



## **Mortgage Industry Webinar**

**We will begin shortly**

**Call In #: 1-253-372-2181**

**Conference ID #: 606 617 199#**

**[Webinar Link](#)**

Your audio will be muted upon entry. Please use the chat function to enter your questions. We will go through them one by one to ensure that callers get the benefit of the Q&A as well as those attending online.

**This webinar is being recorded and will be available on our website shortly after the meeting.**



# Mortgage Industry Webinar Agenda

Wednesday, July 19, 2023

10:00 AM

Call In #: 1-253-372-2181

Phone Conference ID #: 606 617 199#

[Webinar Link](#)

Meeting ID: 268 803 389 954

Passcode: 7Cjfdz

*The information provided during this webinar is for informational purposes only and is not legal advice. You should contact an attorney to obtain advice with respect to any particular business practice. The opinions expressed during the webinar are the opinions of the individuals and may not reflect the opinions of the department. The information provided may not be applicable in all situations or under all circumstances. You are ultimately responsible for compliance with state and federal law.*

1. Welcome
2. Licensing Update – Maureen Camp
3. Examination Update – Anya Tabb & Alan Leingang
4. Enforcement Update – Kendall Freed
5. Question/Answer Session –JJ Choi

**Please use the chat function to enter your questions. We will go through them one by one to ensure that callers get the benefit of the Q&A as well as those attending online.**

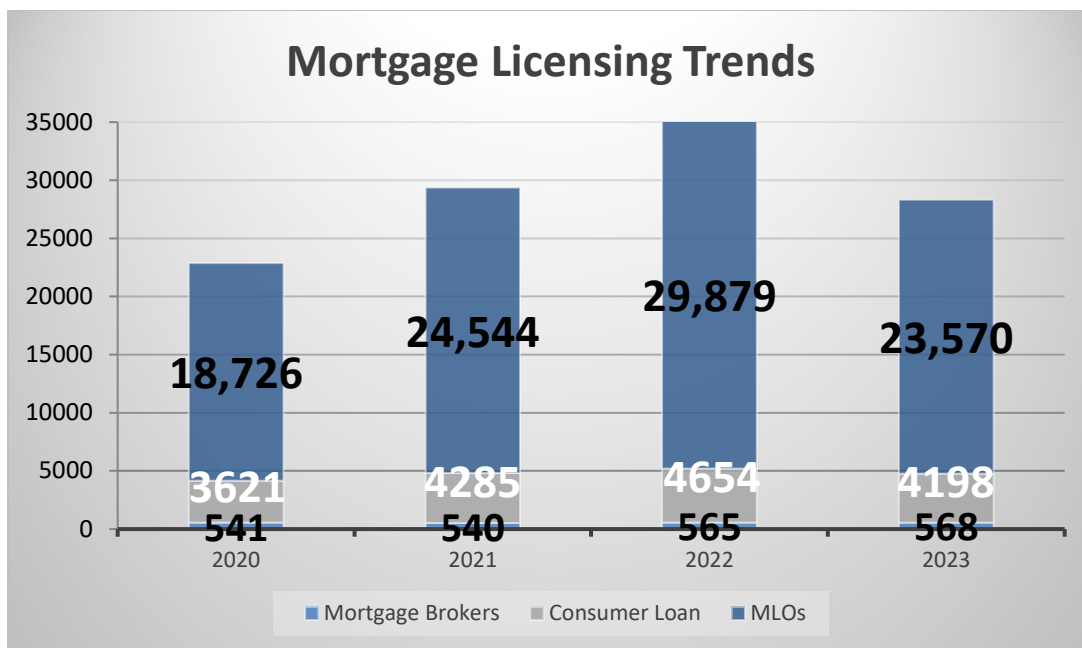


# Licensing Unit Report - Mortgage Program

Mortgage Industry Webinar

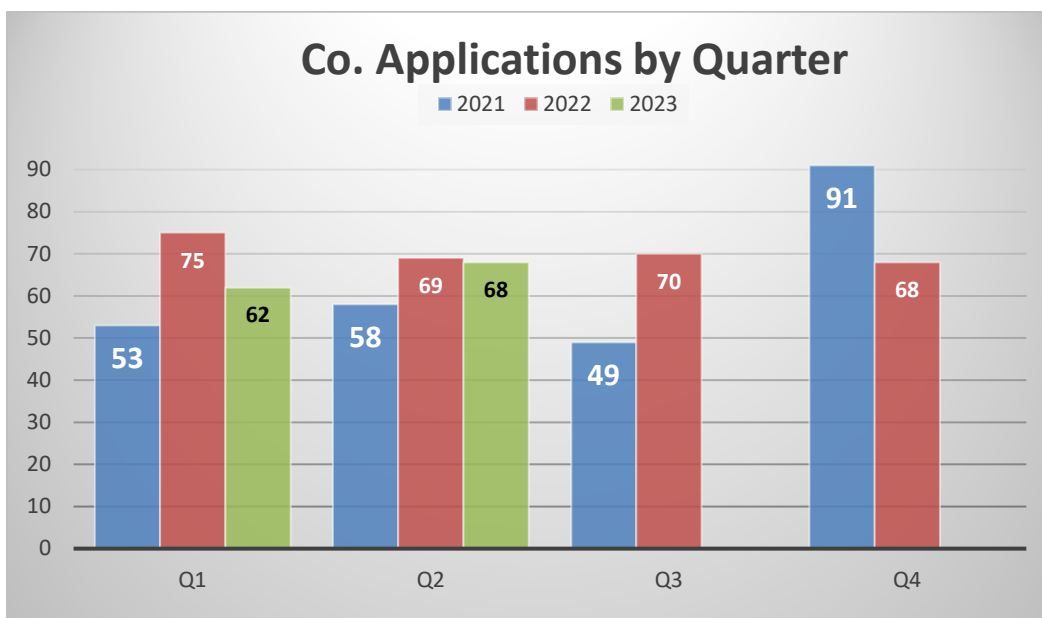
July 19, 2023

License Types	July 2020	July 2021	July 2022	July 2023	Total Change
Mortgage Broker Main	324	347	364	384	+60
Mortgage Broker Branch	217	193	201	184	-33
Consumer Loan Main	728	812	924	987	+259
Consumer Loan Branch	2,893	3,473	3,730	3,211	+318
MLOs (Active & Inactive)	18,726	24,544	29,879	23,570	+4,844



## Licensing Trends

- Total number of mortgage licensees down in year-to-year comparison
  - Trending differs depending on company, branch or individual licensees:
    - Individual: large drop in MLOs due to non-renewal for 2023
    - Branches: slight decline from 2022 after years of constant increase
    - Companies: steadily growing licensees; mostly in Consumer Loan
- Licensees in Washington: MB main – 47%, CL Main – 8% and MLOs – 24%



### Application Trends

- Application volume is two different stories, depending on company or MLO
  - MLO applications continue declining; back to at least 2019 or prior volume
  - Company applications remain high; both quarters 2023 are similar to 2022
    - Roughly 75-25% split between consumer loan and mortgage broker
    - Mostly mortgage, but some non-mortgage lenders and student loan servicers
- High volume of closures; +50 CL and 22 MB in 2022; 78 CL and 15 MB in 2023

### **Looking Ahead**

- CE License item set over weekend of July 15-16 for MLOs who aren't CE compliant
  - MLO requirement, 9 hours of CE including 1 hour in WA law
- Review NMLS record for updates
- Don't expect to require criminal background check or credit report as part of renewals
- Fee waiver for MLOs renewing for 2024

### **Upcoming Events/Deadlines**

- Aug 15      Q2 Mortgage Call Report Filing Deadline
- Nov 1      Start of Renewal Period

# CS – Examination Unit Report

## Consumer Loan and Mortgage Broker Programs

Mortgage Industry Meeting  
July 19, 2023

### Examination Summary – Consumer Loan Origination

56 Exams completed for April 2023 – June 2023

Composite Rating	Number of Licensees	Avg. Billable Hrs.
1	3	Not Billed
2	6	Not Billed
3	9	Not Billed
4	4	Not Billed
5	0	Not Billed
*N/A	34	N/A

\*N/A includes:

- 27 Initial Compliance Review, 3 Desk Review, 3 SES Accepted, 1 SES Leveraged

*Temporary waiver in effect as of July 1, 2018, exam fees were not billed.*

#### Common Violations

- **Failure to Timely Report Changes:** Licensees are required by the Consumer Loan Act (CLA) to report significant events to the Department within timeframes specified within the CLA. Examiners regularly identify reporting that has occurred outside of the required timeframe. See WAC 208-620-490 for additional details.
- **Failed to Advertising in Compliance with the Act:** Licensees are prohibited from advertising using the term “free” or any other similar term that implies there is no cost to the borrower because you can recover the cost of the purportedly “free” service or item through the negotiation process. This includes statements such as “No Cost Loan” and “No Closing Costs.” See WAC 208-620-630(8)
- **Inadequate or Nonexistent MLO Supervisory Plans.** This continues to be one of the most common examination findings. WAC 208-620-301(4) requires that licensed managers prepare and maintain written supervisory plans for the employees they supervise. Plans must include the number of employees supervised, their physical locations, how the supervisor will adequately supervise employees not in the same location as the supervisor, and the type and volume of work performed by the supervised employees. The Department published a [model supervisory plan form](#).
- **Unlicensed Processing and Underwriting Supervisors.** Any manager who is the day-to-day operational supervisor of loan processors or underwriters must hold an MLO license. The license can be from any state. See WAC 208-620-301 for additional details.

### Examination Summary – Residential Mortgage Loan Servicing

9 Exams completed for April 2023 – June 2023

Composite Rating	Number of Licensees	Avg. Billable Hrs.
1	0	Not Billed
2	6	Not Billed
3	2	Not Billed
4	0	Not Billed
*N/A	1	N/A

\*N/A includes:

- 1 Desk Review

## Common Violations

- **Failed to File an Accurate Consolidated Annual Report with the Department**

The two most common causes of this finding are not reporting loans that were paid off or transferred out during the year and reporting loans subserviced by a non-licensed subservicer (usually a bank, such as Cenlar) as being serviced by a licensed subservicer.

- **Failed to Properly Maintain Suspense Accounts**

Per [WAC 208-620-900\(3\)\(d\)](#), when a suspense account has enough money for a regular payment, it must be applied to the account as of the date a full payment becomes available. Examiners have cited companies for holding payments in suspense for several weeks before applying them.

- **Data Breach Reminder**

Though examiners have not cited this, the [Harvard Business Review](#) reports that “83% of organizations experienced more than one data breach in 2022.” Presumably the number is higher for just one data breach. [RCW 19.255.010](#) requires a company to notify Washington residents if their personal information was “or is reasonably believed to have been, acquired by an unauthorized person....” Companies must also notify the state’s attorney general within 30 days if a single breach compromises the personal information of more than 500 Washington residents.

## Examination Summary – Mortgage Brokers

25 Exams completed for April 2023 – June 2023

<b>Composite Rating</b>	<b>Number of Licensees</b>	<b>**Avg. Billable Hrs.</b>
1	3	Not Billed
2	5	Not Billed
3	5	Not Billed
4	3	Not Billed
*N/A	9	Not Billed

\*N/A includes:

- 8 Initial Compliance Review, 1 Desk Reviews

\*\*Mortgage Brokers are not billed for exam hours unless under orders by the Department

## Common Violations

- **Inaccurate MCRs**

Examiners continue to cite inaccurate MCRs as the most common violation. This includes end of quarter pipeline totals not matching the beginning totals for the next quarter, not tracking changes in loan amounts, reporting loan activity that does not match the applications list provided for examinations, and not reporting broker fees collected while reporting closed loans. See [RCW 19.146.390](#) and [WAC 208-660-400](#).

- **Failure to Provide Required Information in Advertisements**

This is due to not including the company’s name, license number, and a link to its NMLS Consumer Access website in all websites. Some social media sites do not allow a link to the NMLS, in which case a link to the Company’s home page that includes the NMLS link is acceptable, as long as the link is “once click away” from the social media site. See [WAC 208-660-446](#).

- **Engaged in a Misleading and Deceptive Practice**

Examiners cite this when a mortgage broker issues pre-approval letters without first obtaining a conditional approval from a lender or Automated Underwriting System (AUS). Mortgage brokers and/or mortgage loan originators do not have the authority to approve mortgage loans. The Department and the public believe a pre-approval is based on a valid authority; not merely an MLO’s opinion. Issuing mortgage “pre-approvals” without actually having a valid underwriting result is misleading, deceptive, and a violation of the fiduciary duty mortgage brokers have to their clients. See [RCW 19.146.095](#) and [RCW 19.146.0201\(1\), \(2\), and \(7\)](#).

- **Failed to Implement the Anti-Money Laundering Program**

Examiners ask for employee training and independent testing records. This violation is cited when the AML program says there will be annual training and/or independent testing and no records exist of those activities. The Department has an [AML Program Outline](#) on its website to assist companies in developing a compliant AML program.

- **Failed to Implement the Red Flags Program**

Similar to the AML violation, Red Flag programs that specify yearly employee training that does not occur are cited, as well as programs that do not have any record of approval by senior management or periodic updates.



Mortgage Industry  
 Enforcement Unit Report  
 April 1, 2023 – June 30, 2023

Complaints for this period	MPBA	CLA	All Industries
Received	5	71	251
Closed	8	91	276
Open as of 6/30/2023	9	125	180

Investigations Open as of June 30, 2023

Mortgage Broker Practices Act – 23  
 Consumer Loan Act – 50  
 All Industries – 96

Enforcement Actions for this period	
CCSA	0
CLA	9
EARA	0
MBPA	4
UMSA	4

Enforcement Actions for this period – Mortgage Broker Practices Act – 4

Statements of Charges	2
Temporary Order to Cease and Desist	0
Final Orders	0
Consent Orders/Agreements (1 pertaining to loan modification)	2
Civil Actions (Injunction, enforce subpoena)	0
Criminal Referrals	0

### MBPA Statements of Charges

C-22-3402-23-SC01 – Reduced Fee Mortgage Inc. 04/20/2023  
C-22-3492-23-SC01 - Fitkin Mortgage Corporation Inc.; Jackson James Hindman 06/02/2023

### MBPA Consent Orders

C-22-3442-23-CO01 – Solamere Mortgage LLC; Peterson Funding LLC; Brent Peterson; Jonathan Hanks Baird 05/10/2023

- \$720 Investigation fee
- \$3,150 Fine
- Industry prohibition until 05/10/2025
- Agreement to not apply until 05/10/2025
- Solamere Mortgage LLC's MLO license is surrendered

C-22-3401-23-CO01 – Free Mortgage Modification Counseling LLC; Alrick Albert Bainton 06/30/2023

- \$2,640 Investigation fee
- \$60,000 Fine (\$50,000 stayed)
- \$17,530 Restitution to 10 consumers
- Industry prohibition until 06/30/2028

### Enforcement Actions for this period – Consumer Loan Act – 9

Statements of Charges	4
Temporary Order to Cease and Desist	0
Final Orders	0
Consent Orders/Agreements	5
Civil Actions (Injunction, enforce subpoena)	0
Criminal Referrals	0

### CLA Statements of Charges

C-23-3505-23-SC01 – Veritas Funding LLC 04/25/2023  
C-23-3558-23-SC01 – Damon Lorraine McPherson, Sr. 06/02/2023  
C-20-3017-23-SC01 – Summit Funding Inc. 06/20/2023  
C-23-3513-23-SC01 – InstaMortgage Inc., Shashank Shekhar 06/29/2023

CLA Consent Orders

C-21-3132-23-AG01 - Intercontinental Capital Group Inc.; Dustin Anthony DiMisa	04/20/2023
<ul style="list-style-type: none"><li>• Updated payment terms for CO01 to reduced monthly payments</li><li>• Industry prohibition until CO01 is paid in full</li><li>• Agreement to not apply until CO01 is paid in full</li></ul>	
C-20-3025-23-CO02 – Christopher Marcus Urani	05/16/2023
<ul style="list-style-type: none"><li>• \$2,436.91 Fine</li><li>• Industry prohibition until 05/16/2028</li><li>• Agreement to not apply until 05/16/2028</li></ul>	
C-22-3436-23-CO01 – Nestor Diaz	06/02/2023
<ul style="list-style-type: none"><li>• \$27,000 Fine</li><li>• Loan originator application withdrawn</li><li>• Agreement to not apply until 05/31/2023</li></ul>	
C-22-3274-23-CO01 – Cake Mortgage Corp dba Millennial Home Lending Inc.; David Abelyan	06/06/2023
<ul style="list-style-type: none"><li>• \$500 Investigation fee</li><li>• \$75,000 Fine (\$25,000 STAYED)</li></ul>	
C-22-3405-23-CO01 – West One Capital Group Inc.; Bryan Kevin Bond	06/20/2023
<ul style="list-style-type: none"><li>• \$1,483.72 Investigation fee</li><li>• \$6,000 Fine</li><li>• Industry prohibition until 06/20/2026</li><li>• West One Capital Group Inc.'s CL license is surrendered</li></ul>	