

**ORDER SUMMARY – Case Number: C-08-377**

**Name(s):** Compass Mortgage LLC dba www.compasslending.com  
William McKinley

**Order Number:** C-08-377-10-CO01

**Effective Date:** December 2, 2010

**License Number:** DFI: 25613 [NMLS: 88737] -McKinley  
**Or NMLS Identifier [U/L]** DFI: 25400 [NMLS: 82475] -Compass  
(Revoked, suspended, stayed, application denied or withdrawn)  
If applicable, you must specifically note the ending dates of terms.

**License Effect:** Compass – 10 yr ban  
McKinley – 5 yr ban

**Not Apply Until:** December 3, 2020

**Not Eligible Until:** December 3, 2020

**Prohibition/Ban Until:** December 3, 2020

|  |  |     |  |                    |
|--|--|-----|--|--------------------|
| <b>Investigation Costs</b>             | \$1,200  | Due | Paid<br><input checked="" type="checkbox"/> Y <input type="checkbox"/> N | Date<br>11/24/2010 |
| <b>Fine</b>                            | \$27,000   | Due | Paid<br><input checked="" type="checkbox"/> Y <input type="checkbox"/> N | Date<br>10/28/2013 |
| <b>Assessment(s)</b>                   | \$   | Due | Paid<br><input type="checkbox"/> Y <input type="checkbox"/> N            | Date               |
| <b>Restitution</b>                     | \$   | Due | Paid<br><input type="checkbox"/> Y <input type="checkbox"/> N            | Date               |
| <b>Judgment</b>                        | \$27,000   | Due | Paid<br><input checked="" type="checkbox"/> Y <input type="checkbox"/> N | Date               |
| <b>Satisfaction of Judgment Filed?</b> | <input checked="" type="checkbox"/> Y <input type="checkbox"/> N |     | 12/16/2013   |                    |
|  | No. of<br>Victims:   |     |  |                    |

Comments: Mr. McKinley is allowed to pursue a loan originator license. The prohibition and do not apply conditions apply to him obtaining any license other than Mortgage Loan Originator



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**STATE OF WASHINGTON  
THURSTON COUNTY SUPERIOR COURT**

STATE OF WASHINGTON,  
DEPARTMENT OF FINANCIAL  
INSTITUTIONS,

Plaintiff,

v.

COMPASS MORTGAGE LLC  
d/b/a  
WWW.COMPASSLENDING.COM  
and WILLIAM C. MCKINLEY,

Defendants.

NO. 11-2-00912-0

SATISFACTION OF JUDGMENT

**(CLERK'S ACTION REQUIRED)**

**JUDGMENT SUMMARY**

|  |   |
|--|---|
| <b>Judgment Creditor:</b>                  | State of Washington,<br>Department of Financial Institutions                |
| <b>Attorneys for Judgment Creditor:</b>    | Robert W. Ferguson<br>Attorney General                                      |
|  | Ian S. McDonald<br>Assistant Attorney General<br>WSBA #41403                |
| <b>Judgment Debtor:</b>                    | Compass Mortgage LLC<br>d/b/a www.compasslending.com<br>William C. McKinley |
| <b>Amount of Judgment:</b>                 | \$27,000.00   |
| <b>Post-Judgment Interest (Per Annum):</b> | 12%   |
| <b>Total Judgment:</b>                     | \$27,000.00   |

1 WHEREAS Plaintiff, State of Washington Department of Financial Institutions  
2 (Department), the judgment creditor in the above-described action in the Superior Court of the  
3 County of Thurston, wherein the Department was petitioner and debtors Compass Mortgage  
4 LLC d/b/a www.compasslending.com and William C. McKinley were respondents, hereby  
5 acknowledges full satisfaction of the judgment recovered against Respondents in the amount of  
6 \$27,000.00 on April 21, 2011 under cause number I1-2-00912-0 in reference to Statement of  
7 Charges No. C-08-377-08-SC01 entered January 8, 2009.

8 NOW THEREFORE, full satisfaction of judgment is hereby acknowledged and the  
9 clerk of the court is authorized and directed to cancel, satisfy and discharge the judgment.

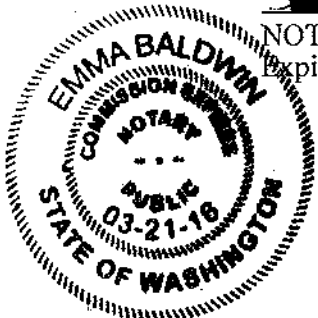
10 Dated this 9<sup>th</sup> day of December, 2013.

11 \_\_\_\_\_  
12  
13 Charles Clark  
14 Enforcement Program Manager  
15 Division of Consumer Services  
16 Department of Financial Institutions  
17 Judgment Creditor

16 STATE OF WASHINGTON )  
17 ) ss.  
18 COUNTY OF THURSTON )

18 I certify that I know or have satisfactory evidence that CHARLES CLARK  
19 signed this instrument, on oath and stated that he was authorized to execute the instrument and  
20 acknowledged it pursuant to his authority delegated from the Director of the Division of  
21 Consumer Services of the Washington State Department of Financial Institutions.

22 GIVEN under my hand and official seal this 9<sup>th</sup> day of DECEMBER 2013



22 NOTARY PUBLIC, My Commission  
23 Expires: 3/21/16

FILED  
SUPERIOR COURT  
THURSTON COUNTY, WA

RECEIVED  
RESPONDENT

2011 APR 21 PM 4:45

APR 26 2011

BETTY J. GOULD, CLERK  
ENFORCEMENT UNIT  
DIVISION OF CONSUMER SERVICES  
DEPT OF FINANCIAL INSTITUTIONS

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STATE OF WASHINGTON  
THURSTON COUNTY SUPERIOR COURT

STATE OF WASHINGTON,  
DEPARTMENT OF FINANCIAL  
INSTITUTIONS,

Plaintiff,

v.

COMPASS MORTGAGE LLC  
DBA  
WWW.COMPASSLENDING.COM and  
WILLIAM C. MCKINLEY,

Defendants.

NO.

11 - 2 - 00912 - 0

CONFESSION OF JUDGMENT

Judgment Summary

|  |  |
|--|--|
| Judgment Creditors for Fine and Cost of Investigation: | State of Washington, Department of Financial Institutions                        |
| Attorneys for Department of Financial Institutions:    | Robert M. McKenna, Attorney General<br>Kate Reynolds, Assistant Attorney General |
| Judgment Debtor:                                       | Compass Mortgage LLC<br>dba <u>www.compasslending.com</u><br>William C. McKinley |
| Principal Judgment Amount for Fine:                    | \$27,000 owed to the Department of Financial Institutions                        |
| Total Judgment Amount:                                 | \$27,000   |
| Post-Judgment Interest (per annum):                    | 12%  |



1 Pursuant to Chapter 4.60 of the Revised Code of Washington, Judgment by Confession,  
2 defendants Compass Mortgage LLC dba www.compasslending.com and William C. McKinley  
3 hereby authorize entry of a judgment under the following terms:

4 Factual Basis for Judgment

5 The State of Washington, Department of Financial Institutions, Compass Mortgage LLC  
6 dba www.compasslending.com and William C. McKinley have agreed upon a basis for resolution  
7 of the matters alleged in Statement of Charges No. C-08-377-08-SC01 (Statement of Charges),  
8 entered January 8, 2009. Compass Mortgage LLC dba www.compasslending.com and  
9 William C. McKinley have agreed to enter into a Confession of Judgment, pursuant to  
10 chapter 4.60 RCW, in the amount of \$27,000.

11 Authorization for Entry of Judgment

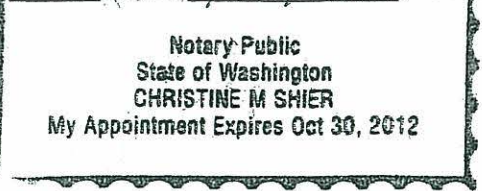
12 I, William C. McKinley, both individually and as Owner, Designated Broker and Loan  
13 Originator of Compass Mortgage LLC dba www.compasslending.com, being duly sworn upon  
14 oath, acknowledge the debt of \$27,000 owed to the Department of Financial Institutions, and I  
15 authorize entry of judgment against me and Compass Mortgage LLC dba  
16 www.compasslending.com for the amount set forth in the judgment summary above.

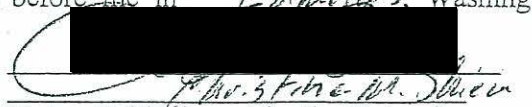
17 DATED this 17 day of November, 2010.



19 WILLIAM C. MCKINLEY  
20 Individually and  
21 as Owner, Designated Broker and Loan  
22 Originator of Compass Mortgage LLC dba  
23 www.compasslending.com

22 SUBSCRIBED AND SWORN TO before me in Edmonds, Washington this  
23 17 day of November, 2010.



24   
25 Notary Public in and for the State of  
26 Washington, residing at Edmonds,  
Washington.  
My Commission expires: 10/30/2012

1 Order for Entry

2 The above Confession of Judgment having been presented to this Court for entry in  
3 accordance with RCW 4.60.070, the Court having found said Confession of Judgment to be  
4 sufficient, now, therefore, it is hereby


5 ORDERED that the Clerk of this Court shall forthwith enter Judgment against Compass  
6 Mortgage LLC dba www.compasslending.com and William C. McKinley, in accordance with the  
7 terms of the Confession of Judgment.

8 DONE IN OPEN COURT this 21 day of April, 2010.

9   
10 JUDGE/COURT COMMISSIONER

11 Presented by:

12 ROBERT M. MCKENNA  
13 Attorney General

14   
15 ~~KATE REYNOLDS~~, WSBA No. ~~37498~~  
16 Assistant Attorney General 26846  
17 LISA K. ELLEY  
Attorneys for State of Washington  
Department of Financial Institutions



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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
DIVISION OF CONSUMER SERVICES**

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IN THE MATTER OF DETERMINING  
Whether there has been a violation of the  
Mortgage Broker Practices Act of Washington  
by:

NO. C-08-377-10-CO01

CONSENT ORDER

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COMPASS MORTGAGE LLC, dba  
WWW.COMPASSLENDING.COM, and  
WILLIAM C. MCKINLEY, Owner, Designated  
Broker and Loan Originator,

Respondents.

COMES NOW the Director of the Department of Financial Institutions (Director), through his designee Deborah Bortner, Division Director, Division of Consumer Services, and Compass Mortgage LLC dba www.compasslending.com (hereinafter Respondent Compass) and William McKinley, owner, designated broker, and loan originator (hereinafter Respondent McKinley), by and through their attorney John Long, and finding that the issues raised in the above-captioned matter may be economically and efficiently settled, agree to the entry of this Consent Order. This Consent Order is entered pursuant to chapter 19.146 of Revised Code of Washington (RCW), and RCW 34.05.060 of the Administrative Procedure Act, based on the following:

**AGREEMENT AND ORDER**

The Department of Financial Institutions, Division of Consumer Services (Department) and Respondents have agreed upon a basis for resolution of the matters alleged in Statement of Charges No. C-08-377-08-SC01 (Statement of Charges), entered January 8, 2009, (copy attached hereto). Pursuant to chapter 19.146 RCW, the Mortgage Broker Practices Act (Act) and RCW 34.05.060 of the

1 Administrative Procedure Act, Respondents hereby agree to the Department's entry of this Consent Order  
2 and further agree that the issues raised in the above-captioned matter may be economically and efficiently  
3 settled by entry of this Consent Order. The parties intend this Consent Order to fully resolve the  
4 Statement of Charges and agree that Respondents do not admit any wrongdoing by its entry.  
5 Respondents are agreeing not to contest the Statement of Charges in consideration of the terms of this  
6 Consent Order.

7 Based upon the foregoing:

8  
9 **A. Jurisdiction.** It is AGREED that the Department has jurisdiction over the subject matter of  
10 the activities discussed herein.

11 **B. Waiver of Hearing.** It is AGREED that Respondents have been informed of the right to a  
12 hearing before an administrative law judge, and hereby waive their right to a hearing and any and all  
13 administrative and judicial review of the issues raised in this matter, or of the resolution reached herein.  
14 Accordingly, Respondents, by their signatures below, withdraw their appeal to the Office of  
15 Administrative Hearings.

16 **C. No Admission of Liability.** The parties intend this Consent Order to fully resolve the  
17 Statement of Charges and agree that Respondents do not admit to any wrongdoing by its entry.

18 **D. Stipulation to Facts.** It is AGREED that Respondent Compass stipulates and agrees to the  
19 factual allegations as outlined in section I of Statement of Charges No. C-08-377-08-SC01, which is  
20 incorporated herein by reference.

21  
22 **E. Prohibition from Industry.** It is AGREED that Respondent Compass is prohibited from  
23 participating in the conduct of the affairs of any escrow agent, mortgage broker, money transmitter,  
24 consumer lender, check casher or seller licensed by the Department or any person subject to licensure or  
25



1 regulation by the Department or any mortgage broker exempt from Washington law under  
2 RCW 19.146.020 for 10 years from the date of entry of this Consent Order in any capacity, including but  
3 not limited to: (1) any financial capacity whether active or passive or (2) as an officer, director, principal,  
4 designated broker, employee, or loan originator or (3) any management, control, oversight or  
5 maintenance of any trust account(s) in any way related to any residential mortgage transaction or (4)  
6 receiving, disbursing, managing or controlling in any way, consumer trust funds in any way related to any  
7 residential mortgage transaction.

8  
9 **F. Application for License.** It is AGREED that Respondent Compass shall not apply to the  
10 Department for any license under any name for a period of 10 years from the date of entry of this Consent  
11 Order. It is further AGREED that, should Respondent Compass apply to the Department for any license  
12 under any name at any time later than 10 years from the date of entry of this Consent Order, Respondent  
13 Compass shall be required to meet any and all application requirements in effect at that time.

14 **G. Prohibition from Industry.** It is AGREED that Respondent McKinley is prohibited from  
15 participating in the conduct of the affairs of any escrow agent, mortgage broker, money transmitter,  
16 consumer lender, check casher or seller licensed by the Department or any person subject to licensure or  
17 regulation by the Department or any mortgage broker exempt from Washington law under  
18 RCW 19.146.020 for 10 years from the date of entry of this Consent Order in any capacity except as a  
19 loan originator, including but not limited to: (1) any financial capacity whether active or passive or (2) as  
20 an officer, director, principal, designated broker, or employee or (3) any management, control, oversight  
21 or maintenance of any trust account(s) in any way related to any residential mortgage transaction or (4)  
22 receiving, disbursing, managing or controlling in any way, consumer trust funds in any way related to any  
23 residential mortgage transaction. HOWEVER, this agreement will not preclude Respondent McKinley  
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1 from applying for a Loan Originator license and if otherwise eligible assuming the duties of such under  
2 the Mortgage Broker Practices Act or the Consumer Loan Act.

3 **H. Application for License.** It is AGREED that Respondent McKinley shall not apply to the  
4 Department for any license under any name for a period of 5 years from the date of entry of this Consent  
5 Order. It is further AGREED that, should Respondent McKinley apply to the Department for any license  
6 under any name at any time later than 5 years from the date of entry of this Consent Order, Respondent  
7 McKinley shall be required to meet any and all application requirements in effect at that time. This  
8 agreement will not preclude Respondent McKinley from applying for a Loan Originator license under the  
9 Mortgage Broker Practices Act or the Consumer Loan Act provided that he meets the applicable  
10 licensing requirements. The conduct giving rise to the Statement of Charges will not be used by the  
11 Department in assessing an application by Respondent McKinley for a Loan Originator license.  
12

13 **I. Rights of Non-Parties.** It is AGREED that the Department does not represent or have the  
14 consent of any person or entity not a party to this Consent Order to take any action concerning their  
15 personal legal rights. It is further AGREED that for any person or entity not a party to this Consent  
16 Order, this Consent Order does not limit or create any private rights or remedies against Respondents,  
17 limit or create liability of Respondents, or limit or create defenses of Respondents to any claims.  
18

19 **J. Confession of Judgment for Fine.** It is AGREED that Respondents have entered into a  
20 Confession of Judgment for a fine in the amount of \$27,000 owed to the Department. A copy of this  
21 Confession of Judgment is attached and incorporated into this Consent Order by this reference.  
22 Consistent with Chapter 4.60 of the Revised Code of Washington, the Department may immediately seek  
23 entry of the judgment. Respondents shall, upon the Department's request, fully and promptly cooperate  
24 with the Department in its efforts to get the judgment entered by the superior court.  
25



1           **K. Investigation Fee.** It is AGREED that Respondents shall pay to the Department an  
2 investigation fee of \$1,200, in the form of a cashier's check made payable to the "Washington State  
3 Treasurer," upon entry of this Consent Order.

4           **L. Authority to Execute Order.** It is AGREED that the undersigned have represented and  
5 warranted that they have the full power and right to execute this Consent Order on behalf of the parties  
6 represented.

7           **M. Non-Compliance with Order.** It is AGREED that Respondents understand that failure to  
8 abide by the terms and conditions of this Consent Order may result in further legal action by the  
9 Director. In the event of such legal action, Respondents may be responsible to reimburse the Director  
10 for the cost incurred in pursuing such action, including but not limited to, attorney fees.


11           **N. Voluntarily Entered.** It is AGREED that the undersigned Respondents have voluntarily  
12 entered into this Consent Order, which is effective when signed by the Director's designee.

13           **O. Completely Read, Understood, and Agreed.** It is AGREED that Respondents have read  
14 this Consent Order in its entirety and fully understand and agree to all of the same.

15  
16 **RESPONDENTS:**

17 **COMPASS MORTGAGE LLC dba**  
18 **WWW.COMPASSLENDING.COM**

19 By:

20   
21 William C. McKinley  
22 Owner, Designated Broker, Loan Originator

11/17/10  
Date

23   
24 William C. McKinley, Individually

11/17/10  
Date

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[Redacted]

John Long, WSBA No. 15119  
Attorney at Law  
Attorney for Respondents

11-19-10

Date

DO NOT WRITE BELOW THIS LINE

THIS ORDER ENTERED THIS 2<sup>nd</sup> DAY OF December, 2010.

[Redacted]

DEBORAH BORTNER  
Director  
Division of Consumer Services  
Department of Financial Institutions



Presented by:

[Redacted]

WILLIAM HALSTEAD  
Financial Legal Examiner

Approved by:

[Redacted]

JAMES R. BRUSSELBACK  
Enforcement Chief



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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
DIVISION OF CONSUMER SERVICES**

IN THE MATTER OF DETERMINING  
Whether there has been a violation of the  
Mortgage Broker Practices Act of Washington by:

COMPASS MORTGAGE LLC, dba  
WWW.COMPASSLENDING.COM, and  
WILLIAM C. MCKINLEY, Owner, Designated  
Broker and Loan Originator,

Respondents.

NO. C-08-377-08-SC01

STATEMENT OF CHARGES and NOTICE OF  
INTENTION TO ENTER AN ORDER TO REVOKE  
OR SUSPEND LICENSES, PROHIBIT FROM  
INDUSTRY, IMPOSE FINE, ORDER RESTITUTION,  
AND COLLECT INVESTIGATION FEE

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**INTRODUCTION**

Pursuant to RCW 19.146.220 and RCW 19.146.223, the Director of the Department of Financial  
Institutions of the State of Washington (Director) is responsible for the administration of chapter 19.146 RCW, the  
Mortgage Broker Practices Act (Act). After having conducted an investigation pursuant to RCW 19.146.235, and  
based upon the facts available as of the date of this Statement of Charges, the Director, through his designee,  
Division of Consumer Services Director Deborah Bortner, institutes this proceeding and finds as follows:

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**I. FACTUAL ALLEGATIONS**

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**1.1 Respondents.**

A. **Compass Mortgage LLC (Compass)** was licensed by the Department of Financial Institutions  
of the State of Washington (Department) to conduct business as a mortgage broker on October 22, 2003, and  
has continued to be licensed to date. Respondent Compass is licensed to conduct the business of a mortgage  
broker at 2 locations, a main office at 110 3<sup>rd</sup> Ave. Ste. 202, Edmonds, Washington, and a branch location at  
19312 60<sup>th</sup> Ave. W. Ste D. Lynnwood, Washington.

B. **William C. McKinley (McKinley)** is the Designated Broker for Respondent Compass.  
Respondent McKinley was named Designated Broker of Respondent Compass on October 22, 2003. On

1 February 14, 2007, Respondent McKinley was issued a loan originator license which is effective through  
2 December 31, 2008.

3 **1.2 Examination.** On October 20, 2008, the Department conducted an examination of the records of  
4 Respondent Compass. The Department's examination covered a time frame from April 1, 2006, through  
5 September 30, 2008, and included the review of 30 loan files. As a result of the examination, the Department  
6 discovered violations of the Act as outlined below.

7 **1.3 Failure to Deliver or Complete Rate-Lock Disclosures.** Respondents did not deliver or complete  
8 rate-lock disclosures to 26 borrowers which would provide the borrowers with information as to whether the  
9 rate is locked, not locked, guaranteed, or subject to change.

10 **1.4 Failure to Properly Display Loan Originator's License Number on Loan Applications.**  
11 Respondents did not include the loan originator license numbers on 23 residential mortgage loan applications.

12 **1.5 Failure to Disclose Processing Fees and Administrative Fees on the Good Faith Estimate.**  
13 Respondent Compass did not specify in the Good Faith Estimate (GFE), that it was charging 17 borrowers, a  
14 processing or administration fee. The 17 borrowers were charged undisclosed processing fees of \$10,515 and  
15 undisclosed administration fees of \$300.

16 **1.6 Failure to Provide Variable Rate Disclosures.** Respondents did not provide the Variable Rate  
17 Mortgage Program Disclosure to 4 borrowers within 3-days of applying for a residential mortgage loan.

18 **1.7 Failure to Provide Written Explanation of Fee Increases that Inured to the Benefit of the Broker.**  
19 Respondent Compass did not provide 11 borrowers with a written explanation for increases in the Yield Spread  
20 Premium (YSP) from the initial Good Faith Estimate to the final HUD-1. While Respondent Compass provided  
21 a new GFE disclosing the fee increases, it did not provide a written explanation. The following is a list of the  
22 borrowers who were not provided a written explanation along with the difference from the GFE disclosure to  
23 the HUD-1.

24 //

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| Borrower     | App. Date | Settlement Date | YSP on Initial GFE  | YSP on HUD-1         | Difference         |
|--------------|-----------|-----------------|---------------------|----------------------|--------------------|
| T.C.         | 7/7/08    | 7/30/08         | \$3,189 or 1.25%    | \$4,207.71 or 1.625% | \$ 918.71          |
| N.C.         | 6/24/08   | 7/11/08         | \$1,648 or 0.761%   | \$2,440.76 or 1.125% | \$ 792.76          |
| B.G.         | 8/12/08   | 9/25/08         | \$5,203.00 or 1.75% | \$8,651.54 or 2.875% | \$3,448.54         |
| C.G.         | 7/29/08   | 9/25/08         | \$2162.00 or 1%     | \$4,123.41 or 1.875% | \$1,842.41         |
| J.J.         | 7/11/08   | 7/31/08         | \$0 or 0%           | \$ 964.94 or .37%    | \$ 964.94          |
| J. Ju.       | 8/15/08   | 9/15/08         | \$0 or 0%           | \$5,662.76 or 2.125% | \$5,662.76         |
| M.M.         | 3/20/08   | 5/9/08          | \$1,031.00 or .616% | \$2,512.13 or 1.5%   | \$1,481.13         |
| T.O.         | 2/8/08    | 4/2/08          | \$3000 or .87%      | \$7,119.12 or 2.161% | \$4,119.12         |
| W.S.         | 5/22/08   | 7/29/08         | \$0 or 0%           | \$1,370.25 or .75%   | \$1,370.25         |
| D.V.         | 8/27/08   | 9/29/08         | \$0 or 0%           | \$3,012.59 or 2.125% | \$3,012.59         |
| <b>Total</b> |           |                 |                     |                      | <b>\$23,613.21</b> |

Respondent Compass did not provide Borrower P.F. (below) with a written explanation or subsequent disclosure for commitment fees that were charged on the HUD-1.

| Borrower | App. Date | Settlement Date | Commitment Fee on GFE | Commitment Fee on HUD-1 | Difference |
|----------|-----------|-----------------|-----------------------|-------------------------|------------|
| P.F.     | 07/31/08  | 8/29/08         | \$ 0                  | \$ 229.50               | \$ 229.50  |

**1.8 Failure to Properly Disclose the Yield Spread Premium on the Good Faith Estimate.** Respondent Compass incorrectly disclosed the YSP on GFEs provided to 17 borrowers. Respondent Compass did not describe the fee as a "yield spread premium," but rather "YSP." Respondent Compass did not properly disclose the YSP in the 800 series of the GFE, but another series on the GFE.

**1.9 Failure to Provide Notice of Right to Obtain Third Party Reports.** Respondents were required to provide loan applicants with a notice that informs them if they are not approved for a loan, they may obtain copies of third party reports (appraisal, title report, credit reports, etc.) within 5 days of making a written request to the mortgage broker. The broker must provide the third party reports to the loan applicants within 5 days of receiving a written request. The Respondents did not provide 30 loan applicants with this notice. During the examination, the Respondents indicated they were unaware of this disclosure requirement which is why all 30 loan files examined were missing this notice.

1 **1.10 Failure to Provide Trust Account Disclosures.** Respondents did not provide 30 borrowers with trust  
2 account statements for third-party provider services. The statement is provided to inform borrowers that monies  
3 they paid to a broker for third-party services are held in a trust account and any monies remaining after payment  
4 to third-party providers will be refunded.

5 **1.11 Charging Prohibited Discount Fees as a Broker.** Respondent Compass charged 5 borrowers loan  
6 discount fees when it was not the lender but the broker. The 5 borrowers were charged the following discount  
7 fees:

| Borrower     | Application Date | Settlement Date | Amount of Discount |
|--------------|------------------|-----------------|--------------------|
| C.A.         | 3/25/08          | 4/11/08         | \$1,846.03         |
| E.B.         | 6/29/08          | 8/8/08          | \$1,968.81         |
| T.M.         | 6/18/08          | 7/30/08         | \$2,560.08         |
| T.O.         | 2/8/08           | 4/2/08          | \$3,285.24         |
| W.S.         | 5/22/08          | 7/29/08         | \$1,827.00         |
| <b>Total</b> |                  |                 | <b>\$11,487.16</b> |

12  
13 **1.12 Occupancy Misrepresentation.** Respondents employed a scheme to mislead and defraud mortgage  
14 lenders by completing a refinance and purchase transaction for the same borrower on two different properties  
15 while submitting both properties as owner-occupied to lenders.

16 On July 16, 2008, Respondent McKinley accepted two loan applications from Borrower M.E.W. for the  
17 purchase of a residence in Shoreline, Washington and for a refinance of a property in Seattle, Washington. The  
18 loans were submitted to two separate lenders. The application for the purchase (Shoreline property) indicated  
19 the refinance property (Seattle property) was owned free and clear. In addition, both loan applications indicated  
20 the borrower would be residing in both of them. Both lenders funded each loan without knowing the other loan  
21 was pending.

22 In addition, Respondents did not provide Borrower M.E.W. with the initial home equity line of credit  
23 disclosure.



**1.13 Failure to Provide One-Page Disclosure Summary.** Respondent Compass did not provide 16 borrowers with the one-page disclosure summary, identifying material aspects of residential mortgage loans, within 3 business days of receiving a loan application.

**1.14 Unlicensed Loan Originator Activity.** Respondents employed 4 unlicensed loan originators that originated 6 loans. Two of the loan originators originated loans for Respondent Compass when each was individually licensed, but not affiliated with Respondent Compass. Another loan originator originated a loan for the Respondents when his license was inactive, and the fourth loan originator originated a loan for the Respondents that had never obtained a loan originator license.

Between at least June 4, 2008 and September 29, 2008, Respondents assisted at least 6 borrowers in applying to obtain residential mortgage loans on property located in the State of Washington from the unlicensed loan originators. The borrowers involved in these residential mortgage loans paid fees to Respondents totaling \$31,265.89 as follows:

| Loan Originator    | Borrower | Status of Loan Originator                                | Application Date | Settlement Date   | Fees Paid by Borrower |
|--------------------|----------|--|------------------|-------------------|-----------------------|
| Goldwire, Alphonso | R.F.     | Loan Originator not licensed with the Respondent Compass | 6/4/08           | 8/15/08           | \$900                 |
| Paulsen, David     | W.M.     | Inactive Loan Originator License                         | 6/12/08          | 8/25/08           | \$6,735               |
| Paulsen, David     | J.P.     | Inactive Loan Originator License                         | 7/16/08          | 8/20/08           | \$4,320               |
| Shouse, David      | B.G.     | No Loan Originator License                               | 8/12/08          | 9/25/08           | \$12,412.62           |
| Shouse, David      | D.V.     | No Loan Originator License                               | 8/27/08          | 9/29/08           | \$5,122.78            |
| Varela, Annette    | S.C.     | Loan Originator not licensed with the Respondent Compass | 8/14/08          | 9/12/08           | \$1,775.49            |
|                    |          |  |                  | <b>Total Fees</b> | <b>\$31,265.89</b>    |

**1.15 Failure to Provide Disclosures Within 3 Business Days of Loan Application.** Respondent Compass did not provide Borrower C.G. with required disclosures within 3 business days of applying for a loan.

Borrower C.G. applied for a loan on July 29, 2008, and did not receive a GFE and TIL until September 6, 2008.

1 **1.16 Charging an Unearned Mortgage Broker Fee and a Loan Origination Fee.** Respondent Compass  
2 charged a borrower an unearned mortgage broker fee and a loan origination fee on the same transaction.  
3 Respondent Compass charged Borrower J.P. a loan origination fee of \$3,006.51 and a mortgage broker fee of  
4 \$2,944.52 on the same transaction.

5 **1.17 Failure to Properly Disclose Mortgage Broker Fee on Good Faith Estimates.** Respondent Compass  
6 used line 801, as opposed to lines 808-811, of the GFE to disclose Respondent Compass' mortgage broker fee  
7 on 7 loans.

8 **1.18 Failure to Disclose the Yield Spread Premium on the Good Faith Estimate.** Respondent Compass  
9 did not disclose the YSP on the GFE to two borrowers. The following borrowers did not receive a GFE that  
10 disclosed the YSP they were charged:

| Borrower | Application Date | Settlement Date | YSP Amount not disclosed on GFE |
|----------|------------------|-----------------|---------------------------------|
| A.M.     | 5/13/08          | 7/11/08         | \$2,413.28                      |
| M.W.     | 7/16/08          | 7/25/07         | \$1,950.00                      |

13  
14 **1.19 On-Going Investigation.** The Department's investigation into the alleged violations of the Act by  
15 Respondents continues to date.

## 16 II. GROUNDS FOR ENTRY OF ORDER

17 **2.1 Prohibited Acts.** Based on the Factual Allegations set forth in Section I above, Respondents are in  
18 apparent violation of RCW 19.146.0201(1), (2), (3), (6), (7), (11), (13) and (15) for directly or indirectly  
19 employing a scheme, device or artifice to defraud or mislead borrowers or lenders or any person, engaging in an  
20 unfair or deceptive practice toward any person, obtaining property by fraud or misrepresentation, failing to  
21 make disclosures to loan applicants and non-institutional investors as required by RCW 19.146.030 and any  
22 other applicable state or federal law, making, in any manner, any false or deceptive statement or representation  
23 with regard to the rates, points, or other financing terms or conditions for a residential mortgage loan or  
24 engaging in bait and switch advertising, failing to comply with any requirement of the Truth In Lending Act, 15  
25 U.S.C. Sec. 1601 and Regulation Z, 12 C.F.R. Sec. 226, and the Real Estate Settlement Procedures Act, 12

1 U.S.C. Sec. 2601 and Regulation X, 24 C.F.R. Sec. 3500, for collecting, charging, attempting to collect or  
2 charge or using or proposing any agreement purporting to collect or charge any fee prohibited by RCW  
3 19.146.030 or RCW 19.146.070, and failing to comply with any provision of RCW 146.030 through 19.146.080  
4 or any rule adopted under those sections.

5 **2.2 Requirement to Display Loan Originator's/Mortgage Broker's License Number.** Based on the  
6 Factual Allegations set forth in Section I above, Respondents are in apparent violation of WAC 208-660-350  
7 (26) and (27) for failing to disclose the loan originator's license and mortgage broker's license when taking a  
8 residential mortgage loan application.

9 **2.3 Requirement to Disclose Residential Mortgage Loan Fees.** Based on the Factual Allegations set  
10 forth in Section I above, Respondents are in apparent violation of RCW 19.146.030(1), (2), (3), (4), and  
11 Regulation Z, 12 CFR, Section 226.18 for failing to provide borrowers with full written disclosures, containing  
12 an itemization and explanation of all fees and costs that the borrowers were required to pay in connection with  
13 obtaining a residential mortgage loan, within three days following receipt of a loan application or any moneys  
14 from the borrowers and for failing to provide written confirmation of the terms of a lock-in agreement, for  
15 charging fees inuring to the benefit of a mortgage broker in excess of the fees disclosed on the initial written  
16 disclosures where the fees were reasonably foreseeable by the mortgage broker at the time the initial written  
17 disclosures were provided to borrowers, and/or where the mortgage broker failed to provide the borrowers, no  
18 less than three business days prior to the signing of the loan closing documents, a clear written explanation of  
19 the fees and the reason for charging fees exceeding those which were previously disclosed.

20 **2.4 Requirement to Provide One-Page Disclosure Summary.** Based on the Factual Allegations set forth  
21 in Section I above, Respondents are in apparent violation of RCW 19.144.020(1) and (2) for failing to provide  
22 borrowers with the one-page summary disclosure as adopted by the Department, within 3 business days  
23 following receipt of a loan application.

24 **2.5 Requirement to Properly Disclose the Fees on Good Faith Estimate.** Based on the Factual  
25 Allegations set forth in Section I above, Respondents are in apparent violation of Regulation X, 24 CFR Section

1 3500, Appendix A, and WAC 208-660-430(4) for failing to properly disclose mortgage broker fees on lines  
2 808-811 of the Good Faith Estimate.

3 **2.6 Requirement to Disclose Yield Spread Premiums.** Based on the Factual Allegations set forth in  
4 Section I above, Respondents are in apparent violation of Regulation X, 24 CFR Section 3500, Appendix B, and  
5 WAC 208-660-430(5)(a) for failing to disclose Yield Spread Premiums charged to borrowers on the Good Faith  
6 Estimate.

7 **2.7 Requirement to Obtain Loan Originator License.** Based on the Factual Allegations set forth in  
8 Section 1.14 above, Respondents are in apparent violation of RCW 19.146.200 and WAC 208-660-155 for  
9 engaging in the business of a loan originator without first obtaining and maintaining a loan originator license in  
10 the State of Washington.

11 **2.8 Requirement to Maintain Accurate and Current Books and Records.** Based on the Factual  
12 Allegations set forth in Section I above, Respondents are in apparent violation of RCW 19.146.060 and WAC  
13 208-660-140 for failing to make accurate and current books and records readily available to the Department  
14 until at least twenty-five months have elapsed following the effective period to which the books and records  
15 relate.

### 16 III. AUTHORITY TO IMPOSE SANCTIONS

17 **3.1 Authority to Revoke or Suspend License.** Pursuant to RCW 19.146.220(2)(e), the Director may  
18 revoke or suspend a license for any violation of the Act.

19 **3.2 Authority to Prohibit from the Industry.** Pursuant to RCW 19.146.220(5)(a), the Director may issue  
20 orders removing from office or prohibiting from participation in the conduct of the affairs of a licensed  
21 mortgage broker, or both, any officer, principal, employee, or loan originator of any licensed mortgage broker  
22 or any person subject to licensing under the Act for any violation of RCW 19.146.0201(1) through (9) or (13),  
23 RCW 19.146.030 through RCW 19.146.080, RCW 19.146.200, RCW 19.146.205(4), or RCW 19.146.265.

24 **3.3 Authority to Impose Fine.** Pursuant to RCW 19.146.220(2)(e) and (3)(a), the Director may impose fines  
25 on a licensee, employee or loan originator of the licensee, or other person subject to the Act for any violations



1 of RCW 19.146.0201(1) through (9) or (13), RCW 19.146.030 through RCW 19.146.080, RCW 19.146.200,  
2 RCW 19.146.205(4), or RCW 19.146.265, or any violation of the Act.

3 **3.4 Authority to Order Restitution.** Pursuant to RCW 19.146.220(e) and WAC 208-660-430(14), the  
4 Director may issue orders directing a licensee, its employee or loan originator, or other person subject to the Act to  
5 pay restitution for any violation of the Act.

6 **3.5 Authority to Collect Investigation Fee.** Pursuant to RCW 19.146.228(2), upon completion of any  
7 investigation of the books and records of a licensee or other person subject to the Act, the Department will furnish  
8 to the licensee or other person subject to the Act a billing to cover the cost of the investigation. The investigation  
9 charge will be calculated at the rate of \$48 per hour that each staff person devoted to the investigation.

#### 10 **IV. NOTICE OF INTENTION TO ENTER ORDER**

11 Respondents' violations of the provisions of chapter 19.146 RCW and chapter 208-660 WAC, as set forth  
12 in the above Factual Allegations, Grounds for Entry of Order, and Authority to Impose Sanctions, constitute a basis  
13 for the entry of an Order under RCW 19.146.220, RCW 19.146.221 and RCW 19.146.223. Therefore, it is the  
14 Director's intention to ORDER that:

- 15
- 16 **4.1** Respondent Compass Mortgage LLC dba www.compasslending.com's license to conduct the  
business of a mortgage broker be revoked or suspended; and
- 17 **4.2** Respondent William C. McKinley's license to conduct the business of a loan originator be revoked  
or suspended; and
- 18 **4.3** Respondent Compass Mortgage LLC dba www.compasslending.com be prohibited from  
19 participation in the conduct of the affairs of any mortgage broker subject to licensure by the  
Director, in any manner, for a period of 5 years; and
- 20 **4.4** Respondent William McKinley be prohibited from participation in the conduct of the affairs of any  
21 mortgage broker subject to licensure by the Director, in any manner, for a period of 5 years; and
- 22 **4.5** Respondents Compass Mortgage LLC dba www.compasslending.com and William McKinley,  
jointly and severally, pay a fine, which as of the date of this documents totals \$37,000; and
- 23 **4.6** Respondents Compass Mortgage LLC dba www.compasslending.com and William McKinley,  
24 jointly and severally, pay restitution to borrowers in an amount to be determined at hearing; and
- 25

