Mortgage Industry Webinar Agenda
Tuesday, May 12, 2020
9:00 AM

Call In #: 1-855-929-3239
Meeting #: 282 793 745
Password: May122020

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1. Welcome – Cindy Fazio
2. Licensing Update – Maureen Camp
3. Examination Update – Alan Leingang/Zach Zimmerman
4. Enforcement Update – Steve Sherman
5. Rulemaking Update – Cindy Fazio
6. Question/Answer Session – Devon Phelps

This webinar is being recorded and will be available on our website shortly after the meeting has concluded.
Licensing Unit Report - Mortgage Program
Mortgage Industry Webinar
May 12, 2020

<table>
<thead>
<tr>
<th>License Types</th>
<th>Apr 2017</th>
<th>Apr 2018</th>
<th>Apr 2019</th>
<th>Apr 2020</th>
<th>Total Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage Broker Main</td>
<td>281</td>
<td>287</td>
<td>302</td>
<td>323</td>
<td>+42</td>
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<tr>
<td>Mortgage Broker Branch</td>
<td>184</td>
<td>186</td>
<td>208</td>
<td>218</td>
<td>+34</td>
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<tr>
<td>Consumer Loan Main</td>
<td>604</td>
<td>649</td>
<td>667</td>
<td>721</td>
<td>+117</td>
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<tr>
<td>Consumer Loan Branch</td>
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<td>2,515</td>
<td>2,530</td>
<td>2,814</td>
<td>+565</td>
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<tr>
<td>MLOs (Active &amp; Inactive)</td>
<td>16,685</td>
<td>17,342</td>
<td>16,012</td>
<td>18,009</td>
<td>+1,324</td>
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</table>

Mortgage Licensing Trends

- Total number of mortgage licensees increasing after decreasing in the first part of 2019
  - Greatest gain in MLO licenses; more renewed and high application volume
  - Mortgage Broker and Consumer Loan licensees still growing
- About 20% of companies (216) and 21% of MLOs (4,157) are located in WA (as of 12/31/19)\(^1\)

\(^1\) NMLS Mortgage Industry Report 2019Q4 Update
**Application Trends**

- High volume of MLO applications; started December 2019
  - Average about 500 applications per month
  - Several possible factors; launch of Temporary Authority like a big impact
- Steady volume of company applications
  - Increasing number of Mortgage Broker applications; both in and out of Washington
  - Majority of Consumer Loan Act applications mortgage-related
    - Mostly out-of-state companies
    - Remaining applicants consumer lending; a few car-related financing
**Temporary Authority to Operate (TA)**

- Allows eligible individuals to continue MLO activities while meeting testing/education requirements for a state license; law effective November 24

Early numbers on TA include

- Nationally, about half applications TA eligible as of the end of 2019
- Most eligible due to licensure in another state
- In Washington, about 1,000 applications qualified for TA; about 750 licensed

In Q1, first applicants had TA removed when education/testing not completed within 120 days

- License status update to Pending-Deficient; enter abandonment process
- Extension of application considered for MLOs not tested due to test center closures
- If education/testing completed but other item(s) needed; application to abandonment

Stay updated on coronavirus impacts to NMLS vendors:

- Visit [NMLS Coronavirus/COVID-19 Updates](#)
- Stay in contact with Department; willing to work with a situation if we know about it
- Extension of 30 days to file Mortgage Call Report (RMLA, Financial Conditions) and/or Financial Statements
Examination Summary – Consumer Loan Origination

108 Exams completed for October 2019 – April 2020

<table>
<thead>
<tr>
<th>Composite Rating</th>
<th>Number of Licensees</th>
<th>Avg. Billable Hrs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>16</td>
<td>1305</td>
</tr>
<tr>
<td>2</td>
<td>18</td>
<td>1322.5</td>
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<tr>
<td>3</td>
<td>12</td>
<td>1581.5</td>
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<tr>
<td>4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>*N/A</td>
<td>62</td>
<td>N/A</td>
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</table>

*N/A includes Desk Reviews, Initial Compliance and SWE Exams
- 28 Desk Reviews, 33 Initial Compliance Review and 1 SWE

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

Examination Summary – Residential Mortgage Loan Servicing

35 Exams completed for October 2019 – April 2020

<table>
<thead>
<tr>
<th>Composite Rating</th>
<th>Number of Licensees</th>
<th>Avg. Billable Hrs.</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>9</td>
<td>853</td>
</tr>
<tr>
<td>2</td>
<td>18</td>
<td>2008</td>
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<tr>
<td>3</td>
<td>6</td>
<td>905</td>
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<td>0</td>
<td>0</td>
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<tr>
<td>*N/A</td>
<td>2</td>
<td>N/A</td>
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</tbody>
</table>

**N/A includes Desk Reviews, Initial Compliance and SWE Exams
- 1 Desk Reviews, 1 Initial Compliance Review

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

Examination Summary – Mortgage Brokers

46 Exams completed for October 2019 – April 2020

<table>
<thead>
<tr>
<th>Composite Rating</th>
<th>Number of Licensees</th>
<th>**Avg. Billable Hrs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>N/A</td>
</tr>
<tr>
<td>2</td>
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<td>3</td>
<td>10</td>
<td>N/A</td>
</tr>
<tr>
<td>4</td>
<td>8</td>
<td>N/A</td>
</tr>
<tr>
<td>*N/A</td>
<td>23</td>
<td>N/A</td>
</tr>
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</table>
Common Violations

Mortgage Originations -Consumer Loan Act

- **Failed to License Processing and Underwriting Supervisors:** Any manager who is the day-to-day operational supervisor of loan processors or underwriters must hold a mortgage loan originator license. The license can be from any state. WAC 208-620-301
- **Failed to Develop Supervisory Plans:** WAC 208-620-301(6) requires that licensed managers must prepare and maintain written supervisory plan for the employees they supervise. Plans must include the number of employees supervised and 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. Licensees should ensure plans include all required information.
- **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.” WAC 208-620-630(8)

Mortgage Originations – Mortgage Broker Practices Act

- **Anti-Money Laundering Program** – The Financial Crimes Enforcement Network (FinCEN) required mortgage broker licensees to have an anti-money laundering (AML) program by August 13, 2012. This violation continues to be one of the most commonly cited by examiners. Though licensees provide written AML programs, the documentation is rarely specific to the products, clients, or size of the broker’s operation. This risk assessment is one of the five “pillars” of an effective AML program. See FinCEN’s AML requirements at 31 CFR Part 1029.210 for the other pillars of an effective AML program.
- **Mortgage Call Reports (MCR)** – Examiners continue to cite companies for MCRs that are not completed as required. Standard mistakes are not listing sponsored MLOs with zero production, reporting different application pipeline totals at the end of a quarter and the beginning of the subsequent quarter, and reporting erroneous fee and revenue amounts. If you are not sure how to complete your MCR please review the [Standard MCR Field Definitions](#). See WAC 208-660-400.
- **Rate Lock Agreements** – Licensees must issue a rate lock agreement within three business days of an interest rate lock. In addition, a new rate lock agreement must be issued to the borrower within three business days of a change to the locked interest rate. Common mistakes are not updating lock agreements when extended and not naming the lender guaranteeing the lock. The Department provides a model rate lock agreement that, when completed correctly, contains all the fields required. See WAC 208-660-430(3).

Mortgage Loan Servicing

- **Suspense Account:** The most common servicing violation in the first quarter of 2020 is failure to properly maintain a suspense account. WAC 208-620-900(3)(d) prohibits money in a suspense account from being applied to company fees. When enough money is in the account to cover the contractual periodic payment of principal and interest, you must apply the funds as of the date it became available.
- **Accurate Annual Assessments:** We continue to cite the failure to file accurate annual assessments for 2018 filings, and we have featured this in past newsletters. The Department is beginning to review 2019 filings, and we are optimistic our past focus on this violation will lead to more accuracy in the most recent filings.
Mortgage Industry
Enforcement Unit Report
October 1, 2019 – April 30, 2020

<table>
<thead>
<tr>
<th>Complaints for this period</th>
<th>MBPA</th>
<th>CLA</th>
<th>All Industries</th>
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</thead>
<tbody>
<tr>
<td>Received</td>
<td>30</td>
<td>392</td>
<td>780</td>
</tr>
<tr>
<td>Closed</td>
<td>39</td>
<td>372</td>
<td>757</td>
</tr>
<tr>
<td>Open as of 4/30/2020 (all industries)</td>
<td>N/A</td>
<td>N/A</td>
<td>211</td>
</tr>
</tbody>
</table>

Investigations

- Investigations – Open (MBPA only) 25
- Investigations – Open (CLA only) 46
- Investigations – Open (all industries) 80

<table>
<thead>
<tr>
<th>Enforcement Actions for this period</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCSA</td>
</tr>
<tr>
<td>CLA</td>
</tr>
<tr>
<td>EARA</td>
</tr>
<tr>
<td>MBPA</td>
</tr>
<tr>
<td>UMSA</td>
</tr>
</tbody>
</table>

Enforcement Actions for this period – Mortgage Broker Practices Act

- Statements of Charges 8
  (4 pertaining to U/L Loan Modification services)
- Total Consent Orders & Consent Agreement 12
  (6 pertaining to Loan Modification services)
- Temporary Order to Cease and Desist 0
- Final Orders 6
  (5 pertaining to Loan Modification services)
- Civil Actions (injunction, enforce subpoena) 0
MBPA Agreed Orders

C-17-2132-20-CO02 Precision Paralegal Services LLC, Integrity Partners; 03/11/2020
Terry Walden

- $40,000 Investigation fee
- $90,000 Fine ($85,000 STAYED, $5,000 Paid)
- $32,500 Restitution due in monthly payments
- Cease and Desist
- 5 year ban

C-17-2132-20-CO03 Jessica Walden 03/11/2020

- Cease and Desist
- 5 year ban

C-17-2132-20-CO04 INMN Inc; William J Kane 04/02/2020

- $38,500 Investigation fee (STAYED)
- $57,000 Fine (STAYED)
- $18,400 Restitution
- Cease and Desist
- 5 year ban

C-17-2132-20-CO05 William Kane, II 04/02/2020

- $38,500 Investigation fee (STAYED)
- $57,000 Fine (STAYED)
- Cease and Desist
- 5 year ban

C-17-2132-20-CO06 Precision Paralegal Services LLC, Integrity Partners; 04/29/2020
Terry Walden

- Costs to be paid in CO02 amended to delay payment by 90 days

C-18-2531-19-CO01 My-Kim Thi Bui; Seattle Sound Mortgage, LLC 10/31/2019

- $3,331 Investigation fee
- $5,000 Fine ($3,331 STAYED)
- Entity license application withdrawn
- Individual license surrendered

C-18-2531-20-AG01 My-Kim Thi Bui; Seattle Sound Mortgage, LLC 01/13/2020

- Agreed Order modifying only Paragraph I of Consent Order C-18-2531-19-CO01 entered on October 31, 2019.

C-18-2557-20-CO01 eLink Mortgage, LLC; Ge Zhou 04/16/2020

- $5,906.97 Investigation fee
- $50,000 Fine ($20,000 STAYED)
- Obtain compliance software and maintain for a minimum of 5 years
C-19-2587-19-CO02 Interstate Mortgage Services, Inc.; Ryan James Ingram  10/29/2019
- $745.20 Investigation fee
- $5,000 Fine ($2,500 STAYED)
- Agreement not to apply for any license under any name
- License expired

C-19-2641-19-CO01 Peoples Freedom Solutions, Secure Legal Group; Eduardo Tapia  01/13/2020
- $1,747.20 Investigation fee
- $5,000 Fine
- $3,927 Restitution
- 7 year MB and CL industry ban

C-19-2662-19-CO01 Chi Gia Nguyen  10/1/2019
- $3,000 Investigation fee
- $5,000 Fine ($3,000 STAYED)
- License revocation STAYED

C-19-2790-20-CO01 Reymundo James Rodriguez  04/15/2020
- $610 Investigation fee
- $3,000 Fine (STAYED)

MBPA Final Orders

C-17-2133-19-FO01 Select Legal Network; Jennifer McCool  03/13/2020
C-17-2289-20-FO06 Sandra X. Hanley, Jonathan P. Hanley  03/03/2020
C-17-2303-19-FO01 DRLS LLC, Dunn Wright Legal; Conner McMiniment  10/04/2019
C-18-2382-20-FO01 Providence Advocates Law Center; Jack Howard Karpeles  04/17/2020
C-19-2647-19-FO01 Shabber Rahman d/b/a Town & Country Mortgage  12/12/2019
C-19-2803-20-FO01 Branded Asset Management Goup, LLC; Alonzo Canzater, Adarrin Smith  01/10/2020

MBPA Statements of Charges

C-18-2557-19-SC01 eLink Mortgage, LLC; Zhou, Ge  11/18/2019
C-19-2641-19-SC01 Peoples Freedom Solutions, Secure Legal Group; Eduardo Tapia  10/14/2019
C-19-2647-19-SC01 Shabber Rahman d/b/a Town & Country Mortgage; Jason Campbell, Satish Shetty, Joshua Chalyakul, Shabber Rahman  10/30/2019
C-19-2716-20-SC01 Amstar Services, Infocon Entertainment Ltd Inc. d/b/a Atlantic Pacific Service; Roger Dyer, Michael D. Grinnell  04/03/2020
C-19-2785-20-SC01 First Financial & Associates, Mortgage Solutions; Allan Varela  04/03/2020
C-19-2790-19-SC01 Reymundo James Rodriguez  12/12/2019
Enforcement Actions for this period – Consumer Loan Act

Statements of Charges 17
Consent Orders & Consent Agreement 17
Temporary Order to Cease and Desist 0
Final Orders 8

CLA Agreed Orders

C-18-2469-19-CO01 Daniel Andrew Snoey 01/16/2020
- $19,558.99 Investigation fee
- $5,000 Fine (STAYED)
- License revocation
- 7 year ban

C-18-2518-19-CO01 David Allen White 01/13/2020
- Ineligible for CL license

C-18-2584-19-CO01 First Direct Lending; David Curtis Brown 11/27/2019
- $2,173.82 Investigation fee
- $4,500 Fine
- Restitution reserved for 3 years
- License Surrendered

C-19-2678-20-CO01 Loyalty Funding, Inc.; Tam Thuy Nguyen 04/03/2020
- $2,287.68 Investigation fee
- $100,000 Fine ($65,000 STAYED)
- Compliance exam due in 2 years

C-19-2686-20-CO01 Kevin Michael Killeen 03/09/2020
- $20,000 Fine ($15,000 STAYED)
- Permanent ban from CL industry

C-19-2686-20-CO02 Cardinal Financial Company Limited Partnership 04/01/2020
- $2,800 Investigation fee
- $20,000 Fine
- $20,000 Financial Literacy & Education
- Cease and Desist violations of CLA

C-19-2687-20-CO01 Guaranteed Rate Inc. 02/28/2020
- $1,900 Investigation fee
<table>
<thead>
<tr>
<th>Case Number</th>
<th>Date</th>
<th>Parties</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>C-19-2687-20-C002</td>
<td>03/11/2020</td>
<td>Christi Jo Val</td>
<td>$15,000 Fine</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$500 Fine</td>
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<tr>
<td>C-19-2687-20-C003</td>
<td>03/09/2020</td>
<td>Adam Wayne Canter</td>
<td>$5,000 Fine ($2,500 STAYED)</td>
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<td>$1,520 Investigation fee</td>
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<tr>
<td>C-19-2715-19-C001</td>
<td>02/05/2020</td>
<td>Apartment Associates of Pierce</td>
<td>$10,000 Fine</td>
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<td></td>
<td></td>
<td>County, LLC; Edward McFerran</td>
<td>$1,250 Restitution</td>
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<td>Bar with no time limit</td>
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<td>$2,500 Investigation fee</td>
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<tr>
<td>C-19-2719-19-C001</td>
<td>10/04/2019</td>
<td>Jonathan Scott Marloe</td>
<td>$10,000 Fine (STAYED)</td>
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<td>Cease and Desist</td>
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<td>Licensee application withdrawn</td>
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<td>7 year ban</td>
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<td>C-19-2740-20-C001</td>
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<td>Omni-Fund Inc.</td>
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<td>$5,000 Fine ($4,000 STAYED)</td>
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<td></td>
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<td>Permanent ban</td>
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<tr>
<td>C-19-2775-20-C001</td>
<td>02/20/2020</td>
<td>Tina Lee Hart (Moore)</td>
<td>$2,400 Investigation fee</td>
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<td>$15,000 Fine</td>
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<td></td>
<td></td>
<td>License surrendered</td>
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<td>Bar with no time limit</td>
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<tr>
<td>C-19-2779-19-C001</td>
<td>12/17/2019</td>
<td>Hometown Lenders Inc.</td>
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<td>$15,000 Fine</td>
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<tr>
<td>C-19-2779-19-C002</td>
<td>01/03/2020</td>
<td>Kathlene Mae Colkitt</td>
<td>$1,200 Investigation fee</td>
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<td>$5,000 Fine</td>
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<td>MLO license revoked (STAYED)</td>
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<td></td>
<td>2 year ban (STAYED)</td>
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<tr>
<td>C-20-2835-20-C001</td>
<td>04/24/2020</td>
<td>Peter Cha</td>
<td>MLO License application denied</td>
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<td>5 year industry ban</td>
</tr>
</tbody>
</table>
C-20-2856-20-CO01 Mary Mae Financial LLC 02/05/2020
- $650 Investigation fee
- $5,000 Fine ($4,000 STAYED)
- Cease and desist until licensed

**CLA Final Orders**

C-17-2145-20-FO01 Kristine Marie Moreland 04/03/2020
C-17-2145-20-FO02 Kristine Marie Moreland (withdrawing FO02) 04/10/2020
C-18-2447-20-FO01 Full Spectrum Loans d/b/a Ironwood Mortgage; Mudassir Muhammad Khan, Matthew Anderson, Akhtar Zaman 04/14/2020
C-19-2599-20-FO01 Christopher Ryan Williamson 04/17/2020
C-20-2849-20-FO01 Joshua Ryan Nichols-Cramer 03/11/2020

**CLA Statements of Charges**

C-17-2145-20-SC01 Kristine Marie Morland 03/11/2020
C-17-2318-20-SC01 Finance of America Mortgage LLC; Darrell W Beard, Shirlee Sophia Bueche 04/22/2020
C-18-2375-20-SC01 Go Direct Lenders, Inc.; Gregory Vartan Haroutunian, Nishan Hrach Hagopian 01/29/2020
C-18-2447-20-SC01 Full Spectrum Loans d/b/a Ironwood Mortgage; Alejandro Flores, Mudassir Muhammad Khan, Matthew Anderson, Akhtar Zaman 02/19/2020
C-19-2661-20-SC01 Mann Mortgage LLC; Jason F Mann, Brody John O’Connor, Don A Mann 01/27/2020
C-19-2675-19-SC01 ADK Bancorp Inc.; Dien Ngoc Nguyen, Andrew Phan, Katelyne Pham Nguyen 03/11/2020
C-19-2678-19-SC01 Loyalty Funding, Inc.; Tam Thuy Nguyen 10/31/2019
C-19-2686-20-SC01 Cardinal Financial Company Limited Partnership; Kevin Michael Killeen 01/13/2020
C-19-2687-19-SC01 Guaranteed Rate Inc.; Adam Wayne Canter, Christi Jo Val 11/07/2019
C-19-2759-19-SC01 First California Mortgage Company; Christopher K Hart 12/12/2019
C-19-2775-19-SC01 Tina Lee Moore 10/25/2019
C-19-2779-19-SC01 Hometown Lenders Inc.; Kathlene Mae Colkitt 10/10/2019
C-19-2793-19-SC01 Optimus Capital Inc.; Joseph Anthony Andriacchi 12/18/2019
C-19-2803-19-SC01 Branded Asset Management Group LLC; Alonzo Canzater, Clint Keith Richard, Adarrin Smith 12/11/2019
C-20-2835-20-SC01 Peter Cha 01/13/2020
C-20-2849-20-SC01 Joshua Ryan Nichols-Cramer 01/31/2020
C-20-2858-20-SC01 Anthony David Munoz 04/08/2020