

Terms Complete
ORDER SUMMARY – Case Number: C-17-2350

Name(s): Washington Discount Mortgage, LLC
David Chapman

Order Number: C-17-2350-18-CO01

Effective Date: 11/20/18
David Chapman: NMLS No. 121073

NMLS Numbers: Washington Discount Mortgage, LLC: NMLS No. 72101

License Effect: 5 year License Suspension Stayed for 2 years

Not Apply Until: _____

Not Eligible Until: _____

Prohibition/Ban Until: 5 year Ban Stayed for 2 years

Investigation Costs	\$1,226.40		Paid <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date 11/15/18
Fine	\$10,000 \$15,000 Stayed	Due	Paid <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date 11/15/18
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: _____

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

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

7 WASHINGTON DISCOUNT MORTGAGE,
8 LLC, NMLS #72101;

9 DAVID CHAPMAN, Owner and Designated
10 Broker, NMLS #121073; and

11 CARIN KJOSS, Mortgage Loan Originator,
12 NMLS #107914;

13 Respondents.

No.: C-17-2350-18-CO01

14 CONSENT ORDER AS TO WASHINGTON
15 DISCOUNT MORTGAGE, LLC AND
16 DAVID CHAPMAN

17 COMES NOW the Director of the Department of Financial Institutions (Director), through
18 her designee Charles E. Clark, Division Director, Division of Consumer Services, David Chapman
19 (Respondent Chapman), and Washington Discount Mortgage, LLC (Respondent Washington
20 Discount Mortgage), and finding that the issues raised in the above-captioned matter may be
21 economically and efficiently settled, agree to the entry of this Consent Order. This Consent Order is
22 entered pursuant to chapter 19.146 of the Revised Code of Washington (RCW), and RCW 34.05.060
23 of the Administrative Procedure Act, based on the following:

24 **AGREEMENT AND ORDER**

The Department of Financial Institutions, Division of Consumer Services (Department),
Respondent Chapman and Respondent Washington Discount Mortgage (collectively "Respondents"),
have agreed upon a basis for resolution of the matters alleged in Statement of Charges No. C-17-
2350-18-SC01 (Statement of Charges), entered August 15, 2018, (copy attached hereto) solely as
related to Respondents. Pursuant to chapter 19.146 RCW, the Mortgage Broker Practices Act (Act),
and RCW 34.05.060 of the Administrative Procedure Act, Respondents hereby agree to the

1 Department's entry of this Consent Order and further agree that the issues raised in the above-
2 captioned matter may be economically and efficiently settled by entry of this Consent Order. The
3 parties intend this Consent Order to fully resolve the Statement of Charges as to Respondents.

4 Based upon the foregoing:

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

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

12 **C. Prohibitions from Industry (Stayed).** It is AGREED and ORDERED that, for a period
13 of five years from the date of entry of this Consent Order, Respondents are prohibited from
14 participating, in any capacity, in the conduct of the affairs of any mortgage broker licensed by the
15 Department or subject to licensure or regulation by the Department. It is FURTHER AGREED and
16 ORDERED that contingent upon Respondents' compliance with the Act, this Consent Order, and a
17 satisfactory Compliance Examination risk rating as set forth in Paragraph H, the prohibitions shall be
18 stayed (Stayed Prohibitions) for two years unless lifted pursuant to Paragraph I. If the Department
19 does not seek to lift the stay and impose the Stayed Prohibitions pursuant to Paragraph I, the Stayed
20 Prohibitions shall expire without further notice or action by the Department.

21 **D. License Suspensions (Stayed).** It is AGREED and ORDERED that Respondent
22 Washington Discount Mortgage's Mortgage Broker license and Respondent Chapman's Loan
23 Originator license are suspended for five years. It is FURTHER AGREED and ORDERED that

1 contingent upon Respondents' compliance with the Act, this Consent Order, and a satisfactory
2 Compliance Examination risk rating as set forth in Paragraph H, the suspensions shall be stayed
3 (Stayed Suspensions) for two years unless lifted pursuant to Paragraph I. If the Department does not
4 seek to lift the stay and impose the Stayed Suspensions pursuant to Paragraph I, the Stayed
5 Suspensions shall expire without further notice or action by the Department.

6 **E. Fine (Partially Stayed).** It is AGREED and ORDERED that Respondents shall pay a
7 \$25,000 fine to the Department, with \$10,000 paid upon Respondents' delivery of the signed Consent
8 Order to the Department. All payments must be made in the form of a cashier's check made payable
9 to the "Washington State Treasurer." It is FURTHER AGREED and ORDERED that contingent
10 upon Respondents' compliance with the Act, this Consent Order, and a satisfactory Compliance
11 Examination risk rating as set forth in Paragraph H, payment of the \$15,000 balance (the Stayed
12 Fine) shall be stayed for two years unless lifted pursuant to Paragraph I. If the Department does not
13 seek to lift the stay and impose the Stayed Fine pursuant to Paragraph I, the Stayed Fine shall expire
14 without further notice or action by the Department.

15 **F. Loan Compliance Review.** It is AGREED that Respondents shall, within 30 days of the
16 entry of this Consent Order either:

- 17 1. Purchase, install, and begin utilization of a compliance review software program, not
18 objectionable to the Department, designed for continuous compliance review of
19 residential mortgage loans subject to the Act; or
- 20 2. Hire an external compliance officer, not objectionable to the Department, to oversee
21 their business practices.

22 It is FURTHER AGREED that Respondent Chapman, or the external compliance officer hired
23 pursuant to this paragraph, shall routinely note any deficiencies in loan origination, processing, or

1 underwriting identified by the compliance review software program, and implement new policies and
2 procedures designed to detect, correct, and prevent further deficiencies.

3 **G. Continuing Education.** It is AGREED that Respondent Chapman shall, within 2 years of
4 the entry of this Consent Order, complete at least ten hours of continuing education courses related to
5 compliance with laws and regulations governing the mortgage lending industry. Respondent
6 Chapman will complete these ten hours of continuing education courses in addition to the minimum
7 hours of continuing education required of him by law.

8 **H. Compliance Examination.** It is AGREED and ORDERED that subject to the
9 Department's availability, within two years of the entry of this Consent Order, at Respondents' cost,
10 the Department will conduct a compliance examination of Respondents' business practices, policies,
11 and procedures, including Respondents' compliance with this Consent Order. At the conclusion of
12 the compliance examination, a Report of Examination Risk Rating will be generated by the
13 Department. It is further AGREED and ORDERED that a Risk Rating of 1 or 2 will result in the
14 Stayed Suspensions, Prohibitions, and Fine expiring without further notice or action by the
15 Department; a Risk Rating of 3 may result in the Department lifting the Stays and imposing the
16 Stayed Suspensions, Prohibitions, and Fine on Respondents pursuant to Paragraph I; and a Risk
17 Rating of 4 or 5 will result in the Department lifting the Stays, imposing the Stayed Suspensions,
18 Prohibitions, and Fine on Respondents pursuant to Paragraph I, and may result in the impositions of
19 other sanctions.

20 **I. Lifting of Stays and Imposition of Stayed Suspensions, Prohibitions, and/or Fine.** It
21 is AGREED and ORDERED that:

- 22 1. If during the two-year stays the Department determines that any Respondent has not
23 complied with the Act, this Consent Order, or if Respondent Washington Discount

1 Mortgage receives an examination rating of 3, 4, or 5, and the Department seeks to lift
2 the stays and impose the Stayed Suspensions, Prohibitions and/or Fine, the
3 Department will first serve Respondents with a written notice of alleged
4 noncompliance.

5 2. The notice will include:

6 i. A description of the alleged noncompliance;

7 ii. A statement that the Department seeks to lift the stays and impose the Stayed
8 Suspensions, Prohibitions and/or Fine;

9 iii. Notice that Respondents can contest the notice of alleged noncompliance by
10 either requesting an adjudicative hearing before an ALJ from the Office of
11 Administrative Hearings or by submitting a written response to the Department
12 contesting the alleged noncompliance; and

13 iv. Notice that the process for lifting the stays applies only to this Consent Order.

14 3. Respondents have 20 days from the date of service of the notice of alleged

15 noncompliance to submit a written request to the Department for an adjudicative
16 hearing or, in lieu thereof, a written response contesting the alleged noncompliance.

17 4. The scope and issues of the adjudicative hearing are limited solely to whether or not

18 Respondents are in violation of the terms of the Act, this Consent Order, or that
19 Respondents received an examination rating of 3, 4, or 5.

20 5. At the conclusion of the adjudicative hearing, the ALJ will issue an initial decision.

21 Any party may file a Petition for Review of that initial decision with the Director of
22 the Department.

1 6. In lieu of requesting an adjudicative hearing, within 20 days from the date of service
2 of the notice of alleged noncompliance, any Respondent may submit a written
3 response for consideration by the Department contesting the alleged noncompliance.
4 The response must include that Respondent's waiver of the right to an adjudicative
5 hearing, may address the alleged noncompliance, and may seek an alternative
6 resolution to lifting the stays.

7 7. **DEFAULT.** If either Respondent does not timely request an adjudicative hearing or
8 submit a written response contesting the notice of alleged noncompliance, the
9 Department may lift the stays and impose the Stayed Suspensions, Prohibitions and/or
10 Fine as to that Respondent without further notice.

11 **J. Investigation Fee.** It is AGREED and ORDERED that Respondents shall pay to the
12 Department an investigation fee of \$1,226.40 upon Respondents' delivery of the signed Consent
13 Order to the Department. The Investigation Fee plus the initial \$10,000 payment towards the Fine
14 may be paid together in one \$11,226.40 cashier's check made payable to the "Washington State
15 Treasurer."

16 **K. Change of Address.** It is AGREED that for the duration of the period this Consent Order
17 is in effect, unless otherwise agreed to in writing by the Department, Respondents shall provide the
18 Department with a mailing address and telephone number at which Respondents can be contacted and
19 Respondents shall notify the Department in writing of any changes to their mailing address(es) or
20 telephone number(s) within fifteen days of any such change.

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

1 THIS ORDER ENTERED THIS 20th DAY OF November, 2018.

2
3 /s/ _____
4 CHARLES E. CLARK
5 Director
6 Division of Consumer Services
7 Department of Financial Institutions

8 Presented by:

9 /s/ _____
10 DREW STILLMAN
11 Financial Legal Examiner

12 Approved by:

13 /s/ _____
14 STEVEN C. SHERMAN
15 Enforcement Chief

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

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

WASHINGTON DISCOUNT MORTGAGE
LLC, NMLS #72101;

DAVID CHAPMAN, Owner and Designated
Broker, NMLS #121073; and

CARIN KJOSS, Mortgage Loan Originator,
NMLS #107914;

Respondents.

No. C-17-2350-18-SC01

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

INTRODUCTION

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

I. FACTUAL ALLEGATIONS

1.1 Respondents.

A. Washington Discount Mortgage LLC (Washington Discount Mortgage) was licensed by the Department of Financial Institutions of the State of Washington (Department) to conduct business as a mortgage broker on or about September 5, 2006, and continues to be licensed to date.

B. David Chapman (Chapman) owns Respondent Washington Discount Mortgage.

Respondent Chapman is the designated broker of Respondent Washington Discount Mortgage and

1 has been since September 5, 2006. Respondent Chapman was licensed by the Department as a
2 mortgage loan originator on or about January 1, 2007, and continues to be licensed to date.

3 **C. Carin Kjoss (Kjoss)** is a mortgage loan originator sponsored by Respondent
4 Washington Discount Mortgage. Respondent Kjoss was licensed by the Department to conduct
5 business as a loan originator on or about October 16, 2009, and continues to be licensed to date.

6 **1.2 Examination.** From October 9, 2017, through October 12, 2017, the Department conducted
7 an examination of Respondent Washington Discount Mortgage’s business practices for the period of
8 April 1, 2015, through September 30, 2017. During the examination, the Department identified
9 numerous apparent violations that occurred during the period reviewed as explained below.

10 **1.3 Failure to File Accurate Reports.** Respondents Washington Discount Mortgage and
11 Chapman failed to file accurate Mortgage Call Reports and Financial Condition Reports with the
12 Department.

13 **1.4 Failure to Maintain an Adequate Surety Bond.** Respondents Washington Discount
14 Mortgage and Chapman failed to maintain adequate surety bond coverage for 2017.

15 **1.5 Unfair and Deceptive Advertising.** Respondents Washington Discount Mortgage and
16 Chapman failed to display a required item on an internet advertisement. Respondent Washington
17 Discount Mortgage’s home web page, www.washingtondiscountmortgage.com, failed to contain a
18 link to the NMLS consumer access web site. Respondents Washington Discount Mortgage and
19 Chapman also advertised using disallowed and misleading phrases such as, “best loan programs,”
20 “best rate,” “best loan,” “lowest rate,” “best wholesale lenders,” “multiple wholesale lenders that rank
21 as the top companies nationally,” and “we beat the banks.”

22 **1.6 Failure to Use a Properly Licensed Third-Party Processor.** Respondents Washington
23 Discount Mortgage and Chapman employed Elizabeth Cousins as an independent contractor to
24 process at least six loan files, but failed to ensure that she held a mortgage loan originator license

1 with the Department. At the time, Elizabeth Cousins was registered as a designated broker for another
2 mortgage broker company, but did not hold a mortgage loan originator license.

3 **1.7 Originated Loans from an Unlicensed Location.** Respondent Kjoss originated at least
4 seven loans under Respondent Washington Discount Mortgage’s mortgage broker license at
5 Respondent Kjoss’s home. Respondent Washington Discount Mortgage did not hold a license to
6 conduct the business of a mortgage broker from this location at the time.

7 **1.8 Failure to Complete Rate Lock Agreements.** In at least 20 instances, Respondents
8 Washington Discount Mortgage and Chapman failed to provide borrowers with timely and complete
9 rate lock agreements.

10 **1.9 Failure to Maintain Records.** Respondents Washington Discount Mortgage and Chapman
11 failed to properly maintain loan records. During the examination, the Department requested
12 documents that Respondents Washington Discount Mortgage and Chapman were not able to produce.

13 **1.10 Failure to Develop a Compliant Compensation Plan.** Respondents Washington Discount
14 Mortgage and Chapman failed to develop a mortgage loan originator compensation plan compliant
15 with the Truth-In-Lending Act. Respondent Kjoss’s compensation plan allowed her compensation to
16 vary based on the terms of loans across several lenders.

17 **1.11 Failure to Provide Timely, Complete, and Accurate Loan Estimates.** In at least one
18 instance, Respondents Washington Discount Mortgage and Chapman failed to provide a borrower
19 with a complete and accurate Loan Estimate. In at least two instances, Respondents Washington
20 Discount Mortgage and Chapman failed to provide borrowers with a Loan Estimate within three days
21 of accepting a residential mortgage loan application.

22 **1.12 Failure to Deliver a Complete and Accurate Privacy Policy.** In at least 27 instances,
23 Respondents Washington Discount Mortgage and Chapman failed to deliver complete and accurate

1 privacy policies to borrowers and, instead, provided borrowers with privacy policy disclosures that
2 had missing, incorrect, and conflicting information.

3 **1.13 Failure to Provide Electronic Signatures Act Disclosure.** In at least 27 instances,
4 Respondents Washington Discount Mortgage and Chapman failed to provide an Electronic
5 Signatures in Global and National Commerce Act disclosure to borrowers.

6 **1.14 Failure to Provide Special Information Booklet.** In at least one instance, Respondents
7 Washington Discount Mortgage and Chapman failed to provide a borrower with the special
8 information booklet within three days of the application.

9 **1.15 Failure to Develop an Adequate Anti-Money Laundering Policy.** Respondents
10 Washington Discount Mortgage and Chapman failed to develop an adequate anti-money laundering
11 program as required by the Financial Crimes Enforcement Network.

12 **1.16 Failure to Provide Accurate Equal Credit Opportunity Act Notice.** In at least 18
13 instances, Respondents Washington Discount Mortgage and Chapman provided borrowers with
14 inaccurate Equal Credit Opportunity Act (ECOA) notices.

15 **1.17 On-Going Investigation.** The Department's investigation into the alleged violations of the
16 Act by Respondents continues to date.

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

18 **2.1 Responsibility of Mortgage Broker.** Pursuant to RCW 19.146.245, a licensed mortgage
19 broker is liable for any conduct violating the Act by the designated broker, a loan originator, or other
20 licensed mortgage broker while employed or engaged by the licensed mortgage broker.

21 **2.2 Responsibility of Designated Broker.** Pursuant to RCW 19.146.200(3), every licensed
22 mortgage broker must at all times have a designated broker responsible for all activities of the
23 mortgage broker in conducting the business of a mortgage broker. A designated broker, principal, or
24 owner who has supervisory authority over a mortgage broker is responsible for a licensee's,

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

7 **2.3 Requirement to File Accurate Reports.** Based on the Factual Allegations set forth in
8 Section I above, Respondents Washington Discount Mortgage and Chapman are in apparent violation
9 of RCW 19.146.390 and WAC 208-660-400(1) for failing to file accurate reports with the
10 Department.

11 **2.4 Requirement to Maintain an Adequate Surety Bond.** Based on the Factual Allegations set
12 forth in Section I above, Respondents Washington Discount Mortgage and Chapman are in apparent
13 violation of RCW 19.146.205(6)(a) for failing to file and maintain an adequate surety bond with the
14 Department.

15 **2.5 Requirement to Refrain from Unfair and Deceptive Advertising.** Based on the Factual
16 Allegations set forth in Section I above, Respondents Washington Discount Mortgage and Chapman
17 are in apparent violation of RCW 19.146.0201(2) and (7), WAC 208-660-440(7), and WAC 208-660-
18 446(1) for failing to include a link to the NMLS consumer access website on Respondent Washington
19 Discount Mortgage's home page and for advertising loan programs, rates, fees, and lenders using
20 unsubstantiated or false statements.

21 **2.6 Requirement to Obtain and Maintain Loan Originator License.** Based on the Factual
22 Allegations set forth in Section I above, Respondents Washington Discount Mortgage and Chapman
23 are in apparent violation of RCW 19.146.0201(2) and (11), RCW 19.146.200, WAC 208-660-155(4),
24 WAC 208-660-300(13), and the Secure and Fair Enforcement for Mortgage Licensing Act of 2008,

1 12 USC § 5103(b)(2), for utilizing the services of an unlicensed loan originator to act as a loan
2 processor or underwriter engaged as an independent contractor.

3 **2.7 Requirement to Obtain and Maintain Branch License.** Based on the Factual Allegations
4 set forth in Section I above, Respondents Washington Discount Mortgage and Chapman are in
5 apparent violation of RCW 19.146.0201(16), RCW 19.146.265, and WAC 208-660-195 for engaging
6 in the business of a mortgage broker from a location not licensed by the Department.

7 **2.8 Unlicensed Location.** Based on the Factual Allegations set forth in Section I above,
8 Respondent Kjoss is in apparent violation of RCW 19.146.0201(16) and WAC 208-660-300(4) for
9 conducting business from an unlicensed location and/or from a location other than the location listed
10 on her loan originator license.

11 **2.9 Requirement to Complete Rate Lock Agreements.** Based on the Factual Allegations set
12 forth in Section I above, Respondents Washington Discount Mortgage and Chapman are in apparent
13 violation of RCW 19.146.0201(2), RCW 19.146.030(2)(c), and WAC 208-660-430(3) and (6) for
14 failing to provide complete Rate Lock Agreements to within the required deadlines.

15 **2.10 Requirement to Maintain Accurate and Current Books and Records.** Based on the
16 Factual Allegations set forth in Section I above, Respondents Washington Discount Mortgage and
17 Chapman are in apparent violation of RCW 19.146.060 and WAC 208-660-450 for failing to keep all
18 books and records in a location that is on file with and readily available to the Department until at
19 least three years have elapsed following the effective period to which the books and records relate.

20 **2.11 Requirement to Develop a Compliant Compensation Plan.** Based on the Factual
21 Allegations set forth in Section I above, Respondents Washington Discount Mortgage and Chapman
22 are in apparent violation of RCW 19.146.0201(2) and (11) and Regulation Z, 12 CFR §
23 1026.36(d)(1)(i), for compensating a mortgage loan originator based on the terms of the transaction
24 or the terms of multiple transactions.

1 **2.12 Requirement to Provide Timely, Complete, and Accurate Loan Estimates.** Based on the
2 Factual Allegations set forth in Section I above, Respondents Washington Discount Mortgage and
3 Chapman are in apparent violation of RCW 19.146.0201(2) and (11) and Regulation Z, 12 CFR §§
4 1026.19(e)(1) and 1026.37, for failing to provide timely, complete, and accurate Loan Estimate
5 disclosures to borrowers.

6 **2.13 Requirement to Deliver a Complete and Accurate Privacy Policy.** Based on the Factual
7 Allegations set forth in Section I above, Respondents Washington Discount Mortgage and Chapman
8 are in apparent violation of RCW 19.146.0201(2) and (11) and Regulation P, 12 CFR § 1016.4,
9 including the Appendix, for failing to provide complete and accurate privacy policy notices to
10 borrowers.

11 **2.14 Requirement to Provide Electronic Signatures Act Disclosure.** Based on the Factual
12 Allegations set forth in Section I above, Respondents Washington Discount Mortgage and Chapman
13 are in apparent violation of RCW 19.146.0201(2) and (11) and the Electronic Signatures in Global
14 and National Commerce Act, 15 USC § 7001(c), for failing to provide required disclosures regarding
15 electronic records.

16 **2.15 Requirement to Provide Special Information Booklet.** Based on the Factual Allegations
17 set forth in Section I above, Respondents Washington Discount Mortgage and Chapman are in
18 apparent violation of RCW 19.146.0201(2) and (11) and Regulation Z, 12 CFR § 1026.19(g), for
19 failing to deliver or place in the mail the required special information booklet no later than three
20 business days after a consumer's application is received.

21 **2.16 Requirement to Develop an Adequate Anti-Money Laundering Policy.** Based on the
22 Factual Allegations set forth in Section I above, Respondents Washington Discount Mortgage and
23 Chapman are in apparent violation of RCW 19.146.0201(2) and (11) and 31 CFR § 1029.210 for
24 failing to develop an adequate anti-money laundering policy.

1 **2.17 Requirement to Provide Accurate Equal Credit Opportunity Act Notice.** Based on the
2 Factual Allegations set forth in Section I above, Respondents Washington Discount Mortgage and
3 Chapman are in apparent violation of RCW 19.146.0201(2) and (11) and Regulation B, 12 CFR §
4 1002, for failing to provide accurate Equal Credit Opportunity Act Notices.

5 **III. AUTHORITY TO IMPOSE SANCTIONS**

6 **3.1 Authority to Issue an Order to Cease and Desist.** Pursuant to RCW 19.146.220(3), the
7 Director may issue orders directing a licensee, its employee, loan originator, independent contractor,
8 agent, or other person subject to the Act to cease and desist from conducting business or take such
9 other affirmative action as is necessary to comply with the Act.

10 **3.2 Authority to Revoke License.** Pursuant to RCW 19.146.220(2), the Director may revoke
11 licenses for any violation of the Act.

12 **3.3 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 both, any officer, principal, employee, or loan originator of any licensed
15 mortgage broker or any person subject to licensing under the Act for any violation of the Act.

16 **3.4 Authority to Impose Fine.** Pursuant to RCW 19.146.220(2), the Director may impose fines
17 against persons subject to the Act for any violation of the Act.

18 **3.5 Authority to Collect Investigation Fee.** Pursuant to RCW 19.146.228(2), WAC 208-660-
19 520(9) & (11), and WAC 208-660-550(4)(a), the Department will charge forty-eight dollars per hour
20 for an examiner's time devoted to an investigation.

21 **3.6 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.

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

24 Respondents' violations of the provisions of chapter 19.146 RCW and chapter 208-660 WAC,

1 as set forth in the above Factual Allegations, Grounds for Entry of Order, and Authority to Impose
2 Sanctions, constitute a basis for the entry of an Order under RCW 19.146.220, RCW 19.146.221, and
3 RCW 19.146.223. Therefore, it is the Director's intent to ORDER that:

- 4 **4.1** Respondents Washington Discount Mortgage, LLC, David Chapman, and Carin Kjoss
5 cease and desist from the violations set forth in Section II above.
- 6 **4.2** Respondent Washington Discount Mortgage, LLC's license to conduct the business of
7 a mortgage broker be revoked.
- 8 **4.3** Respondent David Chapman's license to conduct the business of a mortgage loan
9 originator be revoked.
- 10 **4.4** Respondent Washington Discount Mortgage, LLC be prohibited from participation in
11 the conduct of the affairs of any mortgage broker subject to licensure by the Director,
12 in any manner, for a period of 5 years.
- 13 **4.5** Respondent David Chapman be prohibited from participation in the conduct of the
14 affairs of any mortgage broker subject to licensure by the Director, in any manner, for
15 a period of 5 years.
- 16 **4.6** Respondents Washington Discount Mortgage, LLC and David Chapman jointly and
17 severally pay a fine. As of the date of this Statement of Charges, the fine totals
18 \$50,000.
- 19 **4.7** Respondents Washington Discount Mortgage, LLC and David Chapman jointly and
20 severally pay an investigation fee. As of the date of this Statement of Charges, the
21 investigation fee totals \$1,226.40.
- 22 **4.8** Respondent Carin Kjoss pay a fine, which as of the date of this Statement of Charges
23 totals \$7,000.
- 24 **4.9** Respondents Washington Discount Mortgage, LLC, David Chapman, and Carin Kjoss
 maintain records in compliance with the Act and provide the Department with the
 location of the books, records and other information relating to Respondent
 Washington Discount Mortgage's mortgage broker business, and the name, address
 and telephone number of the individual responsible for maintenance of such records in
 compliance with the Act.
- 4.10** Respondents Washington Discount Mortgage, LLC, David Chapman, and Carin Kjoss
 pay the 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 any Respondent.

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 15th day of August, 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 DREW STILLMAN
18 Financial Legal Examiner

19 Approved by:

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