

ORDER SUMMARY – Case Number: C-19-2754

Respondent Names: West Coast Funding, Inc.
Henry S. Chu

Order Number: C-19-2754-22-FO03

Effective Date: 9/23/2022

NMLS Number: West Coast Funding, Inc. – 227255; Henry S. Chu – 133293

License Effect: The Department has revoked the Mortgage Broker license of West Coast Funding, Inc., and the Mortgage Loan Officer license of Mr. Chu.

Prohibition Until: _____

Investigation Costs	\$	Due:	Paid: <input type="checkbox"/> Y <input type="checkbox"/> N	Date:
Fine	\$5,000	Due: Within 30 days of receipt of Final Order.	Paid: <input type="checkbox"/> Y <input type="checkbox"/> N	Date:
Cost of Prosecution	\$	Due:	Paid: <input type="checkbox"/> Y <input type="checkbox"/> N	Date:

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 WEST COAST FUNDING, INC., d/b/a West
8 Coast Financial, NMLS No. 227255, and
9 HENRY S. CHU, President and Designated
10 Broker, NMLS No. 133293,

11 Respondents.

No.: C-19-2754-22-FO03

FINAL ORDER LIFTING STAYS AND
IMPOSING STAYED SANCTIONS

12 **Language Access Notice**

13 **English**

14 This document has important information about your hearing. If you do not appear or take
15 other action, you could lose important rights. Please call 1-877-746-4334 if you need help
16 understanding this document.

17 **Chinese Simplified**

18 本文件包含有关您听证会的重要信息。如果您没有出席或采取其他措施，您可能会失去重要权
19 利。如果您在理解本文件方面需要帮助，请致电 1-877-746-4334

20 **Chinese Traditional**

21 本檔案包含有關您聽證會的重要資訊。如果您沒有出席或採取其他措施，您可能會失去重要權
22 利。如果您在理解本檔案方面需要幫助，請致電 1-877-746-4334

23 **I. DIRECTOR'S CONSIDERATION**

24 A. **Default.** This matter has come before the Director of the Department of Financial
Institutions of the State of Washington (Director), through his designee, Consumer Services Division
Director Lucinda Fazio (Director's designee), pursuant to RCW 34.05.440(1). On February 25, 2022,
the Director, through the Director's designee, entered into Consent Order No. C-19-2754-22-CO02
(the "Consent Order") with West Coast Funding, Inc. (Respondent West Coast) and Henry S. Chu
(Respondent Chu). A copy of the Consent Order is attached and incorporated into this order by this
reference. The Consent Order revoked Respondent West Coast's mortgage broker license, revoked

1 Respondent Chu’s mortgage loan originator license, and imposed a fine. The revocations and \$5,000
2 of the fine were stayed contingent on Respondents’ compliance with the Consent Order. Pursuant to
3 the terms of the Consent Order, Respondent West Coast and Respondent Chu were required, among
4 other things, to: (1) within three months of entry of the Consent Order, ensure that Respondent Chu
5 voluntarily surrendered his Designated Broker registration; (2) ensure that Respondent Chu did not
6 act as the Designated Broker for Respondent West Coast; and (3) within three months of entry of the
7 Consent Order, replace Respondent Chu as Respondent West Coast’s Designated Broker with a
8 qualified Designated Broker. Since entry of the Consent Order on February 25, 2022, Respondents
9 have not completed the three requirements listed above.

10 On June 29, 2022, and on August 11, 2022, the Department served Respondents with a Notice
11 of Noncompliance with Consent Order and Opportunity to Contest (Notice of Noncompliance). The
12 Notice of Noncompliance included a cover letter, Notice of Noncompliance, and an Application for
13 Adjudicative Hearing for each Respondent (collectively, “accompanying documents”). On June 29,
14 2022, the Department served the Notice of Noncompliance and accompanying documents by First-
15 Class mail and Federal Express overnight delivery to the address of record for Respondents in the
16 Nationwide Multistate Licensing System & Registry. The documents sent to this address by First-
17 Class mail were returned to the Department by the United States Postal Service. The documents sent
18 by Federal Express overnight delivery were delivered on July 8, 2022. On August 11, 2022, the
19 Department served the Notice of Noncompliance and accompanying documents by First-Class mail
20 to the home address for Respondent Chu. The documents sent by First-Class mail were not returned
21 to the Department as undeliverable by the United States Postal Service.

22 Respondents did not request an adjudicative hearing within twenty calendar days after the
23 Department served the Notice of Noncompliance and accompanying documents, as provided for in

1 WAC 208-08-050(2).

2 B. Record Presented. The record presented to the Director's designee for his review and
3 for entry of a final decision included the following: Consent Order, Notice of Noncompliance, cover
4 letter dated June 29, 2022, and blank Application for Adjudicative Hearing for each Respondent, with
5 documentation for service.

6 C. Factual Findings and Grounds for Order. Pursuant to RCW 34.05.440(1), the
7 Director's designee hereby adopts the Notice of Noncompliance, which is attached hereto.

8 II. FINAL ORDER

9 Based upon the foregoing, and the Director's designee having considered the record and being
10 otherwise fully advised, NOW, THEREFORE:

11 A. IT IS HEREBY ORDERED, That:

- 12 1. The stay of the revocation of Respondent West Coast's mortgage broker license is
13 lifted, and Respondent West Coast's license to conduct the business of a mortgage
14 broker is revoked.
- 15 2. The stay of the revocation of Respondent Chu's mortgage loan originator license is
16 lifted, and Respondent Chu's license to conduct the business of a mortgage loan
17 originator is revoked.
- 18 3. The stay of the \$5,000 portion of the fine is lifted, and Respondents shall pay a
19 fine in the amount of \$5,000 to the Department.

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
23 150 Israel Road SW, Tumwater, Washington 98501, or by U.S. Mail at P.O. Box 41200, Olympia,
24 Washington 98504-1200, within 10 days of service of the Final Order upon Respondents. The
Petition for Reconsideration shall not stay the effectiveness of this order nor is a Petition for
Reconsideration a prerequisite for seeking judicial review in this matter.

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

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

7 D. Judicial Review. Respondents have the right to petition the superior court for judicial
8 review of this agency action under the provisions of chapter 34.05 RCW. For the requirements for
9 filing a Petition for Judicial Review, see RCW 34.05.510 and sections following. You must file your
10 Petition for Judicial Review and serve it on the Department within 30 days of the date of mailing.

11 E. Non-compliance with Order. If you do not comply with the terms of this order,
12 **including payment of any amounts owed within 30 days of receipt of this order**, the Department
13 may seek its enforcement by the Office of the Attorney General to include the collection of the fines,
14 imposed herein. The Department also may assign the amounts owed to a collection agency for
15 collection.

16 F. Service. For purposes of filing a Petition for Reconsideration or a Petition for Judicial
17 Review, service is effective upon deposit of this order in the U.S. mail, declaration of service
18 attached hereto.

19 DATED this 23rd day of September, 2022.



20 STATE OF WASHINGTON
21 DEPARTMENT OF FINANCIAL INSTITUTIONS

22 /s/

23 _____
LUCINDA FAZIO, Director
Division of Consumer Services

ORDER SUMMARY – Case Number: C-19-2754

Name(s):	West Coast Funding Inc. and Mr. Henry S. Chu, President
Order Number:	C-19-2754-21-CO02
Effective Date:	2/25/2022
NMLS Number:	West Coast Funding Inc. – 227255
	Henry S. Chu – 133293
License Effect: (Stayed)	West Coasts’ MB license revocation stayed for eighteen (18) months and Mr. Chu’s MLO license revocation 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).
Designated Broker	Mr. Chu to surrender his Designated Broker (DB) registration within three (3) months and shall not act as the DB for Respondent West Coast for as long as it is licensed by the Department. Prior to the surrender of Mr. Chu’s DB registration, and within three (3) months of entry of this Order, West Coast shall replace Mr. Chu as DB with a qualified (i.e., registered with NMLS and the Department) DB.
Prohibition:	Mr. Chu is prohibited from participating as a DB in the conduct of the affairs of any mortgage broker licensed by or subject to licensure or regulation by the Department for a period of ten (10) years from the date of surrendering his DB registration.
Fine: (Partially Stayed)	Respondents West Coast and Mr. Chu are subject to a \$10,000 fine, with \$5,000 stayed for two (2) years contingent upon compliance with the Order, Act, and Rules.
Investigation Costs:	\$5,000

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

- (1) To be subject to a full-scope compliance examination between 12 and 15 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;
- (2) That depending on the Risk Rating established in that Compliance Examination, the Department may lift the stay and impose the stayed license revocations, prohibitions, and fine.

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

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

No. C-19-2754-22-CO02

CONSENT ORDER

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.

8 COMES NOW the Director of the Department of Financial Institutions (Director), through his
9 designee Lucinda Fazio, Division of Consumer Services Director, and West Coast Funding, Inc.
10 (Respondent West Coast) and Henry S. Chu (Respondent Chu), by and through their attorney, Jessica M.
11 Creager of Seattle Litigation Group, PLLC, and finding that the issues raised in the above-captioned
12 matter may be economically and efficiently settled, agree to the entry of this Consent Order (Order). The
13 Department enters this Order pursuant to RCW 19.46, the Mortgage Broker Practices Act (Act), and
14 RCW 34.05.060 of the Administrative Procedure Act (APA), based upon the following:

15 **AGREEMENT AND ORDER**

16 The Department of Financial Institutions, Division of Consumer Services (Department) and
17 Respondent West Coast and Respondent Chu (collectively, Respondents) have agreed upon a basis for
18 resolution of the matters alleged in the attached Notice of Noncompliance (Notice), entered October 13,
19 2021. Pursuant to the Act, chapter 208-660 WAC (the "Rules"), and the APA, Respondents hereby agree
20 to the Department's entry of this Order and further agree that the issues raised in the above-captioned
21 matter may be settled by entry of this Order, which the parties intend to fully resolve the Notice.

22 **Based upon the foregoing:**

23 **A. Completely Read, Understood, and Agreed.** It is AGREED that Respondent Chu, whose
24 primary language is Mandarin Chinese, and not English, has read this English-language Order in its

1 entirety; has had the opportunity to have this Order translated into Mandarin Chinese and declined to take
2 that opportunity; and fully understands and agrees to this Order both individually and as the President
3 and Designated Broker (DB) 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
7 hearing before an administrative law judge (ALJ), and that Respondent Chu, individually and as an
8 authorized agent for Respondent West Coast, hereby waives their right to a hearing and any and all
9 administrative or judicial review of the issues raised in this matter, or of the resolution reached herein.
10 Accordingly, Respondent Chu by his signature, and by the signature of Respondents' legal
11 representative, withdraw Respondents' appeal of the Notice to the Office of Administrative Hearings.

12 **D. Admissions.** It is AGREED that Respondents failed to comply with the Affirmative Remedial
13 Action section of the prior Consent Order (No. C-19-2754-21-CO01) entered in this matter. In particular,
14 Respondents, despite their best efforts, were unable to retain a compliance consulting firm.

15 **E. Revocation of Mortgage Broker License (Stayed).** It is AGREED and ORDERED that the
16 mortgage broker (MB) license of Respondent West Coast is revoked. It is FURTHER AGREED and
17 ORDERED that, contingent upon Respondent West Coast's compliance with this Order, the Act, and the
18 Rules, the Department stays that revocation for eighteen (18) months from the date of entry of this Order.
19 If the Department does not seek to lift the stay and impose the stayed MB license revocation, the stayed
20 MB license revocation shall expire without further notice or action by the Department.

21 **F. Revocation of Mortgage Loan Origination License (Stayed).** It is AGREED and ORDERED
22 that the mortgage loan originator (MLO) license of Respondent Chu is revoked. It is FURTHER
23 AGREED and ORDERED that contingent upon his compliance with this Order, the Act, and the Rules,
24 the Department stays that revocation for two (2) years from the date of entry of this Order. If the

1 Department does not seek to lift the stay and impose the stayed MLO license revocation, the stayed MLO
2 license revocation shall expire without further notice or action by the Department.

3 **G. Surrender of Designated Broker Registration.** It is AGREED and ORDERED that, in lieu of
4 revocation, Respondent Chu will voluntarily surrender his Designated Broker (DB) registration within
5 three (3) months of entry of this Order. It is FURTHER AGREED and ORDERED that Respondent Chu
6 shall not act as the DB for Respondent West Coast for as long as it is licensed by the Department. It is
7 FURTHER AGREED that Respondent Chu may continue to originate mortgage loans while licensed as a
8 MLO and appropriately sponsored.

9 **H. Affirmative Remedial Action.** It is AGREED and ORDERED that prior to surrender of
10 Respondent Chu's DB registration, and within three (3) months of entry of this Order, Respondent West
11 Coast shall replace Respondent Chu as DB with a qualified (i.e., registered with NMLS and the
12 Department) DB. The new DB shall be required to comply with this Order, the Act, and the Rules, and as
13 DB shall be specifically required to acknowledge his or her responsibility for, and take full responsibility
14 for, the conduct of the affairs of Respondent West Coast.

15 **I. Prohibition from Industry.** It is AGREED and ORDERED that, once Respondent Chu
16 voluntarily surrenders his DB registration, for a period of ten (10) years from the date of that surrender,
17 Respondent Chu is prohibited from participating as a DB in the conduct of the affairs of any mortgage
18 broker licensed by or subject to licensure or regulation by the Department.

19 **J. Fine (Partially Stayed).** It is AGREED that Respondents shall pay a fine to the Department in
20 the amount of \$10,000 pursuant to the Payments section of this Order, below.

21 **K. Investigation Fee.** It is AGREED that Respondents shall pay an investigation fee to the
22 Department in the amount of \$5,000 pursuant to the Payments section of this Order, below.

23 **L. Payments.** It is AGREED and ORDERED that Respondents shall pay \$5,000 of the fine and
24 the entire investigation fee, a total of \$10,000, upon delivery to the Department of this Order fully

1 executed and dated. It is FURTHER AGREED and ORDERED that, contingent upon Respondents'
2 compliance with this Order, the Act, and the Rules, the Department stays the remaining \$5,000 of the fine
3 for two (2) years from the date of entry of this Order. If the Department does not seek to lift the stay and
4 impose the stayed fine, the stayed fine shall expire without further notice or action by the Department. It
5 is FURTHER AGREED and ORDERED that Respondents shall pay the outstanding balance of the fine
6 and investigation fee from the prior Consent Order, a total of \$11,000, upon delivery to the Department
7 of this Order fully executed and dated. With the exception of the stayed fine, the combined payments of
8 the fines and investigation fees from the prior Consent Order and this Order, a total of \$21,000, shall be
9 made in the form of a cashier's check made payable to the "Washington State Treasurer." It is AGREED
10 that, if Respondents properly make this payment of \$21,000, the outstanding balance of the fine and
11 investigative fees from the prior Consent Order will be considered paid in full.

12 **M. Compliance Examination.** It is AGREED and ORDERED that in lieu of the Compliance
13 Examination required under the prior Consent Order, at the Department's convenience and Respondents'
14 cost, within 12 and 15 months after entry of this Order, the Department will conduct a full-scope
15 compliance examination of Respondent West Coast. The purpose of the examination will be to ascertain
16 compliance with the applicable terms of the prior Consent Order, this Order, the Act, the Rules, and
17 applicable federal laws and regulations, including, but not limited to:

- 18 • TILA, 15 USC Sec. 1601, and Reg. Z, 12 CFR Part 1026;
- 19 • RESPA, 12 USC Sec. 2601, and Reg. X, 12 CFR Part 1024; and
- 20 • ECOA, 15 USC Sec. 1691, and Reg. B, 12 CFR Part 1002.

21 It is FURTHER AGREED and ORDERED that that an examination rating of three (3) *may* result, and
22 that an examination rating of four (4) *will* result, in the lifting of the stayed fine and the stayed license
23 revocations, including the revocation of Respondent West Coast's MB license and the revocation of
24 Respondent Chu's MLO license.

1 **N. Lifting of Stays and Imposition of Stayed Sanctions.** It is AGREED and ORDERED that:

- 2 1. If during the two-year stay the Department determines Respondents have not complied
3 with the Act and Rules, have not complied with the applicable terms of the prior
4 Consent Order or this Order, or that Respondent West Coast has received an
5 examination risk rating of three (3) or four (4), and the Department seeks to lift the stays
6 and impose the stayed fine and either or both of the stayed license revocations, the
7 Department will first serve Respondents with a written notice of alleged noncompliance.
- 8 2. The notice will include:
- 9 a. A description of the alleged noncompliance;
- 10 b. A statement that the Department seeks to lift the stayed fine and either or both of the
11 stayed license revocations;
- 12 c. Notice that Respondents can contest the notice of alleged noncompliance by either
13 requesting an adjudicative hearing before an ALJ from the Office of Administrative
14 Hearings, or by submitting a written response to the Department contesting the
15 alleged noncompliance; and
- 16 d. Notice that the process for lifting the stays applies only to the prior Consent Order
17 or this Order.
- 18 3. Respondents have twenty (20) days from the date of service of the notice of alleged
19 noncompliance to submit a written request to the Department for an adjudicative hearing
20 or, in lieu thereof, to submit a written response contesting the alleged noncompliance.
- 21 4. The scope and issues of the adjudicative hearing are limited solely to whether or not
22 Respondents are in violation of the Act, the prior Consent Order, this Order, or that
23 Respondent West Coast received an examination risk rating of three (3) or four (4).
- 24 5. At the conclusion of the adjudicative hearing the ALJ will issue an initial decision. Either
 party may file a Petition for Review of that initial decision with the Director of the
 Department.
6. In lieu of requesting an adjudicative hearing, within twenty (20) days from the date of
 service of the notice of alleged noncompliance, Respondents may submit a written
 response for consideration by the Department contesting the alleged noncompliance. The
 response must include each Respondent's waiver of the right to an adjudicative hearing,
 may address the alleged noncompliance, and may seek an alternative resolution to lifting
 the stayed sanctions.
7. **Default.** If Respondents do not timely request an adjudicative hearing, or timely submit
 a written response contesting the notice of alleged noncompliance, the Department may
 lift the stays and impose the stayed fine and stayed license revocations without further
 notice.

1 **O. Authority to Execute Order.** It is AGREED that Respondent Chu has represented and
2 warranted to the Department that he has the full power and right to execute this Order on behalf of
3 Respondents.

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

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

10 **R. Counterparts and Signatures.** It is AGREED that this Order may be executed in one or more
11 separate counterparts, each of which when so executed shall be deemed an original. Such counterparts
12 shall together constitute a single document. An electronic signature, or a faxed, photocopied, or scanned
13 copy of an original signature, shall be deemed the same as an original signature.

14 **RESPONDENTS:**

15 **Respondent West Coast by:**

Respondent Chu:

16 _____
17 /s/ 02/21/2022
Henry S. Chu, President and Owner Date

_____ 02/21/2022
/s/ Henry S. Chu, Individually Date

18 **APPROVED FOR ENTRY:**

19 _____
20 /s/
21 Jessica M. Creager, WSBA No. 42183 Seattle
22 Litigation Group, PLLC
Attorney for Respondents

_____ February 22, 2022
Date

23 **DO NOT WRITE BELOW THIS LINE**

1 THIS ORDER ENTERED THIS 25th DAY OF February 2022.



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

7 Presented by:

8 Approved by:

9 _____ /s/
10 DREW STILLMAN
11 Financial Legal Examiner
12 Division of Consumer Services
13 Department of Financial Institutions

14 _____ /s/
15 JACK McCLELLAN
16 Enforcement Chief
17 Division of Consumer Services
18 Department of Financial Institutions

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

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

No: C-19-2754-21-CO01

CONSENT ORDER

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.

8
9 COMES NOW the Director of the Department of Financial Institutions (Director), through his
10 designee Lucinda Fazio, Director, Division of Consumer Services, and West Coast Funding, Inc.
11 (Respondent West Coast) and Mr. Henry S. Chu (Respondent Chu), by and through their attorney, Jessica
12 M. Creager of Seattle Litigation Group, PLLC, and finding that the issues raised in this matter may be
13 economically and efficiently settled, agree to the entry of this Consent Order (Order). The Department
14 enters this Order pursuant to RCW 19.146, the Mortgage Broker Practices Act (Act), WAC 208-660
15 (Rules), and RCW 34.05.060 of the Administrative Procedure Act (APA), based upon the following:

16 **AGREEMENT AND ORDER**

17 The Department of Financial Institutions, Division of Consumer Services (Department) and
18 Respondent West Coast and Respondent Chu (collectively, Respondents) have agreed upon a basis for
19 resolution of the matters alleged in the attached Statement of Charges No. C-19-2754-19-SC01
20 (Charges) entered September 30, 2019. Pursuant to Act, Rules, and the APA, Respondents hereby agree
21 to the Department's entry of this Order, which the parties intend to fully resolve the Charges.

22 **Based upon the foregoing:**

23 **A. Completely Read, Understood, and Agreed.** It is AGREED that Respondent Chu, whose
24 primary language is Mandarin Chinese, and not English, has read this English-language Order in its

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**

20 //
21 //
22 //
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24 //

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
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/s/
STEVEN C. SHERMAN
Enforcement Chief
Division of Consumer Services
Department of Financial Institutions

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
22 Respondent West Coast, to conduct business as an MLO sponsored by Respondent West Coast
under the Act on or about January 2, 2010, and he continues to be licensed to date. The
23 Department registered Respondent Chu as the Designated Broker for Respondent West Coast on
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.**¹ 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

¹ 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 **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 B. The Real Estate Settlement Procedures Act (RESPA), 12 U.S.C. §2601 *et seq.*, and Regulation X,
2 24 C.F.R. §1024 *et seq.*, for failing to provide borrowers with timely, complete, or accurate
disclosures and by failing to adhere to tolerance limits;
- 3 C. The Gramm-Leach-Bliley Act (GLBA), 12 U.S.C. §6801 *et seq.*, and Regulation P, 12 C.F.R.
4 §1016.4, including the Appendix, for failing to provide borrowers with complete or accurate
privacy policy notices;
- 5 D. The Federal Trade Commission Act (FTC Act), 15 U.S.C. §45(a) *et seq.*, by engaging in unfair or
6 deceptive acts or practices in or affecting commerce with respect to advertising, for making
unnecessary disclosures to borrowers, and for failing to develop a compliant Red Flags Policy;
- 7 E. The Financial Crimes Enforcement Network's (FinCEN) Anti-Money Laundering (AML) and
8 Bank Secrecy Act (BSA) Program by failing to develop a compliant BSA/AML Program as
required by 31 C.F.R. §1029.210; and
- 9 F. The Fair Credit Reporting Act (FCRA), 15 U.S.C. §1681 *et seq.*, and Reg V, 12 C.F.R.
10 §1022.74(d), for failing to provide borrowers with complete or accurate credit score disclosures,
and for failing to develop a compliant Red Flags Policy.

11 III. AUTHORITY TO IMPOSE SANCTIONS

12
13 **3.1 Authority to Issue an Order to Revoke Licenses.** Pursuant to RCW 19.146.220(2), the Director
14 may issue an Order revoking Department-issued licenses for and violation of the Act.

15 **3.2 Authority to Prohibit From Industry.** Pursuant to RCW 19.146.220(4), the Director may issue
16 an Order prohibiting from participation in the mortgage broker industry any person subject to licensing
17 under the Act for any violation of the Act.

18 **3.3 Authority to Impose Fine.** Pursuant to RCW 19.146.220(2), the Director may impose a fine of up
19 to \$100 per day for each violation of the Act.

20 **3.4 Authority to Collect Investigation Fee.** Pursuant to RCW 19.146.228(2) and WAC 208-660-
21 550(4)(a), the Director may charge forty-eight dollars per hour for an examiner's time devoted to an
22 investigation.

23 **3.5 Authority to Recover Costs and Expenses.** Pursuant to RCW 19.146.221(2), the Director may
24 recover the state's costs and expenses for prosecuting violations of the Act.

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

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

3
4 Dated this 30th day of September 2019.

5
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