



Mortgage Industry Webinar

We will begin shortly

Call In #: 1-564-999-2000

Phone Conference ID #: 338 238 445#

[Click here to join the meeting](#)

Your audio will be muted upon entry. Please use the chat function to enter your questions. We will go through them one by one to ensure that callers get the benefit of the Q&A as well as those attending online.

This webinar is being recorded and will be available on our website shortly after the meeting.



Mortgage Industry Webinar Agenda

Wednesday, October 11, 2023

10:00 AM

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Meeting ID: 295 687 826 941

Passcode: ssJkaQ

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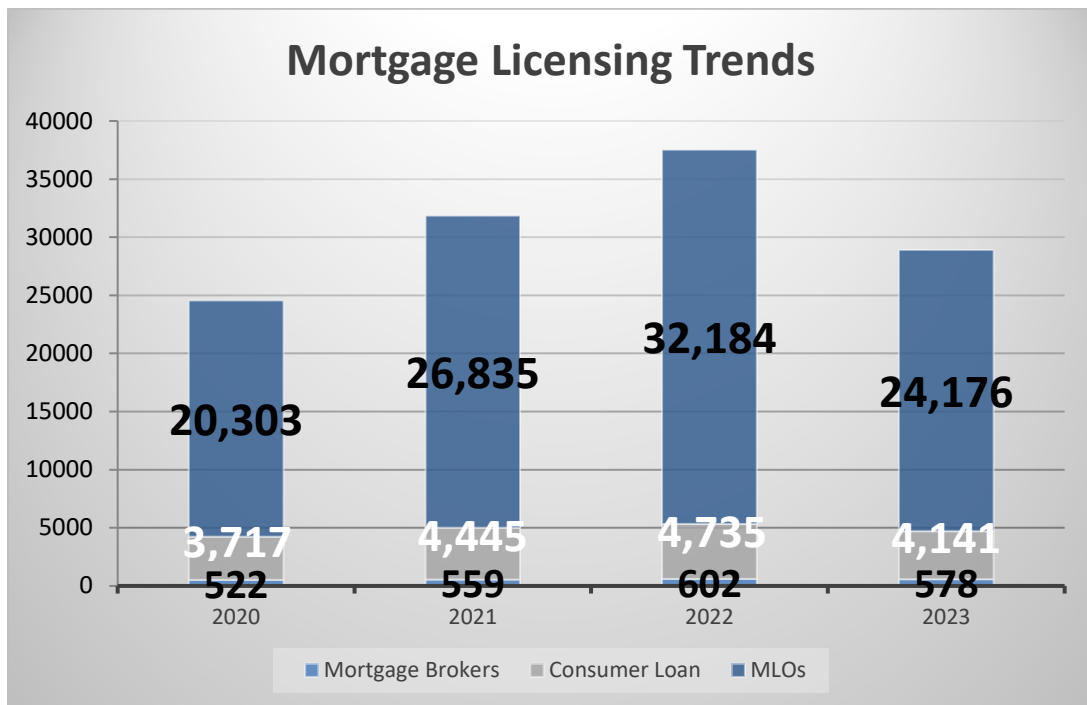
1. Welcome – Rick St. Onge
2. Licensing Update – Janelle Bullard
3. Examination Update – Anya Tabb & Alan Leingang
4. Enforcement Update – Kendall Freed
5. Question/Answer Session – JJ Choi

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Licensing Unit Report - Mortgage Program

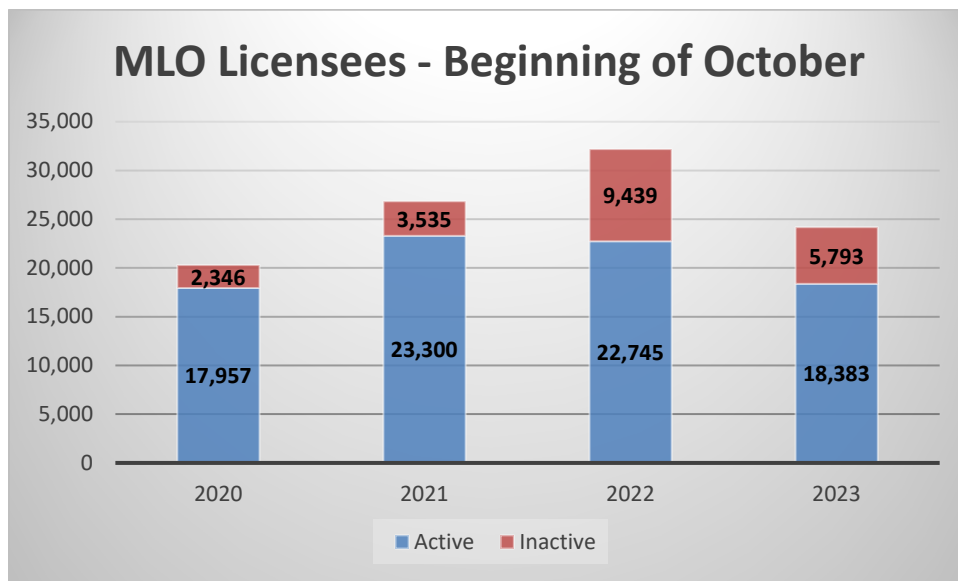
Mortgage Industry Webinar
October 11, 2023

License Types	Oct 2020	Oct 2021	Oct 2022	Oct 2023	Total Change
Mortgage Broker Main	327	348	362	390	+63
Mortgage Broker Branch	195	211	240	188	-7
Consumer Loan Main	751	834	950	1,009	+258
Consumer Loan Branch	2,966	3,611	3,785	3,132	+166
MLOs (Active & Inactive)	20,303	26,835	32,184	24,176	+3,873

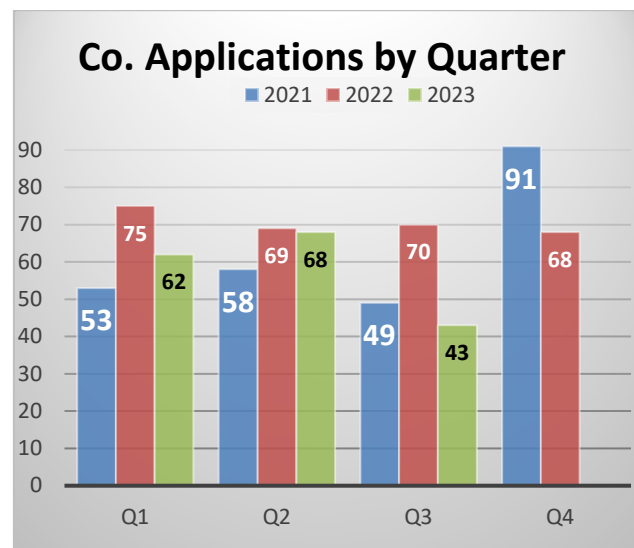
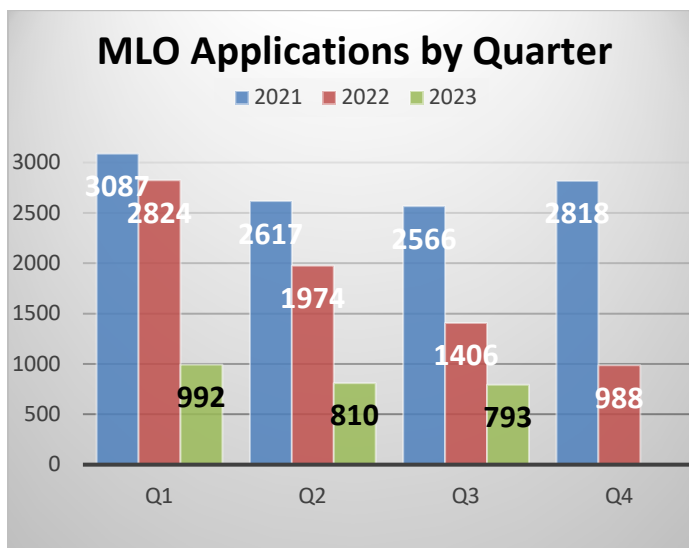


Licensing Trends

- Mortgage company licensees grow; licensed branch locations drop
 - Number of CLA company licensees crosses 1,000; up 6% from October 2022
 - MBPA company licensee growth steady; up 7% from October 2022
- MLO licensees growing throughout 2023; up from 23,570 in July
 - MLO numbers lower than previous years due to renewal falloff at the end of 2022
- Closures/License Surrenders very active, especially for CLA companies



- Examining active vs inactive MLOs can give insight into expected renewal activity
 - Percentage of inactive MLOs to total MLO licensees
 - 11-13% in 2020-2022
 - 29% in 2022
 - Nearly 24% this year



Application Trends

- MLO application volume declining; less steep than falloff in 2022
 - Many MLO applications are previously licensed individuals; especially in Q1 & Q3
 - Another group of MLO applications come in under Temporary Authority
- Company applications strong in Q1 and Q2; slowing some in Q3
 - Most applications under the CLA, but MBPA applications remain steady
 - CLA applications cover all business types; mostly mortgage brokers, lenders or third party processing companies
 - Most are located outside of Washington or the Pacific Northwest

MORTGAGE RENEWALS FOR 2024

WHAT YOU NEED TO KNOW

- **No** criminal background check (CBC) or credit report required for MLO renewals
- Renewal period opens November 1
- Temporary fee waiver reduces MLO renewal fee to \$75 (\$45 DFI Fee, \$30 NMLS fee)
- DFI's renewal deadline is **December 15**
- **ACT EARLY** – Many MLOs and Designated Brokers still haven't completed CE

DO THESE STEPS NOW

- ✓ Review current record for accuracy – don't wait until November to file updates
- ✓ Resolve all license items
- ✓ File Q3 Mortgage Call Report (MCR) ahead of Nov 14 deadline (companies only)
- ✓ Complete Continuing Education - 9 hours, 8 hours SAFE + 1 hour in WA law (individual)

RENEWAL REQUIREMENTS FOR EACH LICENSE TYPE

Mortgage Loan Originator (MLO)

- Non-Perpetual License, must be renewed
- Licensee cannot operate in 2024 until renewal is approved
- No new license issued
- If not renewing, prefer to surrender but can allow license to expire

Mortgage Broker

- Non-Perpetual License, must be renewed
- Licensee cannot operate in 2024 until renewal is approved
- Renewal Fees: \$630 (main), \$550 (branch), including NMLS System Fee
- Renewed license emailed
- If not renewing, prefer to surrender but can allow license to expire

Consumer Loan

- Perpetual License, must be attested to
- Licensee can operate in 2024 with renewal pending
- Annual Attestation Fees: \$100 (main), \$20 (branch), including NMLS Fee
- No new license issued
- If not renewing, **must** request surrender and provide closure documents - marking "Not Renewing" does **not** surrender

Upcoming Deadlines

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

CS – Examination Unit Report

Consumer Loan and Mortgage Broker Programs

Mortgage Industry Meeting
October 11, 2023

Examination Summary – Consumer Loan Origination

48 Exams completed for July 2023 – September 2023

Composite Rating	Number of Licensees	Avg. Billable Hrs.
1	0	Not Billed
2	11	Not Billed
3	7	Not Billed
4	2	Not Billed
5	0	Not Billed
*N/A	28	N/A

*N/A includes:

- 23 Initial Compliance Review, 3 SES Accepted, 2 SES Leveraged

Temporary waiver in effect as of July 1, 2018, exam fees were not billed.

Common Violations

- **Failed to Advertise in Compliance with the Act:** Licensees are prohibited from advertising rates as or fees as “lowest” or “best.” Rates described as “lowest,” “best,” or other similar words cannot be proven to be actually available at the time they are advertised. See WAC 208-620-630(5).
- **Failed to Register Trade Names with the Department:** Licensees may only advertise using the name on their license or by using an approved trade name in compliance with the Consumer Loan Act. Team names are generally considered trade names. See WAC 208-620-620.
- **Inadequate or Nonexistent MLO Supervisory Plans.** This continues to be one of the most common examination findings. WAC 208-620-301(4) requires that licensed managers prepare and maintain written supervisory plans for the employees they supervise. Plans must include the number of employees supervised, their physical locations, how the supervisor will adequately supervise employees not in the same location as the supervisor, and the type and volume of work performed by the supervised employees. The Department published a [model supervisory plan form](#).
- **Unlicensed Processing and Underwriting Supervisors.** Any manager who is the day-to-day operational supervisor of loan processors or underwriters must hold an MLO license. The license can be from any state. See WAC 208-620-301 for additional details.

Examination Summary – Residential Mortgage Loan Servicing

9 Exams completed for July 2023 – September 2023

Composite Rating	Number of Licensees	Avg. Billable Hrs.
1	0	Not Billed
2	7	Not Billed
3	0	Not Billed
4	0	Not Billed
*N/A	2	N/A

*N/A includes:

- 2 Desk Review

Temporary waiver in effect as of July 1, 2018, exam fees were not billed.

Common Violations

- **Failed to File a Complete and Accurate Consolidated Annual Report with the Department**
The main cause of this violation is reporting servicing totals as of December 31 of the subject year. The annual report instructions say to report the servicing totals on January 1 of the subject year. For loans boarded during the year the instructions say to report the boarded balance. Reporting totals as of December 31 excludes loans transferred out or paid off during the year and reports lower balances than reporting per the instructions.
- **Failed to Properly Maintain a Suspense Account**
Per [WAC 2-8-620-900\(3\)\(d\)](#), when a suspense account contains enough money to make a full payment, you must apply that money to the mortgage as of the date the full amount became available in the suspense account. Sometimes this violation is due to slow analysis and clearing of suspense funds. In other cases, it is when trial payments are made on a modification and companies put all trial payments into suspense until the end of the trial period. The regulation does not have an exception for trial payments.
- **Failed to File an Accurate Washington State MCR**
The most common error leading to this finding is when the *Delinquency Status as of End Date (All Loans)*, lines S300 through S315 of MCR Section III, do not match *Servicing Activity*, lines S510 through S540 of MCR Section III. The other cause is clerical errors found when comparing the MCR to servicing activity lists supplied for examinations.
- **Failed to Maintain a Link to the Company's NMLS Consumer Access Web Page on Home Page**
This is self-explanatory.

Examination Summary – Mortgage Brokers

40 Exams completed for July 2023 – September 2023

Composite Rating	Number of Licensees	**Avg. Billable Hrs.
1	1	Not Billed
2	9	Not Billed
3	3	Not Billed
4	3	Not Billed
*N/A	24	Not Billed

*N/A includes:

- 17 Initial Compliance Review, 7 Desk Reviews

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

Common Violations

- **Inaccurate MCRs**
Examiners continue to cite inaccurate MCRs as the most common violation. This includes end of quarter pipeline totals not matching the beginning totals for the next quarter, not tracking changes in loan amounts, reporting loan activity that does not match the applications list provided for examinations, and not reporting broker fees collected while reporting closed loans. See [RCW 19.146.390](#) and [WAC 208-660-400](#).
- **Failure to Provide Required Information in Advertisements**
This is due to not including the company's name, license number, and a link to its NMLS Consumer Access website in all websites. Some social media sites do not allow a link to the NMLS, in which case a link to the Company's home page that includes the NMLS link is acceptable, as long as the link is "once click away" from the social media site. See [WAC 208-660-446](#).
- **Failed to Develop a Compliant Mortgage Loan Originator Compensation Agreement**
Examiners continue to routinely see compensation agreements based on the amount of lender-paid compensation to the broker. Regulation Z prohibits payments to an originator based on a term of the transaction and lender-paid compensation is a term of the transaction. Per Supplement I (staff commentary) to Regulation Z, **"Transaction term defined.** A 'term of a transaction' under §1026.36(d)(1)(ii)...includes:

- B The payment of any loan originator or creditor fees or charges for the credit, or for a product or service provided by the loan originator or creditor related to the extension of that credit, imposed on the consumer, including any fees or charges financed through the interest rate;”

Compensation based on the amount of gross fees is the main practice Regulation Z's Loan Originator Rule was written to prohibit. Payments based on gross fees create an incentive to maximize gross fees and steer a borrower to the lender paying the highest compensation.

Mortgage Industry
Enforcement Unit Report
July 1, 2023 – September 30, 2023

Complaints for this period	MPBA	CLA	All Industries
Received	5	71	261
Closed	8	89	249
Open as of 9/30/2023	6	140	197

Investigations Open as of September 30, 2023

Mortgage Broker Practices Act – 20

Consumer Loan Act – 50

All Industries – 90

Enforcement Actions for this period	
CCSA	1
CLA	5
EARA	1
MBPA	6
UMSA	1

<u>Enforcement Actions for this period – Mortgage Broker Practices Act</u>	6
Statements of Charges	1
Temporary Order to Cease and Desist	0
Final Orders	0
Consent Orders/Agreements	5
Civil Actions (Injunction, enforce subpoena)	0
Criminal Referrals	0

MBPA Statements of Charges

C-23-3596-23-SC01 – Pacific Coast Financial LLC; Salim Kader 09/11/2023

MBPA Consent Orders

C-23-3508-23-CO01 – Mortgage Diva LLC; Jenifer M. Fry 07/10/2023

- \$393.60 Investigation fee

C-23-3571-23-CO01 – Stone Bridge Mortgage Inc 07/31/2023

- \$302.40 Investigation fee
- \$2,000.00 Fine

C-23-3519-23-CO01 – SSP Services LLC; Sylviane Gertrude Potter 08/28/2023

- \$156.00 Investigation fee

C-21-3256-23-CO01 – eLink Mortgage LLC; Ge Zhou 09/18/2023

- \$600.00 Investigation fee
- \$25,000.00 Fine

C-23-3572-23-CO01 –Karin Michelle Street dba KStreet Processing; Karin Michelle Street 09/21/2023

- \$122.40 Investigation fee

Enforcement Actions for this period – Consumer Loan Act 5

Statements of Charges 1

Temporary Order to Cease and Desist 0

Final Orders 1

Consent Orders/Agreements 3

Civil Actions (Injunction, enforce subpoena) 0

Criminal Referrals 0

CLA Statements of Charges

C-23-3622-23-SC01 – Jeffrey Lenard Moore 09/18/2023

CLA Consent Orders

C-21-3176-23-CO01 – Vacarros Lending LLC; ZHOMES LLLC; My-Kim Thi Bui	08/16/2023
<ul style="list-style-type: none">• \$150,000.00 Fine (\$130,000.00 Stayed)• \$27,474,01 Restitution to 2 consumers• Agreement to never apply for a license with DFI• Permanent ban	
C-20-3017-23-CO01 – Summit Funding Inc	08/29/2023
<ul style="list-style-type: none">• \$4,500.00 Investigation fee• \$75,000.00 Fine (\$39,500 Stayed)	
C-23-3505-23-CO01 – Veritas Funding LLC	09/18/2023
<ul style="list-style-type: none">• \$3,000.00 Investigation fee• \$35,000.00 Fine (\$17,500 Stayed)	

CLA Final Orders

C-23-3558-23-FO01 – Damon Lorraine McPherson, Sr.	07/25/2023
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