

Terms Completed

ORDER SUMMARY – Case Number: C-16-2095

Name(s): Equity Northwest Inc.
Brian Scott Schafer

Order Number: C-16-2095-18-CO01

Effective Date: 8/9/2018

License Number: NMLS # 75626 (Equity Northwest, Inc.) and NMLS # 73006 (Brian Schafer)

Or NMLS Identifier [U/L] _____

License Effect: _____

Not Apply Until: N/A

Not Eligible Until: N/A

Prohibition/Ban Until: N/A

Investigation Costs	\$1,005.60		Paid <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date
Fine	\$5,000.00 – See comment	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
Assessment(s)	\$	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
Restitution	\$	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
Financial Literacy and Education	\$	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
Cost of Prosecution	\$	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
No. of Victims:				

Comments: \$5,000 fine is contingent on compliance with the consent order. If respondent complies with the consent order for two years after entry of the consent order, the \$5,000 fine will be waived.

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-16-2095-18-CO01

CONSENT ORDER

5 EQUITY NORTHWEST, INC., NMLS # 75626,
and BRIAN SCHAFER, President, Owner, and
6 Designated Broker, NMLS # 73006,

7 Respondents.

8 COMES NOW the Director of the Department of Financial Institutions (Director), through
9 her designee Charles E. Clark, Division Director, Division of Consumer Services, and Equity
10 Northwest, Inc. and Brian Schafer (Schafer), president, owner, and designated broker of Equity
11 Northwest, Inc. (collectively Respondents) and finding that the issues raised in the above-captioned
12 matter may be economically and efficiently settled, agree to the entry of this Consent Order. This
13 Consent Order is entered pursuant to chapter 19.146 of the Revised Code of Washington (RCW), and
14 RCW 34.05.060 of the Administrative Procedure Act, based on the following:

15 **AGREEMENT AND ORDER**

16 The Department of Financial Institutions, Division of Consumer Services (Department) and
17 Respondents have agreed upon a basis for resolution of the matters alleged in Statement of Charges
18 No. C-16-2095-18-SC01 (Statement of Charges), entered April 27, 2018, (copy attached hereto).
19 Pursuant to chapter 19.146 RCW, the Mortgage Broker Practices Act (Act) and RCW 34.05.060 of
20 the Administrative Procedure Act, Respondents hereby agree to the Department's entry of this
21 Consent Order and further agree that the issues raised in the above-captioned matter may be
22 economically and efficiently settled by entry of this Consent Order. The parties intend this Consent
23

1 Order to fully resolve the Statement of Charges. Respondents are agreeing not to consent the
2 Statement of Charges in consideration of the terms of this Consent Order.

3 Based upon the foregoing:

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

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

11 C. **Cease and Desist.** It is AGREED that the Department accepts Respondents'
12 representation they have ceased and desisted from the alleged violations of the Act enumerated in the
13 Statement of Charges and violations of RCW 19.146.060 and WAC 208-660-450. It is further
14 AGREED that Respondents shall henceforth comply with the Act and the associated regulations
15 found in chapter 208-660 WAC.

16 D. **Fine.** It is AGREED that Respondents shall pay a fine to the Department in the amount of
17 \$5,000.00. It is further AGREED that the fine shall be stayed for a period of two years after entry of
18 this Consent Order contingent on Respondents' compliance with this Consent Order.

19 E. **Investigation Fee.** It is AGREED that Respondent shall pay to the Department an
20 investigation fee of \$1,005.60, in the form of a cashier's check made payable to the "Washington
21 State Treasurer," upon entry of this Consent Order.

22 F. **Compliance Examination.** It is AGREED that:

- 23 1. Respondents shall be subject to at least one full scope examination by the Department
24 to determine compliance with this Consent Order. Such examination shall be

1 scheduled based upon the Department's availability between twelve and eighteen
2 months from the date of entry of this Consent Order.

- 3 2. If, within two years from the date of entry of this Consent Order, the Department
4 elects to conduct an examination of Respondents for any reason other than to
5 determine compliance with this Consent Order, the Department may elect to combine
6 such an examination with an examination to determine compliance with this Consent
7 Order.

8 **G. Lifting of Stay.** It is AGREED that:

- 9 1. If the Department determines Respondents have not complied with this Consent
10 Order and seeks to lift the stay and impose the \$5,000.00 stayed fine, the
11 Department will first serve Respondents with a written notice of noncompliance.
12 2. The notice of noncompliance will include:
13 a. A description of the alleged noncompliance;
14 b. A statement that the Department seeks to lift the stays and impose the
15 \$5,000.00 stayed fine;
16 c. Notice that Respondents can contest the allegations of noncompliance by
17 either requesting an adjudicative hearing in writing or by submitting a
18 written response to the allegations of noncompliance; and
19 d. Notice that the process for lifting the stays applies only to this Consent
20 Order.
21 3. Respondents will be afforded twenty business days from the date of service of the
22 notice of noncompliance to submit to the Department a written request for an
23 adjudicative hearing.
24 4. The scope and issues of the adjudicative hearing are limited solely to whether or not
Respondents failed to comply with the terms of this Consent Order.
5. At the conclusion of the adjudicative hearing the Administrative Law Judge will
issue an initial decision. Either party may subsequently file a Petition for Review
with the Director of the Department.
6. In lieu of requesting an adjudicative hearing, within twenty business days from the
date of service of the notice of noncompliance, Respondents may submit to the
Department's a written response to the allegations of noncompliance for
consideration by the Department. The response must include a waiver of the right
to an adjudicative hearing, may address the allegations of noncompliance, and may

1 seek an alternative resolution to lifting the stays and imposing the \$5,000.000
2 stayed fine.

3 7. **Default.** If Respondents do not timely request an adjudicative hearing or submit a
4 written response to the notice of noncompliance, the Department may lift the stay
5 and impose the \$5,000.00 stayed fine without further notice.

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

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

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

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

17 **RESPONDENTS:**
18 Equity Northwest, Inc.
19 By:

20 /s/
21 Brian Schafer
22 President, Owner, Designated Broker

8/3/18
Date

23 /s/
24 Brian Schafer
Individually

8/3/18
Date

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DO NOT WRITE BELOW THIS LINE

THIS ORDER ENTERED THIS 9th DAY OF August, 2018.

/s/
CHARLES E. CLARK
Director
Division of Consumer Services
Department of Financial Institutions

Presented by:

/s/ BP for AJH
AMANDA J. HERNDON
Financial Legal Examiner

Approved by:

/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 EQUITY NORTHWEST, INC., NMLS # 75626,
and BRIAN SCHAFER, President, Owner, and
6 Designated Broker, NMLS # 73006,

7 Respondents.

No. C-16-2095-18-SC01

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

8 **INTRODUCTION**

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

15 **I. FACTUAL ALLEGATIONS**

16 **1.1 Respondents.**

17 A. **Equity Northwest, Inc.** has been licensed by the Department of Financial Institutions
18 of the State of Washington (Department) to conduct business as a mortgage broker since at least July
19 22, 2004 and continues to be licensed to date. Equity Northwest, Inc.'s main office was located in
20 Redmond, Washington until on or about February 3, 2015. Since on or about February 3, 2015,
21 Equity Northwest, Inc.'s main office has been located in Bellevue, Washington. Equity Northwest,
22 Inc. has had a licensed branch location in Tacoma, Washington since approximately February 13,
23 2015, and a licensed branch location in Sumner, Washington since approximately December 16,
24 2016.

1 **B. Brian Schafer (Schafer)** is president, owner, and designated broker of Equity
2 Northwest, Inc. Schafer was licensed by the Department to conduct business as a loan originator on
3 or about January 1, 2008, and continues to be licensed to date. Schafer was named Designated
4 Broker of Equity Northwest, Inc. on or about December 20, 2010, and continues to be Designated
5 Broker to date. Schafer has been 100% owner of Equity Northwest, Inc. since at least October 4,
6 2011.

7 **1.2 2014 Examination.** In October 2014, the Department conducted a compliance examination
8 of Equity Northwest, Inc. pursuant to the Act (2014 Examination). After the 2014 Examination, the
9 Department notified Respondents that the Department found the following violations:

- 10 **A.** Originated from an unlicensed location;
- 11 **B.** Advertised in a manner that is false, misleading, or deceptive;
- 12 **C.** Failed to provide federally required disclosures;
- 13 **D.** Failed to display mortgage broker and MLO license numbers; and
- 14 **E.** Failed to file accurate call reports with the Department.

15 **1.3 2016 Examination.** In September 2016, the Department conducted a compliance
16 examination of Equity Northwest, Inc. pursuant to the Act (2016 Examination). The 2016
17 Examination included a review of Equity Northwest, Inc.'s business practices, 15 loans originated
18 between January 1, 2015, and August 31, 2016 (Relevant Period), and Equity Northwest, Inc.'s
19 online advertising. The Department found that Respondents engaged in repeat violations of the Act
20 as detailed below.

21 **1.4 Originated from an Unlicensed Location.** From at approximately March 10, 2016, to May
22 17, 2016, a loan originator operated under Equity Northwest, Inc.'s mortgage broker license at his
23 residence in Sumner, Washington or other locations that were not licensed as Equity Northwest,
24 Inc.'s main office or branch location.

1 **1.5 Advertised in a Manner that is False, Misleading, or Deceptive.** On at least one occasion
2 during the Relevant Period, Respondents advertised in a manner that was false, misleading or
3 deceptive by claiming that a loan would allow consumers to “skip a monthly house payment.”

4 **1.6 Failed to Provide Federally Required Disclosures.** On at least fourteen occasions during
5 the Relevant Period, Respondents failed to provide consumers with the special information booklet as
6 required by Regulation X, 12 C.F.R. Part 1024 or Regulation Z, 12 C.F.R. Part 1026, or disclosures
7 required by the Electronic Signatures in Global and National Commerce Act, 15 U.S.C. § 7001(c).

8 **1.7 Failed to Display Mortgage Broker and MLO License Numbers.** On or about September
9 7, 2016, and September 18, 2016, Respondents failed to display Equity Northwest, Inc.’s license
10 number or Schafer’s MLO license number in advertisements published on the www.yelp.com and
11 www.equitynwmortgage.com websites.

12 **1.8 Failed to File Accurate Call Reports with the Department.** On at least three occasions
13 during the Relevant Period, Respondents filed mortgage call reports with the Department that
14 contained inaccurate information about the dollar amount of loans in process or number of loans in
15 process.

16 **1.9 On-Going Investigation.** The Department’s investigation into the alleged violations of the
17 Act by Respondents continues to date.

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

19 **2.1 Responsibility for Conduct of Loan Originators.** Pursuant to RCW 19.146.245, a licensed
20 mortgage broker is liable for any conduct violating the Act by the designated broker, a loan
21 originator, or other licensed mortgage broker while employed or engaged by the licensed mortgage
22 broker.

23 **2.2 Responsibility of Designated Broker.** Pursuant to RCW 19.146.200(3), every licensed
24 mortgage broker must at all times have a designated broker responsible for all activities of the

1 mortgage broker in conducting the business of a mortgage broker. A designated broker or owner who
2 has supervisory authority over a mortgage broker is responsible for a licensee's, employee's, or
3 independent contractor's violations of the Act if the designated broker or owner: (a) directs or
4 instructs the conduct or, with knowledge of the specific conduct, approves or allows the conduct; (b)
5 or has supervisory authority over the licensed mortgage broker or knows or by the exercise of
6 reasonable care and inquiry should have known of the conduct, at a time when its consequences can
7 be avoided or mitigated and fails to take reasonable remedial action..

8 **2.3 Unlicensed Location.** Based on the Factual Allegations set forth in Section I above,
9 Respondents are in apparent violation of RCW 19.146.0201(16) for originating loans from an
10 unlicensed location.

11 **2.4 Advertised in a Manner that is False, Misleading, or Deceptive.** Based on the Factual
12 Allegations set forth in Section I above, Respondents are in apparent violation of RCW
13 19.146.0201(1), (2) and (7) for directly or indirectly employing any scheme, device, or artifice to
14 mislead borrowers; directly or indirectly engaging in any unfair or deceptive practice toward any
15 person; making, in any manner, any false or deceptive statement or representation with regard to the
16 rates, points, or other financing terms or conditions for a residential mortgage loan.

17 **2.5 Failed to Provide Federally Required Disclosures.** Based on the Factual Allegations set
18 forth in Section I above, Respondents are in apparent violation of RCW 19.146.0201(2) and (6) for
19 failing to make disclosures to loan applicants as required by any applicable state or federal law.

20 **2.6 Failed to Display Mortgage Broker and MLO License Numbers.** Based on the Factual
21 Allegations set forth in Section I above, Respondents are in apparent violation of RCW
22 19.146.0201(2) for not displaying mortgage broker and MLO license numbers in online
23 advertisements as required by WAC 208-660-446(4).

1 **2.7 Failed to File Accurate Call Reports with the Department.** Based on the Factual
2 Allegations set forth in Section I above, Respondents are in apparent violation of RCW
3 19.146.0201(2) and (8) and WAC 208-660-400(1) for negligently making any false statement in
4 connection with any reports filed by the licensee and failing to file accurate call reports.

5 **2.8 Requirement to Maintain Accurate and Current Books and Records.** Pursuant to RCW
6 19.146.060 and WAC 208-660-450, Respondents are required to keep all books and records in a
7 location that is on file with and readily available to the Department until at least three years have
8 elapsed following the effective period to which the books and records relate.

9 **III. AUTHORITY TO IMPOSE SANCTIONS**

10 **3.1 Authority to Revoke License.** Pursuant to RCW 19.146.220(2), the Director may revoke
11 licenses for any violation of the Act.

12 **3.2 Authority to Prohibit from Industry.** Pursuant to RCW 19.146.220(4), the Director may
13 issue orders removing from office or prohibiting from participation in the conduct of the affairs of a
14 licensed mortgage broker or any officer, principal, or loan originator of any licensed mortgage broker
15 under the Act for any violation of the Act.

16 **3.3 Authority to Impose Fine.** Pursuant to RCW 19.146.220(2), the Director may impose fines
17 against a licensee for any violation of the Act.

18 **3.4 Authority to Collect Investigation Fee.** Pursuant to RCW 19.146.228(2), WAC 208-660-
19 520(9) and (11), and WAC 208-660-550(4)(a), the Department will charge forty-eight dollars per
20 hour for an examiner's time devoted to an investigation.

21 **3.5 Authority to Recover Costs and Expenses.** Pursuant to RCW 19.146.221(2), the Director
22 may recover the state's costs and expenses for prosecuting violations of the Act.

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

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

- 6 **4.1** Respondent Equity Northwest, Inc.'s license to conduct the business of a mortgage
7 broker be revoked.
- 8 **4.2** Respondent Brian Schafer's license to conduct the business of a loan originator be
9 revoked.
- 10 **4.3** Respondents Equity Northwest, Inc. and Brian Schafer be prohibited from
11 participation in the conduct of the affairs of any mortgage broker subject to licensure
12 by the Director, in any manner, for a period of 5 years.
- 13 **4.4** Respondents Equity Northwest, Inc. and Brian Schafer jointly and severally pay a fine.
14 As of the date of this Statement of Charges, the fine totals \$5,000.
- 15 **4.5** Respondents Equity Northwest, Inc. and Brian Schafer jointly and severally pay an
16 investigation fee. As of the date of this Statement of Charges, the investigation fee
17 totals \$1,005.60.
- 18 **4.6** Respondents Equity Northwest, Inc. and Brian Schafer maintain records in compliance
19 with the Act and provide the Department with the location of the books, records and
20 other information relating to Respondent Equity Northwest, Inc.'s mortgage broker
21 business, and the name, address and telephone number of the individual responsible
22 for maintenance of such records in compliance with the Act.
- 23 **4.7** Respondents Equity Northwest, Inc. and Brian Schafer jointly and severally pay the
24 Department's costs and expenses for prosecuting violations of the Act in an amount to
be determined at hearing or by declaration with supporting documentation in event of
default by Respondents Equity Northwest, Inc. and Brian Schafer.

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1 **V. AUTHORITY AND PROCEDURE**

2 This Statement of Charges is entered pursuant to the provisions of RCW 19.146.220, RCW
3 19.146.221, RCW 19.146.223, and RCW 19.146.230, and is subject to the provisions of chapter
4 34.05 RCW (the Administrative Procedure Act). Respondents may make a written request for a
5 hearing as set forth in the NOTICE OF OPPORTUNITY FOR ADJUDICATIVE HEARING AND
6 TO DEFEND accompanying this Statement of Charges.

7
8 Dated this 27th day of April, 2018.

9
10 /s/ _____
11 CHARLES E. CLARK
12 Director
13 Division of Consumer Services
14 Department of Financial Institutions

15 Presented by:

16 /s/ _____
17 AMANDA J. HERNDON
18 Financial Legal Examiner

19 Approved by:

20 /s/ _____
21 STEVEN C. SHERMAN
22 Enforcement Chief