



Mortgage Industry Webinar Agenda

Wednesday, May 22, 2024

11:00 AM

Call In #: 1-564-999-2000

Phone Conference ID: 890 362 678#

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Meeting ID: 222 776 435 216

Passcode: JwTDoG

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1. Welcome – Ali Higgs
2. Appraisal Errors Webinar – Department of Licensing
3. MCR FV6 & State Specific Supplemental Form – Anya Tabb
4. Licensing Update – Janelle Bullard
5. Examination Update – Anya Tabb & Alan Leingang
6. Enforcement Update – Kendall Freed

Mortgage Call Report Form V6 and Supplemental State Specific Form

Reminder: The Department issued interim guidance providing a 60-day grace period for licensees to file their Q1 2024 MCR. The deadline to file is **July 15, 2024**.

Overview of SSSF Filing Requirements for Washington:

Consumer Loan Act licensees are required to complete the subsections of the SSSF that are relevant to the activity conducted by the licensee pursuant to its license.

1. Consumer Loan Origination (SF200 – SF290)

- Non-Mortgage Secured Direct Loans (SF220)
- Unsecured Direct Loans (SF230)

SF220	Non-Mortgage Secured Direct Loans	The dollar amount and number of loans provided directly to the borrower secured by a lien on non-mortgage collateral. Examples include direct automobile, watercraft, and equipment financing.
SF230	Unsecured Direct Loans	The dollar amount and number of loans provided directly to the borrower that are not secured by any type of collateral.
SF290	Total Consumer	Sum of line items SF200 to SF230

2. Consumer Loan Servicing (SF500 – SF590)

- Non-Mortgage Secured Direct Loans” (SF520)
- Unsecured Direct Loans (SF530)
 - The Department further clarifies that the reportable activity for this subsection pursuant to the Consumer Loan Act is **student education loan servicing**.

SF520	Non-Mortgage Secured Direct Loans	The UPB and loan count of loans you service provided directly to the borrower secured by a lien on non-mortgage collateral. Examples include direct automobile, watercraft, and equipment financing.
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SF230	Unsecured Direct Loans	The UPB and loan count of loans you service provided directly to the borrower that are not secured by any type of collateral.
SF290	Total Consumer	Sum of SF500 to SF530

3. Licensed Processors and Underwriters (SF600 – SF660)

- Licensees must complete all applicable fields in this subsection.
- Specific to third party processing and underwriting.

SF600	Applications In Process at Beginning of Quarter	Number of applications assigned by a third-party entity for processing or underwriting that were outstanding at the end of the previous period.
SF610	Applications Received for Processing/Underwriting During the Quarter	Applications you received during the period from a third-party entity for processing or underwriting. These applications are contracted to be returned to the third-party entity for a lending decision.
SF620	Applications Returned to Creditor, Incomplete	All assigned applications returned to the originating third-party entity because the processor or underwriter could not complete the processing or underwriting due to a non-responsive borrower.
SF630	Net Changes in Application Amount	Any changes to the loan amount that occurred while the loan was assigned to you by a third-party entity for processing or underwriting. This entry must be expressed as a positive or negative adjustment. This line only allows changes to the application amount.
SF640	Other Changes to Applications	Any other changes, directed by the assigning third party entity not meeting the definition in SF630
SF650	Applications Processed/Underwritten, Completed	All assigned applications, which were returned to the originating third party entity as complete and ready for the third party entity to render a lending decision.

SF660	Applications In Process at End of Quarter	Number of applications assigned by a third-party entity for processing or underwriting outstanding at the end of the period.
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All other sections should be completed with "0."

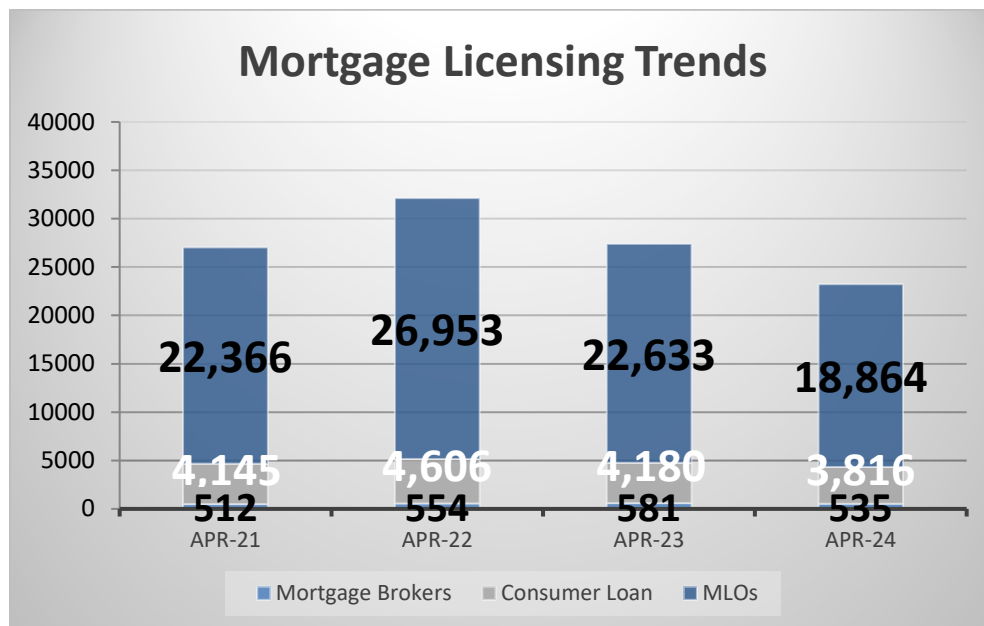
Licensing Unit Report - Mortgage Program

Mortgage Industry Webinar

May 22, 2024

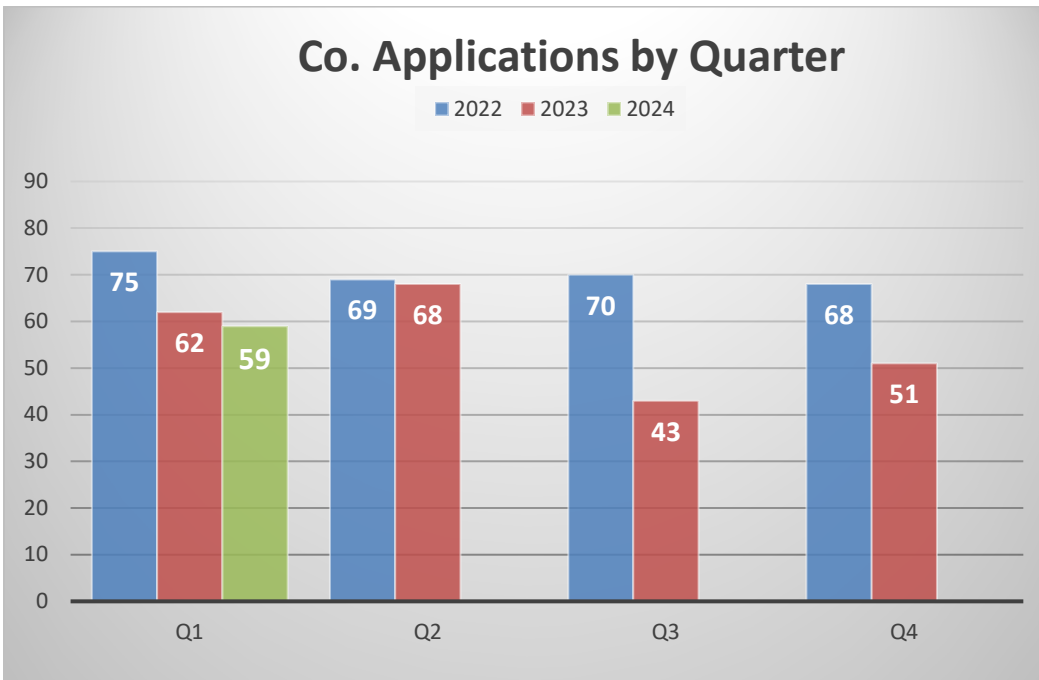
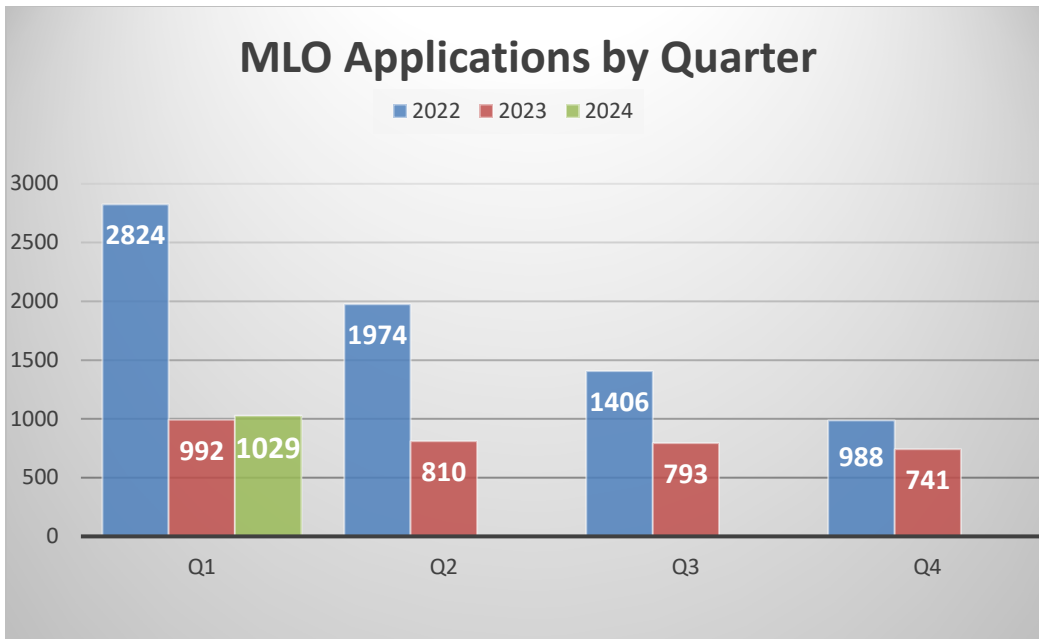
License Types	April 2021	April 2022	April 2023	April 2024	Total Change
Mortgage Broker Main	332	359	371	365	+33
Mortgage Broker Branch	180	195	210	170	-10
Consumer Loan Main	791	893	983	1,019	+228
Consumer Loan Branch	3,354	3,713	3,197	2,797	-557
MLOs (Active & Inactive)	22,366	26,953	22,633	18,864	-3,502

633



Licensing Trends

- Total number of mortgage licensees lower, especially compared to 2021 and 2022
 - Driven by reduction in MLO licensees, nearly 6,000 didn't renew for 2024
 - Consumer Loan company licensees growing, up nearly 4%
 - Branch licensees shrank; possibly due to MLO work from home legislation



Application Trends

- Application volume is growing during Q1 compared to final quarters of 2023
 - MLO applications in Q1 higher than previous five quarters
 - Company applications in Q1 higher than previous two quarters

Upcoming Events/Deadlines

- July 15 Q1 MCR Filing Deadline (due to 60-day grace period)
- Summer CE license item set on MLOs without 2024 education completed
- Aug 14 Q2 MCR Filing Deadline

CS – Examination Unit Report

Consumer Loan and Mortgage Broker Programs

Mortgage Industry Meeting
April 24, 2024

Examination Summary – Consumer Loan Origination

66 Exams completed for January 2024 – March 2024

Composite Rating	Number of Licensees	Avg. Billable Hrs.
1	1	Not Billed
2	9	Not Billed
3	8	Not Billed
4	2	Not Billed
5	0	Not Billed
*N/A	46	N/A

*N/A includes:

- 31 Initial Compliance Reviews, 4 Desk Reviews, 11 Limited Scope (2 RFES, 1 SWE, 3 SES Leveraged, & 5 SES Accepted)

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

Common Violations

- **Surety Bonds:** Surety bond amounts are based on the volume of your activity from prior years. By March 1st of each year, you must determine your required bond amount and provide DFI with proof of having an adequate bond. WACs 208-620-320 and 208-620-327.
- **Advertised Unsubstantiated Claims:** RCW 31.04.135 prohibits licensees from advertising statement or representation with regard to the rates, terms, or conditions for the lending of money that is false, misleading, or deceptive. Licensees must be able to substantiate all claims prior to advertising such claims. Examples of recent unsubstantiated claims identified on examinations include:
 - We close loans in an average of 21 days.
 - Rates are at historical lows!
 - Customer Savings to Date \$800,000,000
- **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](#).

Examination Summary – Residential Mortgage Loan Servicing

12 Exams completed for January 2024 – March 2024

Composite Rating	Number of Licensees	Avg. Billable Hrs.
1	0	Not Billed
2	8	Not Billed
3	2	Not Billed
4	0	Not Billed
*N/A	2	N/A

*N/A includes:

- 2 Desk Reviews

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

Common Violations

- **Failed to File a Complete and Accurate Consolidated Annual Report with the Department**
The main cause of this violation is reporting servicing totals as of December 31 of the subject year. The annual report instructions say to report the servicing totals on January 1 of the subject year. For loans boarded during the year the instructions say to report the boarded balance. Reporting totals as of December 31 excludes loans transferred out or paid off during the year and reports lower balances than reporting per the instructions.
- **Failed to Properly Maintain a Suspense Account**
This occurs when servicers do not apply a full payment to the mortgage as of the date a full payment is available in the suspense account. Another cause is paying servicing fees from suspense accounts. The money in suspense is only for principal, interest, and escrow items.
- **Failed to Provide a Complete and Accurate Periodic Statement**
The main cause of this finding is not accurately describing fees charged during the period. Property inspection and other third-party fees incurred while collecting on past due accounts are described as “miscellaneous” fees rather than using the actual name of the fee.

Examination Summary – Mortgage Brokers

31 Exams completed for January 2024 – March 2024

Composite Rating	Number of Licensees	**Avg. Billable Hrs.
1	2	Not Billed
2	4	Not Billed
3	4	Not Billed
4	0	Not Billed
*N/A	21	Not Billed

*N/A includes:

- 17 Initial Compliance Reviews, 4 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.
- **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 if the link is “once click away” from the social media site.
- **Failed to Develop a Compliant Loan Originator Compensation Plan**
We continue to see MLOs being paid a percentage of lender-paid compensation, which is a term of the loan per Regulation Z. Paying MLOs based on a term of the loan is expressly prohibited by the Loan Originator Rule.

**Mortgage Industry
Enforcement Unit Report
January 1, 2024 – March 31, 2024**

Complaints for this period	MPBA	CLA	All Industries
Received	5	148	368
Closed	4	130	338
Open as of 3/31/2024	6	186	252

Investigations Open as of March 31, 2024

Mortgage Broker Practices Act – 16
Consumer Loan Act – 54
All Industries – 95

Enforcement Actions for this period	
CCSA	0
CLA	6
EARA	1
MBPA	4
UMSA	3

Enforcement Actions for this period – Mortgage Broker Practices Act

Consent Orders/Agreements	3
Statements of Charges	1
Final Orders	0
Temporary Order to Cease and Desist	0
Civil Actions (Injunction, enforce subpoena)	0
Criminal Referrals	0

MBPA Statements of Charges

MBPA Consent Orders

C-22-3402-23-CO02 – Next Generation Processing Inc; Sally Jo Orosz	01/02/2024
<ul style="list-style-type: none">• \$1,077.60 Investigation Fee• \$6,922.44 Fine• Cease and desist from engaging in the business of a loan originator or mortgage broker for real estate located in Washington until/unless a license is obtained	
C-23-3520-23-CO01 – Sprint Funding Inc; Joshua Jay Craven; Barbara Jean Weldon	01/02/2024
<ul style="list-style-type: none">• \$669.60 Investigation Fee• \$3,000.00 Fine• Respondent Weldon cease and desist engaging in the business of a loan originator with regards to real estate located in Washington until/unless a license is obtained	
C-23-3596-23-CO01 – Pacific Coast Financial LLC; Salim Kader	01/05/2024
<ul style="list-style-type: none">• \$844.80 Investigation Fee• \$20,000.00 Fine (\$16,000.00 Stayed)• Industry Ban until 01/05/2026 (Stayed)• Pacific Coast Financial LLC’s MB license revoked (Stayed)• Salim Kader’s LO license revoked (Stayed)	

Enforcement Actions for this period – Consumer Loan Act

Consent Orders/Agreements	3
Statements of Charges	3
Final Orders	0
Temporary Order to Cease and Desist	0
Civil Actions (Injunction, enforce subpoena)	0
Criminal Referrals	0

CLA Statements of Charges

C-23-3653-24-SC01 – New Mortgage LLC; Osvaldo Lara	01/17/2024
C-22-3436-24-SC02 – Nestor Diaz	01/30/2024
C-21-3208-24-SC01 – Directors Mortgage Inc; Brett Burns	03/21/2024

CLA Consent Orders

- C-21-3175-23-CO01** – Randolph Anthony Stolle 01/02/2024
- \$24,943.08 Confession of Judgment – Investigation Fee
 - \$10,000.00 Confession of Judgment – Fine
 - Industry Ban until 01/02/2034
 - MLO license revoked
- C-23-3619-23-CO01** – Sailfish Servicing LLC 01/04/2024
- \$1,145.57 Investigation Fee
 - \$43,000 Financial Literacy & Education
- C-22-3449-23-CO01** – Leif Technologies Inc; Leif Servicing LLC 02/08/2024
- \$262.00 – Investigation Fee
 - \$2,224.50 Financial Literacy Payment
 - Respondent Leif Technologies will not add any new student education loans to their servicing portfolio and will cease any servicing activity until Respondents Leif Technologies and/or Leif Servicing obtain a license.
 - Respondent Leif Technologies to transfer entire servicing portfolio to licensed Consumer Loan company or to Respondent Leif Servicing upon approval of Respondent Leif Servicing's consumer loan license application.