

Terms Completed

CONSENT ORDER SUMMARY
DFI Case Number C-15-1689

Respondent(s):	Wallingford Mortgage Services, Inc. and Jeffrey S. Steingraber, Owner, Designated Broker, and Mortgage Loan Originator			
Consent Order No.:	C-15-1689-16-CO01			
Effective Date:	December 29, 2016			
NMLS Number(s):	Wallingford: NMLS No. 64764; Mr. Steingraber: NMLS No. 114480			
License Effect:	Wallingford will voluntarily suspend origination of new residential mortgage loans for 30 days from entry of this Consent Order. This is being done because of Respondents' decision to suspend new originations in Washington, and is not a sanction imposed by the Department under the Consent Order.			
Not Apply Until:	N/A			
Investigation Costs	\$ 2,000	Due: On entry of CO	Paid: <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date: 12/29/16
Fine: Paid	\$ 10,000	Due: On entry of CO	Paid: <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date: 12/29/16
Fine: Stayed	\$ 40,000	Stayed for one year*		

Comments: The \$40,000 stayed fine is stayed for one year contingent upon Respondents' future compliance with the Mortgage Broker Practices Act and the Consent Order. Absent an action by the Department to lift the stay, the obligation to pay the stayed fine expires 29 December 2017.

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **DIVISION OF CONSUMER SERVICES**

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

No. C-15-1689-16-CO01

CONSENT ORDER

5 WALLINGFORD MORTGAGE SERVICES, INC.,
NMLS No. 64764, and
6 JEFFREY S. STEINGRABER, Owner, Designated Broker,
and Mortgage Loan Originator, NMLS No. 114480,

7 Respondents.
8

9 COME NOW the Acting Director of the Department of Financial Institutions, through her designee Charles E.
10 Clark, Division Director, Division of Consumer Services; Wallingford Mortgage Services, Inc. (Respondent
11 Wallingford); and Jeffrey S. Steingraber, Respondent Wallingford's Owner and Designated Broker (Respondent
12 Steingraber), and finding that the issues raised in the above-captioned matter may be economically and efficiently
13 settled, agree to the entry of this Consent Order. This Consent Order is entered pursuant to chapter 19.146 of the
14 Revised Code of Washington (RCW), and RCW 34.05.060 of the Administrative Procedure Act, based on the
15 following:

16 **AGREEMENT AND ORDER**

17 The Department of Financial Institutions, Division of Consumer Services (Department) and Respondents
18 Wallingford and Steingraber (hereinafter Respondents) have agreed upon a basis for resolution of the matters
19 alleged in the attached Statement of Charges No. C-15-1689-16-SC01 (Statement of Charges), entered September
20 26, 2016. Pursuant to chapter 19.146 RCW, the Mortgage Broker Practices Act (Act), and RCW 34.05.060 of the
21 Administrative Procedure Act, Respondents agree to the Department's entry of this Consent Order. The parties
22 intend this Consent Order to fully resolve the Statement of Charges, and agree that the Respondents do not admit
23 any wrongdoing by its entry.
24
25

1 **Based upon the foregoing:**

2 **A. Jurisdiction.** It is AGREED that the Department has jurisdiction over the subject matter of the activities
3 discussed herein.

4 **B. Waiver of Hearing.** It is AGREED that Respondents have been informed of the right to a hearing before an
5 administrative law judge, and waive their right to a hearing and any and all administrative and judicial review of the
6 issues raised in this matter, or of the resolution reached herein. Accordingly, Respondents withdraw their appeal of
7 the Statement of Charges to the Office of Administrative Hearings.

8 **C. Limitations of Operations.** It is AGREED that for thirty (30) days after entry by the Department of this
9 Consent Order, Respondents shall voluntarily suspend the origination of new residential mortgage loans so as to
10 facilitate its continuing efforts to come into full compliance with State and Federal laws and regulations. It is further
11 AGREED that this voluntary suspension of operations is due to Respondents' decision to improve compliance and is
12 not a sanction under this Consent Order, and that Respondents shall continue to process all mortgage loans that were
13 originated prior to entry of this Consent Order.

14 **D. Fine.** It is AGREED that Respondents are liable to the Department for a fine in the amount of \$50,000, and
15 that upon entry of this Consent Order shall pay \$10,000 to the Department (the Paid Fine). Contingent on
16 Respondents' future compliance with the Act and the terms of this Consent Order payment of the \$40,000 balance
17 of the fine shall be stayed for a period of one year from the date of the Department's entry of this Consent Order
18 (the Stayed Fine). Absent an action to lift the stay as described below, the obligation to pay the \$40,000 Stayed Fine
19 shall expire one year after the date of entry of this Consent Order.

20 **E. Lifting of Stay.** It is AGREED and ORDERED that:

- 21 1. If the Department determines that Respondents have not complied with the terms of this Consent Order or
22 the Act to a degree sufficient to warrant imposition of the Stayed Fine, and the Department accordingly
23 seeks to lift the stay and impose the Stayed Fine, the Department will first notify Respondents in writing
24 of its determination.
- 25 2. The Department's notification will include:
 a) A description of the alleged noncompliance;
 b) A statement that because of the noncompliance, the Department seeks to lift the stay and impose the
 Stayed Fine;

- 1 c) The opportunity for Respondents to contest the Department's determination of noncompliance in an
2 administrative hearing before an Administrative Law Judge (ALJ) of the Office of Administrative
3 Hearings (OAH); and
- 4 d) A copy of this Consent Order. The notification and hearing process provided in this Consent Order
5 applies only to this Consent Order.
- 6 3. Respondents will be afforded ten (10) business days from the date of receipt of the Department's
7 notification to submit a written request to the Department for an administrative hearing to be held before
8 an ALJ from the OAH.
- 9 4. Respondents, in lieu of or in addition to a request for hearing, may provide a written response to the
10 Department's determination of noncompliance, including any documents or other information pertaining
11 to the alleged noncompliance.
- 12 5. The scope and issues of the hearing are limited solely to whether or not Respondents are in violation of
13 the terms of this Consent Order or the Act to a degree sufficient to warrant imposition of the Stayed Fine.
- 14 6. At the conclusion of the hearing, the ALJ will issue an initial decision. Either party may file a Petition for
15 Review of that initial decision with the Department.
- 16 7. If Respondents do not request the hearing within the stated time, the Department will impose the Stayed
17 Fine and pursue whatever action it deems necessary to enforce and collect the Stayed Fine.

18 **F. Investigation Fee and Payment.** It is AGREED that upon entry of this Consent Order Respondents shall pay
19 to the Department an investigation fee of \$2,000. The Paid Fine and Investigation Fee may be paid together in one
20 \$12,000 cashier's check made payable to the "Washington State Treasurer."

21 **G. Authority to Execute Order.** It is AGREED that the Respondent Steingraber has represented and warranted
22 that he has the full power and right to execute this Consent Order on behalf of Respondent Wallingford.

23 **H. Non-Compliance with Order.** It is AGREED that Respondents understand that failure to abide by the terms
24 and conditions of this Consent Order may result in further legal action by the Department. In the event of such legal
25 action, Respondents may be responsible to reimburse the Department for the cost incurred in pursuing such action,
including the Department's investigation fees and its costs and expenses for prosecuting violations of the Consent
Order and/or Act.

I. Voluntarily Entered. It is AGREED that Respondents have voluntarily entered into this Consent Order,
which is effective when signed by the Acting Director's designee.

1 **J. Completely Read, Understood, and Agreed.** It is AGREED that Respondent Steingraber, individually and
2 on behalf of Respondent Wallingford as its Owner and Designated Broker, has read this Consent Order in its
3 entirety and fully understands and agrees to all of the same.
4

5 **RESPONDENTS:**

6 Wallingford Mortgage Services, Inc.

7
8 /s/
By Jeffrey Stuart Steingraber
Owner and Designated Broker

12/28/16
Date

9
10 /s/
Jeffrey Stuart Steingraber
Individually

12/28/16
Date

12 **DO NOT WRITE BELOW THIS LINE**

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1 THIS ORDER ENTERED THIS 29th DAY OF DECEMBER, 2016.

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3 /s/
4 CHARLES E. CLARK
5 Director, Division of Consumer Services
6 Department of Financial Institutions
7

8 Presented by:

Approved by:

9
10 /s/
11 ANTHONY W. CARTER
12 Senior Legal Examiner
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/s/
STEVEN C. SHERMAN
Enforcement Chief

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **DIVISION OF CONSUMER SERVICES**

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

5 WALLINGFORD MORTGAGE SERVICES, INC.,
NMLS No. 64764, and
6 JEFFREY S. STEINGRABER, Owner, Designated Broker,
and Mortgage Loan Originator, NMLS No. 114480,

7 Respondents.

No. C-15-1689-16-SC01

STATEMENT OF CHARGES and NOTICE OF
INTENT TO ENTER AN ORDER TO REVOKE
LICENSES, PROHIBIT FROM INDUSTRY,
IMPOSE FINE, COLLECT INVESTIGATION
FEE, and RECOVER COSTS AND EXPENSES
OF PROSECUTION

8
9 **INTRODUCTION**

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

15 **I. FACTUAL ALLEGATIONS**

16 **1.1 Respondents.**

17 **A. Respondent Wallingford Mortgage Services, Inc.** (Respondent Wallingford) was licensed by the
18 Washington State Department of Financial Institutions (Department) to conduct business as a mortgage broker
19 under the Act on or about July 24, 2003, and continues to be licensed to date.

20 **B. Respondent Jeffrey Stuart Steingraber** (Respondent Steingraber) was licensed by the Department to
21 conduct business as the Designated Broker (DB) for Respondent Wallingford on or about July 24, 2003, and as a
22 mortgage loan originator (MLO) sponsored by Respondent Wallingford on or about November 15, 2006, and
23 continues to be licensed to date. Respondent Steingraber is the sole owner of Respondent Wallingford.

24 Respondent Steingraber is also the sole owner, licensed Managing Broker, and Designated Broker of
25 Wallingford Realty, Inc., a real estate company licensed by the Washington State Department of Licensing.

1 **1.2 2015 Examination.** From February 9 to February 12, 2015, the Department conducted an examination of
2 Respondent Wallingford's mortgage brokerage, reviewing its business practices and 31 loan files originated
3 between September 1, 2012, and January 31, 2015. The examination determined Respondent Wallingford and
4 Respondent Steingraber (hereinafter Respondents) had violated numerous provisions of the Act, including:

5 **A. Surety Bond.** After exceeding funding limits in 2012 and 2013, Respondents failed to increase the
6 amount of coverage under Respondent Wallingford's required mortgage broker surety bond.

7 **B. Reports to the Department.** Mortgage brokers are required to submit Mortgage Call Reports (MCRs)
8 with the National Mortgage Licensing System (NMLS). The MCR has two components: the Residential
9 Mortgage Loan Activity (RMLA) component, to be filed with NMLS quarterly, and the Financial Condition (FC)
10 report, which must be filed with NMLS annually. For 2012, Respondents filed all four RMLAs from 10 to 150
11 days late; for 2013, Respondents filed all four RMLAs from 25 to 200 days late; and, for the first three quarters of
12 2014, Respondents filed the RMLAs from 35 to 170 days late. With respect to the FCs, for both 2012 and 2013
13 Respondents filed the FCs more than 250 days late, and filed blank FCs with none of the required information.

14 **C. Rate Lock Disclosures.** Respondents failed to deliver to some borrowers, within three days of locking
15 the interest rate, a Rate Lock Agreement.

16 **D. Good Faith Estimates.** Respondents failed to deliver to some borrowers, within three days of
17 application, completed Good Faith Estimates showing the estimated settlement date.

18 **E. Truth in Lending Disclosures.** Respondents failed to deliver to some borrowers, within three days of
19 application, Truth in Lending disclosures identifying the security interest, filing fees, late charges, prepayment,
20 assumption, and variable rate features of the loan.

21 **F. Dual Capacity Disclosure.** Respondent Steingraber had acted as the MLO for Respondent Wallingford
22 on some transactions where he had also acted as the real estate broker for Wallingford Realty, Inc. Respondents
23 were required to provide those borrowers with a Dual Capacity Disclosure advising the borrowers of their rights
24 under the Act. Respondents did not provide some borrowers with the required Dual Capacity Disclosure.
25

1 **G. Disclosure Language.** Respondents included prohibited language in some of its disclosures,
2 misrepresenting it could collect all third party fees if loans did not close, and requiring a specific minimum
3 deductible for the lender-required Hazard Insurance policy.

4 **H. Trust Account.** Respondents failed to deposit borrowers' third-party fees received from escrow agents
5 as reimbursements for appraisals and credit reports into a trust account, instead depositing and comingling those
6 fees into Respondents' general account.

7 **I. Books and Records.** Respondents did not maintain all required books and records, failing to obtain and
8 maintain revised Good faith Estimates (GFEs) provided by lenders to some borrowers.

9 **1.3 Federal Law Violations.** The examination further determined Respondents had violated numerous
10 provisions of federal laws applicable to the activities governed by the Act, including:

11 **A. Red Flags Policy.** Respondents failed to develop a written Red Flags Policy to prevent identity theft
12 and identify possible risks to borrowers.

13 **B. Anti-Money Laundering Program.** Respondents failed to develop an anti-money laundering (AML)
14 program specific to Respondents Wallingford's mortgage brokerage business, and failed to designate an AML
15 Compliance Officer.

16 **C. Information Security Plan.** Respondents failed to develop, implement, and coordinate an Information
17 Security plan to assess the likelihood of internal and external risks to physical and electronic components of the
18 business; to provide a disaster recovery plan; to identify potential hazards to the business; and to safeguard
19 sensitive customer information that could put borrowers, and Respondent Wallingford, at risk.

20 **D. Credit Score Disclosure.** Respondents failed to provide some borrowers with accurate and complete
21 Credit Score Disclosures.

22 **E. Homeownership Counseling List.** Respondents failed to provide some borrowers, within three
23 business days of application, with a Homeownership Counseling List.

24 **F. Anti-Steering Disclosure.** Respondents failed to provide some borrowers with materially different loan
25 options, instead disclosing, for the different loan options, identical loan origination fees.

1 **G. Affiliated Business Disclosure.** Respondents failed to provide some borrowers with Affiliated
2 Business Disclosures disclosing the estimated charge, or range of charges, for services be provided by affiliated
3 businesses, including Wallingford Realty, Inc.

4 **1.4 False Statement Regarding 2012 and 2013 FCs.** On or about February 25, 2015, the Department mailed a
5 Report of Examination (ROE) to Respondents seeking their response to the above-identified deficiencies. The
6 ROE requested, in part, that Respondents immediately file corrected 2012 and 2013 FCs, and implement internal
7 controls and procedures to ensure FCs were timely submitted to NMLS and contained the required information.

8 On or about March 27, 2015, the Department received Respondents' response to the ROE. Respondents
9 assured the Department that the 2012 and 2013 FCs "had been completed and corrected" prior to the end of the
10 Examination. In fact, Respondents have never filed the "completed and corrected" 2012 and 2013 FCs with
11 NMLS. As of the date of this Statement of Charges, Respondent Wallingford's 2012 and 2013 FCs are still blank,
12 and still provide none of the required information.

13 **1.5 2014 and 2015 Financial Condition Reports.** Respondent Wallingford's 2014 FC was due to be filed with
14 NMLS on or about March 31, 2015. Respondents filed the 2014 FC on July 27, 2015, some 118 days late. In
15 addition, the 2014 FC filed was largely blank, and includes almost none of the required information.

16 Respondent Wallingford's 2015 FC was due to be filed with NMLS on or about March 30, 2016. As of the
17 date of this Statement of Charges, Respondents have still not filed the 2015 FC with NMLS.

18 **1.6 On-Going Investigation.** The Department's investigation into the alleged violations of the Act by
19 Respondents continues to date.

20 **II. GROUNDS FOR ENTRY OF ORDER**

21 **2.1 Liability of Mortgage Broker.** Pursuant to RCW 19.146.245, a licensed mortgage broker is liable for any
22 conduct violating the Act by the DB or an MLO while employed or engaged by the mortgage broker.

23 **2.2 Responsibility of Designated Broker.** Pursuant to RCW 19.146.200(4), every licensed mortgage broker
24 must at all times have a DB responsible for all activities of the mortgage broker in conducting the business of a
25

1 mortgage broker. A principal, owner, or DB who has supervisory authority over a mortgage broker is responsible
2 for a licensee's or employee's violations of the Act.

3 **2.3 Definition of Borrower.** Pursuant to RCW 19.146.010(2), a borrower is defined as any person who
4 consults with a mortgage broker or MLO seeking advice or information on obtaining a residential mortgage loan,
5 or to apply for or obtain a residential mortgage loan, regardless of whether the person actually obtains a loan.

6 **2.4 Prohibited Acts.** Based on the Factual Allegations set forth in Section I above, Respondents are in
7 apparent violation of RCW 19.146.0201(1), (2), (3), (6), (7), (8), (11), (14), and (15) for:

8 A. Directly or indirectly employing a scheme, device or artifice to defraud or mislead any person.

9 B. Engaging in an unfair or deceptive practice toward any person.

10 C. Obtaining property by fraud or misrepresentation.

11 D. Failing to make disclosures to loan applicants as required by RCW 19.146.030 and applicable federal
12 law by, in part, failing to deliver rate lock agreements to borrowers within 3 days of locking the rate.

13 E. Making, in any manner, any false or deceptive statement or representation with regard to the financing
14 terms or conditions for a residential mortgage loan.

15 F. Negligently making a false statement, or knowingly and willfully making an omission of material fact,
16 in connection with any reports filed by a licensee or in connection with any investigation conducted by the
17 Department.

18 G. Failing to comply with federal laws applicable to the activities governed by the Act.

19 H. Failing to provide the Dual Capacity Disclosures.

20 I. Failing to comply with any provision of RCW 19.146.030 through RCW 19.146.080.

21 **2.5 Requirement to Deposit Funds from Borrowers in Trust.** Based on the Factual Allegations set forth in
22 Section I above, Respondents are in apparent violation of RCW 19.146.050 for failing to deposit funds received
23 from or on behalf of borrowers for payment of third-party provider services, in a trust account, and for
24 commingling trust account funds with operating funds.

1 **2.6 Requirement to Submit Mortgage Call Reports.** Based on the Factual Allegations set forth in Section I
2 above, Respondents are in apparent violation of RCW 19.146.390 for failing to timely submit complete and
3 accurate mortgage call reports with NMLS.

4 **2.7 Requirement to Maintain Surety Bond.** Based on the Factual Allegations set forth in Section I above,
5 Respondents are in apparent violation of RCW 19.146.205(6) and WAC 208-660-175 for failing to file and
6 maintain a surety bond adequate to protect the public interest.

7 **2.8 Requirement to Provide Borrowers with Rate Lock Disclosures.** Based on the Factual Allegations set
8 forth in Section I above, Respondents are in apparent violation of RCW 19.146.030(2)(c) for failing to provide
9 some borrowers with timely and accurate rate lock disclosures.

10 **2.9 Requirement to Maintain Accurate and Current Books and Records.** Based on the Factual Allegations
11 set forth in Section I above, Respondents are in apparent violation of RCW 19.146.060 and WAC 208-660-450
12 for failing to maintain mortgage transaction documents, including revised Good Faith Estimates.

13 **2.10 Requirement to Comply with Applicable Federal Laws.** Based on the Factual Allegations set forth in
14 Section I above, Respondents are in apparent violation of RCW 19.146.0201(11) for failing to comply with
15 federal laws and regulations applicable to the activities governed by the Act, including:

- 16 **A.** The Federal Trade Commission Act, 15 U.S.C. § 5, by failing to establish a Red Flags policy compliant
17 with the Federal Trade Commission’s Red Flags Rule, 15 U.S.C. § 1681 *et seq.*
- 18 **B.** The Financial Crimes Enforcement Network’s anti-money laundering program, by failing to develop an
19 Anti-Money Laundering Program as required by 31 C.F.R. Part 1029.210.
- 20 **C.** The Gramm-Leach-Bliley Act, 12 U.S.C. 6801 *et seq.*, and the Safeguards Rule, 16 C.F.R. 314, by failing
21 to have a written information security program appropriate to Respondent Wallingford’s size, complexity,
22 activities performed, and sensitivity of the information at issue. (See also WAC 208-660-460.)
- 23 **D.** The Truth in Lending Act, 15 U.S.C. § 1601 *et seq.*, and Regulation Z, 12 C.F.R. § 1026, by failing to
24 provide some borrowers with complete and accurate Anti-Steering disclosures.
- 25 **E.** The Fair Credit Reporting Act, 15 U.S.C. § 1681 *et seq.*, and Regulation V, 12 C.F.R. § 1022 *et seq.*, by
failing to provide some borrowers with complete and accurate Credit Score Disclosures.
- F.** The Real Estate Settlement Procedures Act, 12 U.S.C. § 2601 *et seq.*, and Regulation X, 24 C.F.R. § 1024
et seq., by failing to provide some borrowers with accurate and complete Good Faith Estimates,
Homeownership Counseling lists, and Affiliated Business Disclosures.

1 **III. AUTHORITY TO IMPOSE SANCTIONS**

2 **3.1 Authority to Issue an Order Revoking Licenses.** Pursuant to RCW 19.146.220(2), the Director may issue
3 an order revoking the licenses of any mortgage broker or mortgage loan originator for any violation of the Act.

4 **3.2 Authority to Impose Fine.** Pursuant to RCW 19.146.220(2) and WAC 208-660-530(6), the Director may
5 impose fines of up to \$100 per day for each violation of the Act against a mortgage broker and each of its
6 principals, DBs, and MLOs, for any violation of the Act.

7 **3.3 Authority to Collect Investigation Fee.** Pursuant to RCW 19.146.228(2), WAC 208-660-520(9) & (11),
8 and WAC 208-660-550(4)(a), the Director may charge forty-eight dollars per hour for an examiner’s time devoted
9 to an investigation of a licensee.

10 **3.4 Authority to Recover Costs and Expenses.** Pursuant to RCW 19.146.221(2), the Director may recover
11 the state’s costs and expenses for prosecuting violations of the Act.

12 **IV. NOTICE OF INTENT TO ENTER ORDER**

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

- 17 **4.1** Respondent Wallingford Mortgage Services, Inc.’s license to conduct the business of a mortgage
18 broker be revoked.
- 19 **4.2** Respondent Wallingford Mortgage Services, Inc. be prohibited from participation in the conduct
20 of the affairs of any mortgage broker subject to licensure by the Director for five (5) years.
- 21 **4.3** Respondent Jeffrey S. Steingraber’s license to conduct the business of a mortgage loan originator
22 be revoked.
- 23 **4.4** Respondent Jeffrey S. Steingraber be prohibited from participation in the conduct of the affairs of
24 any mortgage broker subject to licensure by the Director for five (5) years.
- 25 **4.5** Respondent Wallingford Mortgage Services, Inc. and Respondent Jeffrey S. Steingraber jointly
and severally pay a fine. As of the date of this Statement of Charges, the fine totals \$50,000.

