



Mortgage Industry Webinar

We will begin shortly

Call In #: 1-415-655-0001

Meeting #: 133 064 4999

Password: October212020

Your audio will be muted upon entry. If you have a question during the presentation, please send a message to the presenter.

There will be a portion at the end of the webinar where there will be a Q&A. We will try to get to as many questions as possible.

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

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Mortgage Industry Webinar Agenda

Wednesday, October 21, 2020

9:00 AM

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Meeting Link:

<https://watech.webex.com/watech/j.php?MTID=ma02b725a735f783c44a928ef7203d163>

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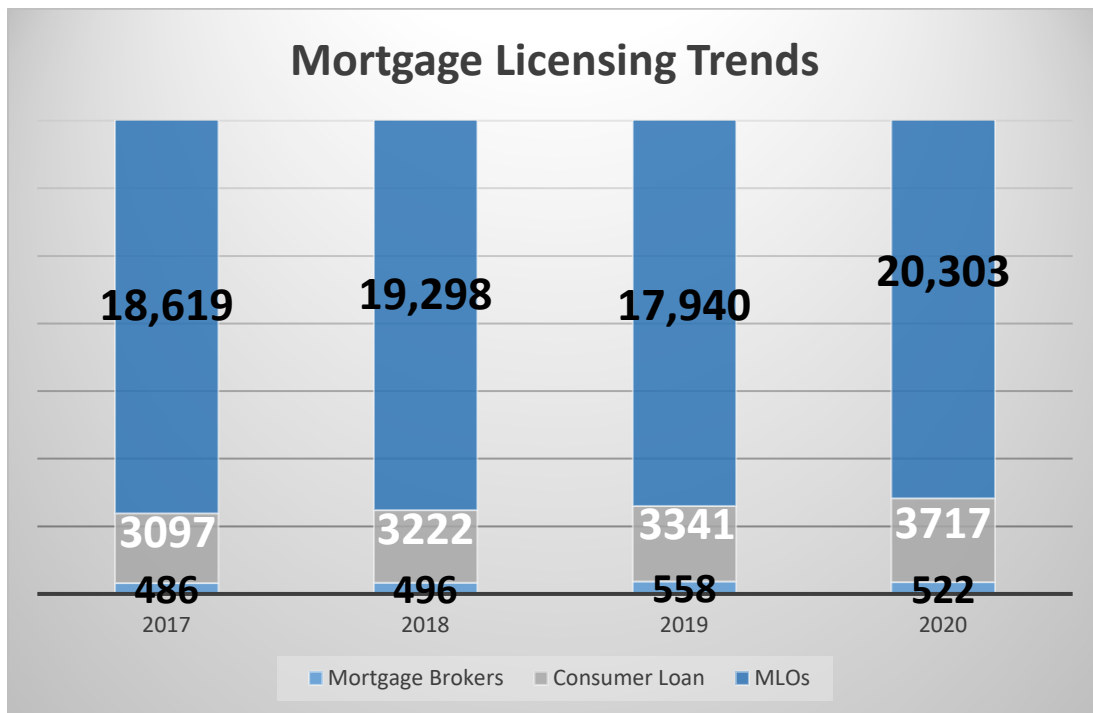
1. Welcome – Cindy Fazio
2. Licensing Update – Maureen Camp
3. Examination Update – Anya Tabb/Alan Leingang
4. Enforcement Update – Steve Sherman
5. Rulemaking Update – Cindy Fazio
6. Question/Answer Session – Devon Phelps

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Licensing Unit Report - Mortgage Program

Mortgage Industry Webinar
October 21, 2020

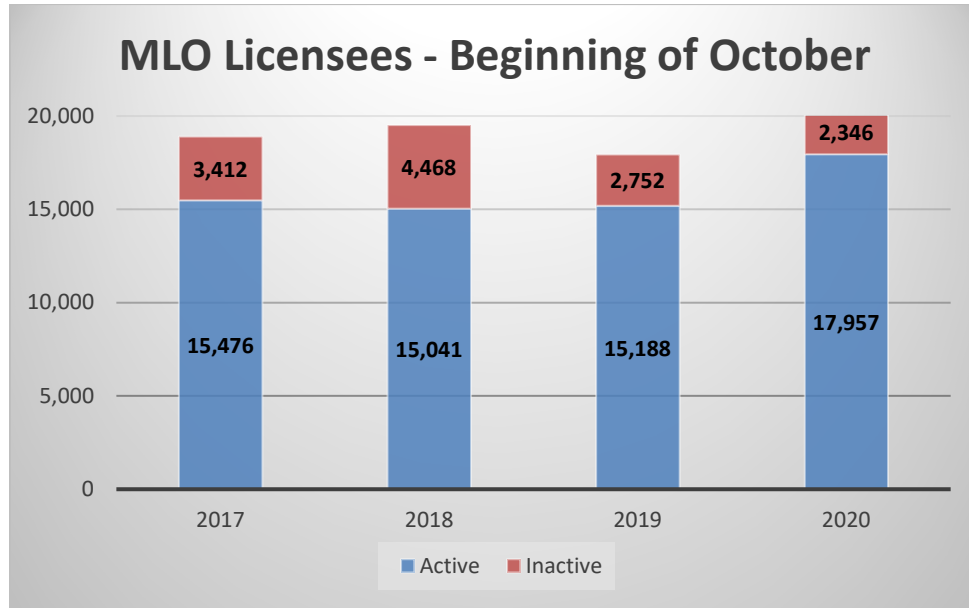
License Types	Oct 2017	Oct 2018	Oct 2019	Oct 2020	Total Change
Mortgage Broker Main	291	296	313	327	+36
Mortgage Broker Branch	195	200	245	195	N/A
Consumer Loan Main	644	669	714	751	+107
Consumer Loan Branch	2,453	2,553	2,627	2,966	+513
MLOs (Active & Inactive)	18,619	19,298	17,940	20,303	+1,684



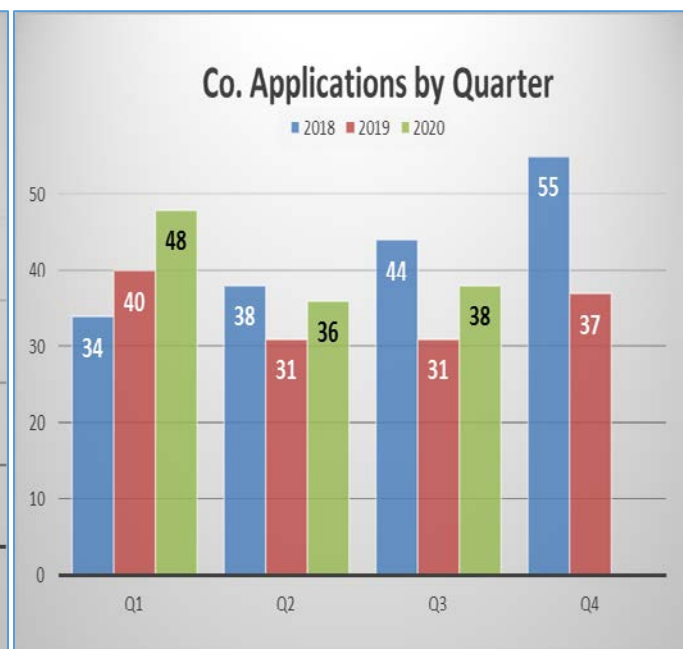
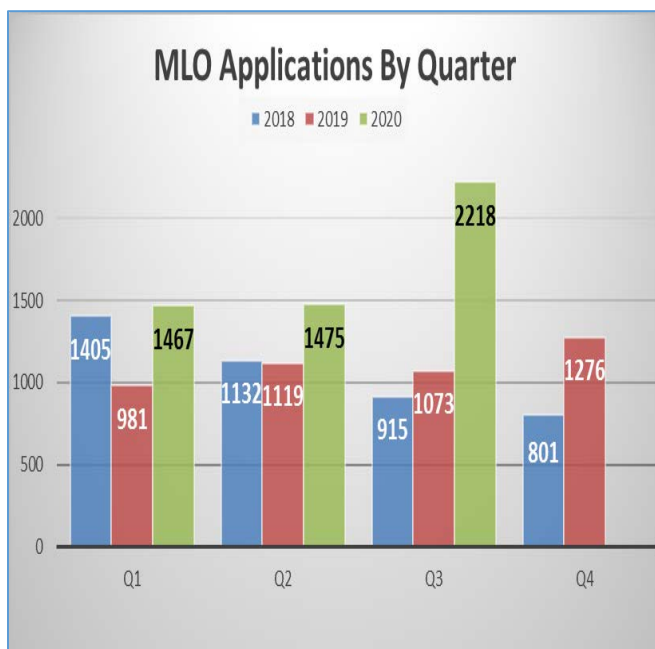
Licensing Trends

- Number of mortgage licensees increasing for all license types, except MB branches
 - 5% growth in company licensees from June 2019 to June 2020¹
 - Most new applications under CLA, but still adding new MBPA licensees too
- Largest growth in licensees happening with MLO licensees
 - More than 10% grown in MLO licensees from June 2019 to June 2020

¹ NMLS 2020 Q2 Mortgage Update



- Breaking down active vs inactive MLOs can give insight into expected renewal activity
 - Active MLOs in 2020 exceed active MLOs in the previous 3 years
 - Less inactive MLOs in 2020
 - Expect a busy renewal period given the high number of active MLOs



Application Trends

- MLO applications soared in Q3 of 2020
 - More than 2,000 MLO applications in the quarter; higher than any quarter on graph
 - Temporary Authority applications average about 37% of applications in Q3
 - More than 60% of MLO applications are de novo (new or recently licensed MLOs)
- Company applications steady in Q3
 - Most licensing under CLA to conduct mortgage brokering/lending activities

MORTGAGE RENEWALS FOR 2021

WHAT YOU NEED TO KNOW

- MLOs required to authorize new CBC and credit report for renewals
- Renewal period opens November 1
- Temporary fee waiver reduces MLO renewal fee to \$75 (\$45 DFI Fee, \$30 NMLS fee)
- DFI's renewal deadline is **December 15**
- **ACT EARLY** – Many MLOs and Designated Brokers still haven't completed CE

DO THESE STEPS NOW

- ✓ Review current record for accuracy – don't wait until November to file updates
- ✓ Resolve all license items
- ✓ File Q3 Mortgage Call Report (MCR) ahead of Nov 14 deadline (companies only)
- ✓ Complete Continuing Education - 9 hours, 8 hours SAFE + 1 hour in WA law (individual)

RENEWAL REQUIREMENTS FOR EACH LICENSE TYPE

Mortgage Loan Originator (MLO)

- Non-Perpetual License, must be renewed
- Licensee cannot operate in 2020 until renewal is approved
- No new license issued
- If not renewing, prefer to surrender but can allow license to expire

Mortgage Broker

- Non-Perpetual License, must be renewed
- Licensee cannot operate in 2020 until renewal is approved
- Renewal Fees: \$630 (main), \$550 (branch), including NMLS System Fee
- Renewed license emailed
- If not renewing, prefer to surrender but can allow license to expire

Consumer Loan

- Perpetual License, must be attested to
- Licensee can operate in 2020 with renewal request pending
- Annual Attestation Fees: \$100 (main), \$20 (branch), including NMLS System Fee
- No new license issued
- If not renewing, **must** request surrender and provide closure documents - marking "Not Renewing" does **not** surrender

Upcoming Deadlines

Nov 1	Renewal Period Opens
Nov 14	Q3 Mortgage Call Report Filing Deadline
Dec 15	DFI's Renewal Deadline
Dec 31	End of Renewal Period

CS – Examination Unit Report

Consumer Loan and Mortgage Broker Programs

Mortgage Industry Meeting
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Examination Summary – Consumer Loan Origination

94 Exams completed for May 2020 – September 2020

Composite Rating	Number of Licensees	Avg. Billable Hrs.
1	6	74.5
2	18	80
3	17	151
4	4	93
*N/A	49	N/A

*N/A includes:

- 10 Desk Reviews, 36 Initial Compliance Review, 1 SWE, 1 RFES, 1 MMC

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

Examination Summary – Residential Mortgage Loan Servicing

21 Exams completed for May 2020 – September 2020

Composite Rating	Number of Licensees	Avg. Billable Hrs.
1	2	110
2	15	128
3	2	132
4	0	0
*N/A	2	N/A

**N/A includes:

- 1 Desk Review , 1 Initial Compliance Review

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

Examination Summary – Mortgage Brokers

53 Exams completed for May 2020 – September 2020

Composite Rating	Number of Licensees	**Avg. Billable Hrs.
1	1	N/A
2	7	N/A
3	8	N/A
4	5	N/A
*N/A	32	N/A

*N/A includes Desk Reviews, Initial Compliance exams, and a Supervisory Watch exam that are not assigned a rating

- 13 Desk Reviews, 12 Initial Compliance Review, 2 SWE

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

Common Violations

Mortgage Originations -Consumer Loan Act

- **Licensure of 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
- **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.
- **Simple Interest:** Under the definition of “simple interest” in the Consumer Loan Act, licensees may not compound interest, unless originating reverse mortgages. The prohibition on compounding interest applies to all forward mortgages and personal loans, including student loans, originated under the Act.

Mortgage Originations – Mortgage Broker Practices Act

The most common violations over the last five months are:

- Failure to file quarterly MCRs on time
- Failure to file accurate MCRs
- Failure to develop and implement an adequate Anti-Money Laundering program
- Failure to provide updated lock agreements when a change to the lock terms occurs
- Failure to include a link to the company’s NMLS consumer access web site on *all* internet advertisements. The requirement to include the link on all internet advertisements was new as of September 2019.

Another intermittent violation is failure to develop an adequate Disaster Recovery or Business Resumption Plan. Some brokers will say their disaster recovery plan is simple because all their data is on the cloud, and they were able to continue business without interruption during the pandemic. This approach does not consider various scenarios such as localized interruption of internet and cellular services due to, say, a large earthquake in a certain region. The data may not have been destroyed, but what secondary methods would the company use to access the cloud? A good plan should consider several scenarios and provide realistic actions a company would take. A good start on a Disaster Recovery Plan is to gather all your staff together (or friends if you don’t have employees) and brainstorm scenarios and possible solutions.

The final violation to highlight is being found on initial examinations of new licensees. Washington State does not allow mortgage broker licensees to *make* loans. Mortgage brokers may only fund a loan through table funding, which is defined as “a settlement at which a mortgage loan is funded by a contemporaneous advance of loan funds and an assignment of the loan to the person advancing the funds. The mortgage broker originates and closes the loan in its own name with funds provided contemporaneously by a lender to whom the closed loan is assigned.” ([WAC 208-660-006](#)) In a table funded transaction the money is not coming from the mortgage broker, but from a lender. Washington State does not allow mortgage brokers to fund loans with their own money, whether it be from a warehouse line or other source. Funding a loan with your own money means you are a lender, not a mortgage broker. If companies wish to fund loans with their own money Washington State requires them to obtain a Consumer Loan License.

Mortgage Loan Servicing

The most common violations over the last five months are:

- Inaccurate Consolidated Annual Reports, usually due to not reporting loans that were paid off or transferred to another servicer at some point during the year or by not reporting the balance on January 1 of the year
- Inaccurate escrow analyses when a property loses its senior citizen tax discount upon sale
- Failure to provide complete periodic statements when *all* activity since the last statement is not included, usually one-time activity such as paying an assessment/lien through escrow or assessing property preservation fees

**Mortgage Industry
Enforcement Unit Report
May 1, 2020 – September 30, 2020**

Complaints for this period	MBPA	CLA	All Industries
Received	20	252	555
Closed	16	240	517
Open as of 9/30/2020 (all industries)	N/A	N/A	248

Investigations

Investigations – Open (MBPA only)	24
Investigations – Open (CLA only)	47
Investigations – Open (all industries)	80

Enforcement Actions for this period	
CCSA	1
CLA	42
EARA	5
MBPA	26
UMSA	10

Enforcement Actions for this period – Mortgage Broker Practices Act

Statements of Charges	3
(0 pertaining to U/L Loan Modification services)	
Total Consent Orders & Consent Agreement	3
(1 pertaining to Loan Modification services)	
Temporary Order to Cease and Desist	0
Final Orders	4
(1 pertaining to Loan Modification services)	
Civil Actions (injunction, enforce subpoena)	0

MBPA Agreed Orders

C-17-2132-20-CO07 Precision Paralegal Services LLC, Integrity Partners; Terry Walden 08/26/2020

- Costs to be paid in CO02 amended to include alternate methods of payment

C-20-2878-20-CO01 Prime One Mortgage Corp; Joshua Michael Louik 09/25/2020

- \$700 Investigation fee
- \$20,000 Fine (\$15,000 STAYED)
- 180 day MB and MLO license suspensions (STAYED)

C-20-2927-20-CO01 Hometown Financial Group, LLC 08/25/2020

- \$500 Investigation fee
- \$15,000 Fine
- \$10,000 Financial Literacy & Education
- Compliance exam by 2/25/2022

MBPA Final Orders

C-19-2716-20-FO01 Michael D Grinnell, Roger Dyer, Financial Investment Services Corporation, Home Relief Service, Amstar Services, Infocom Entertainment Ltd Inc d/b/a Atlantic Pacific Service 06/03/2020

C-19-2754-20-FO01 West Coast Funding, Inc.; Henry S. Chu 09/24/2020

C-20-2858-20-FO01 Anthony David Munoz 05/28/2020

C-20-2898-20-FO01 William Rashad Jackson 08/05/2020

MBPA Statements of Charges

C-19-2817-20-SC01 All City Mortgage, LLC; Liane Rae Gonzalez 05/27/2020

C-20-2832-20-SC01 NF Enterprises, Inc.; Masoud Sedghinasab 08/07/2020

C-20-2898-20-SC01 William Rashad Jackson 06/09/2020

Enforcement Actions for this period – Consumer Loan Act

Statements of Charges	10
Consent Orders & Consent Agreement	8
Temporary Order to Cease and Desist	0
Final Orders	4

CLA Agreed Orders

C-17-2284-20-AG01 Directors Mortgage, Inc.	09/30/2020
<ul style="list-style-type: none">• \$5,000 Investigation fee• \$15,000 Fine (STAYED)• Cease & Desist violations of the CLA	
C-20-2945-20-AG01 Westbon, Inc.	07/08/2020
<ul style="list-style-type: none">• \$700.45 Investigation fee• \$5,000 Fine (\$4,000 STAYED)• Submit 2019 Annual Assessment within 7 days• Cease & Desist until license is obtained	
C-17-2318-20-CO01 Darrell W Beard	08/17/2020
<ul style="list-style-type: none">• \$500 Investigation fee• \$2,500 Fine (\$2,000 STAYED)	
C-19-2661-20-CO01 Mann Mortgage, LLC; Jason F Mann, Brody John O'Connor, Don A Mann	06/02/2020
<ul style="list-style-type: none">• \$40,986.49 Investigation fee• \$40,000 Financial Literacy & Education	
C-19-2759-20-CO01 First California Mortgage Company; Christopher K Hart	07/28/2020
<ul style="list-style-type: none">• \$835 Investigation fee• \$15,750 Fine (\$6,750 STAYED)• \$6450.71 Delinquent Annual Assessment• \$1,354.65 Interest• \$5,000 Late Penalty• Entity CL license surrendered• Hart – CL and MB industries 5 year ban	
C-20-2854-20-CO01 Prime Choice Funding, Inc.	08/26/2020
<ul style="list-style-type: none">• \$150,000 Fine (\$100,000 from breach of C-18-2391-18-CO01)• \$100,000 Financial Literacy & Education• License surrendered	

C-20-2921-20-CO01 Kyla Leigh Blassingame 02/28/2020

- \$600 Investigation fee
- \$2,250 Fine (\$750 STAYED)
- License surrendered
- 2 year ban

C-20-2928-20-CO01 Sunray Mortgage, LLC; Reagan Lee Judd, Vance Bishop Wells, John Gerald Williams 08/19/2020

- \$500 Investigation fee
- \$2,500 Fine (STAYED)
- License surrendered
- 5 year do not apply

CLA Final Orders

C-19-2675-20-FO01 ADK Bancorp Inc; Andrew Phan, Katelyne Pham Nguyen, Dien Ngoc Nguyen 06/03/2020

C-20-2904-20-FO01 Sean Anthony Kolbinskie 09/03/2020

C-20-2931-20-FO01 Chou Team Realty, LLC 07/15/2020

C-20-2963-20-FO01 Carolene Jean Vlahos 09/09/2020

CLA Statements of Charges

C-17-2145-20-SC03 Lysa Michele Catlin 07/22/2020

C-17-2145-20-SC04 Caliber Home Loans, Inc. 08/04/2020

C-18-2517-20-SC01 Nations Lending Corporation 06/29/2020

C-19-2826-20-SC01 Joshua Trey Allen 07/07/2020

C-20-2904-20-SC01 Sean Anthony Kolbinskie 06/10/2020

C-20-2921-20-SC01 Kyla Leigh Blassingame 06/02/2020

C-20-2931-20-SC01 Chou Team Realty, LLC 06/17/2020

C-20-2943-20-SC01 Bayshore Mortgage Funding, LLC 07/15/2020

C-20-2948-20-SC01 Bryan Kyle Jarrett 06/24/2020

C-20-2963-20-SC01 Liberty Mortgage Company, Inc; Karen Sue Richmond, Monica J Smith, Carolene Jean Vlahos 07/30/2020