



Mortgage Industry Webinar

We will begin shortly

Call In #: 1-253-372-2181

Conference ID #: 953346009#

[Meeting 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, October 26, 2022

10:00 AM

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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.

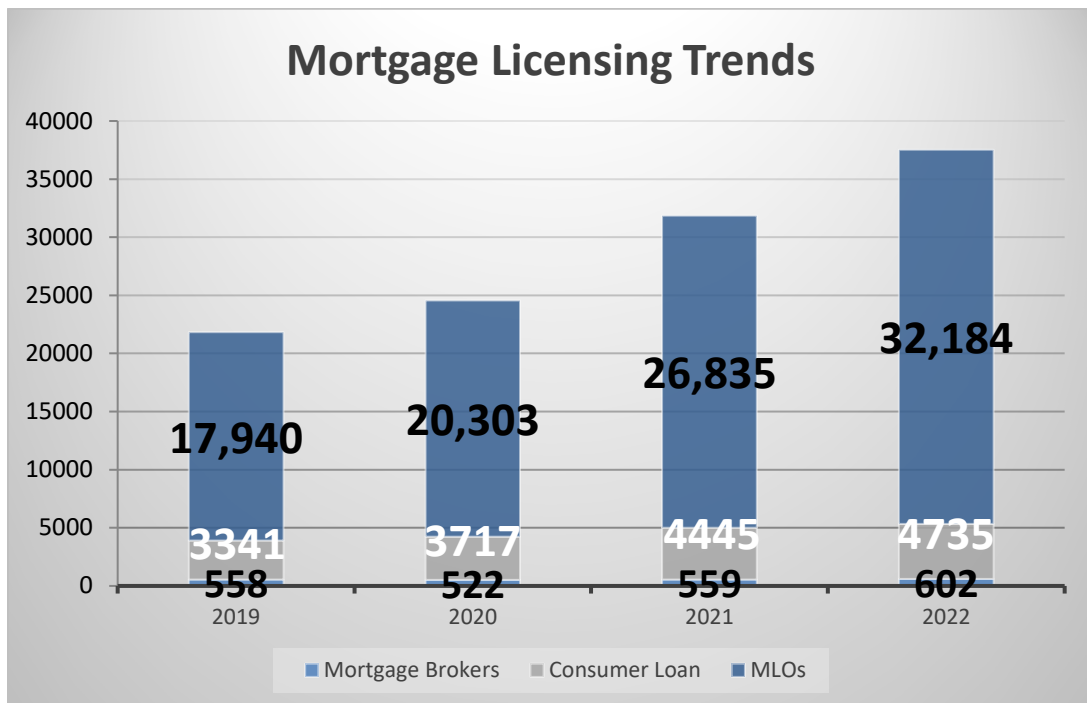
1. Welcome – Cindy Fazio
2. Licensing Update – Maureen Camp
3. Examination Update – Anya Tabb & Alan Leingang
4. Enforcement Update – Jack McClellan
5. Rulemaking Update – Cindy Fazio
6. Question/Answer Session – Devon Phelps

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Licensing Unit Report - Mortgage Program

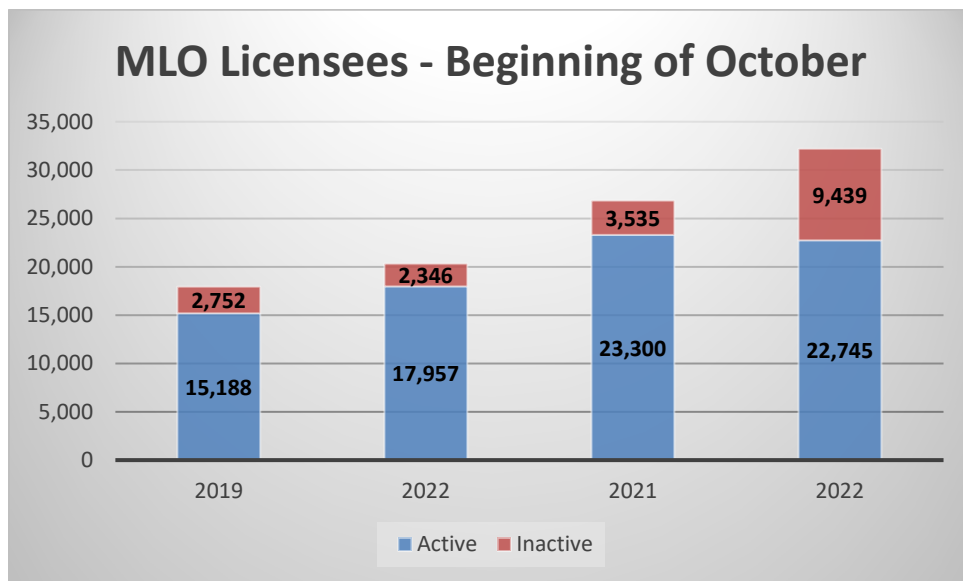
Mortgage Industry Webinar
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License Types	Oct 2019	Oct 2020	Oct 2021	Oct 2022	Total Change
Mortgage Broker Main	313	327	348	362	+49
Mortgage Broker Branch	245	195	211	240	-5
Consumer Loan Main	714	751	834	950	+236
Consumer Loan Branch	2,627	2,966	3,611	3,785	+1,158
MLOs (Active & Inactive)	17,940	20,303	26,835	32,184	+17,244

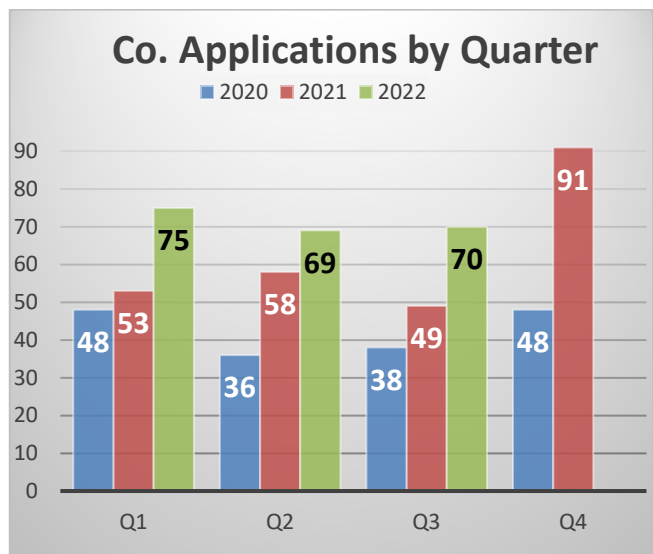
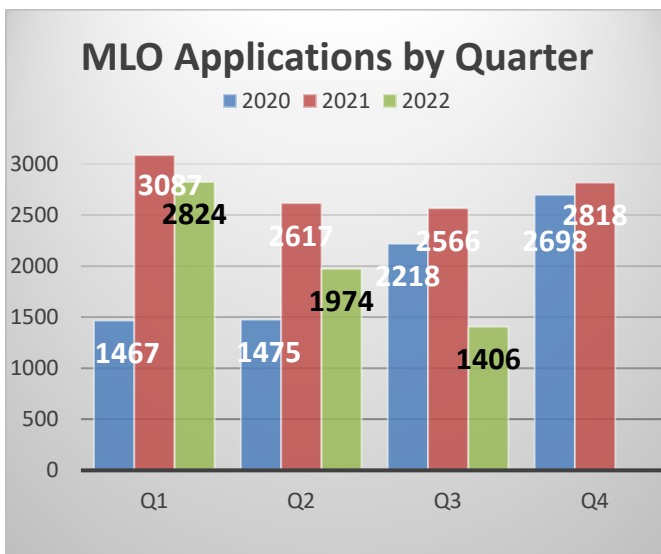


Licensing Trends

- Number of mortgage licensees increasing across all license types
 - Largest company growth in CLA, up more than 13% from October last year
 - MBPA growth steady, largest growth in branches which are up more than 13%
- MLO licensees account for largest group of mortgage licensees
 - More than 32,000 currently licensed, a nearly 20% increase from October last year
 - Numbers don't include MLOs working under Temporary Authority



- Breaking down active vs inactive MLOs can give insight into expected renewal activity
 - Active MLOs very similar numbers to October 2021
 - Most noteworthy – number of inactive MLOs substantially higher than most years



Application Trends

- MLO application volume declining throughout 2022
 - Most significant drop in applications between Q1 and Q2
 - In Q3 of this year, application volume fell below Q3 2020 numbers
 - Good number of MLO applications come in under Temporary Authority
- Company applications strong throughout 2022
 - Higher volume than most of the past two years, except Q4 of 2021
 - Most applications under the CLA, but MBPA applications are steady
 - Cover all business types – mortgage activities, consumer lending, & student loan servicing

MORTGAGE RENEWALS FOR 2023

WHAT YOU NEED TO KNOW

- New criminal background check (CBC) and credit report required for all MLO 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 2023 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 2023 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 2023 with renewal pending
- Annual Attestation Fees: \$100 (main), \$20 (branch), including NMLS 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

68 Exams completed for May 2022 – September 2022

Composite Rating	Number of Licensees	Avg. Billable Hrs.
1	2	46
2	8	139
3	18	100
4	2	140
5	0	N/A
*N/A	38	N/A

*N/A includes:

- 37 Initial Compliance Review, and 1 SWE

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.
- **Inadequate or Nonexistent MLO Supervisory Plans.** This continues to be one of the most common examination findings. WAC 208-620-301(6) 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.
- **Advertised Trigger Terms Without Disclosing Additional Terms.** Examiners review advertisements for compliance with both state and federal laws. Licensees should ensure when advertising trigger terms, which include the amount or percentage of any downpayment, the number of payments or period of repayment, the amount of any payment, or the amount of any finance charge, the additional terms required under Regulation Z are also included in the advertisement. The additional required terms include the amount or percentage of the downpayment, the terms of repayment, and the annual percentage and the fact that the rate may be increased after consummation. For additional details see Regulation Z, 1026.24(d).

Examination Summary – Residential Mortgage Loan Servicing

24 Exams completed for May 2022 – September 2022

Composite Rating	Number of Licensees	Avg. Billable Hrs.
1	2	120
2	11	94

3	3	136
4	0	0
*N/A	8	N/A

*N/A includes:

- 8 Desk Review

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**
Various errors lead to this finding such as reporting loans subserviced by a *non-licensed* subservicer (not holding a Consumer Loan license from the Department, for instance banks) as subserviced by a licensed subservicer, not reporting chattel dwelling loans as residential servicing, not reporting bridge loans as servicing, and not reporting loans transferred or paid off during the year.
- **Failed to File an Accurate Washington State MCR**
The most common error leading to this finding is when the *Delinquency Status as of End Date (All Loans)*, lines S310 through S315 of MCR Section III, do not match *Servicing Activity*, lines S510 through S540 of MCR Section III. The other cause is clerical errors found when comparing the MCR to servicing activity lists supplied for examinations.
- **Failed to Report Accurate Information to Credit Bureaus**
This finding relates to CARES Act forbearance reporting. Sometimes the months in forbearance is incorrect, other times the servicer reported a delinquency for a forbearance month or reported loans inactive rather than current.
- **Failed to Maintain a Link to the Company's NMLS Consumer Access Web Page on Home Page**
This is self-explanatory.

Examination Summary – Mortgage Brokers

40 Exams completed for May 2022 – September 2022

Composite Rating	Number of Licensees	**Avg. Billable Hrs.
1	4	Not Billed
2	9	Not Billed
3	9	Not Billed
4	0	Not Billed
*N/A	18	Not Billed

*N/A includes:

- 16 Initial Compliance Review, 2 SWE

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

Common Violations

- **Failure to File Accurate MCRs**
This finding is still the number one citation. Ensuring the end of quarter loan application totals are identical to the beginning of the next quarter's totals has improved somewhat. Other errors include not tracking changes in loan amounts, not reporting broker fees despite reporting loan closings during the quarter, and not reporting pre-approval applications that did not eventually result in a closed loan.
- **Failure to Provide a Rate Lock Agreement within Three Business Days of a Lock or Lock Change**
This finding is usually not providing a revised lock agreement for extensions or re-locks.
- **Failure to Display required Information in Advertisements**
Electronic advertisements are required to display the company's licensed name and license number, a link to the Company's NMLS Consumer Access web page, and if loan originators are named, their license number must be displayed in close proximity to their name. The majority of the findings are errors on loan originator's social media pages, particularly not including the company's Consumer Access link and not displaying their license number in

close proximity to their name, such as putting the license number at the bottom of the page instead of by their name.

- **Advertised Using Misleading and Prohibited Phrases**

WAC 208-660-440 prohibits claims a company has the “lowest” or “best” rates and/or products. This finding includes borrower testimonials on web pages the company controls. The claims cannot be proven, and are inherently misleading and deceptive; because if every company claims to have the best rates and/or products, the claims are false the majority of the time.

New Examination System Coming

Washington, along with other states, has worked to develop an online examination system. The purpose is to gather various manual examination processes into a single system, to further our existing move to paperless examinations by moving them online, and to provide a single system for examination records. An added benefit is the system automatically stores records for legally required retention periods and deletes them when those periods expire.

The States Examination System, known as SES, is the result. The system was piloted with large nationwide consumer loan licensees, such as Rocket Mortgage, and used in Multi-State Mortgage Committee Examinations. It is being used by most states, and now is ready for use on all mortgage examination types. Starting in 2023, Mortgage Broker examinations will be conducted in SES.

We will be contacting companies selected for examination and assisting them with onboarding into SES. The Brokers Questionnaire currently being used will be a series of Information Requests, or IRs, that will be responded to in SES by uploading documents. You are also able to download documents. You will be able to see the initial request, and when we receive your response. Correspondence with the examiner will be through SES. We will still maintain Box as a back-up to SES. The Report of Examination is also sent through the system and companies respond through the system.

It is important that your NMLS point of contact be up to date so we can contact you and get you enrolled in the system. After that, the system notifies the company through an automatic e-mail when an examination event occurs. Instead of an e-mail from DFI saying an examination has started and the broker’s questionnaire is due in 30 days, companies will receive a notification e-mail from SES saying an examination has started and the information requests are available in SES along with the due date. Then, as previously stated, the examination is conducted through the system via uploads and downloads.

**Mortgage Industry
Enforcement Unit Report
May 1, 2022 – September 30, 2022**

Complaints for this period	MPBA	CLA	All Industries
Received	16	164	376
Closed	22	248	459
Open as of 9/30/2022	17	154	205

Investigations Open as of September 30, 2022

Mortgage Broker Practices Act – 24

Consumer Loan Act – 56

All Industries – 97

Enforcement Actions for this period	
CCSA	1
CLA	13
EARA	1
MBPA	5
UMSA	7

Enforcement Actions for this period – Mortgage Broker Practices Act- 5

Consent Orders/Agreements	0
Statements of Charges	2
Final Orders	3
(1 pertaining to Loan Modification services)	
Temporary Order to Cease and Desist	0
Civil Actions (Injunction, enforce subpoena)	0
Criminal Referrals	0

MBPA Statements of Charges

C-22-3296-22-SC01 – Matthew Palmer Deghi	08/05/2022
C-22-3404-22-SC01 – Mortgage Café NW, LLC; Adrian Hinckley	08/24/2022

MBPA Final Orders

C-20-2941-22-FO01 – Nationwide Retention Center; Armando Macias, Jr.	06/28/2022
C-20-2977-22-FO01 – Sterling Capital, Inc; Jay Sterling Nelson	08/17/2022
C-19-2754-22-FO03 – West Coast Funding, Inc., dba West Coast Financial; Henry S. Chu	09/23/2022

Enforcement Actions for this period – Consumer Loan Act – 13

Consent Orders/Agreements	5
Statements of Charges	5
Final Orders	3
Temporary Order to Cease and Desist	0
Civil Actions (Injunction, enforce subpoena)	0
Criminal Referrals	0

CLA Consent Orders

C-21-3120-22-CO01 – Penrith Home Loans, LLC	05/26/2022
<ul style="list-style-type: none">• \$7,104.58 Investigation Fee• \$30,000 Fine (\$20,000 STAYED)• 6 month license suspension - STAYED	
C-21-3195-22-CO01 – Evolve Mortgage Services, LLC	06/01/2022
<ul style="list-style-type: none">• \$4,816.89 Investigation Fee• \$12,000 Financial Literacy & Education	
C-21-3132-22-CO01 – Intercontinental Capital Group, Inc; Dustin Anthony DiMisa	06/02/2022
<ul style="list-style-type: none">• \$3,785.20 Investigation Fee• \$300,000 Fine (\$150,000 STAYED)	

C-22-3362-22-CO01 – McLaughlin Lending Services, LLC 06/07/2022
• \$750 Investigation Fee
• \$10,000 Fine

C-22-3416-22-CO01 – Note Servicing Center, Inc. 09/06/2022
• \$1,500 Fine

CLA Statements of Charges

C-22-3270-22-SC01 – Kenneth Garland To 06/08/2022
C-21-3176-22-SC01 – Vacarros Lending, LLC; My-Kim Thi Bui 06/17/2022
C-19-2629-22-SC01 – Low VA Rates, LLC; Eric Austin Kandell 06/24/2022
C-22-3380-22-SC01 – Michael Harrison Kersen 06/27/2022
C-20-3036-22-SC01 – Quantum Equities, LLC; Carl Cook 08/01/2022

CLA Final Orders

C-22-3286-22-FO01 – William Jay Slater, Jr. 06/03/2022
C-22-3270-22-FO01 – Kenneth Garland To 07/27/2022
C-22-3272-22-FO01 – Anthony Ulysses Miller II 09/07/2022

Mortgage Industry Webinar
Rulemaking Update
October 26, 2022

CR-102 & draft language

CLA: [CR-102](#) & [draft language](#)

MBPA: [CR-102](#) & [draft language](#)

Rulemaking Hearing

November 16, 2022 at 10 A.M.

Microsoft Teams and DFI Building*

* Due to continued COVID restrictions, please RSVP no later than 11/9/22 if you would like to attend in person. RSVP via email to devon.phelps@dfi.wa.gov.

Effective date

January 1, 2023

Additional resources:

[MLO FAQs](#)

[Interim Regulatory Guidance](#)

[CLA rulemaking web page](#)

[MBPA rulemaking web page](#)