



2016-2017 Annual Report



Letter from DFI Director Gloria Papiez

The following is the 2016-17 biennial report, submitted on behalf of the dedicated staff of the Washington State Department of Financial Institutions (DFI). This report highlights how each division of DFI serves Washington's consumers and our regulated financial industries.

DFI regulates financial service providers in Washington State including banks, credit unions, securities brokers, investment advisers, securities issuers, mortgage brokers, mortgage loan originators, payday lenders, money transmitters, check cashers and check sellers, and independent escrows. DFI's nearly 200 employees are dedicated to fulfilling our agency's mission to regulate financial services to protect and educate the public and promote economic vitality. Safe, honest and reliable financial services is our vision.

Financial institutions are exhibiting stable financial performance. Some financial services industries are growing while others continue to consolidate through mergers and acquisitions. New payment and financing methods are emerging, posing challenges for regulators as we seek to foster innovation while maintaining consumer protection and safety and soundness.

Promoting financial literacy remains a critical mission for DFI. Providing Washington consumers with the knowledge and tools to make sound financial decisions is key to empowering consumers to avoid falling victim to financial fraud and predatory practices. DFI provides detailed information and outreach on a variety of financial topics. Washington residents of all ages and backgrounds face an ever-increasing number of scams using new methods of 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 a variety of communities throughout Washington State.

DFI's employees also are devoted to providing regular and clear communication with our licensees, ensuring our licensees understand and adhere to the law, and understand how new legislation impacts how they do business in Washington State.

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

We look forward to continuing to serve Washington businesses and residents.

Sincerely,
Gloria Papiez, Director

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Department Overview

Charles Clark, Deputy Director

The Department of Financial Institutions (DFI) was established in October 1993 by RCW 43.320. Its mission is to regulate financial services, protect and educate the public, and promote economic vitality. The Department regulates: state-chartered depository institutions such as banks, credit unions, savings and loan associations, savings banks and foreign banks; the securities industry including securities broker-dealers, investment advisers and their agents, securities issuers, franchises, franchise brokers, and business opportunities; and non-depository institutions and persons including mortgage bankers, mortgage servicers, consumer loan companies, loan officers, check cashers and sellers (including payday lenders), money transmitters and currency exchangers, mortgage brokers and escrow agents and officers. The Department also registers entities that offer tax refund anticipation loans.

The Department conducts four core program activities: chartering, licensing and registration of the financial institutions and individuals listed above; examinations for safety and soundness, compliance and for cause; enforcement activities to detect and take corrective action for violations of the regulatory and anti-fraud statutes applicable to financial institutions; and education and public outreach activities including activities aimed at educating and protecting consumers of financial services, and technical assistance and guidance for regulated entities and individuals.

DFI VISION

Safe, honest and reliable financial services.

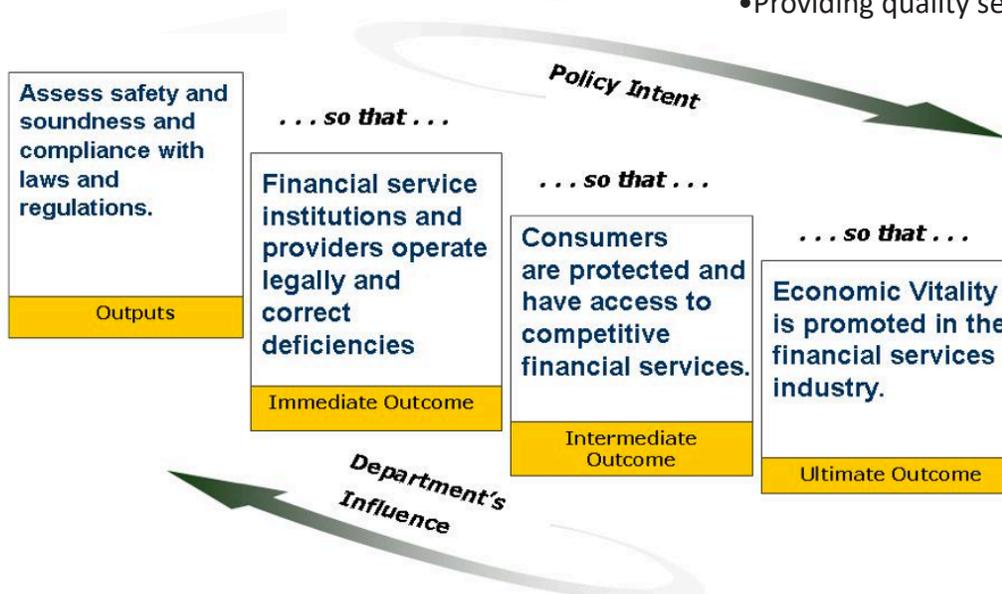
DFI MISSION STATEMENT

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



Department Overview, Continued

Department's 2016 and 2017 Data

Budgeted Staff:

FY 16 = 198.8

FY 17 = 198.8

16-17 Biennial Budget = \$51,793,000

Cash Fines and Penalties:

FY 16 = \$1,237,250

FY 17 = \$1,926,851

Staff Composition by gender:

FY 16 = 60.3% female, 39.7% male

FY 17 = 60.3% female, 39.7% male

Racial Diversity of workforce:

FY 16 = 21.1% Persons of Color

FY 17 = 26% Persons of Color

DFI Communications Outreach

Lyn Peters, Director of Communications

DFI's Communications team continues to expand the agency's financial education outreach and increase partnerships with the many community organizations committed to increasing financial education in Washington State.

Under the leadership of DFI, Washington continues to participate in national campaigns focused on financial literacy: America Saves Week, Money Smart Week and Financial Capability Month.

DFI continues also to contract with Money Savvy Generation (www.msngen.com) to offer financial education free of charge to Washington's pre-K, elementary and middle school teachers and students throughout Washington State. Money Savvy meets state and federal standards as well as those of the National Jump\$tart Coalition and Common Core. The pre- and post-program testing and outside efficacy analysis consistently indicates an increase in financial awareness and knowledge. Survey responses from teachers and parents – and annual increases in classrooms signing up for the program – show strong support for the program.

DFI contracted with Money Savvy to provide to 94 pre-K classrooms, 137 elementary classrooms and 93 middle school classrooms in the 2015-16 school year, 110 pre-K classrooms, 137 elementary school classrooms and 93 middle school classrooms during the 2016-17 school year. Additionally, a pilot program to reach out specifically to military communities in Washington State included 91 elementary classrooms and 70 middle school classrooms during 2016-17 school year.

DFI worked with KCTS Public Television and Money Savvy Generation to develop four 45 animated videos to educate children on the concepts of spending, saving, investing and donating. The videos ran on the 24/7 PBS Kids channel for six months and teachers are still using them in classrooms throughout the state. The videos are available online at: <https://dfi.wa.gov/financial-education/money-savvy-videos>

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

- DFI continues outreach regarding the Elder Investment Fraud and Financial Exploitation (EIFFE) prevention program in Washington State. The EIFFE Prevention Program educates healthcare professionals, family and community members to recognize when older residents may be

Save Video



Spend Video



Donate Video



Invest Video



DFI Communications Outreach, *Continued*

vulnerable to or victims of financial abuse, particularly those residents with mild cognitive impairment, and then to refer these at-risk patients to State Securities Regulators, local adult protective services professionals or for further medical screening.

- Working with the Financial Education Public Private Partnership (FEPPP), DFI provides teacher trainings during one- and two-day teacher workshops led by field experts and teacher fellows. DFI shares information, curriculum and ideas to Washington teachers to take back to their classrooms and teach students throughout the school year.
- Thanks to the work of the Urban League of Metropolitan Seattle (utilizing a DFI grant), an estimated 400 people across the Puget Sound region received education in both Home Buying Empowerment 101 and Ready for the Rental Market. Participants will receive one-one coaching in credit management, budgeting & savings, and basic banking.
- **The Latino Education Training Institute (LETI)** in Lynnwood used a DFI grant to offer Financial Education classes at a reduced cost of \$25 per 8-week session to Latino Immigrants for an entire year. LETI taught two different classes a week, two hours per class, two times per week, for an eight-week session, to 12-16 students, six sessions per year, providing almost 400 hours of Financial Education to an estimated 200 Latino students.
- **Sound Outreach** in Tacoma used a DFI grant to launch a pilot financial coaching embedding program in Pierce County. Financial coaches were trained, certified, and embedded in community organizations, like United Way, Tacoma Housing Authority and City of Tacoma. These coaches have made significant impacts with clients, including seeing 60-point credit score increases across the board after 6 months of working with a coach/counselor. Coach/ counselors helped clients save more than \$1,000/year. During tax season, one counselor helped file taxes of clients and got 80 clients \$84,000 back in refunds. Not only that, but she helped these 80 people to collectively save or re-budget to find \$150,000 annually ... that's \$231,000 in savings for 80 people, or more than \$2,500 per person per year.

- DFI was pleased to help support the 2016 & 2017 **Prosperity Agenda** Summits. These gatherings brought subject matter experts together with Washington 100+ financial education practitioners to inform, discuss and brainstorm on topics including: generational poverty, legal financial obligations creating barriers to re-entry, coaching vs counseling, making programs recipient focused, using technology to reach more people where they are, the importance of providing culturally

12 WONDERFUL SPEAKERS +
8 HOURS OF REFLECTION AND DISCUSSION + 120 PROSPERITY AGENTS =
OVER 400 POST-ITS FILLED WITH IDEAS AND INSPIRATION



WE ARE PROSPERITY AGENTS!

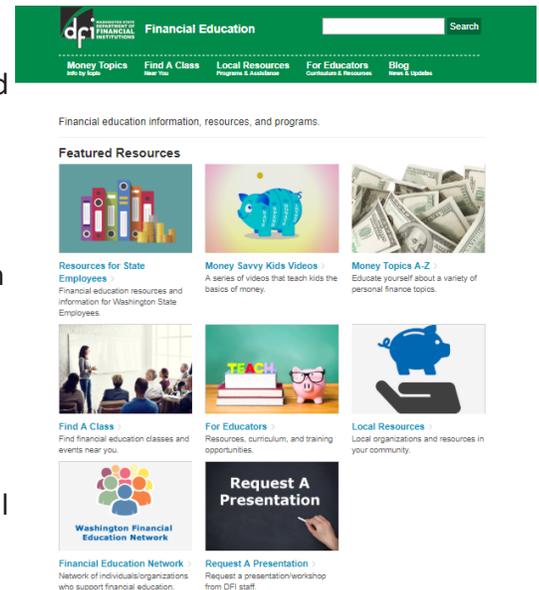
Improving, questioning, and innovating our work is more important now than ever. Budgets are tight, capacity and resources are suffering, and more people find themselves in situations that threaten their ability to reach financial security. The Financial Capability Summit allowed us the time to pause and take stock about where we are and gave us the permission to ask the hard questions about whether or not we are having the biggest impact we are capable of having.

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DFI Communications Outreach, *Continued*

appropriate curriculum and more. Attendees shared their insight, ideas and passion with presenters and helped The Prosperity Agenda develop goals and ideas for future outreach opportunities in Washington.

- In 2016-17, DFI funded 6 sessions of the **YWCA** financial education program for survivors of domestic violence for an estimated 100 women in the King County area.
- DFI funded **Heritage University Enactus** Camp S.E.E.D. (Social Economic and Educational Development) for two 2-week summer camps in 2016 and three 2-week summer camps in 2017 for at-risk middle school students in the Yakima Valley, reaching a more than 400 students. Students were immersed in STEM-related projects (Science, Technology, Engineering and Math), including financial education, and presented with the vision of a potential future that includes graduating from high school, going to college and obtaining a science-based career instead of following their current path anticipated to lead them to a life centered around drugs and/or gangs. Camps are led by Heritage students who often come from the same schools and communities as the camp attendees, providing positive role models for the youth, in addition to providing them with a better understanding of how education can serve them in their lives.
- DFI's Web-master continues to update and improve the Washington State Financial Education Clearinghouse (www.dfi.wa.gov/financial-education) and the Washington Financial Education Calendar (<https://dfi.wa.gov/financial-education/calendar>) to help Washington residents, teachers, parents and students easily access financial education information and find financial education workshops in their communities.



- DFI staff-conducted outreach included 132 outreach events in 2016 and 126 outreach events in 2017. Outreach varies from providing presentations in high school classrooms to being co-panelists for audiences of more than 200 at partner events. Our outreach is conducted throughout Washington State.

Working with local organizations like the Financial Education Public Private Partnership (www.feppp.org), Jump\$tart Washington Coalition (www.wajumpstart.org) many of Washington's Asset Building Coalitions (<https://www.everyoneiswelcome.org/about-us/asset-building-in-wa>) DFI continues to find new ways to increase and improve financial education throughout Washington State.

Information and knowledge are powerful tools. We are passionate about making sure Washington residents have the tools they need to succeed in their pursuit of financial freedom.

Division of Banks

Roberta Hollinshead, Director of Banks

Financial performance of the banking industry in Washington was stable during this period. Asset quality was excellent. Profitability improved, but the low interest rate environment continued to put pressure on bank margins. Capital levels were adequate and contributed to greater stability in the industry. Economic growth improved and loan portfolio growth returned to normalized levels. The number of problem banks remained at a historically low level throughout 2016 and 2017. There were no bank failures in either year. Consolidation among state chartered banks continued at a fairly rapid pace, resulting in fewer but larger institutions. Trust companies were also financially stable during the biennium. Interest in forming new trust companies continued and the industry is growing.

In 2016 and 2017, one Washington chartered institution merged with another Washington chartered institution, while two banks sold to a non-Washington chartered institution. Additionally, three Washington institutions acquired banks chartered nationally or in other states. As a result of the acquisitions as well as economic growth, assets under supervision by the Division of Banks increased. Total assets of Washington state chartered banks increased from \$51 billion to \$54.6 billion in 2016, and increased to \$60 billion by year-end 2017.

Chartering activity for banks was slow during the period. No new banks were chartered in 2016-2017, however, branching activity remained steady during the biennium. The division of banks approved 30 new branches of banks over the two-year period. Interest in forming trust companies continues to be strong. Three new trust companies were chartered in 2016, and two trust companies were chartered in 2017.

The Division's financial condition remained satisfactory during the biennium. Roberta Hollinshead was appointed to serve as Division Director in December 2016.

Division of Banks, *Continued*

Statutes Administered by the Division of Banks

Chapter 30 RCW	Banks
Chapter 30B RCW	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

2016/2017 Licensing Stats (Number of)

	2016	2017
Commercial Banks	36	35
Savings Institutions	9	9
Trust Companies	12	15
Branches of Foreign Banks	1	1
SBA (7) A Lenders	1	1
Total Assets of Banks and Assets Under Management of Trust Companies	\$100 Billion	\$114 Billion

Division of Banks, *Continued*

List of Chartering Activity for 2016 and 2017

- Issued a Certificate of Authority to conduct business as a Washington State-chartered trust company to Northwest Trustee & Management Services, LLC of Spokane, Washington on March 28, 2016.
- Issued a Certificate of Authority to conduct business as a Washington State-chartered trust company to Fred Schoen Fiduciary Services, Inc. of Seattle, Washington on September 30, 2016.
- Issued a Certificate of Authority to conduct business as a Washington State-chartered trust company to WE Trust Company of Seattle, Washington on September 30, 2016.
- Issued a Certificate of Authority to conduct business as a Washington State-chartered trust company to Ohana Fiduciary Corporation of Seattle, Washington on October 31, 2017.
- Issued a Certificate of Authority to conduct business as a Washington State-chartered trust company to Pacific Trust Company, LLC of Sumner, Washington on October 31, 2017.

Mergers and Acquisitions

2016

- HomeStreet Bank of Seattle, Washington acquired Orange County Business Bank of Irvine, California on January 29, 2016.
- Pacific Continental Bank of Eugene, Oregon acquired Foundation Bank of Bellevue, Washington on September 6, 2016.
- Commencement Bank of Tacoma, Washington acquired Thurston First Bank of Olympia, Washington on October 31, 2016.

2017

- Inland Northwest Bank of Spokane, Washington acquired CenterPointe Community Bank of Hood River, Oregon on July 14, 2017.
- Columbia State Bank of Tacoma, Washington acquired Pacific Continental Bank of Eugene, Oregon on October 31, 2017.
- United Business Bank of Walnut Creek, California acquired Plaza Bank of Seattle, Washington on December 14, 2017.

Division of Consumer Services

Charles Clark, Director of Consumer Services

About the Division of Consumer Services

The Mission of the Division of Consumer Services is to protect, inform, and serve consumers through fair, effective, and prompt regulation of non-depository financial institutions including: Consumer Loan Companies (including Mortgage Bankers), Mortgage Brokers, Mortgage Loan Originators, Residential Mortgage Loan Servicers, Check Cashers and Sellers, Small Loan Agents, Payday Lenders, Escrow Companies and Officers, Money Transmitters and Currency Exchangers, and Facilitators of Tax Refund Anticipation Loans (RALs).

The Consumer Services Division implements state and federal laws regulating the above non-depository financial service providers. These entities provide an array of important and rapidly changing financial services from originating loans and servicing mortgages to payday lending and money transmission. The Division's regulatory system is designed to ensure that our licensing process includes a thorough review of each applicant to determine their fitness to provide regulated financial services, to ensure that companies are examined for compliance with state and federal requirements, and to take effective enforcement action when laws are violated and/or consumers are harmed.

The Division is entirely self-supporting, with funding provided by licensing and examination fees, and enforcement actions. No money is received from the state General Fund or other public revenue source.

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 43.320 RCW	Mortgage Lending and Fraud Prosecution Account
Chapter 19.265 RCW	Refund Anticipation Loans
Chapter 19.144 RCW	Mortgage Lending and Homeownership

Division of Consumer Services, *Continued*

Industry Facts at a Glance	2016	2017
Mortgage Broker Company Licenses	278	286
Mortgage Broker Branch Office Licenses	191	191
Mortgage Loan Originators (Active)	14,975	15,648
Mortgage Loan Originators (Inactive)	3,126	3,865
Consumer Loan Company Licenses	583	646
Consumer Loan Company Branch Office Licenses	2,212	2,477
Money Transmitter and Currency Exchange Offices	158	167
Check Casher Company Licenses	109	105
Check Casher Branch Office Licenses	270	266
Check Seller Company Licenses	1	1
Check Seller Company Branch Office Licenses	1	1
Small Loan Agent	2	2
Payday Lender Endorsement	26	23
Payday Lender Endorsement Branch Office Licenses	61	57
Escrow Company Agents	59	60
Escrow Company Agent Branch Offices	10	11
Escrow Officer (Licensed/Inactive)	130	113
Tax Refund Anticipation Loan Facilitators	421	384

** The Check Casher and Seller license is required in order to obtain a Payday Lender endorsement. Many licensees only conduct payday loan activity under a Check Casher or Seller license*

Total Number of Licensees at Years End 2017

Mortgage Broker	286
Consumer Loan Company	646
Loan Originator	15,648
Money Transmitter	167
Check Casher and Seller	105
Escrow Agent	60
Small Loan Agent	2

Division of Consumer Services, *Continued*

Licensing Unit:

During 2016, the Licensing Unit conducted the following activities:

- Implemented usage of new functionality in NMLS which allows individuals to upload documents into NMLS, reducing mailed documents and running criminal background checks for owners/officers of companies through NMLS, streamlining the process for applicants in multiple states
- One of nine pilot states to use Electronic Surety Bond functionality in NMLS for the issuance and maintenance of the surety bond electronically, improving transparency and eliminating paper bond documents
- Processed more than 140 complex new licenses for companies, including 86 Consumer Loan licenses completed in an average of 23 days
- Licensed 4,973 Mortgage Loan Originators with an average processing time of 11 days
- Processed more than 18,000 renewal applications, including nearly 14,500 Mortgage Loan Originators
- Assisted nearly 20,000 existing licensees in maintaining their licenses
- Reviewed more than 12,005 criminal and credit background checks to better protect consumers
- Fielded nearly 4,000 call center phone calls to provide assistance to consumers and industry

During 2017, the Licensing Unit conducted the following activities:

- Converted all Mortgage Broker licensees and more than 250 Consumer Loan Licensees to Electronic Surety Bonds in NMLS which increases transparency and efficiency while eliminating paper bond documents
- Added Electronic Surety Bond functionality in NMLS to Money Services licensees and Payday Lenders
- Participated in working groups, discussion forums, and work sessions for the rebuilding of NMLS
- Processed 170 complex new licenses for companies, including 107 Consumer Loan licenses completed in an average of 23 days
- Licensed 4,218 Mortgage Loan Originators with an average processing time of 11 days
- Processed nearly 19,500 renewal applications, including more than 15,000 Mortgage Loan Originators
- Completed more than 3,700 employment changes for Mortgage Loan Originators, 87% finished within 5 business days to avoid long gaps where the individual cannot work
- Assisted more than 20,000 existing licensees in maintaining their licenses
- Reviewed more than 11,150 criminal and credit background checks to better protect consumers
- Fielded nearly 3,900 call center phone calls to provide assistance to consumers and industry with licensing questions.

Division of Consumer Services, *Continued*

Examination Unit

- Performed 596 examinations in FY2016 with 95 percent of companies being rated satisfactory. Out of 596 examinations, 23 were multistate examinations with Washington as the lead state in 11 examinations. Eight companies cited for egregious violations were referred to the Division's Enforcement Unit. The examinations resulted in refunds of \$67,230.36 to citizens of Washington.
- Performed 253 examinations in FY2017 with 90 percent of companies being rated satisfactory. Out of 253, 21 were multistate examinations with Washington as the lead state in 10 examinations. Twelve companies cited for egregious violations were referred to the Division's Enforcement Unit. The examinations resulted in refunds of \$34,796.08 to citizens of Washington.

Enforcement Unit

Top Complaint Issues:

- Scams: Loan Collection, Advance Fee, Unlicensed Loan Modification, Unlicensed Online Loan (includes Tribal), and money transmission.
- Mortgage Servicing: Includes mediation, application of payments, foreclosure, escrow account errors, and not honoring previous loan modification agreement.
Criminal Referrals in 2016 and 2017:
- During 2016 and 2017, DFI referred 3 cases for prosecution in King County.

Legislative Activities

2016

SB 6283, Addressing the securities act of Washington, Chapter 61, Laws of 2016, Effective June 9, 2016.

- The new law makes several technical corrections to the Securities Act of Washington:
- The time period for appealing the entry of an order by DFI is changed from 15 days to 20 days, to be consistent with the Administrative Procedures Act.
- Statutory references in the chapter listing exemptions have been updated to include the exemption for crowdfunding adopted in 2014.
- The director's authority to deny, revoke, or condition an exemption as it pertains to a security is extended to the crowdfunding exemption.
- The registration renewal deadline for securities professionals is changed from December 31 of each year to the deadline specified in the registration depositories managed by the Financial Industry Regulatory Authority.
- The statute outlining criminal penalties for violation of the Securities Act is reenacted to

Division of Consumer Services, *Continued*

eliminate duplicate statutes passed in a previous session.

- There are also various other technical, spelling, and grammatical corrections to the statute.

2017

HB 1593, Chapter 113, Laws of 2017, Simplifying Small Securities Offerings, Effective July 23, 2017.

The Securities Act of Washington (Act), as well as the federal law, requires registration of securities offerings and certain persons and businesses engaged in securities transactions. The Act also creates penalties for false or misleading filings. Certain securities offerings, transactions, and persons are exempt from registration. The Department of Financial Institutions (DFI) is responsible for the regulation of the purchase and sale of securities in Washington. Additionally, the DFI manages securities registration, investigation, and enforcement of violations of the Act.

The DFI also reviews and approves exemptions from registration under the Washington law. The new law includes a small securities registration exemption (called crowdfunding) if certain qualifications are met.

- The new law allows crowdfunding exemptions under any applicable exemption from registration under the securities laws. Small securities offerings may include any type of equity or convertible debt security. The issuer's company may be organized in any state (as opposed to only Washington State) and investors are not required to be Washington residents. Public quarterly reports are no longer required, and issuers are now required to send shareholders an annual report. The issuer may post the report on its website, but no longer is required to post this information. The explicit reference to portals is removed from the Act. In addition, the new law does not include accredited investors (as defined by federal law) in the annual sales limit when using the crowdfunding exemption.

SSB 5022, Chapter 154, Laws of 2017, Providing Information to Students Regarding Education Loans, Effective July 23, 2017.

The act is known as the Washington Student Loan Transparency Act. Under the new law, post-secondary institutions must provide student borrowers, who have applied for financial aid, notification about their loans from the institution every time the institution certifies a new financial package to the student that includes loans. The notification must include an estimate on the total amount of education loans taken out by the student; potential total payoff amount of the education loans incurred, or a range of the total payoff amount, including principal and interest; monthly repayment amounts, for the amount of education loans the student has taken out; and percentage of the aggregate federal direct loan borrowing limit applicable to the student program of study the student has reached.

Division of Consumer Services, *Continued*

The estimates and/or ranges provided must be noted to be general in nature and must provide a statement that a variety of repayment plans are available for student loans that may limit the monthly repayment amount based on income. The notification must also include information on how to access resources for student loan borrowers from federal and state agencies.

Post-secondary Institutions must provide notifications by e-mail. In addition, notification may be provided in writing, electronic format, or in person. An institution does not incur liability, including actions by the Attorney General, for any good faith representations made by providing estimates on future debts. The notifications provided by institutions must begin July 1, 2018, and must be provided every time a new financial aid package that includes a new or revised student education loan is offered to a student.

SSB 5031, Chapter 30, Laws of 2017, Addressing Licensing and Enforcement Provisions Applicable to Money Transmitters and Currency Exchanges under the Uniform Money Services Act, Effective July 23, 2017.

The new law makes several changes to the law regarding the regulation of money transmitters and currency exchangers. The definition of money transmission includes receiving virtual currency. A money transmitter licensee transmitting virtual currencies must hold like-kind virtual currencies in the same volume obligated to consumers. Virtual currency means a digital representation of value used as a medium of exchange, a unit of account, or a store of value. Virtual currency licensees must provide information to any person seeking to use the licensee's products or services including a schedule of fees and charges, whether the product or services are insured, whether the transfer is irrevocable, the licensee's liability for mistakes, and additional disclosures as required by the Director established in rule.

When applying for a license, a virtual currency money transmitter must provide a third-party security audit of their electronic systems to the Department of Financial Institutions (DFI).

Each online currency exchanger must maintain a surety bond in an amount based on the previous year's currency exchange volume. The minimum surety bond must be at least \$10,000 and not exceed \$50,000 and the surety bond must run to the state of Washington. The Director of the DFI may issue a temporary cease and desist order if an online currency exchanger does not maintain a surety bond in the required amount. The Director may increase the amount of the bond up to a maximum of \$1 million based on the nature and volume of business activities and the financial health of the company.

Security in lieu of bonds is no longer available for money transmitters.

Division of Consumer Services, *Continued*

The Act creates specific exclusions which includes a person who is a contracted service provider of a financial institution that provides processing, clearing, or settlement services in connection with wire transfers, credit and debit card transactions, prepaid access transactions or similar fund transfers that facilitate payment for goods and services using bank secrecy act regulated institutions. Other exclusions include services that transmit wages or employee benefits on behalf of employers; or the lawful business of bookkeeping or accounting.

The new Act clarifies that civil penalties are not to exceed \$100 per violation per day for each day the violation is outstanding. The definition of stored value is changed to prepaid access. Prepaid access means access to money that has been paid in advance and can be retrieved through an electronic device or vehicle. Money transmission does not include the provision solely of connection services to the internet, telecommunication services, or network access. The DFI may provide to the public a list of authorized delegates of licensees regulated under the Act.

SB 5144, Chapter 61, Laws of 2017, Addressing the Washington Credit Union Act, Effective July 23, 2017.

The new law makes changes to the corporate governance provisions applicable to state-chartered credit unions in the Washington Credit Union Act.

The credit union's supervisory committee may now perform or arrange for additional audits as requested by the board of directors, management, or the supervisory committee. In addition, the new law provides that the supervisory committee shall monitor the implementation of management responses to adverse findings in audits or regulatory examinations. The supervisory committee shall implement a process for receiving and responding to whistle blower complaints. The supervisory committee may retain independent counsel, other professional advisors, or consultants as necessary to perform their required duties. Quarterly meetings of the supervisory committee are no longer required.

Members of the state-chartered credit union may remove a supervisory committee member at a special membership meeting called for that purpose. At the same meeting a supervisory committee member is removed, a replacement supervisory committee member may be elected as an interim member to complete the removed member's term.

A credit union may establish an audit committee in lieu of a supervisory committee. An audit committee and its members have the same duties and powers, and are subject to the same limitations as a supervisory committee. Requests for a special membership meeting may be called to discuss reports by the supervisory committee regarding the failure of the board to adequately respond to findings or recommendations. At a special membership meeting only the agenda items specified in the notice may be considered.

Division of Consumer Services, *Continued*

A special meeting may also be called by a unanimous vote of the supervisory committee to suspend a credit union director for cause. State-chartered credit unions are no longer required to submit a marketing plan and an annual report to the DFI when applying for designation as a low-income credit union. The parity provision—the latest date that a state-chartered credit union has the powers and authorities a federal credit union is extended from July 24, 2015 to July 23, 2017.

Individual Industry Stats

Mortgage Brokers

	2013	2014	2015	2016	2017
Companies	322	289	282	278	286
Branch Offices	149	164	167	191	191
Complaints	205	138	110	54	51
Number of Brokered Loans	13,796	8,030	11,174	-	-
Principal Dollar Amount of Brokered Loans	\$3,779,684,489	\$2,223,782,850	\$3,262,467,573	-	-

Consumer Loan Companies

	2013	2014	2015	2016	2017
Main Offices	482	510	530	583	646
Branch Offices	1,658	1,788	1,914	2,212	2,477
Complaints	373	344	497	534	502
Number of RE* Loans Made	86,870	78,949	116,115	146,454	-
Principal Dollar Amount of RE* Loans	\$21,089,241,954	\$19,823,847,855	\$31,146,930,083	\$40,908,89,563	-

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

Mortgage Loan Originators

	2013	2014	2015	2016	2017
Number of Licensees	8,953	13,359	15,488	18,101	19,513

Division of Consumer Services, *Continued*

Escrow

	2013	2014	2015	2016	2017
Agents	96	72	65	69	71
Officers	121	153	142	130	113
Complaints	48	50	27	36	22

Money Services

	2013	2014	2015	2016	2017
Companies	127	142	150	158	167
Complaints	219	175	166	169	150
Volume of Money Transmissions	\$4,996,153,965	\$6,392,053,692	\$8,211,556,008	\$10,273,531,013	-
Volume of Currency Exchanges	\$128,527,864	\$166,296,731	\$60,046,901	\$97,158,447	-

Check Casher

	2013	2014	2015	2016	2017
Companies	134	117	107	109	105
Branch Offices	522	1	514	270	266
Complaints	3	2	4	3	0
Number of Checks Cashied	3,589,889	3,409,551	3,909,080	3,009,475	
Dollar Amount of Cashed Checks	\$1,669,008,278	\$1,660,281,547	\$1,510,639,687	\$1,288,058,385	

Check Seller

	2013	2014	2015	2016	2017
Companies	2	1	1	1	1
Branch Offices	0	2	1	1	1
Complaints	1	0	0	1	0
Number of Checks Sold*	69,365	18,990	15,971	15,982	-
Dollar Amount of Checks Sold*	\$331,430,078	\$319,290,707	\$300,903,558	\$3,601,830	-

*Check Seller totals are for checks sold as a licensed Check Seller under the CCSA. This total does not include checks sold by Money Transmitters or as an agent for a Money Transmitter licensee.

Division of Consumer Services, *Continued*

Payday Lender

	2013	2014	2015	2016	2017
Companies	37	32	29	26	23
Branch Offices	121	119	109	61	57
Complaints	449	168	174	96	42
Number of Small Loans	871,801	819,755	776,824	710,163	-
Dollar Amount of Small Loans	\$331,430,078	\$319,290,707	\$300,903,558	\$273,476,893	-

Small Loan Agent

	2013	2014	2015	2016	2017
Companies	-	1	1	2	2
Branch Offices	-	0	0	0	0
Complaints	-	1	1	0	0

Enforcement Statistics for All Industries

	2013	2014	2015	2016	2017
Statement of Charges	76	56	35	35	54
Summary Cease and Desist or Suspension	5	12	1	1	3
Final Order or Revocation	77	34	26	23	16
Consent Order	76	79	53	41	55
Total Enforcement Actions	234	181	115	104	130
Investigations Opened	105	92	110	125	127
Investigations Closed	624	140	95	92	152
Complaints*	1,395	929	1,105	1,253	1,104

*Includes complaints filed against non-licensees

Division of Credit Unions

Linda Jekel, Director of Credit Unions

Credit unions are nonprofit, cooperative associations organized to promote thrift among their members and to create a source of credit for their members at fair and reasonable interest 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. Credit unions with total assets over \$1 billion and those who receive an unsatisfactory CAMELS rating are examined every 12 months. 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 chartered credit unions, such as merger and conversion applications. The Division also works with consumers (members) regarding complaints they submit to the Division against state chartered credit unions.

Statutes Administered by the Division on Credit Unions

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

Division Milestones and Accomplishments

New Credit Union Charters

- No new credit union charters were issued in 2016-2017.

Charter Conversions

- No credit unions converted to state charter in 2016-2017.

Mergers

The following credit union mergers were completed in 2016:

<u>Merging Credit Union (CU)</u>	<u>Total Assets of Merging CU</u>	<u>Continuing CU</u>	<u>Total Assets of Continuing CU</u>	<u>Date of Merger</u>
Amicus Federal (FED) CU	\$12 million	Horizon CU	\$819 million	4/30/2016
Pine Creek Fed. CU	\$4 million	HAPO CU	\$1.4 billion	5/31/2016
Puget Sound Fed. CU	\$17 million	Qualstar CU	\$422 million	6/1/2016
TULIP Coop CU	\$2.7 million	Harborstone CU	\$1.2 billion	11/1/2016

Division of Credit Unions, *Continued*

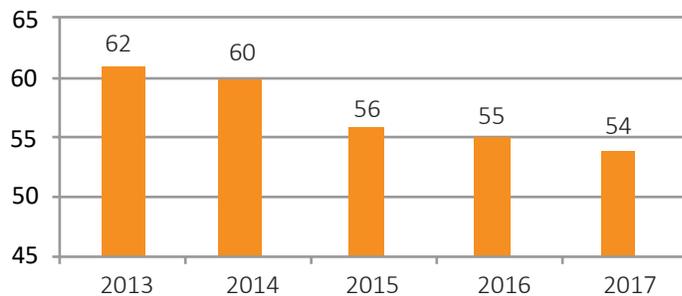
The following credit union merger was completed in 2017:

<u>Merging Credit Union (CU)</u>	<u>Total Assets of Merging CU</u>	<u>Continuing CU</u>	<u>Total Assets of Continuing CU</u>	<u>Date of Merger</u>
Woodstone CU	\$99 million	Qualstar CU	\$468 million	7/31/2017

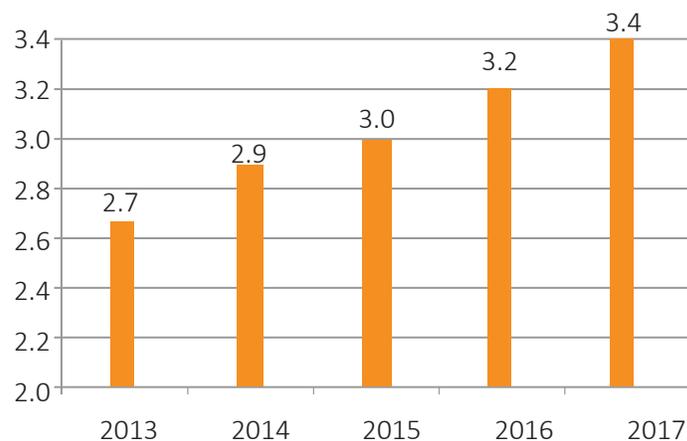
Industry Facts at a Glance

	2016	2017
Number of Washington State Chartered Credit Unions	55	54
Total Assets of WA State Chartered Credit Unions	\$44.13 billion	\$47.72 billion
Total Washington State Chartered Credit Union Members	3.24 million	3.44 million

Number of State Chartered Credit Unions



Number of Members in Millions



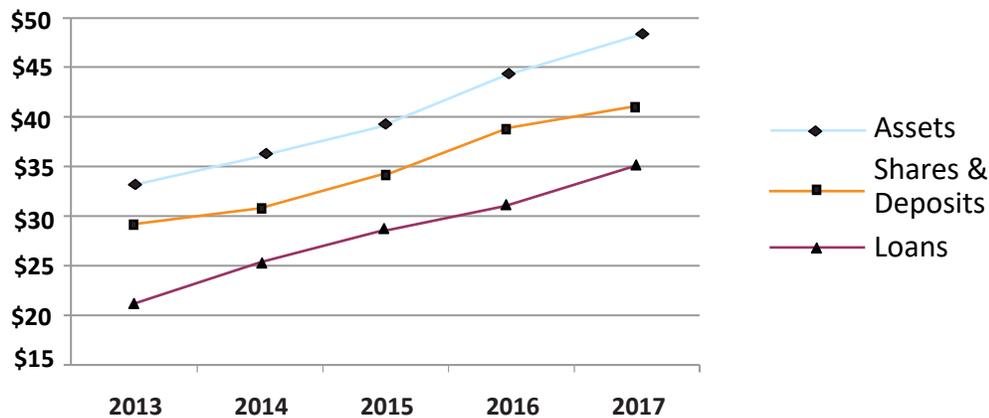
Division of Credit Unions, *Continued*

State Chartered Credit Union Financial Information

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

	2013	2014	2015	2016	2017
Total Loans	\$22,144,421	\$25,002,548	\$27,969,531	\$31,477,416,284	\$35,544,829,674
Total Assets	\$33,714,187	\$36,283,525	\$39,845,444	\$44,130,178,425	\$47,723,445,451
Total Shares & Deposits	\$29,545,592	\$31,415,837	\$34,472,438	\$38,154,008,029	\$41,086,547,813
Total Net Worth	\$3,491,288	\$3,873,718	\$4,299,779	\$4,735,801,107	\$5,193,292,061
Net Income	\$398,957	\$384,714	\$412,5489	\$435,664,895	\$458,107,823
Net Worth to Total Assets Ratio	10.35%	10.67%	10.79%	10.73%	10.88%

State Chartered Credit Unions End-of-Year Statistics



Division of Securities

William Beatty, Director 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.

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. It also continues its involvement in national enforcement issues including task force on auction rate securities. The bulk of the Securities Division's enforcement activity is in the administrative area, but it is also active in the criminal arena, making several criminal referrals annually.

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

Division of Securities Statistics

Securities Act

	2016	2017
Dollar Amount of Securities Permits, Notifications and Exemptions Authorized	\$89,796,343,065	\$100,882,072,515
Registered Securities Broker-Dealers	1,813	1,796
Registered Investment Advisers	706	714
Investment Adviser Notifications	1,774	1,888
Registered Securities Salespersons	164,315	169,655
ERA-Active Organizations	29	38
Registered Investment Adviser Representatives	11,911	12,279
Branch Offices of Broker-Dealers	3,717	3,642
Complaints	194	199
Active Enforcement Cases	112	62
Statement of Charges/Orders	82	53

Division of Securities, *Continued*

Franchise Act

	2016	2017
Registered Franchises	1,093	1,080
Registered Franchise Brokers	180	264
Complaints	20	47
Active Enforcement Cases	18	13
Statement of Charges/Orders	18	17

Business Opportunity Act

	2016	2017
Registered Business Opportunities	12	11
Complaints	11	18
Active Enforcement Cases	7	6
Statement of Charges/Orders	2	4

Commodities Act

	2016	2017
Complaints	2	3
Active Enforcement Cases	2	1
Statement of Charges/Orders	0	4

Division of Securities, *Continued***Registration and Licensing Filing Activity Totals for Calendar Years 2016-2017****Registrations, Exemptions & Notifications**

	2016 NEW	2016 RENEW	2016 AMEND	2016 TOTAL	2017 NEW	2017 RENEW	2017 AMEND	2017 TOTAL
Investment Companies	3,364	24,311	20,424	48,099	3,652	24,401	21,749	49,802
S-1s	9	7	24	40	0	7	22	29
Reg As	2	1	5	8	1	0	0	1
Other Coordination Filings	15	39	316	370	7	35	305	347
Qualifications	6	0	1	7	13	0	0	13
SCOR (Small Company Offering Reg.)	0	0	0	0	0	0	0	0
Reg A-Tier 2 Notices	28	2	4	34	42	6	4	52
Red CF-FED Crowdfunding Notices	1	0	0	1	5	0	0	5
Franchises	301	800	237	1,356	322	821	226	1,369
Exemptions	2,579	0	611	3,190	2,868	0	727	3,595
Opinions	4	0	0	4	2	0	0	2
Franchise Exemptions	67	160	3	230	59	172	1	232
Business Opportunities	1	3	0	4	1	4	1	6
Small Business Retirement Marketplace Filings	7	0	0	7	9	0	0	9
TOTAL	6,384	25,323	21,625	53,350	6,981	25,446	23,035	55,462

Division of Securities, *Continued***Firms & Entities**

	2016 NEW	2016 RENEW	2016 TOTAL	2017 NEW	2017 RENEW	2017 TOTAL
Securities Broker-Dealers	108	1,785	1,893	103	1,781	1,884
Investment Advisers	108	688	796	75	688	763
Investment Advisors- Notice Filed	128	1,773	1,901	198	1,888	2,086
Franchise Brokers	150	98	248	161	176	337
ERA	8	29	37	11	38	49
TOTALS	502	4,373	4,875	548	4,571	5,119

Representatives & Salespersons

	2016 NEW	2016 RENEW	2016 TOTAL	2017 NEW	2017 RENEW	2017 TOTAL
Investment Adviser Representatives	2,109	12,083	14,192	2,574	12,459	15,033
Intrastate Securities Salespersons	0	1	1	0	1	1
Agents of Issuers	3	0	3	17	0	17
Securities Salespersons	34,779	164,905	199,684	34,917	170,407	205,324
Salespersons with Disclosure History	4,146	0	4,146	3,992	0	3,992
TOTALS	41,037	176,989	218,026	41,500	182,867	224,367

*This workload data does not include information on registrations or licenses that terminate or fail to renew during the year



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