



## **Mortgage Industry Webinar**

**We will begin shortly**

**Call In #: 1-253-372-2181**

**Phone Conference ID #: 420 885 978#**

**Meeting Link**

**Meeting ID: 211 948 492 869**

**Passcode: doGdTB**

Please mute your audio upon entry and 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.**



# Mortgage Industry Webinar Agenda

Thursday, April 13, 2023

10:00 AM

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*The information provided during this webinar is for informational purposes only and is not legal advice. You should contact an attorney to obtain advice with respect to any particular business practice. The opinions expressed during the webinar are the opinions of the individuals and may not reflect the opinions of the department. The information provided may not be applicable in all situations or under all circumstances. You are ultimately responsible for compliance with state and federal law.*

1. Welcome – Cindy Fazio
2. Licensing Update – Maureen Camp
3. Examination Update – Anya Tabb & Alan Leingang
4. Enforcement Update – Kendall Freed
5. Question/Answer Session – Cindy Fazio & JJ Choi

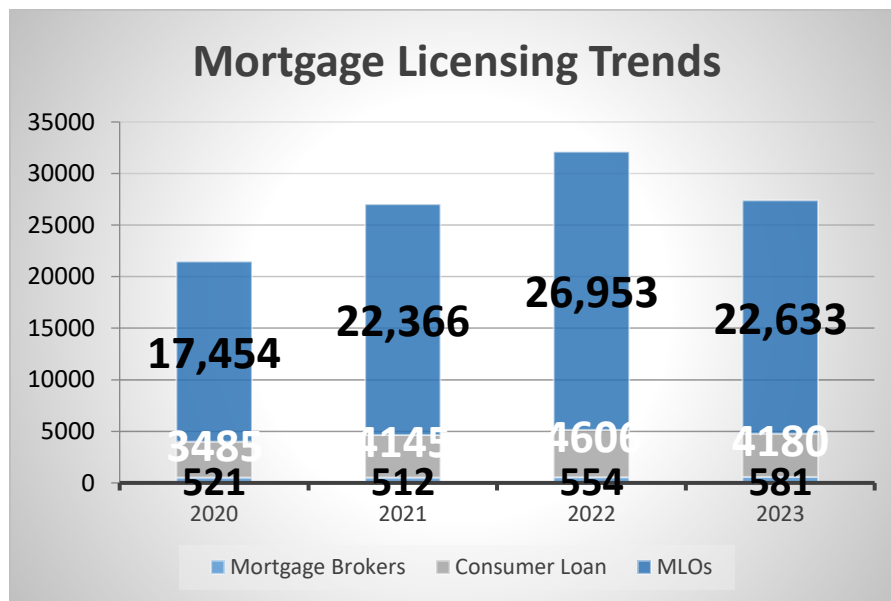
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# Licensing Unit Report - Mortgage Program

Mortgage Industry Webinar

April 13, 2023

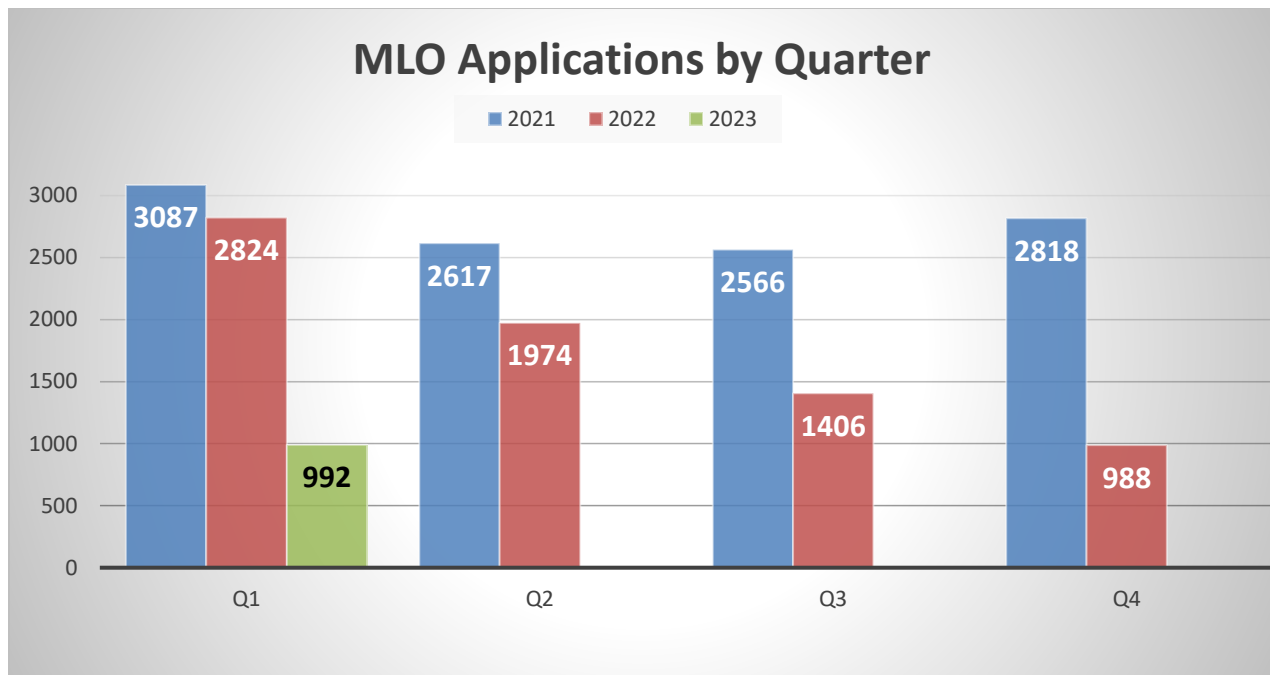
License Types	April 2020	April 2021	April 2022	April 2023	Total Change
Mortgage Broker Main	302	332	359	371	+69
Mortgage Broker Branch	219	180	195	210	-9
Consumer Loan Main	718	791	893	983	+265
Consumer Loan Branch	2,767	3,354	3,713	3,197	+430
MLOs (Active & Inactive)	17,454	22,366	26,953	22,633	+5,179



## Licensing Trends

- Total number of mortgage licensees shrank for first time since 2019
  - Driven by loss in MLO licensees, more than 11,000 didn't renew for 2023
  - Company licensees growing; Consumer Loan up 10%, Mortgage Broker up 3%
  - Branch licensees split; Consumer Loan declined, Mortgage Broker increased
- Licensees located within Washington:
  - About 20% of companies, 30% of branches, and 18% of MLO licensees<sup>1</sup>

<sup>1</sup> Co & Br – report physical address in WA; MLOs – report a residence address in WA



#### **Application Trends**

- Application volume is two very different stories, depending on license type
  - MLO applications steadily declining for all of 2022, continuing into Q1 2023
  - Company applications holding fairly steady in 2022, continuing into Q1 2023
    - Average about 20 or so applications a month, most CL but still new MBs
    - Most mortgage, but some non-mortgage lenders, student loan servicers
- A number of mergers and/or acquisitions causing increase in branch applications
- High volume of closures; +50 CL and 22 MB in 2022; 38 CL and 13 MB in 2023

## **Surety Bond Amounts**

Bond amount for 2023 based on 2022 loan volume in Washington

- Bond to be adjusted by March 1 for Consumer Loan, March 31 for Mortgage Broker

### Consumer Loan – Origination

Origination Volume	Bond Amount
\$0-\$20 million	\$30,000
\$20-\$40 million	\$50,000
\$40-\$50 million	\$100,000
\$50 million +	\$150,000

### Mortgage Broker

Origination Volume	Bond Amount
\$0-\$20 million	\$20,000
\$20-\$40 million	\$40,000
\$40 million +	\$60,000

## **Friendly Licensing Reminders**

New Applications – most common license items

- Undisclosed liens or judgments
- NMLS record not in full legal name/supporting documents not uploaded
- Other disclosure related items

Hiring Already Licensed MLOs – most common license items

- Outdated contact information, especially email, and employment history
- Conflicting registered location vs employment history
- Unlicensed registered location

## **Upcoming Events/Deadlines**

- May 15      Q1 Mortgage Call Report Filing Deadline
- Summer      CE license item set on MLOs without 2022 education completed
- Aug 14      Q2 Mortgage Call Report Filing Deadline

# CS – Examination Unit Report

## Consumer Loan and Mortgage Broker Programs

Mortgage Industry Meeting  
April 13, 2023

### Examination Summary – Consumer Loan Origination

80 Exams completed for October 2022 – March 2023

Composite Rating	Number of Licensees	Avg. Billable Hrs.
1	2	43.5
2	11	104
3	16	95
4	4	151
5	0	0
*N/A	47	N/A

\*N/A includes:

- 44 Initial Compliance Review, 1 Desk Review, 1 RFES and 1 Limited

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

### Common Violations

- **Failure to Provide Rate Lock Agreement:** Licensees are required by the Consumer Loan Act (CLA) to provide borrowers with a new rate lock agreement within three business days of a change to the locked interest rate. Examiners routinely identify failures to provide a revised rate lock following a change to the locked interest rate, including rate lock extensions. See WAC 208-620-510.
- **Inadequate or Nonexistent MLO Supervisory Plans.** This continues to be one of the most common examination findings. WAC 208-620-301(6) 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.
- **Failure to Clearly and Conspicuously Disclose Cost of Discount in Advertising.** When advertising a discounted interest rate, licensees must clearly and conspicuously disclose the cost of the discount and that the rate is discounted. Examiners routinely identify advertised rates that do not disclose or do not conspicuously disclose the fact that the rate is discounted and the cost of the discount. See WACs 208-620-550 and 208-620-630.

### Examination Summary – Residential Mortgage Loan Servicing

35 Exams completed for October 2022 – March 2023

Composite Rating	Number of Licensees	Avg. Billable Hrs.
1	0	0
2	12	106
3	1	113
4	0	0
*N/A	22	N/A

\*N/A includes:

- 22 Desk Reviews

*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**

Various errors lead to this finding such as reporting loans subserviced by a *non-licensed* subservicer (not holding a Consumer Loan license from the Department, for instance banks) as subserviced by a licensed subservicer, not reporting chattel dwelling loans as residential servicing, not reporting bridge loans as servicing, and not reporting loans transferred or paid off during the year.

- **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.

- **Charged Excessive Fees**

This violation is not too common, but examiners have cited it twice in the last six months. Per [WAC 208-620-567](#), "You may charge servicing fees authorized by the loan documents, by the act, or by the borrower. Examples include, but are not limited to, late fees as authorized by the loan documents, insufficient check fees as authorized by the loan documents or as allowed under WAC [208-620-560\(2\)](#), and wire transfer fees for wire transfers requested by the borrower." WAC 208-620-560(2) limits dishonored check fees to \$25.00 or the amount charged by the financial institution. It also says you cannot charge multiple dishonored check fees on the same check. Examiners have cited companies charging higher late fees than allowed by the loan documents (note), and dishonored check fees exceeding the amount charged by their financial institution and exceeding \$25.00.

## **Examination Summary – Mortgage Brokers**

45 Exams completed for October 2022 – March 2023

<b>Composite Rating</b>	<b>Number of Licensees</b>	<b>**Avg. Billable Hrs.</b>
1	5	Not Billed
2	8	Not Billed
3	10	Not Billed
4	4	Not Billed
*N/A	18	Not Billed

\*N/A includes:

- 13 Initial Compliance Review, 2 SWE and 3 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](#).

- **Engaged in a Misleading and Deceptive Practice**

Examiners cite this when a mortgage broker issues pre-approval letters without first obtaining a conditional approval from a lender or Automated Underwriting System (AUS). Mortgage brokers and/or mortgage loan originators do not have the authority to approve mortgage loans. The Department and the public believe a pre-approval is based on a valid authority; not merely an MLO's opinion. Issuing mortgage "pre-approvals" without actually having a valid underwriting result is misleading, deceptive, and a violation of the fiduciary duty mortgage brokers have to their clients. See [RCW 19.146.095](#) and [RCW 19.146.0201\(1\), \(2\), and \(7\)](#).



**Mortgage Industry  
Enforcement Unit Report  
October 1, 2022 – March 31, 2023**

Complaints for this period	MPBA	CLA	All Industries
Received	5	190	449
Closed	14	207	461
Open as of 3/31/2023	7	138	192

**Investigations Open as of March 31, 2023**

Mortgage Broker Practices Act – **22**

Consumer Loan Act – **54**

All Industries – **102**

Enforcement Actions for this period	
CCSA	1
CLA	25
EARA	2
MBPA	11
UMSA	10

**Enforcement Actions for this period – Mortgage Broker Practices Act- 11**

<b>Statements of Charges</b>	<b>7</b>
<b>Temporary Order to Cease and Desist</b>	<b>0</b>
<b>Final Orders</b>	<b>2</b>
<b>Consent Orders/Agreements</b>	<b>2</b>
<b>Civil Actions (Injunction, enforce subpoena)</b>	<b>0</b>
<b>Criminal Referrals</b>	<b>0</b>

### **MBPA Statements of Charges**

<b>C-21-3256-22-SC01</b> – eLink Mortgage LLC; Ge Zhou	12/16/2022
<b>C-22-3401-22-SC01</b> – Free Mortgage Modification Counseling LLC; Alrick A Bainton	10/27/2022
<b>C-21-3148-23-SC01</b> – Joshua Allen Behrens	01/20/2023
<b>C-22-3398-22-SC01</b> – Netsavanh Nicollette Khounphachansy	10/21/2022
<b>C-20-2842-23-SC01</b> – Prestige Mortgage Services Inc; Ivan Ephraim Jensen	03/29/2023
<b>C-22-3442-23-SC01</b> – Solamere Mortgage LLC; Peterson Funding LLC; Jonathan Hank Baird; Brent Peterson	03/10/2023
<b>C-21-3079-22-SC01</b> – United Processing Services Inc.; Alan Shane Hurd	12/19/2022

### **MBPA Final Orders**

<b>C-21-3148-23-FO01</b> – Behrens, Joshua Allen	03/08/2023
<b>C-22-3398-22-FO01</b> – Netsavanh Nicollette Khounphachansy	12/19/2022

### **MBPA Consent Orders**

<b>C-22-3296-22-CO02</b> – Matthew Palmer Deghi	11/01/2022
<ul style="list-style-type: none"><li>• \$336 Investigation Fee</li><li>• \$4,500 Fine (STAYED)</li><li>• Industry Prohibition until 11/01/2027</li></ul>	
<b>C-22-3404-22-CO01</b> – Mortgage Café NW LLC; Adrian Hinckley	01/12/2023
<ul style="list-style-type: none"><li>• \$600 Investigation Fee</li><li>• \$5,500 Fine</li></ul>	

### **Enforcement Actions for this period – Consumer Loan Act – 25**

<b>Statements of Charges</b>	<b>8</b>
<b>Temporary Order to Cease and Desist</b>	<b>1</b>
<b>Final Orders</b>	<b>6</b>
<b>Consent Orders/Agreements</b>	<b>10</b>
<b>Civil Actions</b> (Injunction, enforce subpoena)	<b>0</b>
<b>Criminal Referrals</b>	<b>0</b>

### **CLA Statements of Charges**

<b>C-22-3274-22-SC01</b> – Cake Mortgage Corp dba Millennial Home Lending Inc.;	01/30/2023
David Abelyan	
<b>C-22-3407-22-SC01</b> – David John McAuliff	10/21/2022
<b>C-21-3086-22-SC01</b> – E Mortgage Capital Inc.; Wesam H Hijazin; Christopher Adam	10/27/2022
Hill; Joseph Nagib Shalaby; Frank Peter Marino III	
<b>C-22-3406-22-SC01</b> – Nathan Cummings	10/21/2022
<b>C-22-3436-23-SC01</b> – Nestor Diaz, Jr.	03/01/2023
<b>C-21-3175-23-SC01</b> – Randolph Anthony Stolle	03/10/2023
<b>C-22-3441-22-SC01</b> – Sign On The Line Inc.; Jason Taylor Salcido	12/16/2022
<b>C-22-3405-23-SC01</b> – West One Capital Group, Inc.; Bryan Kevin Bond	02/27/2023

### **CLA Temporary Cease and Desist**

<b>C-22-3489-22-TD01</b> – BlockFi Lending LLC	11/22/2022
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### **CLA Final Orders**

<b>C-22-3489-22-FO01</b> – BlockFi Lending LLC	12/16/2022
<b>C-22-3407-22-FO01</b> – David John McAuliff	12/19/2022
<b>C-22-3380-23-FO01</b> – Michael Harrison Kersen	02/07/2023
<b>C-22-3406-22-FO01</b> – Nathan Cummings	12/19/2022
<b>C-22-3441-23-FO01</b> – Sign On The Line Inc.; Jason Taylor Salcido	03/01/2023
<b>C-20-2924-21-FO01</b> – Universal Mortgage & Finance Inc.	11/09/2022

### **CLA Consent Orders**

<b>C-21-3086-23-CO02</b> – Christopher Adam Hill	03/10/2023
<ul style="list-style-type: none"><li>• \$60,000 Fine (\$30,000 STAYED)</li><li>• Industry Prohibition until 03/10/2026 (STAYED)</li><li>• MLO license revoked (STAYED)</li><li>•</li></ul>	
<b>C-21-3086-22-CO01</b> – E Mortgage Capital Inc; Wesam H Hijazin; Joseph Nagib	01/05/2023
Shalaby; Frank Peter Marino III	
<ul style="list-style-type: none"><li>• \$7,277,10 Investigation Fee</li><li>• \$220,000 Fine (\$145,000 STAYED)</li><li>• \$30,000 Financial Literacy and Education</li><li>• Industry Prohibition until 01/05/2026 (STAYED)</li><li>• E Mortgage Capital Inc.’s CL license revoked (STAYED)</li></ul>	

<b>C-22-3472-23-CO01</b> – Educational Computer Systems Inc	03/31/2023
<ul style="list-style-type: none"> <li>• \$1,207,67 Investigation Fee</li> <li>• \$10,000 Fine</li> </ul>	
<b>C-22-3394-22-CO01</b> – HomeLink Group LLC	02/10/2023
<ul style="list-style-type: none"> <li>• \$500 Investigation Fee</li> <li>• \$1,500 Fine</li> <li>• \$7,000 Restitution</li> <li>• Industry Prohibition until 02/10/2028</li> </ul>	
<b>C-22-3270-22-CO01</b> – Kenneth Garland To	12/16/2022
<ul style="list-style-type: none"> <li>• \$655 Investigation Fee</li> <li>• \$7,500 Fine (\$6,500 STAYED)</li> <li>• MLO license surrendered</li> <li>• Industry Prohibition until 12/16/2027</li> </ul>	
<b>C-22-3370-23-CO01</b> – Loyalty Funding Inc.; Tam Thuy Nguyen	03/07/2023
<ul style="list-style-type: none"> <li>• Loyalty Funding, Inc.’s CL license is surrendered</li> </ul>	
<b>C-22-3478-22-CO01</b> – Primis Mortgage Company	11/02/2022
<ul style="list-style-type: none"> <li>• \$2,000 Fine</li> </ul>	
<b>C-20-3036-22-CO01</b> – Quantum Equities LLC; Carl Cook	12/29/2022
<ul style="list-style-type: none"> <li>• \$1,000 Investigation Fee</li> <li>• \$11,325 Fine (STAYED)</li> <li>• Industry Prohibition – Permanent</li> </ul>	
<b>C-21-3202-22-CO01</b> – Seneca One LLC; Brian Nasser Javadpour	01/30/2023
<ul style="list-style-type: none"> <li>• \$1,035.15 Investigation Fee</li> <li>• \$9,750 Fine (STAYED)</li> <li>• Industry Prohibition until 01/30/2028 (Seneca)</li> <li>• Agreement to Not Apply until: 01/30/2027 (Javadpour)</li> </ul>	
<b>C-22-3426-22-CO01</b> – UNISA Inc.	12/29/2022
<ul style="list-style-type: none"> <li>• \$1,138.66 Investigation Fee</li> <li>• \$5,000 Fine</li> </ul>	
<b>C-22-3472-23-CO01</b> – Educational Computer Systems Inc	03/31/2023
<ul style="list-style-type: none"> <li>• \$1,207,67 Investigation Fee</li> <li>• \$10,000 Fine</li> </ul>	

