

AMENDATORY SECTION (Amending WSR 13-24-024, filed 11/22/13, effective 1/1/14)

**WAC 208-620-320 What is the amount of the surety bond required for my consumer loan license?** (1) Surety bond amounts are based on loan origination volume from prior years. If there is no prior year volume, the surety bond amount required at application is thirty thousand dollars. For purposes of this section, "loan origination volume" means a volume of closed loans.

(2) Nonresidential loan origination. If you originate nonresidential loans the surety bond amount is based on the annual dollar amount of loans you originate. See the following chart:

1. Zero to twenty million in loans originated:	\$30,000
2. Twenty million to forty million:	\$50,000
3. Forty million to fifty million:	\$100,000
4. Fifty million and above:	\$150,000

~~((2))~~ (3) Residential mortgage loan origination.

(a) Origination. If you only originate residential mortgage loans, the surety bond amount is based on the annual dollar amount of residential mortgage loans you originate. Use the chart in subsection ~~((1))~~ (2) of this section for the bond amount.

(b) Servicing. If you only service residential mortgage loans, ~~((your bond amount at application is thirty thousand dollars. Thereafter and subject to annual adjustment, your bond amount is based on the annual dollar amount of the residential mortgage loans serviced pursuant to the following schedule (see RCW 31.04.045(6))):~~

1. <del>Zero to fifty million in loan principal:</del>	\$30,000
2. <del>Fifty million and above:</del>	<del>\$50,000</del>

a bond requirement may only arise if you elect a surety bond in lieu of the required net worth in WAC 208-620-322.

(c) Origination and servicing. If you originate and service residential mortgage loans, your surety bond amount will be based on your origination ~~((activity))~~ volumes. See the table in subsection (2) of this section.

(d) Brokering. If you only broker residential mortgage loans, your surety bond amount at application is thirty thousand dollars. There after subject to annual adjustment the surety bond amount will be based on the total annual principal amount of the loans brokered. See the table in subsection (2) of this section.

~~((3))~~ (4) Combined nonresidential and residential loan origination. If you originate both nonresidential and residential loans, your bond amount will be based on the combined origination volume.

(5) Third-party loan modification services. If you only offer third-party residential mortgage loan modification services, your bond amount is thirty thousand dollars.

NEW SECTION

**WAC 208-620-321 What are the capital requirements for a nondepository residential mortgage loan servicer applicant and licensee servicing loans guaranteed by one or more government sponsored entity (GSE) and/or government corporation?** (1)(a) An applicant or licensee operating as an approved servicer by one or more government sponsored or government corporation entities must maintain liquidity (to include operating reserves) and tangible net worth that meet the standards set by the entity. If approved by more than one entity, the applicant or licensee must meet the highest standard of the entities for which they are approved. Tangible net worth does not include money held in borrower escrow accounts.

Examples of government sponsored entities are Freddie Mac, Fannie Mae, the Federal Home Loan Bank System, and the Federal Agricultural Mortgage Corporation. Ginnie Mae is an example of a government corporation.

(b) Applicants or licensees with a combined portfolio will be subject to the standards in (a) of this subsection.

For example, if your portfolio contains loans from one or more GSE or government corporations and loans not insured by any GSE or government corporation, your capital requirements must meet the highest standard of the GSE or government corporations.

(c) An applicant or licensee with a portfolio of loans not subject to any government sponsored or government corporation entity must comply with WAC 208-620-322.

(2) The standards described in subsection (1)(a) of this section are set by the GSE and/or government corporation financial eligibility requirements for servicing residential mortgage loans.

NEW SECTION

**WAC 208-620-322 What are the capital requirements for a nondepository residential mortgage loan servicer applicant and licensee servicing loans not guaranteed by a government sponsored entity (GSE) and/or government corporation?** (1)(a) An applicant or licensee servicing residential mortgage loans not including any GSE or government corporation loans must maintain a minimum tangible net worth as follows:

0-199 loans	\$100,000
200-299 loans	\$200,000
300-399 loans	\$300,000
400-499 loans	\$400,000
500-599 loans	\$500,000
600-699 loans	\$600,000
700-799 loans	\$700,000
800-899 loans	\$800,000
900-999 loans	\$900,000
1,000 plus loans	\$1,000,000

(b) Alternatively the applicant or licensee may maintain a one million dollar surety bond in lieu of tangible net worth.

(c) In addition, the applicant or licensee must maintain liquidity (to include operating reserves) of .00035 times the unpaid principal balance of the portfolio.

(2) An applicant or licensee with twenty-five or fewer loans may apply to the director to waive or adjust one or more of these capital requirements. In considering such a request the director will consider whether the licensee has a positive net worth and adequate operating reserves. For purposes of this section, "operating reserves" are funds set aside in anticipation of future payments or obligations and are included in liquidity.

(3) Licensees must annually or more frequently report, as prescribed by the director, on liquidity (including operating reserves) and tangible net worth.

(4) Any licensee that does not maintain the standards in this section is subject to action by the director including that authority in RCW 31.04.165(4).

(5) The following definitions apply to this section:

(a) Tangible net worth means total equity minus receivables due from affiliated entities, minus goodwill and other intangible assets, and minus the carrying value of pledged assets net of the associated liabilities of the pledged assets.

(b) Liquidity means unrestricted cash and cash equivalents, investment grade securities that are available for sale or held for trade, and unused/available portion of committed servicing advance lines.

#### REPEALER

The following section of the Washington Administrative Code is repealed:

WAC 208-620-325      What will my bond amount be in the  
first year of licensing?

