

# Summer 2022 Newsletter

Washington State Department of Financial Institutions



## Message from DFI Director Charlie Clark

It's hard to believe that this time last year most of our DFI operations were performed remotely. While our registration, licensing, examination, enforcement, and outreach work never stopped during the pandemic, how we conducted business certainly did change in many ways. Customer service and our obligation to serve the public, however, have remained a top priority.



I am very pleased to report that DFI has come a long way to get back to normal operations, well back to at least the “new normal!” What does this mean for you? Well, for most of our stakeholders, it means that you really will not see much change because you will continue to be able to reach our staff through email or phone, just as you were able to throughout the pandemic. Our goal remains the same, that you can reach a live person when you contact us.

In fact, we regularly monitor our call center, and from September 2021 through June 2022, callers into our agency call center reached a live person 96% of the time or better each month. In the few instances where our lines are busy, we pride ourselves in promptly returning your calls.

Similarly, collaboration between state regulators around the country has remained very strong, and we continue to fully participate in multi-state joint examinations and enforcement matters. Sharing information is essential to effective regulation of national financial service providers. We also strive to make sure our employees have the best training possible. In this regard, our staff have been able to resume in person training to ensure that we remain a leader in financial regulation.

For our industry registrants, licensees, and chartered institutions, the “new normal” may look a little different from during the pandemic. In particular, our Divisions of Securities, Consumer Services, Credit Unions, and Banks have all started onsite examination work. These exams, however, look a little different from prior to the pandemic. In addition to determining the scope of our examinations based upon a variety of traditional factors, our examiners are now evaluating the scope of their onsite presence using a variety of new considerations. Beyond considerations about whether an onsite component to the exam will help identify compliance violations, our examiners are also taking into consideration new factors such as whether our federal counterparts will be onsite and whether there is adequate space within your institution for exam work.

While I am sure that we will still see a lot of change through the rest of the year, it does feel like we have come a long way. Nevertheless, I am hopeful that during the pandemic you observed our commitment to serve!

Sincerely,  
Charlie Clark, Director

## Meet DFI's new program managers



***Brian Guerard, Chief of Enforcement – Division of Securities***

Brian Guerard was recently promoted to the Chief of Enforcement for the Securities Division, Washington Department of Financial Institutions, where he has worked since 2012. Prior to taking on this new role, Brian served as a supervisor with the unit and led both administrative and criminal investigations. He received his B.A. from the University of Iowa and J.D. from Seattle University School of Law.



***Jack McClellan, Chief of Enforcement – Division of Consumer Services***

Jack McClellan became the Department of Financial Institution's new Chief of Enforcement for the Consumer Services Division in August 2021. He has 14 years of experience overseeing a wide variety of administrative investigations, as well as some criminal investigations. Jack originally joined DFI in 2008 as a Financial Legal Examiner in the Securities Division's Enforcement Unit. From June 2012 through July 2021, he acted as a Financial Legal Examiner Supervisor. Jack earned his B.A. from the Jackson School of International Studies at the University of Washington and his J.D. from Gonzaga University School of Law.



***Mark Vasquez, Specialty Exams Program Manager – Division of Credit Unions***

Mark Vasquez joined the Department's Division of Credit Unions On July 18 as the Specialty Exams Program Manager. In addition to specialty exams, Information Security & Technology (IS&T) and compliance exams, Mark is in charge of applications for field of membership, investment powers, and member business lending limit requests. Mark brings over 20 years of leadership experience in various roles, including in Banking and lending with both Key Bank and Bank of America. Additionally, Mark held a Series 7 Stockbroker's License. Mark is a Veteran of the United States Army.

## Charlie Clark appointed vice chair of CSBS Board of Directors

At the annual meeting of the Conference of State Bank Supervisors back in May, DFI Director Charlie Clark was appointed Vice Chair of the Conference of State Bank Supervisors (CSBS) Board of Directors.

CSBS is the national organization of bank regulators from all 50 states, American Samoa, District of Columbia, Guam, Puerto Rico and U.S. Virgin Islands.

When asked about his appointment, Charlie said, "It's an honor and a pleasure to serve and to represent Washington state within CSBS."



## Rulemaking begins to allow Mortgage Loan Originators to work from their residences

The Division of Consumer Services is currently working on a rulemaking under the Consumer Loan Act and Mortgage Broker Practices Act. Last year, the Legislature amended both statutes to allow mortgage loan originators to work from home without requiring the company they work for to license the home as a branch location.

Prior to the statutory amendments, the division issued interim regulatory guidance to temporarily allow mortgage loan originators to work from home as long as they complied with specific requirements. The rulemaking will implement the statutory changes, incorporate the interim regulatory guidance, and provide additional guidance to the industry.

The division recently hosted a work session with the industry where over 100 industry members attended and provided valuable feedback that will assist the division in their rulemaking efforts.

The division plans to have a draft of the rules by the end of August and will hold another meeting to receive feedback in the early fall. If you want to follow our rulemaking, please take a look at our [rulemaking page](#).

## In wake of violent robberies, state officials and DFI act to protect cannabis retailers

The first half of 2022 saw a concerning rise in robberies at Washington cannabis businesses. Where most cannabis sales are cash based, the businesses have been targets for armed robbery.



In March, the Governor's Office in conjunction with the Liquor and Cannabis Board, and DFI, met with stakeholders and licensees to discuss the severity of the situation. At the meetings, DFI discussed what products and services are available that could help mitigate the public safety risks.

While retailers want to reduce their reliance on cash transactions, options are limited because cannabis remains a Schedule 1 Controlled Substance, and many financial institutions have been reluctant to offer banking services to such retailers given the current state of federal law. However, there are cashless options available that some retailers are currently using.

In an effort to provide certainty for retailers, DFI has posted to its website lists of depositories (banks and credit unions) and "non-depository institutions" that provide these services. DFI will continue to add businesses to this page as they become licensed, or in the case with some, DFI determines a license is not required. See: [financial services options for cannabis retailers](#).

## DFI timeline captures developments in FinTech regulation

DFI has developed an up-to-date timeline that captures all of the major developments in FinTech regulation, starting in the year 1865 with the establishment of the Office of the Comptroller of the Currency, to present day.

The [FinTech Timeline](#) and other interactive tools are designed to educate the public and assist entrepreneurs, start-ups, and FinTech companies that wish to enter the financial services space.

The CFI can be reached by contacting Ali Higgs, Director of Regulatory and Legal Affairs, by using the dedicated CFI email address [fintechinfo@dfi.wa.gov](mailto:fintechinfo@dfi.wa.gov) by phone at (360) 902-0516.



Screenshot of timeline

## Cybersecurity in the financial services industry

DFI recognizes the importance of staying informed on cybersecurity issues and sharing the latest information with licensees.

In his role as a member of the Board of Directors for the American Association of Residential Mortgage Regulators (AARMR), DFI Director Charlie Clark moderated a panel on Cybersecurity at the August Annual AARMR Regulatory Conference. He also provided introductory remarks for a Conference of State Bank Supervisors (CSBS)/U.S. Treasury table top exercise for banks conducted virtually on July 13.



### **Banks**

The Federal Deposit Insurance Corporation (FDIC), Federal Reserve Board, and the Office of the Comptroller of the Currency issued the [joint final rule](#) to establish computer-security incident notification requirements for banking organizations and their service providers. The rule requires that all FDIC-supervised banking organizations must notify the FDIC as soon as possible, and no later than 36 hours, after the firm determines that a computer-security incident has occurred. In addition to notifying the FDIC, banks should also notify their Division of Banks primary contact.

### **Credit Unions**

The Division of Credit Unions' (DCU) Information Security & Technology (IS&T) exam team is now fully staffed with two highly credentialed full-time IS&T examiners and a supervisor. An initial goal was to establish an IT contact with each credit union, so we can efficiently provide guidance and support to the right people at the credit unions in the area of cyber threat identification and monitoring. With the contact update largely completed in early 2022, DCU began sending guidance to the industry regarding the numerous cyber security threats that have become more prevalent in the recent months.

### **Consumer Services**

The industries regulated by DFI's Division of Consumer Services (DCS) have strong information security state and federal requirements. We examine for compliance with these laws on every exam. We have several examiners with deep cyber security training and experience. We also have training resources and examination tools through our affiliation with the Conference of State Bank Supervisors. DCS also provides a number of cyber security tools to our licensees including general security self-assessments and ransomware self-assessments.

### **Securities**

Prior to their first examination, licensees of the Division of Securities receive a technical assistance visit from a securities examiner to discuss regulations they must comply with, including the requirement for a policy addressing cybersecurity.

Cybersecurity Continued...

### ***Helpful cybersecurity resources***

#### [Russia Cyber Threat Overview and Advisories](#)

The latest cyber advisories from the Cybersecurity & Infrastructure Security Agency (CISA) regarding the Russia-Ukraine conflict.

#### [NIST Cybersecurity Framework](#)

Cybersecurity Framework from the National Institute of Standards and Technology that can help businesses improve their ability to manage cybersecurity risk.

#### [Critical Security Controls](#)

The Center for Internet Security (CIS) is a community-driven nonprofit that has created a framework of best practices for securing IT systems and data. They released the eighth revision of their Critical Security Controls in 2021.

#### [CISA: Known Exploited Vulnerabilities Catalog](#)

This is a centralized catalog of known exploited vulnerabilities of products that many businesses use every day. The catalog shows the vendor/project, product, name of the vulnerability, when it was added, a brief description of the issue, and the recommended action to take.

#### [CISA: Cyber Incident Response Information and Resources](#)

Cyber incident response resources from the Cybersecurity and Infrastructure Security Agency (CISA).



## 2022 legislature recap

In even numbered years, the Washington State Legislature meets for 60 days, in what feels like a sprint in comparison to the endurance test of the 105 day sessions that occur in odd years.

While the Republican and Democratic parties certainly have their differences, almost 95% of bills passed this session had some degree of bipartisan support. This includes two bills the Department of Financial Institutions requested this session.

[HB 1899](#) **Concerning confidentiality of certain data shared with the department of financial institutions**, was sponsored at DFI's request by Rep. Steve Kirby, Chair of the House Consumer Protection & Business Committee, during his final legislative session before retirement. The bill exempts certain confidential information received from other regulators from disclosure under Washington's Public Records Act. The terms of the bill were negotiated with Public Records Act stakeholders, which eased its passage. The House passed the bill by a count of 93 in favor, and one opposed. The Senate passed it unanimously.

The other bill DFI requested, [SB 5602](#) **Concerning service providers working with state-regulated financial institutions**, was sponsored by Sen. Mark Mullet, Chair of the Senate Business, Financial Institutions & Trade Committee. It passed both chambers unanimously. This legislation gives DFI the authority to examine companies that provide services to banks, similar to the examination authority provided to federal bank regulators under the U.S. Bank Service Company Act. DFI appreciates the banking industry's support of this bill, which undoubtedly contributed to its unanimous passage.

**Blockchain technology** has been driving innovation in the delivery of financial services since its introduction in 2009, and the legislature turned its attention to it by passing [SB 5544 – Establishing the Washington blockchain work group](#). The work group will look at potential applications for blockchain technology in areas such as health care, education and supply chain management, as well as financial services. DFI Director Charlie Clark will be an ex officio member of the work group, which convenes in January of 2023.

**Financial education** also received renewed attention and support this session. [SB 5834 Providing dependent youth with financial education and support](#) was sponsored by Senator T'wina Nobles. This bill would have tasked the Department of Children, Youth & Families (DCYF) with developing a program to ensure youth in foster care age 14 and up would have bank accounts, and to develop culturally appropriate financial education for dependent youth. While this bill did not pass, the legislature did adopt a budget proviso that directs DCYF to work on developing financial education and bank account access for foster youth.

The legislature also passed [SB 5720 – Providing student financial literacy education](#), which includes provisions for \$3 million in new grants to support financial education in schools. This legislation is discussed in more detail in the Financial Education Update section below.

## Implementing change for greater financial equity

DFI is committed to promoting positive change for greater financial equity in communities of color and other underserved groups in Washington State.

As part of our commitment, we are engaging the community, industry, and staff to co-create how we do this work. We are laser focused on reducing barriers and eliminating inequities in all aspects of decision making, such as service delivery, program development, policy development, staffing, and budgeting.

Since our last newsletter and sharing that we hired a Diversity, Equity, and Inclusion (DEI) Director, we have implemented the below outcomes.



*DEI Director Erin López Nielsen*

- Engaged with industry, community, and agency partners through more than 200 small group and one-on-one virtual conversations.
- Participated in more than 50 events and sub-committee meetings.
- Incorporated DEI priorities into our agency 2022 strategic plan.
- Presented to the Commission on Asian Pacific American Affairs Economic Develop Committee, NAACP Student Opportunity: Pacific Coast Banking School Information Session, the Northwest Credit Union Association, and Community Bankers of Washington.
- Expanded DEI within our grant application by adding new questions on whether applicants are community connected and community rooted. Held two meetings with community organizations about our grant application.
- Partnered with the NAACP and Pacific Coast Banking School (PCBS) to create spots in graduate banking school with scholarship opportunities for individuals working in community lending and other related industries.
- Collaborated with industry to bring the Housing and Finance Commission down payment assistance resources into continuing education for Washington Mortgage Loan Originators.

As we look towards the second half of 2022, our DEI priorities are:

- Integrate Washington State's value of "We All Belong Here" into everything
- Invest in multi-agency fact sheets to simplify government processes and better connect consumers with the right department.
- Intentional and focused efforts towards increasing home ownership and addressing disparities.
- Creating a foundation for 2023 to continue to expand this work.

If you would like to be part of co-creating solutions, please reach out to DFI DEI Director Erin Lopez at [erin.lopez@dfi.wa.gov](mailto:erin.lopez@dfi.wa.gov).

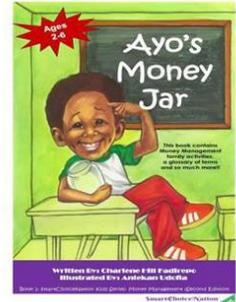
## 2022 financial capability month a success in spite of COVID uncertainty

We weren't sure how this year's Financial Capability Month (April) activities would play out in light of COVID – but where there's a will, there's a way.

### Reading Days

DFI, in partnership with the Jump\$tart Washington Coalition, the Financial Education Public Private Partnership and the Washington Treasurer's Office, moved ahead with Financial Capability Month Reading Days 2022.

Partners pulled together with a lot of flexibility and extra effort toward scheduling, keeping in mind that schools conduct state-wide testing during the month of April, as well spring break. There were five readers who visited 11 classrooms, reaching approximately 330 students. Additionally, Washington State Treasurer Mike Pellicciotti conducted a virtual reading of this year's elementary school book, [Ayo's Money Jar](#).



### Lunch and Learn

Director of Communications, Lyn Peters provided five financial education lunch and learn presentations - Budgeting, Credit & Debt; Retirement; Financial Fraud Prevention; and Student Loans - each Friday in April for the Pierce County Library System. The workshops were and are housed on [PCLS's YouTube Pierce County Library System](#).

### Budget for Your Bank Activities

Thanks to the coordination efforts of Crystal Wright in our Consumer Services division. DFI successfully delivered 339 banks to students at four elementary schools in 17 classrooms as part of our annual Budget For Your Bank program.

Students were provided budget sheets with photos of the banks and stickers they can "purchase" with \$10 in play money – with the additional bonus that they could get a prize (a DFI "squishy pig" stress ball) for saving at least \$1.

Participating schools included:

- Bordeaux (Shelton) - 4 classes
- South Bay (Lacey) - 5 classes
- Peter G Schmidt (Tumwater) - 5 classes
- Illahee (Federal Way) - 3 classes



*DFI's Crystal Wright Conducts a Budget for Your Bank Activity*

Financial Education and Outreach Continued...

## **DFI expanding Spanish financial education outreach with new hire**

DFI is excited to announce the arrival of our newest Communications team member, Vanessa Arita Reyes.

Vanessa is our agency's new Spanish-speaking financial education outreach person.

Vanessa was born and raised in Honduras and is especially eager to collaborate with partners to continue reaching Washington's diverse communities.



If you would like to say, "Welcome!" or speak about a potential partnership in your community, you may reach Vanessa at [outreach@dfi.wa.gov](mailto:outreach@dfi.wa.gov)

## **Financial education expansion and professional development grant program legislation enacted**

DFI is excited to announce new legislation enacted June 9, 2022 requires the establishment of a Financial Literacy Education Professional Development Grant Program.

This bill requires each school district, charter school, and state-tribal compact school to adopt one or more goals for expanding financial education instruction to students in their district by March 1, 2023.

[Senate Bill 5720](#) passed unanimously in the House and Senate.

The bill gives Washington State school districts the opportunity to qualify for grants, disbursed through the Financial Education Public Private Partnership (FEPPP), to increase integration of financial education courses into their districts and financial literacy education into professional development trainings for certificated staff.

This bill will increase the availability of financial education courses available to students in grades 9 through 12, as well as increase the number of grades and/or schools providing instruction or access to instruction in financial education.

Furthermore, it expands the amount of financial education professional development training available to certificated staff. FEPPP will develop a menu of model goals that school districts may consider when complying with this requirement.

These goals will be published on OSPI's website by Sept. 10.