

ORDER SUMMARY – Case Number: C-04-040

Name(s): Rodney L Smith ; Lighthouse Lending Inc.;

Order Number: C-04-040-05-FO01

Effective Date: March 22, 2005

License Number: 19822 - DFI
Or NMLS Identifier [U/L] _____

License Effect: Revoked

Not Apply Until: n/a

Not Eligible Until: n/a

Prohibition/Ban Until: March 22, 2010

Investigation Costs	\$286.68	Due	Paid <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date 02-14-14
Fine	\$3,000.00	Due	Paid <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date 02-14-14
Assessment(s)	\$1,061.72	Due	Paid <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date 02-14-14
Restitution	\$	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
Judgment	\$	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
Satisfaction of Judgment Filed?		<input type="checkbox"/> Y <input type="checkbox"/> N		
No. of Victims:				

Comments: **NOTE: The Rodney L. Smith in this case is not the same as, and should not be confused with Tucson, Arizona real estate agent Rodney L. (Lee) Smith, AZ license #SA585620000.**

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

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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-04-040-05-FO01

LIGHTHOUSE LENDING, INC., and
RODNEY L. SMITH, Owner and Designated Broker,
Respondents.

FINAL ORDER

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I. DIRECTOR'S CONSIDERATION

A. Default. This matter has come before the Director of the Department of
Financial Institutions of the State of Washington (Director) pursuant to RCW 34.05.440(2). On March
10, 2004, the Director through her designee Consumer Services Division Director and Enforcement
Chief Chuck Cross, entered a Statement of Charges and Notice of Intention to Enter an Order to
Revoke License, Collect Annual Assessment, Impose Fine, Prohibit from Industry, and Collect
Investigation Fee (Statement of Charges). A copy of the Statement of Charges is attached and
incorporated into this order by this reference. The Statement of Charges was accompanied by a cover
letter dated March 10, 2004, a Notice of Opportunity to Defend and Opportunity for Hearing, and
blank Applications for Adjudicative Hearing for Lighthouse Lending, Inc. (Lighthouse) and Rodney L.
Smith (Smith), Owner and Designated Broker. The Department of Financial Institutions of the State of
Washington (Department) served the Statement of Charges, cover letter dated March 10, 2004, Notice
of Opportunity to Defend and Opportunity for Hearing, and blank Applications for Adjudicative
Hearing for Lighthouse and Smith on Respondents by Federal Express on March 11, 2004. On March
31, 2004, Respondents each filed an application for adjudicative hearing. On June 24, 2004, the

1 Department made a request to the Office of Administrative Hearings (OAH) to assign an
2 Administrative Law Judge (ALJ) to schedule and conduct a hearing on the Statement of Charges.

3 On July 1, 2004, OAH issued an Order for Telephonic Prehearing Conference (OTPC)
4 scheduling a prehearing conference on Thursday, August 5, 2004 at 8:00 a.m. That Order contained
5 the following instruction to the parties: **“The parties shall notify the Office of Administrative
6 Hearings with an appropriate telephone number where they can be reached for the conference.”**

7 That Order also noted “Parties who fail to attend or participate in the hearing or other stage of the
8 adjudicative proceeding may be held in default.” On July 1, 2004, OAH sent notice of the August 5,
9 2004 prehearing conference to the address in Respondents’ Applications for Adjudicative Hearing.

10 On August 5, 2004, the prehearing conference was convened by ALJ Rebekah R. Ross (ALJ
11 Ross) at 8:00 a.m. Respondents failed to appear until approximately 10:00 a.m., at which time
12 Respondent Smith indicated that he had not received the OTPC issued July 1, 2004 and requested a
13 continuance to obtain counsel. ALJ Ross continued the prehearing conference to Tuesday October 5,
14 2004 at 1:00 p.m.

15 On September 3, 2004, OAH issued an OTPC scheduling a prehearing conference on Tuesday
16 October 5, 2004 at 1:00 p.m. That Order contained the following instruction to the parties: **“The
17 parties shall notify the Office of Administrative Hearings with an appropriate telephone number
18 where they can be reached for the conference.”** That Order also noted “Parties who fail to attend or
19 participate in the hearing or other stage of the adjudicative proceeding may be held in default.” On
20 September 3, 2004, OAH sent notice of the October 5, 2004 prehearing conference to the address in
21 Respondents’ Applications for Adjudicative Hearing.
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1 On October 5, 2004, the prehearing conference was convened by ALJ Ross at 1:00 p.m.
2 Respondents failed to appear and ALJ Ross was unable to contact Respondents at the last telephone
3 number provided by Respondents. The Department moved for an order of default based on
4 Respondents' failure to appear. On October 5, 2004, ALJ Ross issued an Order of Default and Initial
5 Order that the Department's Statement of Charges be affirmed. On October 5, 2004, OAH sent the
6 Order of Default and Initial Order to the address in Respondents' Applications for Adjudicative
7 Hearing.

8 Pursuant to RCW 34.05.440(3), Respondents had seven days from the date of service of the
9 order to file a written motion with OAH requesting that the Order of Default and Initial Order be
10 vacated, and stating the grounds relied upon. Respondents did not make a request to vacate during the
11 statutory period. Pursuant to RCW 34.05.464 and WAC 10-08-211, Respondents had twenty days
12 from the date of service of the order to file a petition for review of the Order of Default and Initial
13 Order with the Director. Respondents did not file a petition for review during the statutory period.

14 B. Record Presented. The record presented to the Director for her review and for entry of
15 a final decision included the following:
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- 17 1. Statement of Charges, and cover letter dated March 10, 2004;
- 18 2. Notice of Opportunity to Defend and Opportunity for Hearing;
- 19 3. Documentation of service for Statement of Charges, Notice of Opportunity to Defend
20 and Opportunity for Hearing, and cover letter dated March 10, 2004;
- 21 4. Applications for Adjudicative Hearing for Lighthouse Lending, Inc. and Rodney L.
22 Smith, Owner and Designated Broker;
- 23 5. Request to OAH for Assignment of Administrative Law Judge;
- 24 6. Order for Telephonic Prehearing Conference dated July 1, 2004, with documentation
25 of service;

1 II. FINAL ORDER

2 Based upon the foregoing, and the Director having considered the record and being
3 otherwise fully advised, NOW, THEREFORE:

4 A. IT IS HEREBY ORDERED, That:

- 5 1. Respondent Lighthouse Lending, Inc.'s license to conduct the business of a
6 Mortgage Broker is revoked; and
- 7 2. Respondents Lighthouse Lending, Inc. and Rodney L. Smith jointly and severally
8 pay the cumulative delinquent Annual Assessments due through April 30, 2004
9 totaling \$1,061.72 (\$530.86 for the year ended April 30, 2003 and \$530.86 for the
10 year ended April 30, 2004); and
- 11 3. Respondents Lighthouse Lending, Inc. and Rodney L. Smith jointly and severally
12 pay a fine of \$3,000.00 for failure to comply with a directive, calculated at \$100
13 per day for thirty (30) days; and
- 14 4. Respondent Rodney L. Smith is prohibited from participation in the conduct of the
15 affairs of any licensed mortgage broker, in any manner, for a period of five (5)
16 years; and
- 17 5. Respondents Lighthouse Lending, Inc. and Rodney L. Smith jointly and severally
18 pay an investigation fee in the amount of \$286.68, calculated at \$47.78 per hour
19 for six (6) staff hours devoted to the investigation; and
- 20 6. Respondents Lighthouse Lending, Inc. and Rodney L. Smith maintain records in
21 compliance with chapter 19.146 RCW, the Mortgage Broker Practices Act ("Act")
22 and provide the Department with the location of the books, records and other
23 information relating to Lighthouse Lending, Inc.'s mortgage broker business, and
24 the name, address and telephone number of the individual responsible for
25 maintenance of such records in compliance with the Act.

20 B. Reconsideration. Pursuant to RCW 34.05.470, Respondents have the right to file a
21 Petition for Reconsideration stating the specific grounds upon which relief is requested. The Petition
22 must be filed in the Office of the Director of the Department of Financial Institutions by courier at 150
23 Israel Road SW, Tumwater, Washington 98501, or by U.S. Mail at P.O. Box 41200, Olympia,
24 Washington 98504-1200, within ten (10) days of service of the Final Order upon Respondents. The

1 Petition for Reconsideration shall not stay the effectiveness of this order nor is a Petition for
2 Reconsideration a prerequisite for seeking judicial review in this matter.

3 A timely Petition for Reconsideration is deemed denied if, within twenty (20) days from the date
4 the petition is filed, the agency does not (a) dispose of the petition or (b) serve the parties with a written
5 notice specifying the date by which it will act on a petition.

6 C. Stay of Order. The Director has determined not to consider a Petition to Stay the
7 effectiveness of this order. Any such requests should be made in connection with a Petition for Judicial
8 Review made under chapter 34.05 RCW and RCW 34.05.550.

9 D. Judicial Review. Respondents have the right to petition the superior court for
10 judicial review of this agency action under the provisions of chapter 34.05 RCW. For the requirements
11 for filing a Petition for Judicial Review, see RCW 34.050.510 and sections following.

12 E. Service. For purposes of filing a Petition for Reconsideration or a Petition for
13 Judicial Review, service is effective upon deposit of this order in the U.S. mail, declaration of service
14 attached hereto.
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17 DATED this 22nd day of March, 2005.



STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS


GLORIA PAPIEZ
ACTING DIRECTOR

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

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

LIGHTHOUSE LENDING, INC., and
RODNEY L. SMITH, Owner and
Designated Broker,

Respondents.

NO. C-04-040-04-SC01

STATEMENT OF CHARGES and
NOTICE OF INTENTION TO ENTER
AN ORDER TO REVOKE LICENSE,
COLLECT ANNUAL ASSESSMENT,
IMPOSE FINE, PROHIBIT FROM INDUSTRY,
AND COLLECT INVESTIGATION FEE

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"). The referenced statutes (RCW) and rules (WAC) are attached, in pertinent part. After having conducted an investigation pursuant to RCW 19.146.235, and based upon the facts available as of March 8, 2004 the Director institutes this proceeding and finds as follows:

I. FACTUAL ALLEGATIONS

1.1 Respondents:

A. **Lighthouse Lending, Inc., formerly MS Mortgage Corporation ("Respondent Lighthouse")** is known to have conducted the business of a mortgage broker at the following location:

615 N. First Ave
Stayton, OR 97383

B. **Rodney L. Smith ("Respondent Smith")** is known to be owner of Respondent Lighthouse. Respondent Smith was named Designated Broker on April 14, 1998, and has continued as Designated Broker to date.

1 **1.2 License:** Respondent Lighthouse's main office, at 610 SW Alder St, #500, Portland, OR 97205, was
2 licensed by the Department to conduct business as a mortgage broker on April 14, 1998. Respondent
3 Lighthouse's application to change its name from MS Mortgage Corporation to Lighthouse Lending, Inc. and
4 change the address of its main office to 615 N. First Ave, Stayton, OR 97383 was approved October 9, 2002.
5 Respondent Lighthouse has continued to be licensed to date.

6 **1.3 Failure to Pay Annual Assessments:** An annual assessment fee for each license is due to the
7 Department no later than the last business day of April for the year then ended. To date, the Department has not
8 received the annual assessment of \$530.86 for the year ended April 30, 2003, which was due to the Department
9 no later than the last business day of April 2003. In addition, payment of the annual assessment of \$530.86 for
10 the year ended April 30, 2004 will be due to the Department no later than the last business day of April 2004.

11 **1.4 Failure to Submit Continuing Education Certificate:** A certificate of satisfactory completion of an
12 approved continuing education course by a licensee's Designated Broker is due to the Department no later than
13 the last business day of April of each year. To date, the Department has not received the required certificates
14 from Respondent Smith for the year ended April 30, 2003.

15 **1.5 Failure to Respond to Directive:** On October 16, 2003, the Department served a directive on
16 Respondents by certified mail, requiring submittal of a certificate of completion of continuing education for
17 Respondent Smith and payment of the annual assessment fee. To date, the Department has not received a
18 response to this directive.

19 **1.6 Failure to Notify Department of Significant Developments:**

- 20 A. The Oregon Division of Finance and Corporate Securities has issued Mortgage Lender license
21 #ML-962 to Lighthouse Lending and Investments, Inc. at 615 N. First Ave, Stayton, OR
22 97383, with Rodney Smith listed as the contact. The named principal on Respondent
23 Lighthouse's surety bond was amended to "Lighthouse Lending and Investments, Inc." on
24 February 9, 2003. To date, Respondents have not notified the Department of this name change.

1 B. Respondent Lighthouse's corporate license, maintained with the State of Washington
2 Secretary of State, expired on December 31, 1999. To date, Respondents have not notified the
3 Department of this change in standing with the State of Washington Secretary of State.

4 C. Respondent Lighthouse's Master Business License account, maintained with the Washington
5 State Department of Licensing, was dissolved on December 31, 1999. To date, Respondents
6 have not notified the Department of this change in Respondent Lighthouse's State Master
7 Business License.

8 II. GROUNDS FOR ENTRY OF ORDER

9 **2.1 Requirement to Pay Annual Assessment:** Based on the Factual Allegations set forth in Section I
10 above, Respondents are in apparent violation of RCW 19.146.228(1), WAC 208-660-060(3) and WAC 208-
11 660-061 for failing to pay to the Director an annual assessment fee no later than the last business day of the
12 month in which the anniversary date of the issuance of the mortgage broker's license occurs.

13 **2.2 Requirement to Submit Certificate of Completion of Continuing Education:** Based on the Factual
14 Allegations set forth in Section I above, Respondent Smith is in apparent violation of RCW 19.146.215 and
15 WAC 208-660-042 for failing to complete the annual continuing education requirement and file a certificate of
16 satisfactory completion no later than the last business day of the month in which the anniversary date of the
17 issuance of the licensee's license occurs.

18 **2.3 Requirement to Notify Department of Significant Developments:** Based on the Factual Allegations
19 set forth in Section I above, Respondents are in apparent violation of WAC 208-660-150(3)(a), (e) and (f) for
20 failing to notify the Director in writing within five days after a change in the licensee's: name; State master
21 business license; or standing with the state of Washington Secretary of State.

22 **2.4 Requirement to Maintain Accurate and Current Books and Records:** Pursuant to RCW
23 19.146.060 and WAC 208-660-140, a mortgage broker shall make accurate and current books and records
24 readily available to the Department until at least twenty-five months have elapsed following the effective period
25 to which the books and records relate.

1 **2.5 Authority to Revoke License:** Pursuant to RCW 19.146.220(2)(b)(ii) and (iii), and WAC 208-660-
2 160(1) and (13), the Director may revoke a license if a licensee fails to pay a fee required by the Director, or
3 fails to comply with any directive or order of the Director.

4 **2.6 Authority to Impose Fine:** Pursuant to RCW 19.146.220(2)(c)(ii) and WAC 208-660-165, the Director
5 may impose fines on a licensee that fails to comply with any directive or order of the Director.

6 **2.7 Authority to Prohibit from the Industry:** Pursuant to RCW 19.146.220(2)(e)(iv), the Director may
7 prohibit from participation in the conduct of the affairs of a licensed mortgage broker, any officer, principal,
8 employee, or loan originator of any licensed mortgage broker or any person subject to licensing under the Act
9 that fails to comply with any directive or order of the Director.

10 **2.8 Authority to Charge Investigation Fee:** Pursuant to RCW 19.146.228(2), WAC 208-660-060(4) and
11 WAC 208-660-061, upon completion of any investigation of the books and records of a licensee, the Department
12 will furnish to the licensee a billing to cover the cost of the investigation. The investigation charge will be
13 calculated at the rate of forty-seven dollars and seventy-eight cents (\$47.78) per hour that each staff person devoted
14 to the investigation.

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1 **III. NOTICE OF INTENTION TO ENTER ORDER**

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

- 6 3.1 Respondent Lighthouse Lending Inc.'s license to conduct the business of a Mortgage Broker be
7 revoked; and
- 8 3.2 Respondents jointly and severally pay the delinquent Annual Assessment due through April 30, 2003
9 of \$530.86. Additionally, Respondents jointly and severally pay the \$530.86 Annual Assessment for
10 the year ending April 30, 2004 no later than the last business day of April 2004; and
- 11 3.3 Respondents jointly and severally pay a fine of \$3,000.00 for failure to comply with a directive,
12 calculated at \$100 per day for 30 days; and
- 13 3.4 Respondent Rodney L. Smith be prohibited from participation in the conduct of the affairs of any
14 licensed mortgage broker, in any manner, for a period of five (5) years;
- 15 3.5 Respondents jointly and severally pay an investigation fee in the amount of \$286.68 calculated at
16 \$47.78 per hour for six (6) staff hours devoted to the investigation; and
- 17 3.6 Respondents maintain records in compliance with the Act and provide the Department with the
18 location of the books, records and other information relating to Respondent Lighthouse's mortgage
19 broker business, and the name, address and telephone number of the individual responsible for
20 maintenance of such records in compliance with the Act.


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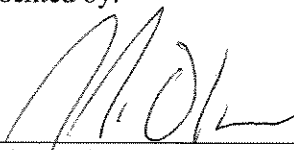
IV. AUTHORITY AND PROCEDURE

This Statement of Charges and Notice of Intention to Enter an Order to Revoke License, Collect Annual Assessment, Impose Fine, Prohibit from Industry, and Collect Investigation Fee is entered pursuant to the provisions of RCW 19.146.220, RCW 19.146.221, RCW 19.146.223 and RCW 19.146.230, and is subject to the provisions of chapter 34.05 RCW (The Administrative Procedure Act). Respondents may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Statement of Charges and Notice of Intention to Enter an Order to Revoke License, Collect Annual Assessment, Impose Fine, Prohibit from Industry, and Collect Investigation Fee.

Dated this 10th day of March, 2004.


CHUCK CROSS
Acting Director and Enforcement Chief
Division of Consumer Services
Department of Financial Institutions

Presented by:


Mark T. Olson
Financial Examiner



1 **RCW 19.146.060 Accounting requirements.**

(1) A mortgage broker shall use generally accepted accounting principles.

2 (2) Except as otherwise provided in subsection (3) of this section, a mortgage broker shall maintain accurate and
3 current books and records which shall be readily available at the mortgage broker's usual business location until at least
twenty-five months have elapsed following the effective period to which the books and records relate.

4 (3) Where a mortgage broker's usual business location is outside of the state of Washington, the mortgage broker shall, as
determined by the director by rule, either maintain its books and records at a location in this state, or reimburse the director
5 for his or her expenses, including but not limited to transportation, food, and lodging expenses, relating to any examination
or investigation resulting under this chapter.

6 (4) "Books and records" includes but is not limited to:

7 (a) Copies of all advertisements placed by or at the request of the mortgage broker which mention rates or fees. In the
case of radio or television advertisements, or advertisements placed on a telephonic information line or other electronic
8 source of information including but not limited to a computer data base or electronic bulletin board, a mortgage broker
shall keep copies of the precise script for the advertisement. All advertisement records shall include for each advertisement
9 the date or dates of publication and name of each periodical, broadcast station, or telephone information line which
published the advertisement or, in the case of a flyer or other material distributed by the mortgage broker, the dates,
methods, and areas of distribution; and

10 (b) Copies of all documents, notes, computer records if not stored in printed form, correspondence or memoranda
relating to a borrower from whom the mortgage broker has accepted a deposit or other funds, or accepted a residential
11 mortgage loan application or with whom the mortgage broker has entered into an agreement to assist in obtaining a
residential mortgage loan.

12 [1997 c 106 § 6; 1994 c 33 § 20; 1987 c 391 § 8.]

13 **RCW 19.146.215 Continuing education -- Rules.**

The designated broker of every licensee shall complete an annual continuing education requirement, which the director
14 shall define by rule.

15 [1997 c 106 § 11; 1994 c 33 § 11.]

16 **RCW 19.146.220 Director -- Powers and duties -- Violations as separate violations -- Rules.**

(1) The director shall enforce all laws and rules relating to the licensing of mortgage brokers, grant or deny licenses to
17 mortgage brokers, and hold hearings.

(2) The director may impose the following sanctions:

18 (a) Deny applications for licenses for: (i) Violations of orders, including cease and desist orders issued under this
19 chapter; or (ii) any violation of RCW 19.146.050 or 19.146.0201 (1) through (9);

20 (b) Suspend or revoke licenses for:

(i) False statements or omission of material information on the application that, if known, would have allowed the
21 director to deny the application for the original license;

22 (ii) Failure to pay a fee required by the director or maintain the required bond;

23 (iii) Failure to comply with any directive or order of the director; or

- 1 (iv) Any violation of RCW 19.146.050, 19.146.060(3), 19.146.0201 (1) through (9) or (12), 19.146.205(4), or
19.146.265;
- 2 (c) Impose fines on the licensee, employee or loan originator of the licensee, or other person subject to this chapter for:
- 3 (i) Any violations of RCW 19.146.0201 (1) through (9) or (12), 19.146.030 through 19.146.080, 19.146.200,
19.146.205(4), or 19.146.265; or
- 4 (ii) Failure to comply with any directive or order of the director;
- 5 (d) Issue orders directing a licensee, its employee or loan originator, or other person subject to this chapter to:
- 6 (i) Cease and desist from conducting business in a manner that is injurious to the public or violates any provision of
this chapter; or
- 7 (ii) Pay restitution to an injured borrower; or
- 8 (e) Issue orders removing from office or prohibiting from participation in the conduct of the affairs of a licensed
mortgage broker, or both, any officer, principal, employee, or loan originator of any licensed mortgage broker or any
9 person subject to licensing under this chapter for:
- 10 (i) Any violation of 19.146.0201 (1) through (9) or (12), 19.146.030 through 19.146.080, 19.146.200, 19.146.205(4),
or 19.146.265; or
- 11 (ii) False statements or omission of material information on the application that, if known, would have allowed the
director to deny the application for the original license;
- 12 (iii) Conviction of a gross misdemeanor involving dishonesty or financial misconduct or a felony after obtaining a
license; or
- 13 (iv) Failure to comply with any directive or order of the director.
- 14 (3) Each day's continuance of a violation or failure to comply with any directive or order of the director is a separate and
distinct violation or failure.
- 15 (4) The director shall establish by rule standards for licensure of applicants licensed in other jurisdictions.
- 16 (5) The director shall immediately suspend the license or certificate of a person who has been certified pursuant to RCW
74.20A.320 by the department of social and health services as a person who is not in compliance with a support order or a
17 *residential or visitation order. If the person has continued to meet all other requirements for reinstatement during the
suspension, reissuance of the license or certificate shall be automatic upon the director's receipt of a release issued by the
18 department of social and health services stating that the licensee is in compliance with the order.

19 [1997 c 106 § 12; 1997 c 58 § 879; 1996 c 103 § 1; 1994 c 33 § 12; 1993 c 468 § 8.]

20 **RCW 19.146.221 Action by director -- Hearing -- Sanction.**

21 The director may, at his or her discretion and as provided for in *RCW 19.146.220(2), take any action specified in RCW
19.146.220(1). If the person subject to such action does not appear in person or by counsel at the time and place designated
22 for any administrative hearing that may be held on the action then the person shall be deemed to consent to the action. If
the person subject to the action consents, or if after hearing the director finds by a preponderance of the evidence that any
grounds for sanctions under this chapter exist, then the director may impose any sanction authorized by this chapter.

23 [1994 c 33 § 13.]

1 **RCW 19.146.223 Director -- Administration and interpretation.**

2 The director shall have the power and broad administrative discretion to administer and interpret the provisions of this chapter to fulfill the intent of the legislature as expressed in RCW 19.146.005.

3 [1994 c 33 § 2.]

4 **RCW 19.146.228 Fees -- Rules -- Exception.**

5 The director shall establish fees by rule in accordance with RCW 43.24.086 sufficient to cover, but not exceed, the costs of administering this chapter. These fees may include:

- 6 (1) An annual assessment paid by each licensee on or before a date specified by rule;
- 7 (2) An investigation fee to cover the costs of any investigation of the books and records of a licensee or other person subject to this chapter; ...

8 [2001 c 177 § 5; 1997 c 106 § 13; 1994 c 33 § 9.]

9 **RCW 19.146.230 Administrative procedure act application.**

10 The proceedings for denying license applications, issuing cease and desist orders, suspending or revoking licenses, and imposing civil penalties or other remedies issued pursuant to this chapter and any appeal therefrom or review thereof shall be governed by the provisions of the administrative procedure act, chapter 34.05 RCW.

11 [1994 c 33 § 16; 1993 c 468 § 10.]

12 **RCW 19.146.235 Director -- Investigation powers -- Duties of person subject to examination or investigation.**

13 For the purposes of investigating complaints arising under this chapter, the director may at any time, either personally or by a designee, examine the business, including but not limited to the books, accounts, records, and files used therein, of every licensee and of every person engaged in the business of mortgage brokering, whether such a person shall act or claim to act under or without the authority of this chapter. For that purpose the director and designated representatives shall have access during regular business hours to the offices and places of business, books, accounts, papers, records, files, safes, and vaults of all such persons.

14 The director or designated person may direct or order the attendance of and examine under oath all persons whose testimony may be required about the loans or the business or subject matter of any such examination or investigation, and may direct or order such person to produce books, accounts, records, files, and any other documents the director or designated person deems relevant to the inquiry. If a person who receives such a directive or order does not attend and testify, or does not produce the requested books, records, files, or other documents within the time period established in the directive or order, then the director or designated person may issue a subpoena requiring attendance or compelling production of books, records, files, or other documents. No person subject to examination or investigation under this chapter shall withhold, abstract, remove, mutilate, destroy, or secrete any books, records, computer records, or other information.

18 Once during the first two years of licensing, the director may visit, either personally or by designee, the licensee's place or places of business to conduct a compliance examination. The director may examine, either personally or by designee, a sample of the licensee's loan files, interview the licensee or other designated employee or independent contractor, and undertake such other activities as necessary to ensure that the licensee is in compliance with the provisions of this chapter. For those licensees issued licenses prior to March 21, 1994, the cost of such an examination shall be considered to have been prepaid in their license fee. After this one visit within the two-year period subsequent to issuance of a license, the director or a designee may visit the licensee's place or places of business only to ensure that corrective action has been taken or to investigate a complaint.

22 [1997 c 106 § 14; 1994 c 33 § 17; 1993 c 468 § 11.]

1 **WAC 208-660-042 Continuing education requirement.**

2 (1) The principal or designated broker of a licensee must satisfactorily complete an approved continuing education course
3 annually. Each licensee must file annually a certificate of satisfactory completion of an approved continuing education
4 course by the licensee's principal or designated broker no later than the last business day of the month in which the
5 anniversary date of the issuance of the licensee's license occurs.

6 (2) This section applies to each licensee beginning on the first anniversary date of the issuance of the licensee's license
7 which occurs after December 31, 1995. (For example, if a licensee's license was issued on January 10, 1994, then the
8 licensee must submit its first certificate of satisfactory completion of an approved continuing education course no later than
9 the last business day of January 1996.)

10 [Statutory Authority: RCW 43.320.010, 19.146.223, 01-01-044, § 208-660-042, filed 12/8/00, effective 1/8/01; 96-04-028,
11 recodified as § 208-660-042, filed 2/1/96, effective 4/1/96. Statutory Authority: RCW 19.146.225, 95-13-091, § 50-60-042,
12 filed 6/21/95, effective 7/22/95.]

13 **WAC 208-660-060 Department's fees and assessments.**

14 (1) Upon completion of processing and reviewing an application for a license or branch office certificate, the department
15 will prepare a billing, regardless of whether a license or certificate has been issued, calculated at the rate of \$35.98 per hour
16 that each staff person devoted to processing and reviewing the application. The application deposit will be applied against
17 this bill. Any amount left owing to the department will be billed to and paid promptly by the applicant, while any balance
18 remaining from the deposit will be refunded promptly to the applicant.

19 (2) Upon completion of any examination of the books and records of a licensee, the department will furnish to the licensee
20 a billing to cover the cost of the examination. The examination charge will be calculated at the rate of \$46.26 per hour that
21 each staff person devoted to the examination. The examination billing will be paid by the licensee promptly upon receipt.
22 Licensees that were issued licenses prior to March 21, 1994, have prepaid in their initial license fee the cost of the first
23 compliance examination of the licensee conducted by the department during the first two years after the date of issuance of
24 the license.

25 (3) Each licensee shall pay to the director an annual assessment of \$513.95 for each license, and \$513.95 for each branch
office certificate. The annual assessment(s) will be due no later than the last business day of the month in which the
anniversary date of the issuance of the broker's license occurs.

(4) Upon completion of any investigation of the books and records of a mortgage broker other than a licensee, the
department will furnish to the broker a billing to cover the cost of the investigation. The investigation charge will be
calculated at the rate of \$46.26 per hour that each staff person devoted to the investigation. The investigation billing will be
paid by the mortgage broker promptly upon receipt.

[Statutory Authority: RCW 18.44.410, 19.146.223, 19.146.225, 19.146.265, 31.04.165, 31.45.200, 01-12-029, § 208-660-
060, filed 5/29/01, effective 7/1/01; 96-04-028, recodified as § 208-660-060, filed 2/1/96, effective 4/1/96. Statutory
Authority: RCW 19.146.225, 95-13-091, § 50-60-060, filed 6/21/95, effective 7/22/95; 94-23-033, § 50-60-060, filed
11/8/94, effective 12/9/94. Statutory Authority: 1993 c 468 § 9, 94-03-009, § 50-60-060, filed 1/7/94, effective 2/7/94.]

WAC 208-660-061 Fee increase.

The division intends to increase its fee and assessment rates each year for several bienniums. The division intends to
initiate a rule making for this purpose each biennium. This rule provides for an automatic annual increase in the rate of fees
and assessments each fiscal year during the 2001-03 biennium.

(1) On July 1, 2002, the fee and assessment rates under WAC 208-660-060, as increased in the prior fiscal year, will
increase by a percentage rate equal to the fiscal growth factor for the then current fiscal year. As used in this section, "fiscal
growth factor" has the same meaning as the term is defined in RCW 43.135.025.

(2) The director may round off a rate increase under subsection (1) of this section. However, no rate increase may exceed
the applicable fiscal growth factor.

1 (3) By June 1 of each year, the director will make available a chart of the new rates that will take effect on the immediately
2 following July 1.

3 [Statutory Authority: RCW 18.44.410, 19.146.223, 19.146.225, 19.146.265, 31.04.165, 31.45.200. 01-12-029, § 208-660-
4 061, filed 5/29/01, effective 7/1/01.]

4 **WAC 208-660-140 General recordkeeping requirements.**

5 (1) Each mortgage broker shall retain its books and records for a minimum of twenty-five months after the effective period
6 to which the books and records relate.

7 However, books and records relating to a specific loan application must be maintained for a minimum of twenty-five
8 months after a loan application is received. These books and records must be retained in all cases where a loan application
9 has been received, any deposits or fees associated with a mortgage application have been accepted, or any written
10 agreement has been executed.

11 (2) All books and records must be kept in a location in this state that is readily accessible to the department. However, a
12 mortgage broker may store its books and records outside the state with the prior approval of the director, and after
13 executing a written agreement with the director:

- 14 (a) To provide access to its books and records to investigate complaints against the mortgage broker; and
15 (b) To pay the department's travel, lodging and per diem expenses incurred in travel to examine books and records
16 stored out-of-state.

17 (3) Books and records include without limitation: The original contracts for the broker's compensation, an accounting of all
18 funds received in connection with loans, a copy of the settlement statements as provided to borrowers, a record of any fees
19 refunded to applicants for loans that did not close, copies of the good faith estimates and all other written disclosures, and
20 all other correspondence, papers or records relating to loan applications.

21 [Statutory Authority: RCW 43.320.010, 19.146.223. 01-01-044, § 208-660-140, filed 12/8/00, effective 1/8/01; 96-04-028,
22 recodified as § 208-660-140, filed 2/1/96, effective 4/1/96. Statutory Authority: RCW 19.146.225. 95-13-091, § 50-60-140,
23 filed 6/21/95, effective 7/22/95. Statutory Authority: 1993 c 468 § 9. 94-03-009, § 50-60-140, filed 1/7/94, effective
24 2/7/94.]

25 **WAC 208-660-150 Disclosure of significant developments.**

(1) A licensee must notify the director in writing within thirty days after the occurrence of any of the following
developments:

- (a) Licensee's filing for bankruptcy or reorganization.
(b) Receipt of notification of license revocation procedures in any state against the licensee.
(c) The filing of a felony indictment or information related to mortgage brokering activities of the licensee, or any
officer, director, principal, or designated broker of the licensee.
(d) The licensee, or any officer, director, principal, or designated broker of the licensee being convicted of a felony.
(e) Receipt of notification of cancellation of the licensee's surety bond or approved alternative, or any significant
decline in value of an approved alternative held by the director.
(f) The filing of any material litigation against the licensee.

(2) A licensee must notify the director in writing ten days prior to a change of the location of the licensee's principal place
of business or any of its branch offices.

(3) A licensee must notify the director in writing within five days after a change in the licensee's:

- (a) Name or legal status (e.g., from sole proprietor to corporation, etc.);
(b) Mailing address or telephone number;
(c) President, partner, designated broker, or branch office manager;
(d) Trust account (e.g., change in the status, location, or account number);
(e) State master business license; or

1 (f) Standing with the state of Washington secretary of state.

2 [96-04-028, recodified as § 208-660-150, filed 2/1/96, effective 4/1/96. Statutory Authority: RCW 19.146.225. 95-13-091,
3 § 50-60-150, filed 6/21/95, effective 7/22/95. Statutory Authority: 1993 c 468 § 9. 94-03-009, § 50-60-150, filed 1/7/94,
4 effective 2/7/94.]

5 **WAC 208-660-160 License application denial or condition; license suspension or revocation.**

6 The director may deny or condition approval of a license application, or suspend or revoke a license if the applicant or
7 licensee, or any principal or designated broker of the applicant or licensee:

- 8 (1) Has failed to pay a fee due to the state in accordance with the Mortgage Broker Practices Act;
- 9 (2) Has not filed the required surety bond or approved alternative or otherwise complied with RCW 19.146.205;
- 10 (3) Has had any license, or any authorization to do business under any similar statute of this or any other state,
11 suspended, revoked, or restricted within the prior five years;
- 12 (4) Has within the prior seven years been convicted of a felony, or a gross misdemeanor involving dishonesty or
13 financial misconduct;
- 14 (5) Has failed to demonstrate financial responsibility, character, and general fitness such as to command the confidence
15 of the community and to warrant a belief that the business will be operated honestly, fairly, and efficiently within the
16 purposes of the Mortgage Broker Practices Act. The director may find that the person has failed to make the demonstration
17 if, among other things:
 - 18 (a) The person is or has been subject to an injunction issued pursuant to the Mortgage Broker Practices Act or the
19 Consumer Protection Act; or
 - 20 (b) An independent credit report issued by a recognized credit reporting agency indicates that the person has a
21 substantial history of unpaid debts;
- 22 (6) Has omitted, misrepresented, or concealed material facts in obtaining a license or in obtaining reinstatement thereof;
- 23 (7) Has violated the provisions of the Mortgage Broker Practices Act, or the Consumer Protection Act;
- 24 (8) Has had its surety bond, approved alternative, or equivalent form of business insurance, canceled or revoked for
25 cause;
- (9) Has allowed the licensed mortgage broker business to deteriorate into a condition which would result in denial of a
new application for a license;
- (10) Has aided or abetted an unlicensed person to practice in violation of the Mortgage Broker Practices Act;
- (11) Has demonstrated incompetence or negligence that results in injury to a person or that creates an unreasonable risk
that a person may be harmed;
- (12) Is insolvent in the sense that the value of the applicant's or licensee's liabilities exceed its assets or in the sense that
the applicant or licensee cannot meet its obligations as they mature;
- (13) Has failed to comply with an order, directive, or requirement of the director, or his or her designee, or with an
assurance of discontinuance entered into with the director, or his or her designee;
- (14) Has performed an act of misrepresentation or fraud in any aspect of the conduct of the mortgage broker business or
profession;
- (15) Has failed to cooperate with the director, or his or her designee, including without limitation by:
 - (a) Not furnishing any necessary papers or documents requested by the director for purposes of conducting an
investigation for disciplinary actions or denial, suspension, or revocation of a license; or
 - (b) Not furnishing any necessary papers or documents requested by the director for purposes of conducting an
investigation into a complaint against the licensee filed with the department, or providing a full and complete written
explanation of the circumstances of the complaint upon request by the director;
- (16) Has interfered with an investigation or disciplinary proceeding by willful misrepresentation of facts before the
director or the director's designee, or by the use of threats or harassment against a client, witness, employee of the licensee,
or representative of the director for the purpose of preventing them from discovering evidence for, or providing evidence
in, any disciplinary proceeding or other legal action;
- (17) Has failed to provide a required certificate of passing an approved examination;
- (18) Has failed to provide a required certificate of satisfactory completion of an approved licensing course or, in the
alternative, satisfactory proof of two years' experience in accordance with WAC 208-660-040; or
- (19) Has failed to provide a required certificate of satisfactory completion of an approved continuing education course.

1 [Statutory Authority: RCW 43.320.010, 19.146.223. 01-01-044, § 208-660-160, filed 12/8/00, effective 1/8/01; 96-04-028,
2 recodified as § 208-660-160, filed 2/1/96, effective 4/1/96. Statutory Authority: RCW 19.146.225. 95-13-091, § 50-60-160,
filed 6/21/95, effective 7/22/95. Statutory Authority: 1993 c 468 § 9. 94-03-009, § 50-60-160, filed 1/7/94, effective
2/7/94.]

3 **WAC 208-660-165 Fines and penalties for violation of the Mortgage Broker Practices Act.**

4 Each mortgage broker and each of its principals, designated brokers, officers, employees, independent contractors, and
5 agents shall comply with the applicable provisions of the Mortgage Broker Practices Act. Each violation of any applicable
6 provision of the Mortgage Broker Practices Act, or of any order, directive, or requirement of the director may, at the
discretion of the director, subject the violator to a fine of up to one hundred dollars for each offense. Each day's
7 continuance of the violation is a separate and distinct offense. In addition, the director in his or her discretion may by order
8 assess other penalties for a violation of the Mortgage Broker Practices Act.

9 [96-04-028, recodified as § 208-660-165, filed 2/1/96, effective 4/1/96. Statutory Authority: RCW 19.146.225. 95-13-091,
10 § 50-60-165, filed 6/21/95, effective 7/22/95; 94-23-033, § 50-60-165, filed 11/8/94, effective 12/9/94.]