

**ORDER SUMMARY – Case Number: C-19-2754**

<b>Name(s):</b>	West Coast Funding Inc. and Mr. Henry S. Chu, President
<b>Order Number:</b>	C-19-2754-21-CO01
<b>Effective Date:</b>	3/18/21
<b>NMLS Number:</b>	West Coast Funding Inc. – 227255
	Henry S. Chu – 133293
<b>License Effect:</b> (Stayed)	Both West Coasts’ MB license, and Mr. Chu’s MLO license, are revoked, with the revocations stayed for two (2) years contingent upon compliance with the Consent Order (Order), the Mortgage Broker Practices Act (Act), and the administrative rules related to the Act (Rules).
<b>Prohibition:</b> (Stayed)	Both West Coast and Mr. Chu are prohibited from participating, in any capacity, in the conduct of the affairs of any mortgage broker licensed, or subject to, licensure by the Department, with the prohibitions stayed for two (2) years contingent upon compliance with the Order, Act, and Rules.
<b>Fine:</b> (Partially Stayed)	Respondents West Coast and Mr. Chu are subject to a \$75,000 fine, with \$25,000 paid, and \$50,000 stayed for two (2) years contingent upon compliance with the Order, Act, and Rules. \$15,000 of the paid fine is due with delivery of the signed Order to the Department. The \$20,000 balance of the fine will be paid in \$1,000 monthly installments.
<b>Investigation Costs:</b>	\$10,000 due with delivery of the signed Order to the Department.

<b>Fine</b>	\$ 15,000	Due: 3/12/2021	Paid: <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date: 3/12/2021
<b>Investigation Costs</b>	\$ 10,000	Due: 3/12/2021	Paid: <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date: 3/12/2021

Respondent West Coast admitted that its failure to maintain adequate compliance procedures contributed to the repeat violations of the Act noted in the 2019 Report of Examination (2019 ROE) and the Factual Allegations in the Statement of Charges (Charges).

Respondent Chu represented and warranted to the Department that:

- (1) Although his primary language is Mandarin Chinese, and not English, he had read the English-language Order in its entirety, had the opportunity to have this Order translated into Mandarin Chinese, declined to take that opportunity, and fully understood and agreed to the Order both individually and as the President and Designated Broker for Respondent West Coast.
- (2) Respondents had ceased and desisted the violations of the Act, the Rules, and applicable federal laws and regulations noted in the 2019 ROE and the Charges;
- (3) Respondents had taken significant affirmative remedial actions necessary to comply with the Act, including utilization of compliance software for continuous loan file review.

In addition to the sanctions identified above, Respondents were ordered to and agreed:

- (1) To henceforth comply with the Act and Rules;
- (2) That for as long as they are licensed by the Department they will utilize either compliance software for continuous loan file review, or a qualified human reviewer to achieve the same purpose;
- (3) That for as long as they are licensed by the Department, to retain a compliance consulting firm not objectionable to the Department, to provide the Department with a copy of any retainer

agreement, specifically including the scope of work to be performed under the agreement, and to accept and timely implement any compliance recommendations of any compliance consulting firm retained by Respondents;

- (4) To participate in a limited-scope Technical Advice Examination within three (3) months of entry of the Order, which will be limited to review of the 2019 ROE findings, and will not result in either a ROE or a Risk Rating;
- (5) To be subject to a full-scope compliance examination between 12 and 18 months after entry of the Order, which will be to ascertain compliance with this Order, the Act, the Rules, and applicable federal laws and regulations;
- (6) That depending on the Risk Rating established in that Compliance Examination, the Department may lift the two (2) year stay and impose the stayed license revocations, prohibitions, and fine.



1 entirety, has had the opportunity to have this Order translated into Mandarin Chinese, declined to take  
2 that opportunity, and fully understands and agrees to this Order both individually and the President and  
3 Designated Broker for Respondent West Coast.

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

6 **C. Waiver of Hearing.** It is AGREED that Respondents have been informed of the right to a hearing  
7 before an administrative law judge, and that Respondent Chu, individually and as an authorized agent of  
8 Respondent West Coast, hereby waives their right to any and all administrative or judicial review of the  
9 issues raised in this matter, or of the resolution reached herein. Accordingly, Respondent Chu by his  
10 signature, and by the signature of Respondents' legal representative, withdraw Respondents' appeal of  
11 the Charges to the Office of Administrative Hearings.

12 **D. Admissions.** It is AGREED that Respondent West Coast admits that its failure to maintain  
13 adequate compliance procedures contributed to the repeat violations of the Act noted in the 2019 Report  
14 of Examination (2019 ROE) and the Factual Allegations in the Charges. It is further AGREED that with  
15 the above exception, Respondents neither admit nor deny the Factual Allegations in the Charges; will not  
16 take any action or make or permit to be made any public statement creating the impression that this Order  
17 is without factual basis; and that nothing in this paragraph affects Respondents' testimonial obligations or  
18 right to take legal or factual positions in defense of any administrative proceedings or civil litigation.

19 **E. Cease and Desist and Future Compliance.** It is AGREED that Respondent Chu has represented  
20 and warranted to the Department that Respondents have ceased and desisted the violations of the Act, the  
21 Rules, and applicable federal laws and regulations noted in the 2019 ROE and the Charges. It is  
22 FURTHER AGREED and ORDERED that Respondents shall henceforth comply with the Act and Rules,  
23 both now existing and as hereafter amended or enacted.

1       **F. Affirmative Remedial Action.** It is AGREED that Respondent Chu has represented and  
2 warranted to the Department that Respondents have already taken significant affirmative remedial actions  
3 necessary to comply with the Act, including utilization of compliance software for continuous loan file  
4 review. It is FURTHER AGREED and ORDERED that Respondents shall continue to utilize either  
5 compliance software for continuous loan file review, or a qualified human loan file reviewer to achieve  
6 the same purpose for as long as Respondents are licensed by the Department.

7       **G. Compliance Consulting Firm.** It is AGREED and ORDERED that within one (1) month of entry  
8 of this Order, Respondents shall retain a compliance consulting firm not objectionable to the Department,  
9 and that while licensed by the Department, Respondents shall maintain a relationship with that or another  
10 compliance consulting firm not objectionable to the Department. It is FURTHER AGREED and  
11 ORDERED that within one (1) month of retaining any compliance consulting firm, Respondents shall  
12 provide the Department with a copy of the retainer agreement, specifically including the scope of work to  
13 be performed under the retainer agreement. It is FURTHER AGREED and ORDERED that Respondents  
14 shall accept and timely implement any compliance policy and procedure recommendations of any  
15 compliance consulting firm retained by Respondents.

16       **H. Technical Assistance Examination.** It is AGREED that at the Department's convenience and at  
17 Respondents' cost, within three (3) months after the entry of this Order, the Department will conduct a  
18 limited-scope Technical Assistance Examination (TAE) of Respondent West Coast. The scope of the  
19 TAE will be limited to review of the 2019 ROE findings, and will not result in either a ROE or a Risk  
20 Rating. It is FURTHER AGREED and ORDERED that:

- 21       1. The Department will not use the TAE to lift any stay or impose any stayed sanctions;
- 22       2. A representative of the compliance consulting firm retained by Respondents shall be  
23       present and participate in the TAE;
- 24       3. Within three (3) months of completion of the TAE, the compliance consulting firm will  
review Respondent West Coast's existing compliance policies and procedures, and  
deliver a report to Respondent Chu and the Department recommending new or revised

1 policies and procedures reasonably designed to detect and prevent future violations of the  
2 Act and Rules;

- 3 **4.** Annually thereafter, any compliance consulting firm retained by Respondents will review  
4 Respondent West Coast's compliance policies and procedures, deliver a report to  
5 Respondent Chu, and recommend new or revised compliance policies and procedures  
6 reasonably designed to detect and prevent future violations of the Act and Rules; and  
7 **5.** Respondents shall accept and timely implement any compliance policy and procedure  
8 recommendations of any compliance consulting firm retained by Respondents.

9 **I. Revocations of Licenses (Stayed).** It is AGREED and ORDERED that Respondent West Coast's  
10 mortgage broker license, and Respondent Chu's mortgage loan originator license, are revoked. It is  
11 FURTHER AGREED and ORDERED that, subject to compliance with this Order, the Act, and the  
12 Rules, the Department stays those revocations for a period of two (2) years from the date of this Order.

13 **J. Prohibitions from Industry (Stayed).** It is AGREED and ORDERED that Respondents are  
14 prohibited from participating, in any capacity, in the conduct of the affairs of any mortgage broker  
15 licensed, or subject to, licensure by the Department. It is FURTHER AGREED and ORDERED that,  
16 subject to compliance with this Order, the Act, and the Rules, the Department stays those prohibitions for  
17 a period of two (2) years from the date of this Order.

18 **K. Fine (Partially Stayed).** It is AGREED and ORDERED that Respondent are liable to the  
19 Department for a fine of \$75,000. It is FURTHER AGREED and ORDERED that, in consideration of the  
20 terms of this Order, Respondents shall pay to the Department \$25,000 of the fine pursuant to Paragraph  
21 M, Payments. It is FURTHER AGREED and ORDERED that, subject to compliance with this Order, the  
22 Act, and Rules, the Department stays payment of the \$50,000 balance of the fine for a period of two (2)  
23 years from the date of this Order.

24 **L. Investigation Fee.** It is AGREED and ORDERED that Respondents shall pay to the Department  
an investigation fee of \$10,000 pursuant to Paragraph M, Payments.

**M. Payments.** It is AGREED and ORDERED that \$10,000 of the \$25,000 fine, along with \$5,000 of  
the \$10,000 investigation fee, shall be paid to the Department in the form of a \$15,000 cashier's check

1 payable to the “Washington State Treasurer,” to be delivered to the Department with Respondents’ fully  
2 executed Order. It is FURTHER AGREED and ORDERED that beginning on the last business day of the  
3 month following entry of this Order, and continuing monthly until the \$20,000 balance of the fine and  
4 investigation fee is paid in full, Respondents shall make monthly payments of \$1,000 to the Department  
5 in the form of cashier’s checks payable to the “Washington State Treasurer.”

6 **N. Compliance Examination.** It is AGREED and ORDERED that at the Department’s convenience  
7 and at Respondents’ cost, between 12 and 18 months after entry of this Order, the Department will  
8 conduct a full-scope compliance examination of Respondent West Coast. The purpose of the examination  
9 will be to ascertain compliance with this Order, the Act, the Rules, and applicable federal laws and  
10 regulations including, but not limited to:

- 11 1. TILA, 15 USC Sec. 1601, and Reg. Z, 12 CFR Part 1026;
- 12 2. RESPA, 12 USC Sec. 2601, and Reg. X, 12 CFR Part 1024; and
- 13 3. ECOA, 15 USC Sec. 1691, Reg. B, 12 CFR Part 1002.

14 In order to provide Respondents with sufficient time to refine their use of the compliance software  
15 for continuous loan file review, and to implement any compliance policy and procedure changes  
16 recommended by the compliance consultant, the Department will limit its examination. Depending on  
17 when the Department conducts the compliance examination, the Department will only review residential  
18 mortgage loan files, and related books and records, that were originated between January 1, 2022, and  
19 September 30, 2022. At the conclusion of the examination, the Department will generate a Report of  
20 Examination (2022 ROE) based upon the loan file review, review of related books and records, and on  
21 statements made to the examiners by authorized representatives of Respondent West Coast. The 2022  
22 ROE will include an examination Risk Rating.

23 A Risk Rating of one (1) or two (2) will result in the stayed Revocations, Prohibitions, and Fine  
24 (Stayed Sanctions) expiring without further notice or action by the Department. A Risk Rating of three  
(3) may result in the Department lifting the stay and imposing some or all of the Stayed Sanctions

1 pursuant to Paragraph M, while a Risk Rating of four (4) or five (5) *will* result in the Department lifting  
2 the stay and imposing some or all of the Stayed Sanctions pursuant to Paragraph M. A Risk Rating of (3),  
3 four (4), or five (5) may also result in the imposition of other sanctions necessary for the enforcement of  
4 this Order, the Act and the Rules, and the protection of the public. Regardless of the assigned Risk  
5 Rating, Respondents must timely respond to and address all findings in the ROE, and timely pay the  
6 invoice for the examination. Failure to timely pay any examination invoice is a breach of this Order.

7 **O. Lifting of Stay and Imposition of Stayed Sanctions.** It is AGREED and ORDERED that:

- 8 1. If, during the two (2) year stay, the Department determines that Respondents have not  
9 complied with this Order, the Act, or the Rules, or Respondent West Coast received an  
10 2022 ROE Risk Rating of three (3), four (4), or five (5), and the Department seeks to lift  
11 the stay and impose some or all of the Stayed Sanctions, the Department will first serve  
12 Respondents with a written notice of alleged noncompliance.  
13 2. The notice will include:  
14 a. A description of the alleged noncompliance;  
15 b. A statement that the Department seeks to lift the stay and impose some or all of the  
16 Stayed Sanctions;  
17 c. Notice that either Respondent can contest the Department's determination of  
18 alleged noncompliance either in an adjudicative hearing before an Administrative  
19 Law Judge assigned by the Office of Administrative Hearings; and  
20 d. Notice that the notification and adjudicative hearing process provided in this  
21 Paragraph M applies only to this Order solely in the event either Respondent  
22 chooses to contest the Department's determination of alleged noncompliance.  
23 3. Any Respondent who wishes to contest the Department's determination will have twenty  
24 (20) days from the date of receipt of the Department's notice of alleged noncompliance to  
submit a written request to the Department for an adjudicative hearing.  
4. The scope and issues of the adjudicative hearing are limited solely to whether or not  
Respondents are in violation of the terms of this Order, the Act, or the Rules, or received a  
2022 ROE Risk Rating of three (3), four (4), or five (5).  
5. If either Respondent requests an adjudicative hearing, at the conclusion of the hearing, the  
Administrative Law Judge will issue an Initial Decision and Order. Either party may file a  
Petition for Review of that Initial Decision with the Director of the Department.  
6. **DEFAULT:** If any Respondent does not timely request an adjudicative hearing the  
Department will lift the stay, impose some or all of the Stayed Sanctions, and pursue  
whatever other enforcement action it deems necessary to enforce this Order, the Act, the  
Rules, and to protect the public.

23 **P. Authority to Execute Order.** It is AGREED that the Respondent Chu has represented and  
24 warranted that he has the full power and right to execute this Order on behalf of Respondent West Coast.



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

5 **R. Voluntarily Entered.** It is AGREED that Respondents have voluntarily entered into this Order,  
6 which is effective when signed by the Director's designee.

7 **S. Counterparts.** This Order may be executed by the Respondents and their counsel in any number  
8 of counterparts, including by facsimile, e-mail of a .pdf, or similar file, each of which shall be deemed to  
9 be an original, but all of which, taken together, shall constitute one and the same Order.

10 **RESPONDENTS:**

11 West Coast Funding, Inc. by

12 /s/ 3/10/2021 /s/ 3/10/2021  
13 Henry S. Chu, President and Owner Date Henry S. Chu, Individually Date

14 **APPROVED FOR ENTRY:**

15 /s/ March 11, 2021  
16 Jessica M. Creager, WSBA No. 42183 Date  
17 Seattle Litigation Group, PLLC  
18 Attorney for Respondents

19 **DO NOT WRITE BELOW THIS LINE**

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1 THIS ORDER ENTERED THIS 18th DAY OF MARCH 2021.

2  
3  
4 /s/  
LUCINDA FAZIO, Director  
5 Division of Consumer Services  
6 Department of Financial Institutions  
7

8 Presented by:

Approved by:

9  
10 /s/  
ANTHONY W. CARTER  
11 Senior Legal Examiner  
12 Division of Consumer Services  
13 Department of Financial Institutions

14  
15 /s/  
STEVEN C. SHERMAN  
16 Enforcement Chief  
17 Division of Consumer Services  
18 Department of Financial Institutions  
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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 WEST COAST FUNDING, INC., d/b/a West  
Coast Financial, NMLS No. 227255, and  
6 HENRY S. CHU, President and Designated  
Broker, NMLS No. 133293,

7 Respondents.

No. C-19-2754-19-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  
11 of Financial Institutions (Director) is responsible for the administration of chapter 19.146 of the Revised  
12 Code of Washington (RCW), the Mortgage Broker Practices Act (Act). Having conducted an  
13 investigation pursuant to RCW 19.146.235, and based upon the facts available as of the date of this  
14 Statement of Charges (Charges), the Director, through his designee, Division of Consumer Services  
15 Acting Director Richard St. Onge, institutes this proceeding and finds as follows:

16 I. FACTUAL ALLEGATIONS

17 1.1 Respondents.

- 18 A. The Washington State Department of Financial Institutions (Department) licensed West Coast  
19 Funding, Inc., d/b/a West Coast Financing (**Respondent West Coast**) to conduct business as a  
mortgage broker under the Act on or about December 30, 2010, and it continues to be licensed to  
20 date. There are presently ten (10) Department-licensed Mortgage Loan Originators (MLOs),  
sponsored by Respondent West Coast, including Henry S. Chu.
- 21 B. The Department licensed Henry S. Chu (**Respondent Chu**), the President and sole owner of  
Respondent West Coast, to conduct business as an MLO sponsored by Respondent West Coast  
22 under the Act on or about January 2, 2010, and he continues to be licensed to date. The  
Department registered Respondent Chu as the Designated Broker for Respondent West Coast on  
23 or before December 30, 2010, and he continues to be the Designated Broker for Respondent West  
Coast to date.

24 //

1 **1.2 Examinations.**

2 Respondent West Coast has been subject to four compliance examinations while licensed by the  
3 Department. The most recent examination, conducted in February 2019, found numerous repeat  
4 violations continuing since the Department’s initial examination conducted in 2012.

5 **A. 2012.** The Department conducted a full-scope on-site examination of Respondent West Coast  
6 in September 2012. On or about September 24, 2012, the Department mailed a cover letter  
7 and the 2012 Report of Examination (ROE) to Respondents noting twelve state law violations,  
8 four federal law violations, and three Internal Routine and Control Exceptions. Respondent  
9 West Coast (the “Company” in the 2012 ROE), was given a risk rating as follows:

10 The Company is assigned a rating of “4.” The Company has an inordinate volume of  
11 operational control and asset quality weaknesses and/or combination of other identified  
12 weaknesses that cause its overall condition to be considered unsatisfactory. Unless  
13 prompt action is taken to correct these conditions, the problems could be expected to  
14 impair the licensee’s future viability. Close supervisory attention and enhanced  
15 monitoring of the licensee’s operational controls and financial condition is warranted.  
16 Licenses accorded this rating are generally under some type of regulatory action with  
17 the Department.

18 The cover letter requested a written response to the findings detailed in the 2012 ROE within  
19 one month. On or about October 22, 2012, Respondents replied to the Department, noting that  
20 they had addressed all the findings. The Department determined that the response was  
21 adequate, and, based on the number and nature of the findings, scheduled Respondent West  
22 Coast for a follow-up Supervisory Watch Examination (SWE).

23 **B. 2013.** In April 2013, the Department conducted a SWE to verify whether Respondent West  
24 Coast had implemented the changes noted in their response to the 2012 ROE and were  
compliant with the Act. On or about April 30, 2013, the Department mailed a cover letter and  
the 2013 SWE ROE to Respondents noting, “there were four repeat violations disclosed during  
this SWE. The company must take remedial corrective actions to comply with the requirements  
of the Act and applicable federal rules and regulations.”

The cover letter requested a written response to the findings detailed in the 2013 SWE ROE  
within one month, and advised that due to the repeat findings, the Department would schedule  
a second SWE. On or about June 6, 2013, Respondents replied to the Department’s request,  
again noting that they had addressed all the findings. The Department determined that the  
response was adequate, that a second SWE was not needed, and closed the examination.

**C. 2016.** In May 2016, the Department conducted a third examination of Respondent West Coast.  
On or about June 8, 2016, the Department mailed a cover letter and the 2016 ROE to  
Respondents noting eight state law violations, ten federal law violations, and two Internal  
Routine and Control Exceptions. Seven of the violations were repeat violations of those noted

1 in the 2012 ROE. The Department gave Respondent West Coast another risk rating of four  
2 with its attendant warnings.

3 The cover letter requested a written response to the findings detailed in the 2016 ROE within  
4 one month. On or about July 26, 2016, Respondents replied, once again noting again that they  
5 had addressed all the findings. Though the Department determined that Respondents' response  
6 was partially inadequate, in August 2016, the Department closed the examination. The  
7 Department's closing letter to Respondents advised that due to the risk rating and repeat  
8 findings, the Department had placed Respondent West Coast on a Supervisory Watch, would  
9 conduct a follow-up SWE, and that failure to implement corrective action might result in a  
10 referral to the Department's Enforcement Unit.

11 **D. 2018 Examination.**<sup>1</sup> Instead of a follow-up SWE, in February 2019, the Department  
12 conducted a fourth examination of Respondent West Coast. On or about April 24, 2019, the  
13 Department mailed a cover letter and the 2018 ROE to Respondents noting nine state law  
14 violations (eight of which were repeat findings), seven federal law violations (two of which  
15 were repeat findings), and one Internal Routine and Control Exception (also a repeat finding).  
16 Four of the violations were repeat violations of those noted in both the 2012 and 2016 ROEs.  
17 Based on the eleven repeat findings the Department gave Respondent West Coast another risk  
18 rating of four. The cover letter, this time identified as a Directive, required a written response  
19 to the findings detailed in the 2018 ROE within one month. After multiple deadline extensions,  
20 and after Respondents failed to adequately address the findings, the Examinations Unit referred  
21 Respondents to the Enforcement Unit.

### 22 **1.3 Violations.**

23 **A. Failure to Comply with Director's Authority.** On or about April 24, 2019, the Department  
24 mailed a cover letter and the 2018 ROE to Respondents. The cover letter, a Directive issued  
pursuant to the Act, required a response by May 24, 2019, to the State and Federal Law Findings  
and the Internal Routine Control and Exceptions detailed in the 2018 ROE. Respondents failed to  
timely respond, but did, on or about June 12, 2019, e-mail the Department a partial response.

On or about July 17, 2019, the Department mailed a second Directive to Respondents advising  
that the prior response had "not adequately addressed" the findings detailed in the 2018 ROE.  
The second Directive advised that the Department does not accept responses via e-mail, that the  
Department only accepts responses to ROEs via a secure website, Box.com, and required a more  
detailed response to the 2018 ROE by July 26, 2019. Respondents failed to timely respond.

**B. False Statements and Material Misrepresentations.** On or about June 8, 2016, the Department  
mailed a cover letter and the 2016 ROE to Respondents. The cover letter required a response to  
the findings detailed in the 2016 ROE by July 8, 2016. On or about July 22, 2016, the  
Department received the required response, wherein Respondent Chu stated the following:

- 1) We have submitted accurate MCRs for 2014 Q1 and Q2...on NMLS;
- 2) We've already filed the Q1 2016 MCR on NMLS; and

<sup>1</sup> The examination process was started in 2018.

1           3) We will file all the accurate reports to the Department from now on....

2           On or about July 28, 2016, the Department determined that Respondents had neither updated the  
3           2014 Q1 and Q2 MCRs nor filed the Q1 2016 MCR, which was by then already three months  
4           late. During the 2018 Examination, The Department found that five different MCRs had been  
5           filed late, and all four quarterly 2017 MCRs were inaccurate.

6           **C. 2012 -2018 Examination Violations:** From on or about January 1, 2010, through on or about  
7           December 31, 2018, Respondents:

- 8           1) Failed to file with the Department at least ten (10) timely, complete, or accurate quarterly  
9           Mortgage Call Reports.
- 10           2) Failed to file with the Department at least one (1) timely, complete, or accurate annual  
11           Financial Condition Report.
- 12           3) Failed to provide at least twenty (20) borrowers with timely, complete, or accurate Rate Lock  
13           Agreements, or failed to provide borrowers with Rate Lock Agreements at all.
- 14           4) Failed to provide at least five (5) borrowers with timely, complete, or accurate Truth in  
15           Lending disclosures.
- 16           5) Failed to provide at least thirty (30) borrowers with timely, complete, or accurate Good Faith  
17           Estimate disclosures.
- 18           6) Failed to provide at least five (5) borrowers with timely, complete, or accurate Loan  
19           Estimates.
- 20           7) Failed to provide at least ten (10) borrowers with timely, complete, or accurate Variable Rate  
21           Mortgage or Adjustable Rate Mortgage disclosures.
- 22           8) Failed to include at least three (3) pieces of required information in print and Internet  
23           advertising, including information related to trade and licensed names, NMLS numbers, and  
24           links to the NMLS Consumer Access Internet webpage.
- 9) Engaged in false, deceptive, and misleading advertising by using at least three (3) prohibited  
          terms and phrases, including advertising Respondents had the lowest rates, the best rates, and  
          the availability of “no fee, no cost” refinance loans.
- 10) Failed to provide at least thirty (30) borrowers with written notice of Borrower Paid Services.
- 11) Failed to provide at least five (5) borrowers with accurate Credit Score Disclosure forms.
- 12) Failed to provide at least ten (10) borrowers with complete and accurate Privacy Policies, or  
          failed to provide borrowers with Privacy Policies at all.

- 1           **13)** Engaged in improper Records Maintenance by failing to produce documents requested by  
2           Examiners; by failing to preserve the security of borrower non-public personal information  
3           (NPI) by re-using documents with NPI relating to one borrower when dealing with another  
4           borrower; and by altering dates on documents in closed loan files.
- 5           **14)** Failed to prepare, adopt, and implement compliant policies and procedures required under  
6           state and federal law and regulation, including a Red Flags Rule, Bank Secrecy Act and Anti-  
7           Money Laundering Rules, Disaster Recovery Plan/Business Resumption Plans, and  
8           Mortgage Loan Originator Compensation Plans.
- 9           **15)** Failed to timely deposit into a trust account for at least five (5) borrowers the borrowers’  
10           third-party fees received from escrow agents, instead depositing and commingling those fees  
11           into Respondent West Coast’s general operating account.
- 12           **16)** Failed to adhere to required RESPA and/or TILA tolerance limits for at least two (2)  
13           borrowers when charging fees on the final Closing Disclosure that were greater than those  
14           disclosed on the final Loan Estimate.
- 15           **17)** Delivered unnecessary disclosures to at least ten (10) borrowers, including California state-  
16           specific disclosures and, in 2017, a RESPA Servicing Disclosure Statement that has not been  
17           required since October 2015.
- 18           **18)** Failed to provide to at least one borrower a complete and accurate Anti-Steering Disclosure.

19 **1.4 On-Going Investigation.** The Department’s investigation into the alleged violations of the Act by  
20 Respondent West Coast and Respondent Chu continues to date.

## 21 **II. GROUNDS FOR ENTRY OF ORDER**

22 **2.1 Liability of Mortgage Broker.** Pursuant to RCW 19.146.245, a licensed mortgage broker is liable  
23 for any conduct violating the Act by the Designated Broker or mortgage loan originators employed or  
24 engaged by the licensed mortgage broker. Pursuant to WAC 208-660-530(6), a licensed mortgage broker  
and each of its principals, officers, Designated Brokers, and mortgage loan originators must comply with  
the Act, and are subject to a fine of up to \$100 per day for each violation of the Act.

**2.2 Responsibility of Designated Broker.** Pursuant to RCW 19.146.200(3), every licensed mortgage  
broker must have at all times a Designated Broker responsible for all activities of the mortgage broker. A  
Designated Broker with supervisory authority over a mortgage broker is responsible for violations of the  
Act by that mortgage broker and its mortgage loan originators.

1 **2.3 Requirement to Comply with Director’s Authority.** Based on the Factual Findings set forth in  
2 Section I above, Respondents are in apparent violation of RCW 19.146.235 by failing to comply with the  
3 Director’s Authority.

4 **2.4 False Statements or Material Misrepresentations.** Based on the Factual Findings set forth in  
5 Section I above, Respondents are in apparent violation of RCW 19.146.0201(8) by negligently making  
6 any false statement, or knowingly and willfully making any omission of material fact in connection with  
7 any reports filed by a licensee with the Department.

8 **2.5 Requirement to Submit Mortgage Call Reports.** Based on the Factual Allegations set forth in  
9 Section I above, Respondents are in apparent violation of RCW 19.146.0201(2) and (8),  
10 RCW 19.146.390, and WAC 208-660-400(1) for failing to file timely, complete, or accurate Mortgage  
11 Call Reports with the Department through NMLS.

12 **2.6 Requirement to Submit Financial Condition Reports.** Based on the Factual Allegations set forth  
13 in Section I above, Respondents are in apparent violation of RCW 19.146.0201(2) and (8), RCW  
14 19.146.390, and WAC 208-660-400(1), for failing to file timely, complete, or accurate Financial  
15 Condition Reports with the Department through NMLS.

16 **2.7 Requirement to Provide Rate Lock Agreements.** Based on the Factual Allegations set forth in  
17 Section I above, Respondents are in apparent violation of RCW 19.146.0201(2), RCW 19.146.030(2)(c),  
18 and WAC 208-66-430(3)(c) and (6), for failing to provide borrowers with timely, complete, or accurate  
19 rate lock agreements.

20 **2.8 Requirement to Provide Truth in Lending Disclosures.** Based on the Factual Allegations set  
21 forth in Section I above, Respondents are in apparent violation of RCW 19.146.030 and 19.146.0201(11)  
22 for failing to provide borrowers with timely, complete, or accurate Truth in Lending disclosures.

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1 **2.9 Requirement to Provide Good Faith Estimates.** Based on the Factual Allegations set forth in  
2 Section I above, Respondents are in apparent violation of RCW 19.146.030 and 19.146.0201(11) for  
3 failing to provide borrowers with timely, complete, or accurate Good Faith Estimates.

4 **2.10 Requirement to Provide Loan Estimates.** Based on the Factual Allegations set forth in Section I  
5 above, Respondents are in apparent violation of RCW 19.146.030 and 19.146.0201(11) for failing to  
6 provide borrowers with timely, complete, or accurate Loan Estimates.

7 **2.11 Requirement to Provide Variable Rate Mortgage Disclosures.** Based on the Factual Allegations  
8 set forth in Section I above, Respondents are in apparent violation of RCW 19.146.030 and  
9 19.146.0201(11) for failing to provide borrowers with timely, complete, or accurate Variable Rate  
10 Mortgage or Adjustable Rate Mortgage disclosures.

11 **2.12 Requirement to Make Certain Advertising Disclosures.** Based on the Factual Allegations set  
12 forth in Section I above, Respondents are in apparent violation of RCW 19.146.0201(2), (7), (10), and  
13 (11), for failing to include required information in advertising.

14 **2.13 False, Deceptive, or Misleading Advertising.** Based on the Factual Allegations set forth in  
15 Section I above, Respondents are in apparent violation of RCW 19.146.0201(2), (7), (10), and (11) for  
16 using prohibited terms and phrases and failing to disclose the APR when advertising any rate of interest.

17 **2.14 Requirement to Provide Borrower Paid Services Disclosure.** Based on the Factual Allegations  
18 set forth in Section I above, Respondents are in apparent violation of RCW 19.146.030 for failing to  
19 provide borrowers with the written notice of Borrower Paid Services.

20 **2.15 Unnecessary Disclosures.** Based on the Factual Allegations set forth in Section I above,  
21 Respondents are in apparent violation of RCW 19.146.0201(2) for making unnecessary disclosures.

22 **2.16 Requirement to Provide Credit Score Disclosures.** Based on the Factual Allegations set forth in  
23 Section I above, Respondents are in apparent violation of RCW 19.146.030 and 19.146.0201(11) for  
24 failing to provide borrowers with timely, complete, or accurate Credit Score Disclosure forms.

1 **2.17 Requirement to Provide Privacy Policies.** Based on the Factual Allegations set forth in Section I  
2 above, Respondents are in apparent violation of RCW 19.146.030 and 19.146.0201(11) for failing to  
3 provide borrowers with timely, complete, or accurate Privacy Policies.

4 **2.18 Requirement to Maintain Records.** Based on the Factual Allegations set forth in Section I  
5 above, Respondents are in apparent violation of RCW 19.146.0201(2), 19.146.060(2) and (4)(b), and  
6 19.146.235(9)(a), by failing to maintain business records and protect borrower NPI.

7 **2.19 Requirement to Maintain Borrower Funds in Trust.** Based on the Factual Allegations set forth  
8 in Section I above, Respondents are in apparent violation of RCW 19.146.0201(2), 19.146.050, and  
9 WAC 208-660-410(3) by failing, prior to the end of the third day following receipt, to deposit funds  
10 received from, or on behalf of, borrowers for payment of third-party provider services, into a trust  
11 account of a federally insured financial institution located in Washington, and for commingling trust  
12 account funds with operating funds.

13 **2.20 Requirement to Adopt and Implement Compliant Policies.** Based on the Factual Allegations set  
14 forth in Section I above, Respondents are in apparent violation of RCW 19.146.0201 for failing to adopt  
15 and implement compliant policies and procedures required under state and federal law and regulation.

16 **2.21 Requirement to Deliver Privacy Policy.** Based on the Factual Allegations set forth in Section I  
17 above, Respondents are in apparent violation of RCW 19.146.0201(2) and (11) for failing to provide  
18 borrowers with complete or accurate privacy policy notices.

19 **2.22 Requirement to Comply with Applicable Federal Laws.** Based on the Factual Allegations set  
20 forth in Section I above, Respondents are in apparent violation of RCW 19.146.0201(11) for failing to  
21 comply with federal laws and regulations applicable to the activities governed by the Act, including:

- 22     **A.** The Truth in Lending Act (TILA), 15 U.S.C. §1601 *et seq.*, and Regulation Z, 12 C.F.R. §1026 *et*  
23     *seq.*, for failing to provide borrowers with timely, complete, or accurate disclosures, for  
24     advertising variable rate loans without making the required disclosure, for failing to adhere to  
   tolerance limits, for failure to develop compliant MLO compensation plans, and for failing to  
   provide borrowers with the Anti-Steering Disclosure;



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

2 Respondents' violations of the provisions of chapter 19.146 RCW and chapter 208-660 WAC, as  
3 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** The mortgage broker license of Respondent West Coast Funding, Inc., d/b/a West Coast  
7 Financial, be revoked.
- 8 **4.2** Respondent West Coast Funding, Inc., d/b/a West Coast Financial, be prohibited from the  
9 mortgage broker industry for ten (10) years.
- 10 **4.3** The mortgage loan originator license of Respondent Henry S. Chu be revoked.
- 11 **4.4** Respondent Henry S. Chu be prohibited from the mortgage broker industry for ten (10)  
12 years.
- 13 **4.5** Respondent West Coast Funding, Inc., d/b/a West Coast Financial, and Respondent Henry  
14 S. Chu, jointly and severally pay a fine. As of the date of this Statement of Charges, the  
15 fine totals \$75,000.
- 16 **4.6** Respondent West Coast Funding, Inc., d/b/a West Coast Financial, and Respondent Henry  
17 S. Chu, jointly and severally pay an investigation fee. As of the date of this Statement of  
18 Charges, the investigation fee totals \$5,000.
- 19 **4.7** Respondent West Coast Funding, Inc., d/b/a West Coast Financial, and Respondent Henry  
20 S. Chu, jointly and severally pay the Department's costs and expenses for prosecuting  
21 violations of the Act in an amount to be determined at hearing or by declaration with  
22 supporting documentation in event of default.

23 **V. AUTHORITY AND PROCEDURE**

24 The Department enters this Statement of Charges pursuant to the provisions of RCW 19.146.220,  
RCW 19.146.221, RCW 19.146.223, and RCW 19.146.230, and subject to the provisions of the  
Administrative Procedure Act, RCW 34.05. Respondents may each make a written request for an

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1 adjudicative hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND FOR  
2 HEARING accompanying these Charges.

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4 Dated this 30th day of September 2019.

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6  
7 /s/ \_\_\_\_\_  
8 RICHARD ST. ONGE  
9 Acting Director, Division of Consumer Services  
10 Department of Financial Institutions

11  
12 Presented by:

Approved by:

13 /s/ \_\_\_\_\_  
14 ANTHONY W. CARTER  
15 Senior Legal Examiner  
16 Department of Financial Institutions  
17 Division of Consumer Services

18 /s/ \_\_\_\_\_  
19 STEVEN C. SHERMAN  
20 Enforcement Chief  
21 Department of Financial Institutions  
22 Division of Consumer Services