



# **Annual Report 2014-2015**



## Letter from DFI Director Scott Jarvis

The following is the 2014-15 biennium report, submitted on behalf of the hard working staff of the Washington State Department of Financial Institutions (DFI). This document details how each division of DFI serves our stakeholders and Washington residents.

DFI's nearly 200 employees are dedicated to fulfilling our agency's mission to regulate financial services to protect and educate the public and promote economic viability. Safe, honest and reliable financial services is our vision. Our licensees include banks, credit unions, mortgage brokers, loan originators, payday lenders, securities brokers, investment advisers and securities issuers, money transmitters, independent escrows, check cashers and check sellers.

As the state and nation continue to rebuild after the largest economic recession since the Great Depression, demand for our services continues to be high as the financial and mortgage sectors adjust to an ever-changing financial environment. Some industries are growing while others continue to consolidate. New payment and financing methods continue to emerge, posing challenges for regulators as to how to regulate while safeguarding consumers.

Our work with financial fraud victims tells us information is crucial to empowering consumers in avoiding financial victimization. DFI provides detailed information and outreach on financial topics ranging from how to verify the license of a mortgage broker, loan originator, payday lender or financial planner — to the basics of budgeting and credit, or how to avoid becoming victims of financial fraud, identity theft or foreclosure prevention fraud.

Washington residents of all ages and backgrounds face an ever-increasing number of scam artists creating new methods of targeting consumers in an effort to separate them from their hard-earned money. To counter this attack, and better protect consumers, DFI continues to expand our network of financial education partners and increase outreach efforts to residents in communities large and small throughout Washington State.

This agency's employees also are devoted to providing regular and clear communication with our licensees, ensuring our licensees understand and adhere to the law and understand how new legislation affects how they do business in Washington State.

Collectively and independently, the department's five divisions — Securities, Consumer Services, Banks, Credit Unions and Administration — work to create a stronger, more secure financial environment for businesses and consumers. Together we're working to cultivate a stronger economic future for Washington residents and businesses alike.

We look forward to continuing serving Washington businesses and residents, and assisting our fellow state agencies in making our state an even greater place for all who choose to call it home.

Sincerely,  
Scott Jarvis, Director

## Table of Contents

Department Overview	4
DFI Communications Outreach	6
Division of Banks	9
Division of Consumer Services	12
Division of Credit Unions	21
Division of Securities	25

## Department Overview

### ***Gloria Papiez, Deputy Director***

The Department of Financial Institutions (DFI) was established in October 1993 by RCW 43.320. Its mission is to regulate financial services, to protect and educate the public, and promote economic vitality. The Department regulates: state-chartered depository institutions such as banks, credit unions, savings and loan associations, savings banks and foreign banks; the securities industry including securities broker-dealers, investment advisers and their agents, securities issuers, franchises, franchise brokers, and business opportunities; and non-depository institutions and persons including mortgage bankers, mortgage servicers, consumer loan companies, loan officers, check cashers and sellers (including payday lenders), money transmitters and currency exchangers, mortgage brokers and escrow agents and officers. The Department also registers entities that offer tax refund anticipation loans.

The Department conducts four core program activities: chartering, licensing and registration of the financial institutions and individuals listed above; examinations for safety and soundness, compliance and for cause; enforcement activities to detect and take corrective action for violations of the regulatory and anti-fraud statutes applicable to financial institutions; and education and public outreach activities including activities aimed at educating and protecting consumers of financial services, and technical assistance and guidance for regulated entities and individuals.

#### **DFI VISION**

Safe, honest and reliable financial services.

#### **DFI MISSION STATEMENT**

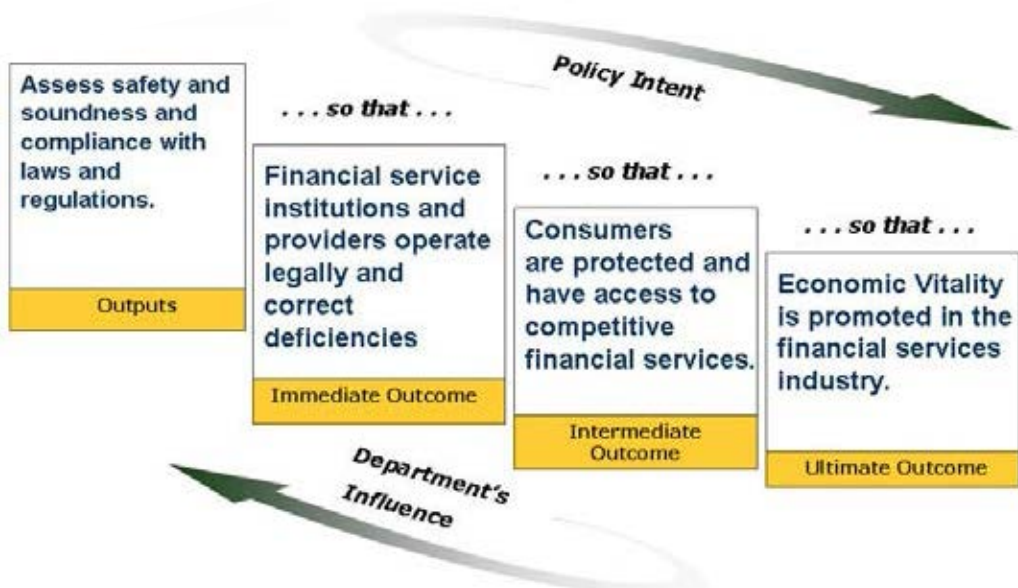
DFI regulates financial services to protect and educate the public and promote economic vitality.

#### **DFI LOGIC MODEL**

#### **DFI VALUES**

We value:

- Employees – our most important resource
- Empowerment with accountability
- Diversity
- Fairness and respect for individuals and institutions
- Sharing information and knowledge
- Professionalism and integrity
- Providing quality services



## Department Overview, Continued

### ***Division of Administration 2014 and 2015 Data***

#### **Budgeted Staff:**

FY 14 = 191.0

FY 15 = 190.8

13-15 Biennial Budget = \$47,860,000

#### **Cash Fines and Penalties:**

FY 14 = \$1,016,375

FY 15 = \$1,316,802

#### **Staff Composition by gender:**

FY 14 = 60.8% female, 39.2% male

FY 15 = 59.4% female, 40.6% male

#### **Racial Diversity of workforce:**

FY 14 = 21.6%

FY 15 = 21.8%

## DFI Communications Outreach

### ***Lyn Peters, Director of Communications***

#### 2014-2015 Communications Outreach

DFI's Communications team strives to ensure continued expansion of the agency's financial education outreach and increased partnerships with the many organizations throughout Washington communities – and across the nation – committed to financial education.

With DFI's leadership, Washington participates in the national Money Smart Week, America Saves Week and Financial Literacy Month programs.

DFI again contracted with Money Savvy Generation ([www.msgen.com](http://www.msgen.com)) to offer financial education curriculum free of charge to Washington's elementary and middle school teachers and students throughout Washington State. Money Savvy meets state and federal education benchmarks as well as those of the National Jump\$tart Coalition and Common Core. The program is well received and surveys indicate an increase in knowledge not just in students, but the family at home as well.

In response to Cambridge University research indicating that while children ages 4-6 can grasp the concept of growing money, our money habits are typically formed by age 7, DFI partnered with the Department of Early Learning and Child Care Aware in 2015 to offer a modified Money Savvy program to pre-K youth throughout Washington. Interest in participation was overwhelming – with requests for more than 200 classrooms/2,800 students to participate in a pilot program for 25 classrooms/500 students. Teacher, student and parent response was overwhelmingly positive.

**Money Savvy Kids** was provided to 111 elementary school classrooms and **Money Savvy U** provided to 53 middle school classrooms during the 2013-14 and 2014-15 school years.



In addition to contracting with organizations like Money Savvy Generation, the DFI Communications team continues to develop and expand financial education outreach through partnerships.

- DFI continued outreach regarding the Elder Investment Fraud and Financial Exploitation (EIFFE) prevention program in Washington State. The EIFFE Prevention Program educates healthcare professionals, family and community members to recognize when older residents may be vulnerable to or victims of financial abuse, particularly those residents with mild cognitive impairment, and then to refer these at-risk patients to State Securities Regulators, local adult protective services professionals or for further medical screening.
- Working with the Financial Education Public Private Partnership (FEPPP), DFI provides teacher trainings during two two-day teacher workshops. DFI shares information, curriculum and ideas to Washington teachers to take back to their classrooms and teach students throughout the school year.
- Through a partnership with the Financial Industry Regulatory Authority (FINRA), DFI provides Washington investors with tools and information necessary to avoid becoming victims of investor fraud – like the Fighting Fraud 101 brochure - in English and Spanish.



## DFI Communications Outreach, Continued

- Collaborating with federal, state, and local organizations, DFI assisted with foreclosure prevention outreach to help Washington residents connect to free counselors and non-profit organizations in their search for alternatives to foreclosure. DFI developed brochures in 11 languages; radio spots in English and Spanish; television spots; print media in English & Spanish; utilized online geo-targeting; used social media (Facebook, Pandora, Twitter) to reach consumers directly where they view online information; provided direct mail packets to more than 400 churches, nearly 300 schools, more than 400 libraries, as well as county assessors, economic development boards, social clubs, United Ways, Chambers of Commerce, Local Area Planning Partnerships and more.
- DFI's Webmaster continues to update and improve the Washington State Financial Education Clearinghouse and the Washington Financial Education Calendar to help Washington residents, teachers, parents and students easily access financial education information and find financial education workshops in their communities.
- DFI funded assistance for 20 students in 2014 and 2015 to attend one of four Business Week Washington camps.
- In 2014-15, DFI funded 6 sessions of the YWCA financial education program for survivors of domestic violence for more than 50 women in the King County area.
- DFI's Communications team (2 in 2014, 3 in 2015) participated in 76 outreach events in 2014, and 108 outreach events in 2015, including monthly events in partnership with the Department of Retirement Systems for state employees considering retirement. Outreach varies from providing presentations in high school classrooms to being co-panelists for audiences of more than 200 at partner events. Our outreach is conducted throughout Washington State.



- DFI funded Heritage University Camp S.E.E.D. (Social Economic and Educational Development) for one 2-week summer camp in 2014 and two 2-week summer camps in 2015 for at-risk middle school students in the Yakima Valley, reaching a total of nearly 200 students. Students were immersed in STEM-related projects (Science, Technology, Engineering and Math), including financial education, and presented with the vision of a potential future that includes graduating from high school, going to college and landing a science-based career instead of following their current path anticipated to lead them to a life centered around drugs and/or gangs. Camps are led by Heritage students who often come from the same schools and communities as the camp attendees, providing positive role models for the youth, in addition to providing them with a better understanding of how education can serve them in their lives.

## DFI Communications Outreach, Continued

- DFI worked with KCTS Channel 9 to reach a wider audience in a new format – a 90-second interstitial/ad on public television. DFI provided not only the funding for the Cash With Draw program, but also script and web content reviews. The project resulted in 12 small “whiteboard” style videos on financial topics, from budgeting and saving to retirement, crowdfunding and even alternative funding for business start-ups. Response from residents has been overwhelmingly positive.



### Choosing a Credit Card

It's been said that credit cards are like chainsaws — very useful...

Finance & Money, Personal Finance



### How to Choose a Financial Adviser

There comes a point when many of us realize we need help managing our money. So...



### Preventing Identity Theft

From dumpster diving to phishing and SMishing, learn how identity theft occurs...



### Wills and Trusts

Most people want a plan for what happens after they're gone. That's where wills...



### Top Three Mistakes With Mutual Funds

While mutual funds are a cheap and easy investment option for many Americans...



### Payday Lending

Need cash fast? Then you might be in need of a payday loan. Learn about some of...

Working with local organizations like the Financial Education Public Private Partnership ([www.feppp.org](http://www.feppp.org)), JumpStart Washington Coalition ([www.wajumpstart.org](http://www.wajumpstart.org)) Washington Asset Building Coalition ([www.washingtonabc.org](http://www.washingtonabc.org)), and Washington's AARP (<http://www.aarp.org/wa>) DFI continues to find new ways to increase and improve financial education throughout Washington State.

Information and knowledge are powerful tools. We are passionate about making sure Washington residents have the tools they need to succeed in their pursuit of financial freedom.



## Division of Banks

### ***Richard M. Riccobono, Director of Banks***

The banking industry in Washington continued to recover from the recession and stabilize in 2014 and 2015. Asset quality improved and delinquent/nonperforming asset metrics are no longer concerning state-wide. Profitability improved, but the low interest rate environment put pressure on bank margins. Slow economic growth presented a challenge for banks to achieve quality loan portfolio growth in certain areas around the state. Capital levels were adequate and contributed to greater stability in the industry. The number of problem banks reached a 15-year low by the end of 2015. There were no bank failures in 2014 or 2015. Consolidation among state chartered banks picked up considerably, including some out-of-state mergers and acquisitions.

In 2014 and 2015, four Washington chartered institutions merged with other Washington chartered institutions, while three banks were sold to a non-Washington chartered institution. Additionally, six Washington institutions acquired banks chartered nationally or in other states. As a result of the consolidation and conversions, assets under regulation by the Division of Banks increased. Total assets of Washington state chartered banks declined from \$53 billion to \$46 billion in 2014 due to a large institution being acquired by an Oregon chartered bank, but increased to \$51 billion by year-end 2015.

Chartering activity was slow during the period. No new banks were chartered in 2014-2015, however, branching activity significantly increased during the biennium. The division of banks approved 32 new branches of banks over the two-year period. One new trust company was chartered in 2015.

The Division's financial condition remained satisfactory during the biennium. Richard Riccobono continued to serve as Division Director since his appointment in August 2011.

## Division of Banks, Continued

### Statutes Administered by the Division of Banks

Chapter 30A RCW	Banks
Chapter 30B RCW	Trust Companies
Chapter 31.24 RCW	Business Development Companies
Chapter 31.35 RCW	Agricultural Lenders, Loan Guaranty Program
Chapter 31.40 RCW	Federally Guaranteed Small Business Loans
Chapter 32 RCW	Mutual Savings Banks
Chapter 33 RCW	Savings and Loan Associations

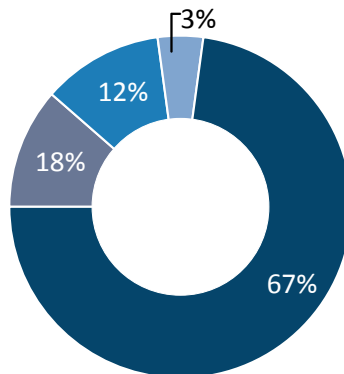
### Industry Facts at a Glance 12/31/2015

#### Institutions Regulated by the Division of Banks

Commercial Banks	36
Savings Institutions	11
Trust Companies	8
Branches of foreign banks	1
SBA (7) A Lenders	1
Total assets of banks and assets under management of trust companies	\$93 billion

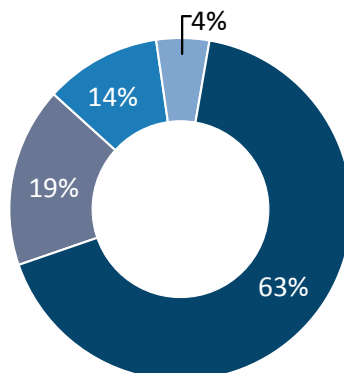
### Division of Banks 12/31/2014

- Commercial Banks (67%)
- Savings Institutions (18%)
- Trust Companies (12%)
- Others (3%)



### Division of Banks 12/31/2015

- Commercial Banks (63%)
- Savings Institutions (19%)
- Trust Companies (14%)
- Others (4%)



## Division of Banks, Continued

### Chartering Activity

- Issued Certificate of Authority to Capstone Trust, Olympia, WA (September 2015)

### Mergers and Acquisitions

#### 2014

- AmericanWest Bank, Spokane, WA acquired The First National Bank of Starbuck, Starbuck, MN (April 2014)
- Umpqua Bank, Roseburg, OR acquired Sterling Savings Bank, Spokane, WA (April 2014)
- Heritage Bank, Olympia, WA acquired Whidbey Island Bank, Coupeville, WA (April 2014)
- Columbia State Bank, Tacoma, WA acquired Panhandle State Bank, Sandpoint, ID (October 2014)
- Northwest Bank, Boise, ID acquired Regal Financial Bank, Seattle, WA (December 2014)

#### 2015

- AmericanWest Bank, Spokane, WA acquired Bank of Sacramento, Sacramento, CA (February 2015)
- HomeStreet Bank, Seattle, WA acquired Simplicity Bank, Covina, CA (February 2015)
- Bank of Eastern Oregon, Heppner, OR acquired Bank Reale, Pasco, WA (February 2015)
- Banner Bank, Walla Walla, WA acquired Siuslaw Bank, Florence, OR (March 2015)
- First Sound Bank, Seattle, WA acquired Eastside Commercial Bank, N.A., Bellevue, WA (April 2015)
- Kitsap Bank, Port Orchard, WA acquired Fife Commercial Bank, Fife, WA (September 2015)
- Banner Bank, Walla Walla, WA acquired AmericanWest Bank, Spokane, WA (October 2015)
- Inland Northwest Bank, Spokane, WA acquired Bank of Fairfield, Fairfield, WA (October 2015)

Key Statistics	2011	2012	2013	2014	2015
Number of State Chartered Commercial Banks	50	50	43	40	36
Number of State Chartered Savings Institutions	8	8	11	11	11

## Division of Consumer Services

### ***Charles Clark - Director of Consumer Services***

#### **About the Division of Consumer Services**

The Mission of the Division of Consumer Services is to protect, inform, and serve consumers through fair, effective, and prompt regulation of non-depository financial institutions including: Consumer Loan Companies (including Mortgage Bankers), Mortgage Brokers, Mortgage Loan Originators, Residential Mortgage Loan Servicers, Check Cashers and Sellers, Small Loan Agents, Payday Lenders, Escrow Companies and Officers, Money Transmitters and Currency Exchangers, and Facilitators of Tax Refund Anticipation Loans (RALs).

The Consumer Services Division implements state and federal laws regulating the above non-depository financial service providers. These entities provide an array of important and rapidly changing financial services from originating loans and servicing mortgages to payday lending and money transmission. The Division's regulatory system is designed to ensure that our licensing process includes a thorough review of each applicant to determine their fitness to provide regulated financial services, to ensure that companies are examined for compliance with state and federal requirements, and to take effective enforcement action when laws are violated and/or consumers are harmed.

The Division is entirely self-supporting, with funding provided by licensing and examination fees, and enforcement actions. No money is received from the state General Fund or other public revenue source.

#### **Statutes Implemented by the Division of Consumer Services**

Chapter 18.44 RCW	Escrow Agent Registration Act
Chapter 19.144 RCW	Mortgage Lending and Homeownership
Chapter 19.146 RCW	Mortgage Broker Practices Act
Chapter 19.230 RCW	Uniform Money Services Act
Chapter 19.265 RCW	Tax Refund Anticipation Loans
Chapter 31.04 RCW	Consumer Loan Act
Chapter 31.45 RCW	Check Cashers and Sellers Act
Chapter 43.320 RCW	Mortgage Lending Fraud Prosecution Account

<b>Industry Facts at a Glance</b>	<b>2014</b>	<b>2015</b>
Mortgage Broker Company Licenses	289	282
Mortgage Broker Company Branch Office Licenses	164	167
Mortgage Loan Originators (Active)	10,561	13,010
Mortgage Loan Originators (Inactive)	2,798	2,478
Consumer Loan Company Licenses	510	530
Consumer Loan Company Branch Office Licenses	1,788	1,914
Money Transmitter and Currency Exchange Offices	142	150
Check Cashier Company Licenses*	117	107
Check Cashier Company Branch Office Licenses	514	502
Check Seller Company Licenses*	1	1
Check Seller Company Branch Office Licenses	2	1
Small Loan Agent	N/A	1
Payday Lender Endorsement*	32	29
Payday Lender Endorsement Branch Office	119	109
Escrow Company Agents	72	65
Escrow Company Agent Branch Offices	8	8
Escrow Officers (Licensed/Inactive)	153	142
Tax Refund Anticipation Loan Facilitators	168	165

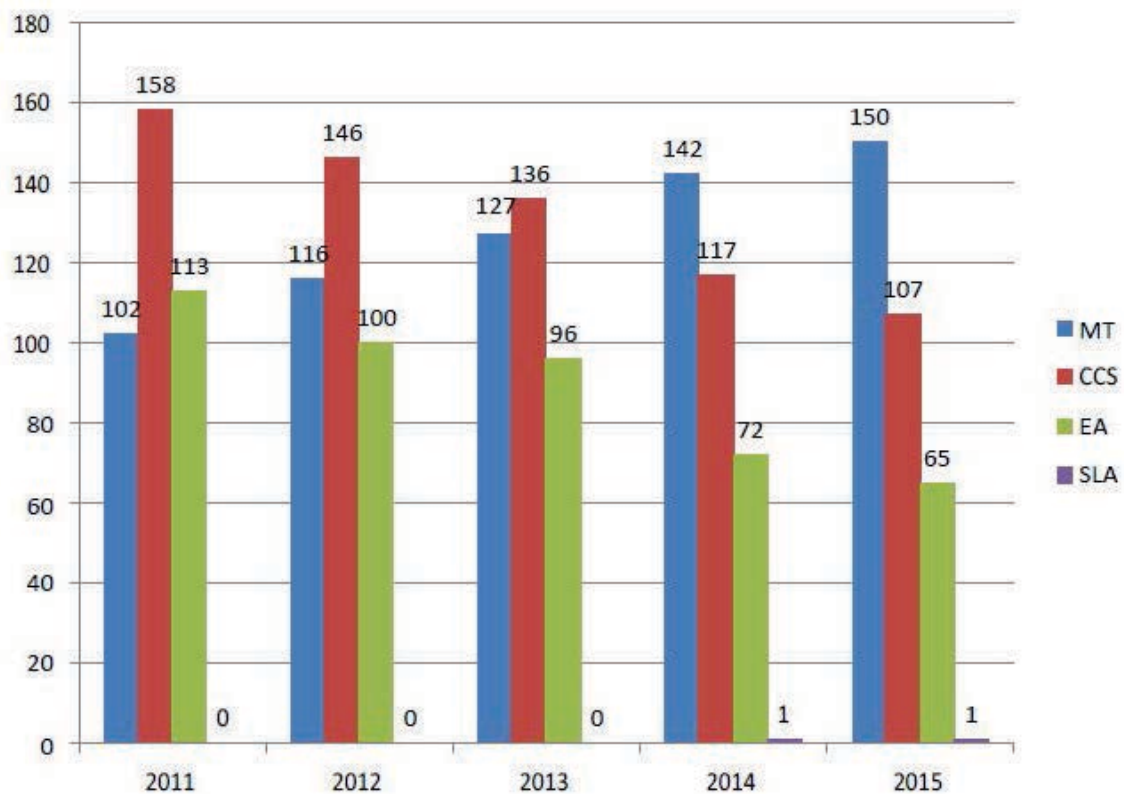
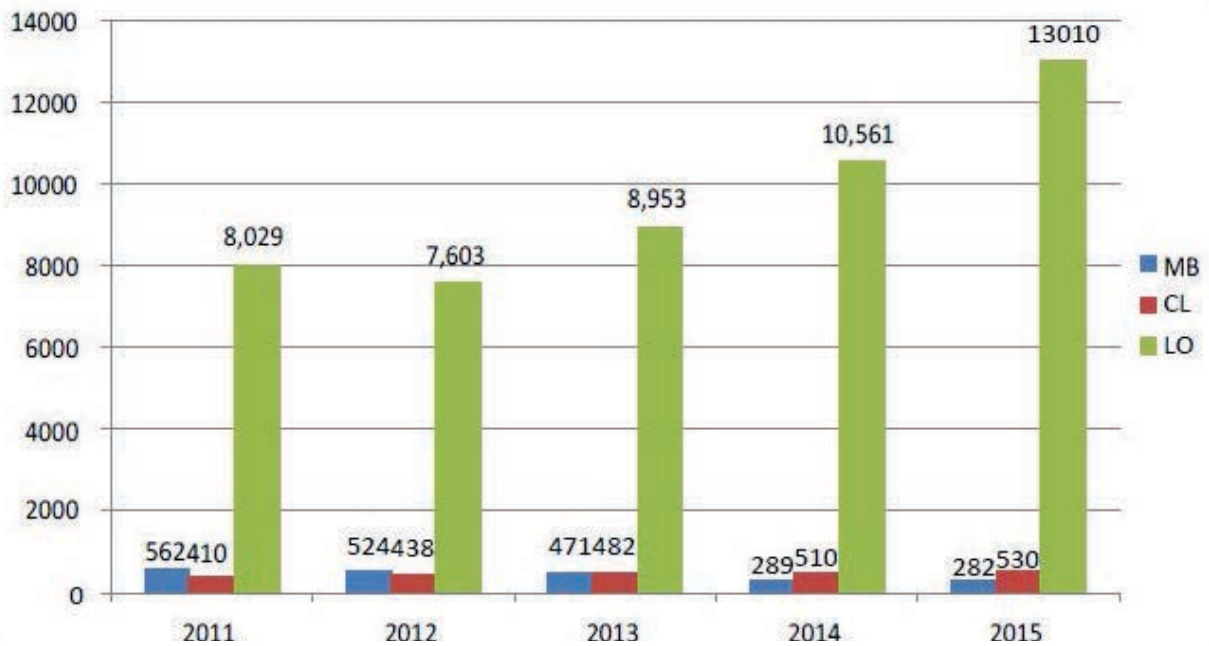
*\*The Check Cashier and Seller license is required in order to obtain a Payday Lender endorsement. Many licensees only conduct payday loan activity under a Check Cashier or Seller license.*



## Division of Consumer Services, Continued

### Division Milestones and Accomplishments

#### Total Number of Licensees at Years' End 2015



## Division of Consumer Services, Continued

### **Licensing Unit: During 2014, the Licensing Unit conducted the following activities:**

- Processed more than 150 complex new license applications for companies, including 92 Consumer Loan licenses completed in an average of 22 days.
- Assisted 20,000 existing licensees in maintaining their licenses.
- Reviewed more than 10,600 criminal and credit background checks.
- Licensed 4,328 Mortgage Loan Originators with an average processing time of 14 days.
- Transitioned 28 Money Transmitter licensees and 37 Check Casher and Check Casher with Small Loan Endorsement licenses to a nationwide multi-state licensing system to promote consistency of information and ease of filing.
- Educated and assisted in the rollout of the quarterly Mortgage Call Report, a federal requirement providing volume and financial data on licensees.

### **Licensing Unit: During 2015, the Licensing Unit conducted the following activities:**

- Processed more than 100 complex new license applications for companies, including 72 Consumer Loan licenses completed in an average of 20 days.
- Assisted nearly 20,000 existing licensees in maintaining their licenses.
- Reviewed more than 9,600 criminal and credit background checks.
- Licensed 4,861 Mortgage Loan Originators with an average processing time of 8 days.
- Transitioned 9 Money Transmitter licensees and 171 Check Casher and Check Casher with Small Loan Endorsement licenses to a nationwide multi-state licensing system to promote consistency of information and ease of filing.
- Fielded more than 3,700 call center phone calls to provide assistance to consumers and industry with licensing questions.

### **Examination Unit:**

- Performed 245 examinations in FY2014 with 93 percent of companies rated satisfactory. Out of 245 examinations, 25 were multistate examinations with Washington as the lead state in 10. Nine companies cited for egregious violations were referred to the Division's Enforcement Unit. The examinations resulted in refunds of \$87,358.25 to citizens of Washington.
- Performed 273 examinations in FY2015 with 90 percent of companies rated satisfactory. Out of 273 examinations, 29 were multistate examinations with Washington as the lead state in 11. Eleven companies cited for egregious violations were referred to the Division's Enforcement Unit. The examinations resulted in refunds of \$53,898.83 to citizens of Washington.

### **Enforcement Unit:**

#### Top Complaint Issues

Residential mortgage modification scams

Residential mortgage servicing, specifically foreclosure issues

Payday loan collection scams

Advance fee loan scams not related to residential loan modifications

Unlicensed Payday loans

## Division of Consumer Services, Continued

### **Criminal Referrals in 2014 and 2015**

During 2014 and 2015, DFI referred 7 cases for prosecution in King County.

### **Legislative Activities**

#### **2014**

### **SB 6134 (Chapter 36, Laws of 2014) – Addressing Non-depository Institutions Regulated by the Department of Financial Institutions**

*Effective Date: June 12, 2014*

This bill amends several statutes under the authority of the Department of Financial Institutions, Consumer Services Division (DFI). The bill sets a statute of limitations of five years for fines from enforcement actions brought by DFI. The bill provides that check cashers and sellers (payday lenders) and money transmitters that operate multistate businesses must provide financial reports electronically. In addition, information that DFI receives from other regulators under the Check Cashers and Sellers Act is considered confidential, and follows the law of the information's origin.

### **SSB 6273 (Chapter 206, Laws of 2014) – Revising Provisions Governing Money Transmitters**

*Effective Date: June 12, 2014*

Under former law, a money transmitter was required to transmit money or its equivalent value received from a customer within 10 business days after receiving the money unless otherwise ordered by the customer or unless the money transmitter has reason to believe that a crime has occurred. The bill provides that when a money transmission request is for the payment of goods or services, a money transmitter is not required to transmit money or its monetary equivalent within 10 business days of receipt of the money. A money transmitter that accepts money from consumers purchasing goods or services from third-party merchants and transmits the money or its equivalent to those merchants selling the goods or services to the consumer must transmit the money within the time agreed upon in the merchant's agreement with the money transmitter. The agreement must conspicuously disclose to the merchant the money transmitter's authority to place a hold or delay in the transmittal for more than 10 business days and the circumstances under which the merchant may be subject to a hold or delay.

#### **2015**

### **SSB 5299 (Chapter 229, Laws of 2015) – Residential Mortgage Lending and Mortgage Fraud**

*Effective Date: July 24, 2015*

The bill covered mortgage lending and mortgage fraud and makes changes to the Mortgage Lending and Homeownership Act (RCW 19.144), the Escrow Agent Registration Act (RCW 18.44), the Consumer Loan Act (RCW 31.04), and the Mortgage Broker Practices Act (RCW 19.146). It updates, clarifies, and strengthens DFI's enforcement, licensing, and examination statutes relating to residential mortgage lending, and enhances the crime of mortgage fraud in the residential mortgage lending process.

## Division of Consumer Services, Continued

### Escrow Agent Registration Act

The bill gave the director authority to waive the licensing provisions for escrow agents if the director determines it necessary to facilitate commerce or protect consumers.

### Mortgage Broker Practices Act

The bill redefines licensee to also include a person who failed to obtain a license. It also created a new exemption for nonprofit housing organizations that broker residential mortgage loans under housing programs funded in whole or in part by federal or state programs with the primary purpose of providing housing for low income residents. The new law also created additional violations of the Act: originating loans from an unlicensed location; soliciting or accepting from any borrower any instrument of conveyance of any interest in the borrower's primary dwelling that is subject to the residential mortgage loan; or making a residential mortgage loan unless the loan is table funded. It also provided that cease and desist orders may direct the licensee to discontinue violations and take necessary affirmative actions, including a summary suspension of the licensee's license; and order the licensee to immediately cease business under the Act.

Two sections were also repealed: the section requiring a licensee to provide DFI with an annual report of mortgage broker activity and the section that limited the number of applications taken by a loan originator.

### Consumer Loan Act

The bill created an exemption for a person selling vacant property owned by that person who provides financing for the sale when the property serves as security for the financing when the person engages in five or fewer transactions in a calendar year and is not in the business of constructing homes on the property. It also clarified that a surety bond must be continuous but may be cancelled upon forty-five days written notice to DFI. It also granted the director authority to issue a conditional license in lieu of suspending or revoking the license.

The bill also created requirements for residential mortgage loan servicers. They must maintain liquidity, operating reserves, and net worth as determined by DFI. It also granted DFI authority to take action if the licensee fails to maintain appropriate liquidity levels. In addition, DFI may apply to the superior court to appoint a receiver to take over a residential mortgage loan servicer's business.

Several provisions were amended to provide greater consistency with the Mortgage Broker Practice Act, including: defining affiliate, licensee, loan, and mortgage loan originator and providing the director the authority to deny an application for a mortgage loan originator license if the applicant has been convicted of a gross misdemeanor involving dishonesty or financial misconduct.

## Division of Consumer Services, Continued

Under both the Mortgage Broker Practices Act and the Consumer Loan Act, the bill allows DFI to recover the state's costs and expenses for prosecuting violations of the Acts, including staff time spent preparing for and attending administrative hearings and reasonable attorneys' fees, unless after a hearing the director determines no violation occurred.

Lastly, the bill specifies it is mortgage fraud and a class B felony to file a false document with the county recorder or official registrar of deeds of any county in Washington. In addition, a person who engages in mortgage fraud activities is also liable for civil damages in the amount of \$5,000 or actual damages, whichever is greater, including the costs to repair the victim's credit and quiet title on the residential property, and reasonable attorney fees. In a proceeding where there has been a conviction for mortgage fraud, the sentencing court may issue orders as necessary to correct the public record containing any false information as a result of the criminal action.

### Regulated Entities

Mortgage Broker	2011	2012	2013	2014	2015
Companies	383	367	322	289	282
Branch Offices	179	157	149	164	167
Complaints	477	355	205	138	110
Number of Brokered Loans	1,156,686	19,089	13,796	8,030	11,174
Principal Dollar Amount of Brokered Loans	\$3,921,882,432 ***	\$5,331,214,911 ***	\$3,779,684,489 ***	\$2,223,782,850 ***	\$3,262,467,573 ***

\*\*\* Numbers are self-reported by licensees through NMLS

Consumer Loan Companies	2011	2012	2013	2014	2015
Main Offices	410	438	482	510	530
Branch Offices	1,134	1,369	1,658	1,788	1,914
Complaints	585	455	373	344	497
Number of RE* Loans Made	60,125	52,421	86,870	78,949	116,115
Principal Dollar Amount of RE* Loans	\$14,566,161,526	\$23,984,198,449	\$21,089,241,954	\$19,823,847,855	\$31,146,930,083

\* Refers to real estate loans that use borrower's home as security for the loan



## Division of Consumer Services, Continued

### Mortgage Loan Originators

2011	2012	2013	2014	2015
6,401	7,603	8,953	13,359	15,488

### Escrow

	2011	2012	2013	2014	2015
Agents	113	100	96	72	65
Officers	512	215	121	153	142
Complaints	76	47	48	50	27

### Money Services

	2011	2012	2013	2014	2015
Companies	102	116	127	142	150
Complaints	67	77	219	175	166
Volume of Money Transmissions 1	\$398,561,189	\$4,222,967,011	\$4,996,153,965	\$6,392,053,692	\$8,211,556,008
Volume of Currency Exchanges 1	\$142,338,611	\$121,843,778	\$128,527,864	\$166,296,731	\$60,046,901

### Check Casher

	2011	2012	2013	2014	2015
Companies	158	144	134	117	107
Branch Offices	445	415	522	514	502
Complaints	2	10	3	2	4
Number of Checks Cashed	3,382,071	4,396,023	3,589,889	3,409,551	3,909,080
Dollar Amount of Cashed Checks	\$1,309,804,413	\$1,920,353,518	\$1,669,008,278	\$1,660,281,547	\$1,510,639,687

## Division of Consumer Services, Continued

### Check Seller

	2011	2012	2013	2014	2015
Companies	2	2	2	1	1
Branch Offices	0	0	0	2	1
Complaints	1	1	1	0	0
Number of Checks Sold*	1,885,298	29,016*	69,365*	18,990*	15,971*
Dollar Amount of Checks Sold*	\$498,887,098	\$5,314,322*	\$24,277,911	\$3,853,278*	\$3,853,278*

\*Check Seller totals are for checks sold as a licensed Check Seller under the CCSA. This total does not include checks sold by Money Transmitters, or as an agent for a Money Transmitter licensee.

### Payday Lender

	2011	2012	2013	2014	2015
Companies	61	42	37	32	29
Branch Offices	183	146	121	119	109
Complaints	286	382	449	168	174
Number of Small Loans	855,829	909,570	871,801	819,755	776,824
Dollar Amount of Small Loans	\$326,673,119	\$342,989,751	\$331,430,078	\$319,290,707	\$300,903,558

### Small Loan Agent

	2011	2012	2013	2014	2015
Companies	*	*	*	1	1
Branch Offices	*	*	*	0	0
Complaints	*	*	*	1	1

Complaints received in 2014 and 2015 were both from unlicensed entities

\*License requirement effective January 1, 2015

### Enforcement Statistics for All Industries

	2011	2012	2013	2014	2015
Statement of Charges	73	96	76	56	35
Summary Cease and Desist or Suspension	3	4	5	12	1
Final Order or Revocation	95	78	77	34	26
Consent Order	92	62	76	79	53
Total Enforcement Action	263	240	234	181	115
Investigations Opened	134	110	105	92	110
Investigations Closed	302	169	624	140	95
Complaints*	1,559	1,436	1,395	929	1,105

\*Includes complaints filed against non-licensees

## Division of Credit Unions

### ***Linda Jekel, Director of Credit Unions***

Credit unions are nonprofit, cooperative associations organized to promote thrift among their members and to create a source of credit for their members at fair and reasonable interest rates. The Division seeks to protect the financial interests of credit union members, including depositors.

The Division examines credit unions at least every 18 months for unsafe and unsound practices and violations of statutes and rules. Credit unions with total assets over \$250 million and those who receive an unsatisfactory CAMEL rating are examined every 12 months. The Division uses a variety of examination and supervision tools to accomplish its mission. In addition, the Division processes a variety of applications from state chartered credit unions, such as merger and conversion applications. The Division also works with consumers (members) regarding complaints they submit to the Division against state chartered credit unions.

Overall, 2015 was a good year financially for Washington State chartered credit unions (56 in total). Total assets increased from \$36.3 billion to \$39.8 billion. 2015 continued the strong earnings (net income) trend of previous years for most WA state chartered credit unions and the average delinquent loans ratio declined from 0.50% (12/31/14) to 0.43% (12/31/15). Also, the state credit unions continued to experience low losses with the average net charge-offs ratio declining from 0.43% to 0.39% during this same time period. Additionally, the prior years' trend of strong and growing capital continued. Capital, also known as net worth, is important because it is a barometer of the strength a credit union has to take on financial risks and to deal with future uncertainties. Washington state chartered credit unions ended the year with an average net worth to total assets ratio of 10.79 percent. For comparison purposes, a credit union is required to have a 7.0% net worth ratio to be considered "safe and sound" and a 4.0% net worth ratio is considered "unsafe and unsound." Some state credit unions are branching into other states and the Division signed the 2015 NASCUS Interstate Branching Agreement with ten other states. While consolidation amongst state chartered credit unions reduced the number of state chartered credit unions, total assets continued to increase. The consolidation trend is expected to continue in 2016.

There were only four Washington State chartered credit unions with negative earnings (net income) in 2015 and twelve credit unions had a return on average assets (ROAA) ratio over 1.0%.

Credit unions continue to provide competitive loan products to Washington residents. Annual average loan growth was 11.87% in 2015.

The Division of Credit Unions (DCU) implemented an online payment system for collecting its semi-annual asset assessment fees from state chartered credit unions. This new process creates greater payment flexibility and efficiencies for credit unions and streamlines DCU office procedures.

## Division of Credit Unions, Continued

In the 2015 legislature session, DCU worked with the NW Credit Union Association and other stakeholders to pass Senate Bill 5757, which modernized the Washington Credit Union Act. Passage of this Act helps our credit unions stay competitive with federally chartered credit unions that operate in the same marketplace.

In the fall of 2015, DCU completed rulemaking to change the frequency of collecting asset assessment fees from state chartered credit unions. The frequency period went from a quarterly to semi-annual basis. This change creates efficiencies for credit unions by reducing the number of times credit unions submit fees.

Linda Jekel, the director of credit unions, continues to serve on the National Association of State Credit Union Supervisors (NASCUS) board. NASCUS is a regulator organization dedicated to the mission of advancing a safe and sound state credit union system. Both Linda and Doug Lacy-Roberts, Program Manager, served on various national work groups during the year to improve regulation.

### Statutes Administered by the Division of Credit Unions

Chapter 31.12 RCW	The Washington State Credit Union Act
Chapter 31.13 RCW	The Corporate Credit Union Act

### Industry Facts at a Glance

Number of Washington State chartered credit unions	56
Total assets of WA state chartered credit unions	\$39.84 billion
Total WA state chartered credit union members	3.1 million

## Division Milestones and Accomplishments

### New Credit Union Charters

No new credit union charters were issued in 2015.

### Charter Conversions

There were no charter conversions in 2015, either from federal to state or from state to federal.

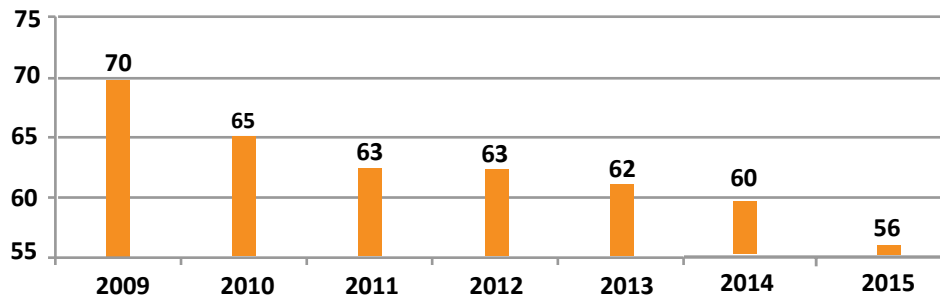
## Division of Credit Unions, Continued

### Mergers

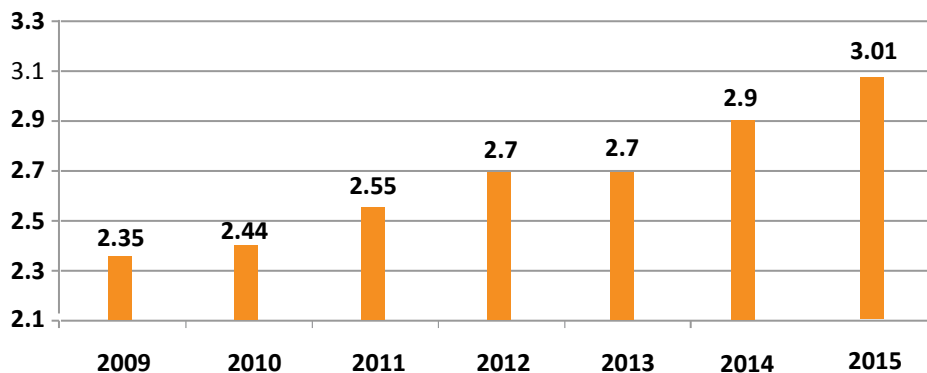
The following credit union mergers were completed in 2015, either from federal to state or from state to federal:

1. EdTech Federal Credit Union merged into Horizon Credit Union
2. Northland Credit Union merged into Gesa Credit Union
3. Northwest Baptist Federal Credit Union merged into Seattle Metropolitan Credit Union
4. Pacific Northwest Credit Union merged into North Coast Credit Union
5. America's Best Federal Credit Union merged into HAPO Community Credit Union
6. Port of Seattle Federal Credit Union merged into Sound Credit Union
7. United Health Services Credit Union merged into Horizon Credit Union
8. KBR Credit Union merged into American Lake Credit Union

### Number of State Chartered Credit Unions



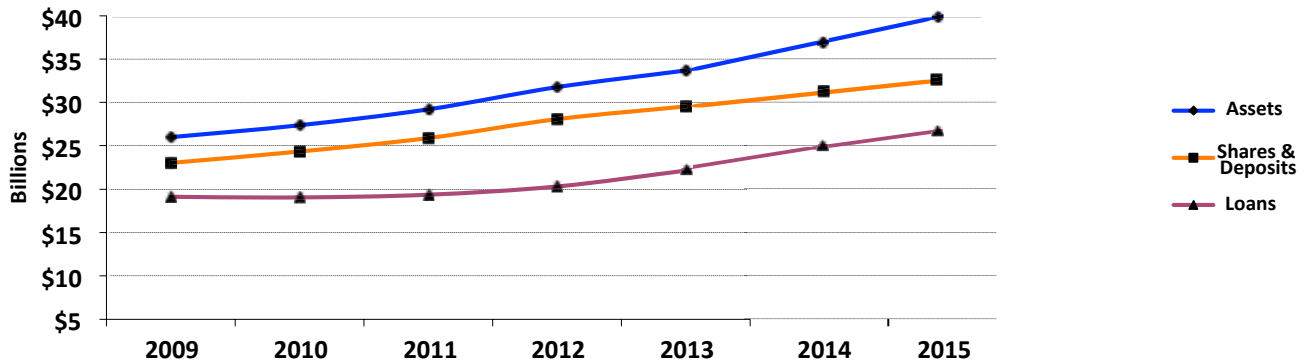
### Number of Members in Millions





## Division of Credit Unions, Continued

### State Chartered Credit Unions End-of-Year Statistics



### State Chartered Credit Union Financial Information

All numbers are end of year figures in thousands (000)

	2011	2012	2013	2014	2015
Total Loans	\$19,364,834	\$20,314,461	\$22,144,421	\$25,002,548	\$27,969,531
Total Assets	\$29,199,490	\$31,771,351	\$33,714,187	\$36,283,525	\$39,845,444
Total Shares & Deposits	\$25,888,467	\$28,075,362	\$29,545,592	\$31,415,837	\$34,472,438
Total Net Worth	\$2,741,510	\$3,092,267	\$3,491,288	\$3,873,718	\$4,299,779
Net Income	\$259,657	\$339,921	\$398,957	\$384,714	\$412,549
Net Worth to Total Assets Ratio	9.38%	9.73%	10.35%	10.67%	10.79%

## Division of Securities

***William Beatty, Director of Securities***

The Division of Securities regulates the offer and sale of investments to Washington State residents. Regulation encompasses registration of security, franchise, and business opportunity offerings, and licensing and examination of securities broker-dealers and investment advisers.

The Securities Division provides technical assistance to small businesses, responds to customer complaints, undertakes investigations based upon complaints and undercover work, and brings appropriate administrative, civil and criminal cases.

The Division works directly with the entities it regulates through examinations and market surveillance activity in an effort to assure the public of adequate protection for their investments. It also continues its involvement in national enforcement issues including task force on auction rate securities. The bulk of the Securities Division’s enforcement activity is in the administrative area, but it is also active in the criminal arena, making several criminal referrals annually.

**Statutes Administered by the Division of Securities**

Chapter 19.100 RCW	Franchise Act
Chapter 19.110 RCW	Business Opportunity
Chapter 21.20 RCW	Act Securities Act
Chapter 21.30 RCW	Commodities Act

## Division of Securities

### Division of Securities Statistics

<b>Securities Act-21.20 RCW</b>	<b>2014</b>	<b>2015</b>
Dollar Amount of Securities Permits, Notifications and Exemptions Authorized	\$82,148,226,877	\$82,010,108,197
Registered Securities Broker-Dealers	1,866	1,854
Registered Investment Advisers	636	656
Investment Adviser Notifications	1,679	1,751
Registered Securities Salespersons	152,976	161,284
ERA- Active Organizations	N/A	18
Registered Investment Adviser Representatives	11,054	11,511
Branch Offices of Broker-Dealers	3,759	3,802
Complaints	234	170
Active Enforcement Cases	64	84
Statement of Charges/Orders	74	86

<b>Franchise Act- 19.100 RCW</b>	<b>2014</b>	<b>2015</b>
Registered Franchises	1,085	1,087
Registered Franchise Brokers	183	139
Complaints	13	2
Active Enforcement Cases	4	7
Statement of Charges/Orders	4	9

<b>Business Opportunity Act- 19.110 RCW</b>	<b>2014</b>	<b>2015</b>
Registered Business Opportunities	7	11
Complaints	11	19
Active Enforcement Cases	3	10
Statement of Charges/Orders	3	8

<b>Commodities Act - 21.30 RCW</b>	<b>2014</b>	<b>2015</b>
Complaints	5	6
Active Enforcement Cases	1	3
Statement of Charges/Orders	2	2

## Division of Securities, Continued

### Registration and Licensing Filing Activity Totals for Calendar Year 2014-2015

(\*This workload data does not include information on registrations or licenses that terminate or fail to renew during the year.)

Registration, Exemption & Notifications	2014 NEW	2014 RENEW	2014 AMEND	2015 NEW	2015 RENEW	2015 AMEND
Investment Companies	3,706	22,506	19,910	3,914	23,566	22,148
Securities Registration Files (S-1s)	3	11	20	6	10	16
Reg As	3	0	0	5	0	1
Other Coordination Filings	21	42	236	11	37	155
Qualifications	8	1	0	4	0	0
SCOR (Small Company Offering Reg.)	0	0	0	1	0	0
Franchises	298	812	236	312	794	235
Exemptions	2,584	0	540	2,941	0	596
Opinions	9	0	0	11	0	0
Franchise Exemptions	18	178	2	73	147	0
Business Opportunities	4	1	0	5	2	1
<b>TOTALS</b>	<b>6,692</b>	<b>23,548</b>	<b>20,889</b>	<b>7,283</b>	<b>24,556</b>	<b>23,152</b>

Firms & Entities	2014 NEW	2014 RENEW	2015 NEW	2015 RENEW
Securities Broker-Dealers	107	1,854	93	1,809
Investment Advisers	82	628	77	644
Investment Advisors- Notice Filed	165	1,674	115	1,750
Franchise Brokers	58	105	100	104
ERA	6	0	18	0
<b>TOTALS</b>	<b>418</b>	<b>4,261</b>	<b>403</b>	<b>4,307</b>

## Division of Securities, Continued

<b>Representatives &amp; Salespersons</b>	<b>2014 NEW</b>	<b>2014 RENEW</b>	<b>2015 NEW</b>	<b>2015 RENEW</b>
Investment Adviser Representatives	2,298	11,231	2,278	11,685
Intrastate Securities Salespersons	0	0	0	1
Agents of Issuers	9	0	7	0
Securities Salespersons	33,881	153,649	36,695	161,921
Salespersons with Disclosure History	4,004	0	4,309	0
<b>TOTALS</b>	<b>40,192</b>	<b>164,880</b>	<b>43,289</b>	<b>173,607</b>





**2014-2015 ANNUAL REPORT  
THE WASHINGTON STATE  
DEPARTMENT OF FINANCIAL INSTITUTIONS**

P.O. BOX 41200 : : OLYMPIA, WA 98504 -1200

877.RING DFI : : 360.902.8700

WWW.DFI.WA.GOV : : 360.586.5068 FAX

EN ESPAÑOL: 1.888.976.4422

*DFI regulates financial  
services to protect and  
educate the public and  
promote economic  
vitality.*

