



## ***DCU BULLETIN***

***Division of Credit Unions***

***Washington State Department of Financial Institutions***

***Phone: (360) 902-8701***

***FAX: (360) 704-6901***

---

June 12, 2008

No. B-08-06

---

### **Background Checks and Training for Credit Union Mortgage Employees**

The Director of Credit Unions suggests that credit unions conduct background checks on all potential mortgage employees. As part of “due diligence” for new hires, it is important to check applicants who have previously worked in the mortgage industry, and verify any mortgage industry companies where applicants have worked.

The Department of Financial Institutions (DFI) website is a valuable source of background information. DFI’s Consumer Services Division regulates non-depository mortgage brokers and loan originators. Enforcement actions have been taken against many mortgage companies and individual loan originators in recent years. Typically, these actions, as well as Consumer Services Division examination reports and licensing problems are public information and searchable on the DFI website: <http://www.dfi.wa.gov/cs/adminactions.htm>.

In addition, we suggest that credit unions check that new employees, even those previously employed within the mortgage industry, are familiar with credit union operations and compliance requirements. Credit unions should consider testing new mortgage hires to verify individuals are knowledgeable in the mortgage area where they will be working. A number of tests are available within the mortgage industry, including automated training programs with testing modules. We suggest that you tailor your training based on the expertise of the new hire.

After training, credit unions should confirm that new employees are in compliance with consumer protection laws and operational policies based on audits or other appropriate verifications. Managers should ensure any problems with new employees are identified quickly and corrected.

Reputation risk can occur when a credit union incurs fines, penalties, and adverse publicity as a result of failure to comply with the appropriate consumer compliance regulations. A credit union’s mortgage operations require knowledgeable employees and sophisticated systems in order to comply with applicable consumer protection laws. Credit unions expanding mortgage operations or staffing should ensure that new employees and expanded operations maintain high quality compliance and operational performance.

If you have questions, contact Linda Jekel, Director of Credit Unions at [ljekel@dfi.wa.gov](mailto:ljekel@dfi.wa.gov) or (360) 902-8778.