harassing or intimidating behavior when payday loan companies collect their own debts.

- SHB 1621, Chapter 120 Laws of 2009 Consumer Loan Companies

Effective July 26, 2009 and July 2010

DFI previously licensed and regulated mortgage loan originators under the Mortgage Broker Practices Act. This law directs DFI to implement the licensing and regulation of mortgage loan originators working for consumer loan companies using the Nationwide Mortgage Licensing System and Registry or NMLSR. This change provides consistent background checks, testing, licensing and education of all mortgage loan originators in Washington State.

- SHB 1749, Chapter 528 Laws of 2009 Mortgage Brokers

Effective July 26, 2009 and Jan. 1, 2010

This law amends Washington's regulation of mortgage brokers and loan originators, providing greater consistency with the Federal Secure And Fair Enforcement (S.A.F.E.) Act and use of the NMLSR. Many of the provisions of the S.A.F.E. Act have been in effect in Washington since 2007.

- EHB 1311, Chapter 149 Laws of 2009 Reverse Mortgages

Effective July 26, 2009

This law allows regulation of proprietary reverse mortgages. The FHA-guaranteed reverse mortgage, the Home Equity Conversion Mortgage, or HECM, is heavily regulated at the federal level. This law allows DFI to regulate products not otherwise regulated. The law also corrects unintended consequences of SB 6471 which prohibited the compounding interest on all loans, including reverse mortgages, a product dependent on compound interest. Non-depository lenders in Washington can now lend reverse mortgages.

- ESB 5810, Chapter 292 Laws of 2009 30-day notice of foreclosure

Effective July 26, 2009

This law requires lenders to send written notification to homeowners 30 days prior to filing notice of default. The letter must also provide a toll-free number for DFI, HUD and the Washington Civil Legal Aid hotline for possible assistance and referrals to approved professionals.

Regulated Entities

	2005	2006	2007	2008	2009
Mortgage Broker Companies	1,711	2,038	1,911	1,371	892
Branch Offices	963	1,335	1,737	1,305	870
Complaints	484	696	894	1,325	1133
Number of Brokered Loans	*	*	2,088,773	49,033	43611
Principal Dollar Amount of Brokered Loans	*	*	\$23,086,449,865	\$12,737,249,345	\$12,354,825,444
Number of Funded Loans	*	*	17,654	11,724	12,896
Principal Dollar Amount of Funded Loans	*	*	\$4,435,539,756	\$3,126,798,137	\$3,110,404,667

*Data not collected prior to 2007

Regulated Entities *continued*

	2005	2006	2007	2008	2009
Consumer Loan Companies	323	356	305	355	340
Branch Offices	1,152	1,309	1,020	1,034	908
Complaints	266	273	455	589	503
Number of RE* Loans Made	134,738	166,334	44,232	40,097	89,556
Principal Dollar Amount of RE* Loans	\$19,355,015,302	\$27,839,204,209	\$6,893,052,585	\$9,223,682,095	\$21,891,456,006

*Refers to real estate loans that use borrower's home as security for the loan

Mortgage Loan Originators

2005	2006	2007	2008	2009
0	0	13,770	8,739	5971

*Loan Originators were not licensed prior to 2007

Escrow

	2005	2006*	2007	2008	2009
Agents	198	202	184	172	142
Officers	341	342	400	388	341
Complaints	8	2	77	127	90

*Regulation of Escrow was transferred from Division of Securities to Division of Consumer Services on July 1, 2006

Money Services

	2005	2006	2007	2008	2009
Companies	84	91	94	83	84
Delegates	5,712	7,200	8,634	8,220	8438
Complaints	27	48	59	34	25
Volume of Money Transmissions ¹	\$1,876,210,562	\$2,539,038,877	\$3,222,965,343	\$3,711,289,981	\$3,144,752,560
Volume of Currency Exchanges ¹	\$156,486,039	\$165,123,453	\$198,302,210	\$111,342,860	\$112,410,047
Fee Income of Money Transmissions ²	\$54,673,884	\$65,478,414	\$74,248,063	\$81,379,974	*
Fee Income of Currency Exchanges ²	\$884,770	\$1,009,106	\$366,345	\$168,370	*

¹2005, 2006 and 2007 MT Volumes were corrected because a licensee called IPS¹ included money orders sold in the MT Volume for those three years [2005: \$13,454,054,900; 2006: \$13,497,746,800; 2007: \$12,527,716,301]

² Fee Income was not affected because IPS reported zero fee income for those three years

* Fee Income was not collected in the 2009 Annual Assessment Reporting

Check Casher

	2005	2006	2007	2008	2009
Companies	162	177	193	194	203
Branch Offices	572	624	745	797	724
Complaints	10	8	10	8	12
Number of Checks Cashed	3,369,657	4,039,874	4,943,792	4,895,527	4,525,045
Dollar Amount of Cashed Checks	\$1,175,006,834	\$1,488,391,615	\$1,876,292,765	\$2,040,115,325	\$2,041,669,400

Check Seller

	2005	2006	2007	2008	2009
Companies	17	16	4	3	3
Branch Offices	6	7	11	4	4
Complaints	11	0	2	0	0
Number of Checks Sold*	2,299,566	2,120,322	2,097,309	2,078,107	2,454,408
Dollar Amount of Checks Sold*	\$512,674,993	\$430,933,339	\$631,587,266	\$485,923,115	\$598,681,251

Payday Lender

	2005	2006	2007	2008	2009
Companies	131	130	133	133	109
Branch Offices	585	612	591	584	494
Complaints	64	82	134	123	216
Number of Small Loans	3,595,873	3,503,721	3,256,621	3,196,712	3,244,024
Dollar Amount of Small Loans	\$1,382,132,283	\$1,330,738,136	\$1,291,212,797	\$1,310,540,280	\$1,336,028,845

Enforcement Statistics for All Industries

	2005	2006	2007	2008	2009
Statement of Charges	18	17	218	130	203
Summary Cease and Desist or Suspension	1	1	7	2	24
Final Order or Revocation	12	2	65	116	83
Consent Order	30	19	28	49	92
Total Enforcement Actions	61	39	318	297	402
Investigations Opened	80	87	353	254	334
Investigations Closed	47	39	91	171	190
Complaints*	1,088	1,336	2,184	2,618	2234

*Includes complaints filed against non-licensee

Division of Credit Unions

Linda Jekel, Director of Credit Unions

About the Division of Credit Unions

The Division of Credit Unions was created in 1993. Before that, the Division of Savings and Loan Associations regulated state credit unions. Credit unions are nonprofit, cooperative associations organized to promote thrift among their members and create a source of credit for them at fair and reasonable rates. The Division seeks to protect the financial interests of credit union members, including depositors.

The Division examines credit unions at least every 18 months for unsafe and unsound practices and violations of statutes and rules. The Division uses a variety of examination and supervision tools to accomplish its mission. In addition, the Division processes a variety of applications from state credit unions such as merger and conversion applications. The Division also works with consumers regarding complaints against state credit unions.

The Division worked with credit unions facing considerable economic challenges in 2009. Fortunately, credit unions began and ended the year with strong capital. Capital (also known as net worth) is important because it is a barometer of the strength a credit union has to take on financial risks and deal with future uncertainties. Washington state chartered credit unions ended the year with an aggregate level of \$2.3 billion net worth and \$25.9 billion in total assets; a 8.9% net worth ratio. For comparative purposes, a credit union is required to have a 7% net worth ratio to be considered "safe and sound" and a 4% net worth ratio is considered "unsafe and unsound".

Many credit unions had negative net income for 2009 primarily due to outside economic factors. Although the recession ended in June 2009, Washington sustained rising unemployment throughout the year, from 7.5% in January 2009 to 9.2% in December 2009. In many cases, credit unions were able to re-structure loan payments for struggling credit union members but the lower loan payments reduced revenues and net income. When members couldn't make their loan payments due to unemployment, credit unions had to write-off increasing loan losses against their net worth and the replacement of reserves for future loan losses reduced their net income. A third factor was credit unions had increasing operating costs to pay for a full array of competitive financial products and services. Another reason for negative income in 2009 was extraordinary billings to credit unions for the federal deposit insurance fund. Although Washington had no failed credit unions in 2009, all credit unions began payments to the National Credit Union Administration (NCUA) for the cost of failed credit unions across the nation. NCUA is the federal deposit insurer for credit unions (similar to the FDIC for banks) and it collected insurance premiums and assessment to maintain a required level of deposit insurance funds.

Division of Credit Unions, Continued

Credit unions continued to provide competitive deposit and loan products to Washington residents. Deposit growth was strong but slower than the prior year; in 2008 deposits grew 10.03% compared to 2009 deposit growth of 7.6%. Loan growth was very small at .79% because loan losses offset the growth in new loans.

Statutes Administered by the Division of Consumer Services

Chapter 31.12 RCW	The Washington State Credit Union Act
Chapter 31.13 RCW	The Corporate Credit Union Act

Industry Facts at a Glance

Number of state chartered credit unions
 Total assets of state chartered credit
 Total state chartered credit union members

70
\$25.97 billion
2.35 million

Division Milestones and Accomplishments

New Credit Union Charters

No new credit union charters were issued in 2009.

Charter Conversions

No charter conversions took place during 2009.

Mergers

The following 2 mergers took place during 2009:

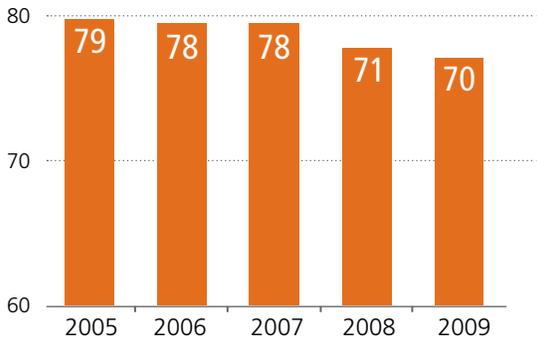
1. Transport Federal Credit Union merged into Prevail Credit Union
2. Milepost Credit Union merged into Sound Credit Union

Name Changes

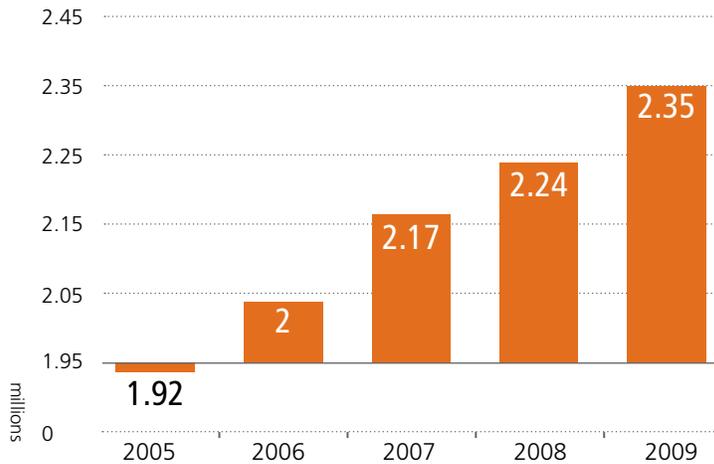
The following 3 name changes took place during 2009:

1. Kenworth Employees CU changed its name to Renton Community CU
2. Puget Sound Energy CU changed its name to Puget Sound Cooperative CU
3. Eastside CU changed its name to Puget Sound CU

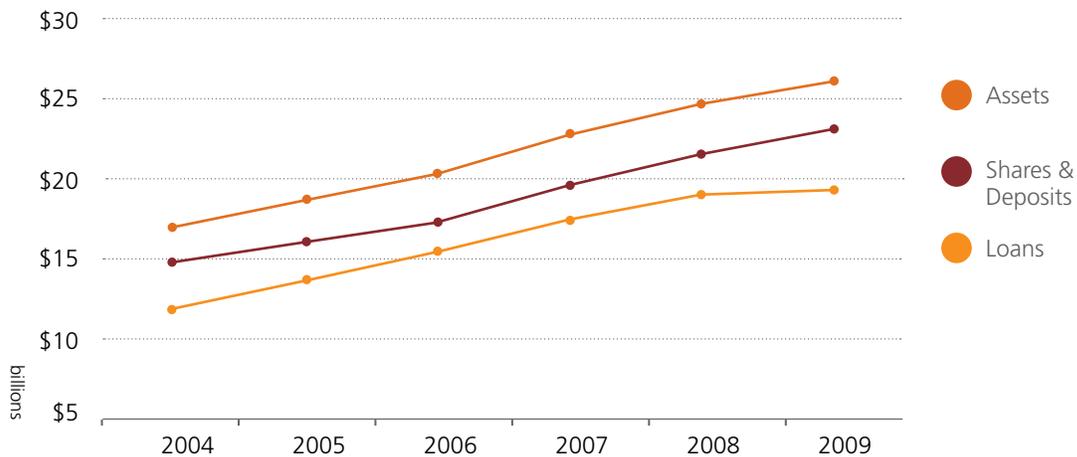
Number of State Chartered Credit Unions



Number of Members



State Chartered Credit Unions End-of-year Statistics



State Chartered Credit Union Financial Information

All numbers are end of year figures in thousands (000)

	2005	2006	2007	2008	2009
Loans & Contracts	\$13,665,692	\$15,370,220	\$17,308,049	\$18,956,580	\$19,105,937
Total Assets	\$18,528,470	\$20,229,811	\$22,613,102	\$24,535,979	\$25,977,992
Shares & Deposits	\$15,882,061	\$17,220,000	\$19,456,444	\$21,407,134	\$23,033,241
Net Worth	\$1,873,269	\$2,088,955	\$2,343,904	\$2,368,823	\$2,295,464
Net Income	\$184,649	\$208,284	\$183,810	\$22,215	(\$52,182)
Net Worth to Total Assets Ratio	9.98%	10.32%	10.36%	9.65%	8.9%

Division of Securities

Michael Stevenson - Director of Securities

About the Division of Securities

The Division of Securities regulates the offer and sale of investments to Washington State residents. Regulation encompasses registration of security, franchise, and business opportunity offerings, and licensing and examination of securities broker-dealers and investment advisers.

The Securities Division provides technical assistance to small businesses, responds to customer complaints, undertakes investigations based upon complaints and undercover work, and brings appropriate administrative, civil and criminal cases. In 2008, the Division licensed over 125,000 individuals and firms providing securities investments and advice to our citizens and oversaw more than \$4 trillion of securities products offered to Washington investors.

The Division works directly with the entities it regulates through examinations and market surveillance activity in an effort to assure the public of adequate protection for their investments.

Enforcement

The Securities Division continues to place a high priority on protecting seniors and those approaching retirement. The Securities Division is also active in national enforcement task forces dealing with emerging issues including a task force on auction rate securities (see below) and a task force on peer-to-peer lending investments which resulted in a national settlement and a June 2009 consent order between the Securities Division and Prosper Marketplace, Inc. The bulk of the Securities Division's enforcement activity is in the administrative area (71 administrative actions), but it is also active in the criminal arena (two criminal referrals and two Securities Division staff attorney acting as Special Assistant United States Attorney).

Auction Rate Securities

During 2009, the Securities Division continued its efforts with a task force of state securities regulators, organized through the North American Securities Administrators Association, investigating the Auction Rate Securities Market collapse. Washington was the lead state for the task force regarding sales of auction rate securities by Wells Fargo broker-dealers. On November 18, 2009, the Securities Division reached a settlement in principle with Wells Fargo Investments, LLC on behalf of the NASAA Task Force and with Wells Fargo Brokerage Services, LLC and Wells Fargo Institutional Securities, LLC. At the time of the market failures in February 2008, customers of Wells Fargo broker-dealers held an estimated \$3.9 billion in frozen auction rate securities. Pursuant to the settlement, Wells Fargo agreed to offer to repurchase the \$1.3 billion of auction rate securities held by its retail auction rate securities customers. Wells Fargo Investments, LLC also agreed to pay \$1.9 million in penalties to the states. The Securities Division entered into consent orders with the Wells Fargo broker-dealers in April 2010. During 2009, the Securities Division entered into consent orders with five other broker-dealers which had entered

Division of Consumer Securities, Continued

into settlements in principle negotiated by other members of the NASAA Task Force. Pursuant to the consent orders, the broker-dealers agreed to repurchase the auction rate securities held by their retail customers. Washington investors held \$752 million in auction rate securities subject to the buybacks.

Criminal Cases

During 2009 Securities Division investigations resulted in criminal convictions or sentences in both federal and state courts:

- In a case brought in U.S. District Court in Seattle, WA, in connection with a “pump and dump” stock manipulation scheme, three defendants who were among the ringleaders of the scheme, pleaded guilty during 2009: Beverlee Kamerling, Frazer Ramsden, and Nicholas Alexander. (Seven other defendants had pleaded guilty previously.) Nine defendants were sentenced during 2009, including the three who pleaded guilty during the year. The nine who were sentenced in 2009 were Beverlee Kamerling, Donald Goldstein, Jamie Goldstein, Joel Ramsden, John Worthen, Nicholas Alexander, Frazer Ramsden, Seth Quinto, and Tolan Furusho. The sentences ranged from three months to 90 months. Securities Division attorney Robert Kondrat, acting as a Special Assistant United States Attorney, was one of the prosecutors on the case.
- In March 2009, Charles Nolon Bush, formerly of Port Orchard, Washington, was sentenced to 30 years in prison and ordered to pay \$30 million in restitution. Bush was convicted of securities fraud, wire fraud, mail fraud and money laundering in U.S. District Court in Tacoma, Washington in November 2008 in connection with a “Ponzi” scheme that ran from December 1998 to January 2002 during which he raised in excess of \$35,000,000 from over 450 investors across the country. A Securities Division attorney, acting as a Special Assistant United States Attorney, was one of the prosecutors on the case.
- On September 25, 2009, Robert Miracle, of Bellevue, Washington, pleaded guilty in U.S. District Court in Seattle, Washington to mail fraud and tax evasion charges in connection with a Ponzi scheme which took in \$65 million from investors who thought they were investing in an oil and gas company that was making money through oil and gas activities in Indonesia. In fact, Miracle’s companies received no revenue from those activities. Miracle and two Malaysian associates were indicted in February 2009. A Securities Division attorney, acting as a Special Assistant United States Attorney, was one of the prosecutors on the case.
- Securities Division investigations of investment fraud resulted in criminal convictions in cases brought in Pierce and Grays Harbor Counties. In the Pierce County case, the defendant, Stone Phillips III, was sentenced, in May 2009, to 215 months in prison, after having been convicted in a jury trial in April 2009 for a scheme involving purported real estate investments. In addition, Securities Division staff members participated in the investigation of a case being brought in San Juan County in which a criminal defendant was sentenced to 12 months.

Real Estate-Related Enforcement Activity

With the turmoil in the real estate markets, 2009 brought a surge in Securities Division enforcement activity in cases relating to real estate investments:

- In October 2009, the Securities Division got a receiver appointed in the matter of Hoss Mortgage Investors, a former registered mortgage paper broker-dealer. Earlier in the year, the Securities Division brought an administrative action against the company and summarily suspended its registration and the securities salesperson registration of its principal based on allegations of their misconduct.
- In October 2009, the Securities Division brought an administrative action against Michael Mastro, in connection with his sale of more than \$100 million in promissory notes to more than 175 investors to raise money for his business. The Securities Division alleged that Mastro violated the anti-fraud and registration provisions of the Securities Act of Washington. In early 2010, Mastro entered into a consent order with the Securities Division in the matter.

Consumer Outreach

The Securities Division was involved in a number of outreach events in 2009 aimed at seniors and other citizens about investing and investment fraud:

- It partnered with AARP, FINRA and other agencies on a number of outreach events teaching senior citizens how to avoid investment fraud. Events were held in Shelton, Tacoma, Vancouver, and Bellevue from March through May 2009.
- A Securities Division staff member appeared on the KCTS broadcast, "Tough Times: Rising Above the Financial Crisis" to discuss investment fraud.
- A Securities Division staff member participated in a radio broadcast on a Spanish language radio station in which he talked about investment frauds

Michael Stevenson- Memberships

Mr. Stevenson is active in the North American Securities Administrators Association serving on its Board of Directors, Uniform Securities Act Committee, and Corporate Governance Committee. NASAA is the voice of the state securities agencies whose mission is protecting consumers in the purchase of securities and investment advice. He also serves as an alternate member of the Board of Directors for the National White Collar Crime Center (NW3C). NW3C provides support for the prevention, investigation, and prosecution of high tech and economic crime to more than 2,000 federal, state, and local law enforcement agencies and operates through grants from the United States Department of Justice.

Statutes Administered by the Division of Securities

Chapter 19.100 RCW	Franchise Act
Chapter 19.110 RCW	Business Opportunity Act
Chapter 21.20 RCW	Securities Act
Chapter 21.30 RCW	Commodities Act

2009 Industry Facts at a Glance

Registered Securities Salespersons	125,786
Registered Securities Broker-Dealers	2,063
Branch Offices of Broker-Dealers	3,770
Regulated Investment Advisers	500
Investment Adviser Representatives	9,281
Registered Franchises	1,052

Securities

	2006	2007	2008	2009
Dollar Amount of Securities Permits, Notifications and Exemptions Authorized	\$832,653,224,434	\$3,154,713,867,287	\$4,139,937,574,827	\$4,634,294,024,718
Registered Securities Broker-Dealers	2,124	2,115	2,082	2,063
Registered Investment Advisers	418	433	437	500
Investment Adviser Notice Filers	1,273	1,374	1,455	1,467
Registered Securities Salespersons	113,373	121,695	122,432	125,786
Registered Investment Adviser Representatives	7,582	8,832	9,084	9,281
Branch Offices of Broker-Dealers	3,772	3,891	3,882	3,770
Active Enforcement Cases	128	163	231	277
Enforcement Actions	82	54	61	74

Franchises

	2006	2007	2008	2009
Registered Franchises	1,065	1,127	1,130	1,052
Registered Franchise Brokers	143	147	176	127
Active Enforcement Cases	17	22	20	46
Enforcement Actions	12	10	10	5

Business Opportunities

	2006	2007	2008	2009
Registered Business Opportunities	31	22	20	17
Active Enforcement Cases	7	17	11	7
Enforcement Actions	7	5	11	3

Commodities

	2006	2007	2008	2009
Commodities	0	0	0	0
Active Enforcement Cases	0	2	0	0
Enforcement Actions	0	0	0	0

2009 Registration and Licensing Workload Activity Totals

(Totals do not reflect termination and non-renewal of registrations or licenses during the year)

Registrations, Exemptions & Notifications

	2009 NEW	2009 RENEW	2009 AMEND
Investment Companies (Mutual Funds)	2,394	19,296	14,604
Small Business Filings (SB-2s)	0	0	0
Other Coordination Filings	38	19	22
Qualifications	23	6	5
SCOR (Small Company Offering Registration)	0	0	0
Franchises	172	831	249
Exemptions	1,580	0	1
Opinions	10	0	0
Franchise Exemptions	18	129	0
Business Opportunities	9	10	2
TOTAL	4,244	20,291	14,883

Firms & Entities

	NEW 2009	2009 RENEW
Securities Broker-Dealers	138	2,020
Investment Advisers	224	1,919
Franchise Brokers	36	125
TOTAL	398	4,064

Representatives & Salespersons

	2009 NEW	2009 RENEW
Investment Adviser Representatives	2,355	9,263
Intrastate Securities Salespersons	19	26
Agents of Issuers	6	2
Securities Salespersons	33,056	122,369
Salespersons with Disclosure History	3,141	0
TOTAL	38,577	131,660

Examination Statistics

	2006	2007	2008	2009
Broker-Dealer Exams Completed	126	171	209	198
Investment Adviser Exams Completed	63	69	73	67
Mortgage Broker-Dealer & Debenture Company Exams Completed	4	2	5	2
TOTAL	232	242	287	267

Enforcement Statistics

Types of orders entered in 2009	Statement of Charges	Summary Cease & Desistor Suspension Final	Cease & Desistor Revocation	Consent Order	Total
Securities					
Issuers	22	4	6	12	44
Broker Dealers and					
Investment Advisers	4	2	5	10	21
Franchises	1	0	1	3	5
Business Opportunities	2	0	0	1	3
Commodities	0	0	0	0	0
Total Actions	29	6	12	26	73

	2006	2007	2008	2009
Complaints Received	503	461	531	448
Orders Issued	92	74	82	73
Warning Letters Issued	106	69	23	33
Cases Opened	154	219	162	170
Cases In Process	176	163	263	330
Cases Closed	159	156	147	154
Subpoenas Issued	160	119	122	101
Criminal Referrals	2	14	4	4
Criminal Charges	1	10	4	3
Criminal Convictions	2	4	11	6
Criminal Sentencing	5	4	2	12
Civil Actions	0	0	0	1



2009 Annual Report

The Washington State Department of Financial Institutions

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