



# 2018-2019 Biennial Report



## Letter from DFI Director Charles Clark

The following is the 2018-19 biennial report, submitted on behalf of the resolute staff here at the Washington State Department of Financial Institutions (DFI). This report highlights how each division within DFI serves Washington's consumers and our regulated financial industries.

DFI regulates financial service providers in Washington State including banks, credit unions, securities brokers, investment advisers, securities issuers, mortgage brokers, mortgage loan originators, payday lenders, money transmitters, check cashers and check sellers, independent escrows and some fintech industries.

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 vitality. Safe, honest and reliable financial services is our vision.

Financial institutions continue exhibiting stable financial performance. Some financial services industries are growing while others continue to consolidate through mergers and acquisitions. New payment and financing methods are emerging, posing challenges for regulators as we seek to foster innovation while maintaining consumer protection and safety and soundness.

Promoting financial literacy remains a critical mission for DFI. Providing Washington consumers with the knowledge and tools to make sound financial decisions is key to empowering consumers to avoid falling victim to financial fraud and predatory practices. DFI provides detailed information and outreach on a variety of financial topics.

Washington residents of all ages and backgrounds face an ever-increasing number of scams and forms of fraud, using 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 a variety of communities throughout Washington State – both online and in person.

DFI'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 impacts how they do business in Washington State.

Collectively and independently, DFI's five divisions — Securities, Consumer Services, Banks, Credit Unions and Administration — work to create a stronger, more secure financial services environment for businesses and consumers.

Together we are working to support a prosperous economic future for Washington residents and businesses alike. It is an honor to serve Washington businesses and residents.

Sincerely,  
Charlie Clark, Director

## Table of Contents

Department Overview	4
DFI Communications Outreach	6
Division of Banks	8
Division of Consumer Services	11
Division of Credit Unions	19
Division of Securities	22

## Department Overview

**Catherine Mele-Hetter, Deputy Director**

The Department of Financial Institutions (DFI) was established in October 1993 by RCW 43.320. Its mission is to regulate financial services, protect and educate the public, and promote economic vitality. DFI 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. DFI also registers entities that offer tax refund anticipation loans.

DFI 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.

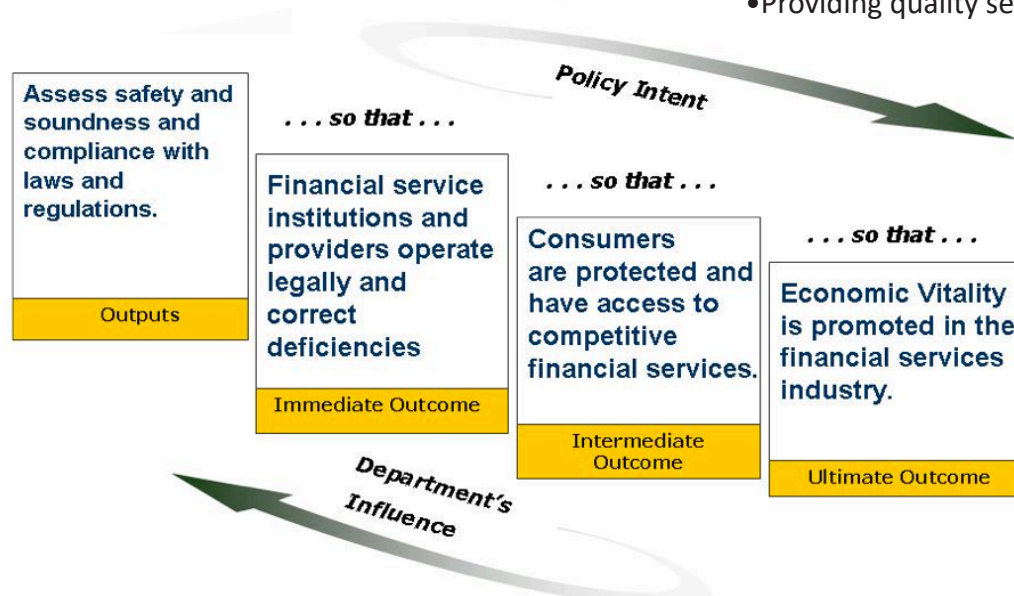
### DFI MISSION STATEMENT

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

### DFI 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

### DFI's 2018 and 2019 Data

#### Budgeted Staff:

FY 18 = 198.9

FY 19 = 198.6

18-19 Biennial Budget = \$54,031,000

#### Cash Fines and Penalties:

FY 18 = \$1,417,413

FY 19 = \$1,585,899

#### Staff Composition by gender:

FY 18 = 57.9% female, 42.1% male

FY 19 = 56% female, 44% male

#### Racial Diversity of workforce:

FY 18 = 23.7% Persons of Color

FY 19 = 25.3% Persons of Color

## DFI Communications Outreach

**Lyn Peters, Director of Communications**

DFI's Communications team continues expansion of the agency's financial education outreach and increasing partnerships with the many community organizations committed to improving financial education in Washington State.

Under the leadership of DFI, Washington continues to participate in national campaigns focused on financial literacy: America Saves Week, Money Smart Week and Financial Capability Month.

DFI continues also to contract with Money Savvy Generation ([www.msgen.com](http://www.msgen.com)) to offer financial education free of charge to Washington's pre-K, elementary and middle school teachers and students throughout Washington State. Money Savvy meets state and federal standards as well as those of the National Jump\$tart Coalition and Common Core. The pre- and post-program testing and outside efficacy analysis consistently indicates an increase in financial awareness and knowledge. Survey responses from teachers and parents – and annual increases in classrooms signing up for the program - show strong support for the program.



DFI contracted with Money Savvy to provide to 110 pre-K classrooms, 137 elementary classrooms and 93 middle school classrooms in the 2017-18 and 2018-19 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 and grants.



CONSUMER PROTECTION WASHINGTON

- DFI continues outreach regarding the Elder Investment Fraud and Financial Exploitation (EIFFE) prevention program in Washington State in partnership with members of the Consumer Protection Washington coalition. 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 one- and two-day teacher workshops led by field experts and teacher fellows. DFI shares information, curriculum and ideas to Washington teachers to take back to their classrooms and teach students throughout the school year.
- Thanks to the work of the Urban League of Metropolitan Seattle (utilizing a DFI grant), an estimated 400 people in the Seattle area participated in the Pathways to Empowerment program. Participants received education in personal financial empowerment, entrepreneurial/small business building, and the basics of investing and homeownership/foreclosure prevention.
- In 2018-19, DFI funded 4 sessions of the YWCA financial education program for survivors of



## DFI Communications Outreach, *Continued*

domestic violence for an estimated 100 women in the King County area. For many participants, this was the first time they had access to their own finances and accounts.



- The Confederated Tribes and Bands of the Yakama Nation utilized a DFI grant to host an OWEESTA Building Native Communities (BNC) train-the-trainer 3-day workshop. The BNC training provides a culturally appropriate curriculum and experiential lessons on establishing and sustaining successful financial education programs. Representatives from multiple

departments participated, ensuring the tribe's ability to reach members through multiple points of contact.

- DFI funded Heritage University Enactus Camp S.E.E.D. (Social Economic and Educational Development) for two 2-week summer camps in 2018 and two 2-week summer camps in 2019 for at-risk middle school students in the Yakima Valley, reaching approximately 400 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 obtaining 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's Web-master continues to update and improve the Washington State Financial Education Clearinghouse ([www.dfi.wa.gov/financial-education](http://www.dfi.wa.gov/financial-education)) and the Washington Financial Education Calendar (<https://dfi.wa.gov/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 staff-conducted outreach included 122 outreach events in 2019 and 139 outreach events in 2018. Outreach varies from providing presentations in high school classrooms to being co-panelists for audiences of more than 200 at partner events throughout Washington State.

Working with local organizations like the Financial Education Public Private Partnership ([www.feppp.org](http://www.feppp.org)), Jump\$tart Washington Coalition ([www.wajumpstart.org](http://www.wajumpstart.org)) many of Washington's Asset Building Coalitions (<https://www.everyoneiswelcome.org/about-us/asset-building-in-wa>) DFI continues to find new ways to increase and improve financial education in Washington State.

## Division of Banks

***Roberta Hollinshead, Director of Banks***

The mission of the Division of Banks is to support economic stability and growth in the state of Washington through chartering, regulation, and supervision of commercial and savings Banks, non-depository Trust Companies, and Business Development Companies. The Division of Banks implements state and federal laws regulating the types of institutions described above including: RCW 30A Commercial Banks, RCW 32 Savings Banks, RCW 30B Trust Companies, and RCW 31.24 Business Development Companies.

The division examines banks and trust companies every 12-18 months depending on the size and condition of the institution. Total banking assets and trust companies' assets under management supervised by the Division as of December 31, 2019, were approximately \$67 billion and \$70 billion, respectively. The Division has recently chartered one new non-depository trust companies with one more currently in the chartering process.

The overall financial condition of Washington State Chartered banks remains sound. Asset quality and earnings performance remains satisfactory although interest margins remain compressed by the low interest rate environment. Industry consolidation and loan growth has 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



## Division of Banks, *Continued*

### 2018/2019 Licensing Stats (Number of)

	12/31/2018	12/31/2019
Commercial Banks	31	30
Savings Institutions	8	8
Trust Companies	17	18
Branches of Foreign Banks	1	1
SBA (7) A Lenders	1	1
Total Assets of Banks and Assets Under Management of Trust Companies	\$112,331,397	\$136,926,489

### List of Chartering Activity for 2018 and 2019

- 08/01/2018 – Issued a Certificate of Authority to Intrustment Northwest, Inc., Vancouver, Washington authorizing the company to conduct business as a non-depository trust company.
- 10/16/2018 – Issued a Certificate of Authority to First Hill Trust Company, Seattle, Washington authorizing the company to conduct business as a non-depository trust company.
- 04/19/2019 – Issued a Certificate of Authority to Foundation Trust Company, Chelan, Washington authorizing the company to conduct business as a non-depository trust company.

### Mergers and Acquisitions

#### 2018

- 01/12/2018 – Heritage Bank of Olympia, Washington acquired Puget Sound Bank of Bellevue, Washington.
- 05/11/2018 – Liberty Bay Bank of Poulsbo, Washington acquired the Poulsbo Branch of Banner Bank, Walla Walla, Washington.
- 06/29/2018 – Heritage Bank of Olympia, Washington acquired Premier Community Bank of Hillsboro, Oregon.
- 09/28/2018 – Timberland Bank of Hoquiam, Washington acquired South Sound Bank of Olympia, Washington.
- 10/30/2018 – Banner Bank of Walla Walla, Washington acquired Skagit Bank of Burlington, Washington.
- 11/09/2018 – First Interstate Bank of Billings, Montana acquired Inland Northwest Bank of Spokane, Washington.
- 11/14/2018 – 1st Security Bank of Washington, located in Mountlake Terrace, Washington acquired Anchor Bank of Aberdeen, Washington.

## Division of Banks, *Continued*

### 2019

- 03/29/2019 – Sound Credit Union of Tacoma, Washington acquired The Bank of Washington located in Lynnwood, Washington.
- 08/23/2019 – Spokane Teachers Credit Union of Liberty Lake, Washington acquired the Sandpoint Branch of Banner Bank of Walla Walla, Washington.
- 10/31/2019 – Banner Bank of Walla Walla, Washington acquired AltaPacific Bank of Santa Rosa, California.

## Division of Consumer Services

***Lucinda Fazio, 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, Student Education 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 Administered by the Division of Consumer Services

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

### Division of Consumer Services, *Continued*

<b>Industry Facts at a Glance</b>	<b>2018</b>	<b>2019</b>
Mortgage Broker Company Licenses	304	316
Mortgage Broker Branch Office Licenses	203	249
Mortgage Loan Originators (Active)	14,792	15,716
Mortgage Loan Originators (Inactive)	5,124	3,228
Consumer Loan Company Licenses	667	711
Consumer Loan Company Branch Office Licenses	2,497	2,648
Money Transmitter and Currency Exchange Offices	182	210
Check Cashier Company Licenses	104	98
Check Cashier Branch Office Licenses	264	264
Check Seller Company Licenses	1	0
Check Seller Company Branch Office Licenses	1	0
Small Loan Agent	2	0
Payday Lender Endorsement	23	22
Payday Lender Endorsement Branch Office Licenses	53	53
Escrow Company Agents	61	59
Escrow Company Agent Branch Offices	11	9
Escrow Officer (Licensed/Inactive)	115	104
Tax Refund Anticipation Loan Facilitators	381	380

*\* 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*

#### **Total Number of Licensees at Calendar Year's End 2019**

Mortgage Broker	316
Consumer Loan Company	711
Loan Originator	18,944
Money Transmitter	210
Check Cashier and Seller	98
Escrow Agent	59
Small Loan Agent	0

## Division of Consumer Services, *Continued*

### **Licensing Unit:**

#### **During 2018, the Licensing Unit conducted the following activities:**

- Processed more than 160 complex new licenses for companies, including 25 new Money Transmitters and 88 Consumer Loan licenses
- Licensed more than 4,000 new Mortgage Loan Originators with 89% being issued within 15 days
- Approved more than 18,000 renewal requests, including more than 14,300 Mortgage Loan Originator renewals
- Completed more than 3,600 employment changes for Mortgage Loan Originators, 94% finished within 5 business days to avoid long gaps where the individual cannot work
- Assisted more than 24,000 existing licensees maintain their license
- Reviewed more than 11,700 criminal and credit background checks to better protect consumers
- Fielded more than 3,700 call center calls to provide assistance to consumers and industry
- Converted all licenses managed on NMLS to Electronic Surety Bond in NMLS, which increases transparency and efficiency while eliminating paper bond documents
- Lead Multistate Money Service Business Licensing Agreement (MMLA) program
- Began implementation of new license type for Student Education Loan Servicers pursuant to the Washington State Student Loan Bill of Rights.

#### **During 2019, the Licensing Unit conducted the following activities:**

- Processed 185 complex new licenses for companies, including 41 Money Transmitters and 97 Consumer Loan licenses
- Licensed more than 4,100 Mortgage Loan Originators with 92% being issued within 15 days
- Approved more than 19,600 renewal requests, including more than 15,100 Mortgage Loan Originator renewals
- Completed more than 3,700 employment changes for Mortgage Loan Originators, 94% finished within 5 business days to avoid long gaps where the individual cannot work
- Assisted more than 23,000 existing licensees maintain licensure
- Reviewed nearly 10,000 criminal and credit background checks to better protect consumers
- Fielded more than 3,400 call center calls to provide assistance to consumers and industry
- Implemented the new Mortgage Loan Originator Auto renewal functionality of NMLS
- Implemented Temporary Authority for Mortgage Loan Originators pursuant to changes made to federal law
- Launched expedited Mortgage Loan Originator application processing for military members and their family

## Division of Consumer Services, *Continued*

### Examination Unit

During 2018 and 2019, the Examination Unit conducted the following activities in addition to completing 503 examinations in 2018 and 438 in 2019:

- 3 Residential Lending Multi-State Examinations
- 34 MSB Multi-State Examinations
- 1 Payday Multi-State Examination

### Enforcement Unit

#### Top Complaint Issues:

- Residential Mortgage Loan Servicing (398)
- Student Education Loan Servicing (209)
- Residential Mortgage Loan Advertising (123)

#### Criminal Referrals in 2018 and 2019:

- C-14-1460: Mortgage Fraud
- C-16-1956: Mortgage Fraud/Forgery
- C-16-2048: Mortgage Fraud/Forgery
- C-17-2339: Mortgage Fraud
- C-18-2364: Lead Organized Crime/  
Theft/Money Laundering

### Legislative Activities

#### 2018

- **E2BSSB 6029, enacting the Student Education Loan Bill of Rights, c 62, Laws of 2018, for student education loan servicers.**
  - o Requires the Student Achievement Council to designate a student loan advocate within the office of student financial assistance to provide timely assistance to a student education loan borrower with a student education loan.
  - o Requires the director of the Department of Financial Institutions to establish fees sufficient to cover the costs of administering the department's program for student education loan servicers and the student achievement council's student loan advocate.
  - o Requires the state institute for public policy to conduct a study on the impact and cost-effectiveness of establishing a student loan authority to refinance existing federal and private undergraduate and graduate student loans from the proceeds of tax-exempt bonds.
  - o Creates the student loan advocate account.
  - o Requires the state treasurer, beginning in the 2020-2021 fiscal year, to annually transfer from the financial services regulation fund to the student loan advocate account, the greater of one hundred seventy-five thousand dollars or twenty percent of the annual assessment derived from student education loan servicing.



## Division of Consumer Services, *Continued*

- Rulemaking - to propose amendments to the rules implementing SSB 5031, c 30, Laws of 2017, addressing licensing and enforcement provisions applicable to money transmitters and currency exchanges under the uniform money services act. The rule amendment proposals implement changes to the law to clarify the licensing requirements for money services businesses engaged in virtual currency transactions. The new rules became effective August 1, 2018.

### 2019

- Rulemaking - to implement the supervisory elements of E2SSB 6029, c 62, Laws of 2018, for student education loan servicers. Those activities and persons are regulated under the Consumer Loan Act. The rules were proposed for amendment to implement this statutory change, which include, but are not limited to, regulatory authority over student education loan servicers. Other amendments include, but are not limited to, technical and clarifying changes, and making the regulated industry aware of the federal and other state laws they must comply with. The anticipated effect was clear and consistent rules for the regulated industry. Student education loan servicing have a number of consumer protections and the agency is able to monitor servicers' activities. The new rules became effective January 1, 2019.
- Rulemaking - to implement the changes to the federal SAFE Act (the federal law requiring the licensure of individual mortgage loan originators), Sec. 106 of S. 2155, Public Law No. 115-174, to give certain mortgage loan originators temporary authority to conduct business while their license application is pending. Other amendments include, but are not limited to, amending rules regulating trust accounts to reduce conflict with other state laws, and technical and clarifying changes. The anticipated effect was clear and consistent rules for the regulated industry. The new rules became effective November 24, 2019.

## Division of Consumer Services, *Continued*

### Individual Industry Stats

#### Mortgage Brokers

	2015	2016	2017	2018	2019
Companies	282	278	286	304	316
Branch Offices	167	191	191	203	249
Complaints	110	54	51	41	51
Number of Brokered Loans	11,174	13,755	9,458	8,147	12,772
Principal Dollar Amount of Brokered Loans	\$3,262,467,573	\$4,210,781,927	\$3,081,543,055	\$2,851,158,408	\$4,769,841,894

#### Consumer Loan Companies

	2015	2016	2017	2018	2019
Main Offices	530	583	646	667	711
Branch Offices	1,914	2,212	2,477	2,497	2,648
Complaints	497	534	502	586	615
Number of RE* Loans Made	116,115	146,454	129,999	116,210	166,749
Principal Dollar Amount of RE* Loans	\$31,146,930,083	\$40,908,89,563	\$38,400,034,164	\$36,512,722,235	\$56,773,860,322

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

#### Mortgage Loan Originators

	2015	2016	2017	2018	2019
Number of Licensees	15,488	18,101	19,513	19,916	18,944

#### Escrow

	2015	2016	2017	2018	2019
Agents	65	69	71	61	59
Officers	142	130	113	115	104
Complaints	27	36	22	24	18

## Division of Consumer Services, *Continued*

### Money Services

	2015	2016	2017	2018	2019
Companies	150	158	167	182	210
Complaints	166	169	150	194	115
Volume of Currency Exchanges	\$60,046,901	\$97,158,447	\$120,863,133	\$120,780,747	\$140,076,978
Volume of Payment Instrument Sales	\$3,455,337,979	\$2,757,708,082	\$2,751,480,697	\$2,934,332,788	\$3,393,693,836
Volume of Stored Value Sales	\$759,271,956	\$925,310,672	\$5,693,697,464	\$7,269,897,551	\$1,154,985,244
Volume of Other Money Transmissions	\$8,211,556,008	\$10,273,531,013	\$7,534,541,197	\$13,168,115,431	\$22,413,025,354

### Check Casher

	2015	2016	2017	2018	2019
Companies	107	109	105	104	98
Branch Offices	514	270	266	253	251
Complaints	4	3	0	41	30
Number of Checks Cashed	3,909,080	3,009,475	4,546,435	2,879,175	2,480,405
Dollar Amount of Cashed Checks	\$1,510,639,687	\$1,288,058,385	\$1,770,729,426	\$1,704,522,481	\$1,579,949,934

### Check Seller

	2015	2016	2017	2018	2019
Companies	1	1	1	1	0
Branch Offices	1	1	1	1	0
Complaints	0	1	0	0	0
Number of Checks Sold*	15,971	15,982	15,612	12,799	0
Dollar Amount of Checks Sold*	\$300,903,558	\$3,601,830	\$3,649,025	\$3,256,373	\$0

\*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.

Division of Consumer Services, *Continued***Payday Lender**

	2015	2016	2017	2018	2019
Companies	29	26	23	23	22
Branch Offices	109	61	57	53	53
Complaints	174	96	42	0	0
Number of Small Loans	776,824	710,163	633,882	585,212	57,280
Dollar Amount of Small Loans	\$300,903,558	\$273,476,893	\$248,772,165	\$234,490,252	\$229,993,042

**Small Loan Agent**

	2015	2016	2017	2018	2019
Companies	1	2	2	2	0
Branch Offices	0	0	0	0	0
Complaints	1	0	0	Included in CCSA	

**Enforcement Statistics for All Industries**

	2015	2016	2017	2018	2019
Statement of Charges	35	35	54	40	42
Summary Cease and Desist or Suspension	1	1	3	1	3
Final Order or Revocation	26	23	16	24	22
Consent Order	53	41	55	47	49
Total Enforcement Actions	115	104	130	112	116
Investigations Opened	110	125	127	81	80
Investigations Closed	95	92	152	66	89
Complaints*	1,105	1,253	1,104	1,210	1,202

\*Includes complaints filed against non-licensees

## Division of Credit Unions

### **Amy Hunter, 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 to ensure they have safe and sound practices and no violations of statutes and rules. Credit unions with total assets over \$1 billion and those who receive an unsatisfactory CAMELS (Capital, Asset Quality, Management, Earnings, Liquidity, Sensitivity) 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 that deal with powers, such as mergers, member business loans, etc. The Division also works with consumers (members) regarding complaints they submit to the Division about state chartered credit unions.

### **Statutes Administered by the Division on Credit Unions**

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

### **Division Milestones and Accomplishments**

#### **New Credit Union Charters**

- No new credit union charters were issued in 2018-2019.

#### **Charter Conversions**

- No credit unions converted to state charter in 2018-2019.

#### **Mergers**

The following credit union mergers were completed in 2018:

<u>Merging Credit Union (CU)</u>	<u>Total Assets of Merging CU</u>	<u>Continuing CU</u>	<u>Total Assets of Continuing CU</u>	<u>Date of Merger</u>
Monad Federal Credit Union	\$14.8 million	Numerica CU	\$2.03 billion	2/28/2018
Wenatchee Valley FCU	\$31 million	Lower Valley CU	\$120 million	8/8/2018
Sears Employees FCU	\$4.2 million	PrimeSource CU	\$73.6 million	11/21/2018
Generations CU	\$39.8 million	Community 1st	\$112.96 million	12/1/2018

## Division of Credit Unions, *Continued*

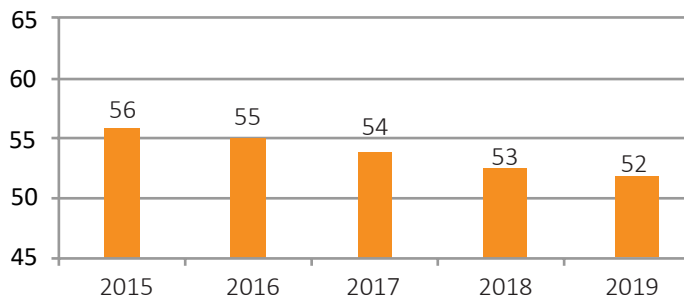
The following credit union mergers were completed in 2019:

<u>Merging Credit Union (CU)</u>	<u>Total Assets of Merging CU</u>	<u>Continuing CU</u>	<u>Total Assets of Continuing CU</u>	<u>Date of Merger</u>
Inspirus CU	\$1.32 billion	Gesa CU	\$2.01 billion	8/1/2019
Oregon Pioneer FCU	\$25.3 million	HAPO CU	\$1.73 billion	12/1/2019

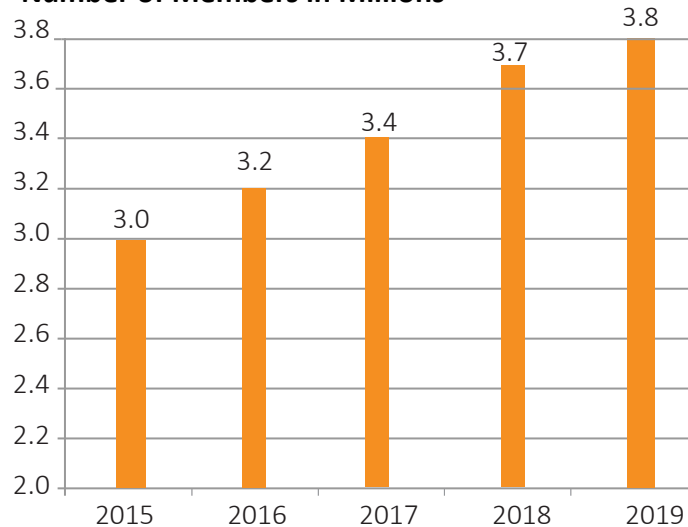
### Industry Facts at a Glance

	2018	2019
Number of Washington State Chartered Credit Unions	53	52
Total Assets of WA State Chartered Credit Unions	\$51.78 billion	\$57.29 billion
Total Washington State Chartered Credit Union Members	3.67 million	3.84 million

### Number of State Chartered Credit Unions



### Number of Members in Millions





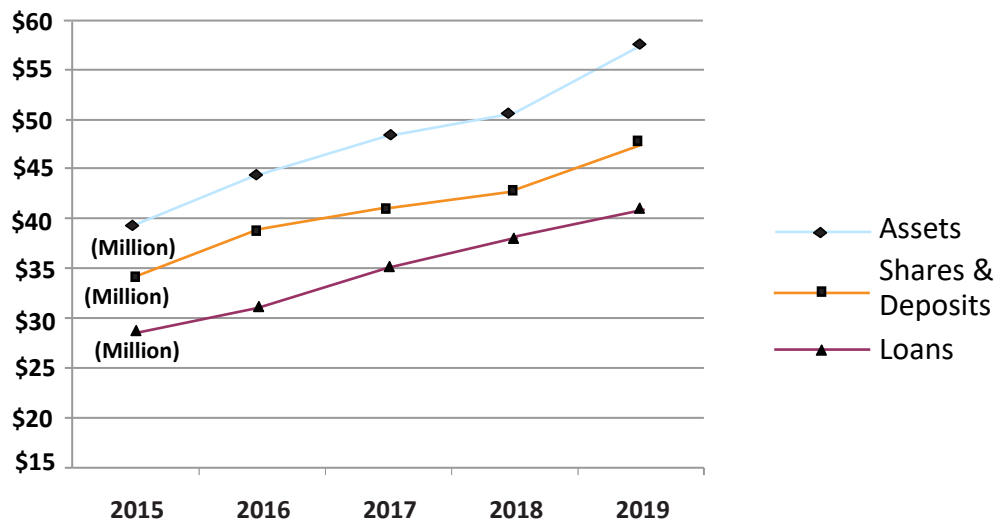
## Division of Credit Unions, *Continued*

### State Chartered Credit Union Financial Information

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

	2015	2016	2017	2018	2019
Total Loans	\$27,969,531	\$31,477,416,284	\$35,544,829,674	\$38,762,153,525	\$41,816,041,362
Total Assets	\$39,845,444	\$44,130,178,425	\$47,723,445,451	\$51,779,945,766	\$57,293,578,453
Total Shares & Deposits	\$34,472,438	\$38,154,008,029	\$41,086,547,813	\$43,808,421,793	\$47,971,831,315
Total Net Worth	\$4,299,779	\$4,735,801,107	\$5,193,292,061	\$5,754,744,015	\$6,418,327,524
Net Income	\$412,5489	\$435,664,895	\$458,107,823	\$557,688,632	\$645,748,618
Net Worth to Total Assets Ratio	10.79%	10.73%	10.88%	11.44%	11.71%

**State Chartered Credit Unions End-of-Year Statistics** (2015 is measured in millions of dollars, 2016-2019 is measured in billions)



## 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 Act
Chapter 21.20 RCW	Securities Act
Chapter 21.30 RCW	Commodities Act

## Division of Securities Statistics

### Securities Act

	2018	2019
Dollar Amount of Securities Permits, Notifications and Exemptions Authorized	\$101,861,213,692	\$103,303,298,311
Registered Securities Broker-Dealers	1,746	1,731
Registered Investment Advisers	689	712
Investment Adviser Notifications	2,017	2,110
Registered Securities Salespersons	175,542	180,392
ERA-Active Organizations	60	79
Registered Investment Adviser Representatives	12,824	13,254
Branch Offices of Broker-Dealers	3,669	3,662
Complaints	172	288
Active Enforcement Cases	78	88
Statement of Charges/Orders	63	65

## Division of Securities, *Continued*

### Franchise Act

	2018	2019
Registered Franchises	1,057	1,030
Registered Franchise Brokers	365	526
Complaints	19	36
Active Enforcement Cases	14	19
Statement of Charges/Orders	11	27

### Business Opportunity Act

	2018	2019
Registered Business Opportunities	11	2
Complaints	13	7
Active Enforcement Cases	6	2
Statement of Charges/Orders	8	3

### Commodities Act

	2018	2019
Registered Commodities	0	0
Complaints	3	4
Active Enforcement Cases	2	0
Statement of Charges/Orders	0	0

## Division of Securities, *Continued*

### Registration and Licensing Filing Activity Totals for Calendar Years 2018-2019

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

#### Registrations, Exemptions & Notifications

	2018 NEW	2018 RENEW	2018 AMEND	2019 NEW	2019 RENEW	2019 AMEND
Investment Companies (Mutual Funds)	2,977	24,597	21,861	2,962	24,028	20,219
Securities Registration Files (S-1s)	0	6	21	1	4	16
Reg As	0	0	0	1	0	0
Other Coordination Filings	5	28	207	32	22	136
Qualifications	16	1	3	3	0	1
SCOR (Small Company Offering Reg.)	0	0	0	1	0	0
Reg A-Tier 2 Notices	29	17	4	36	25	6
Red CF-FED Crowdfunding Notices	8	0	0	2	0	0
Franchises	307	817	169	352	755	157
Exemptions	3,284	0	832	3,415	0	996
Opinions	2	0	0	0	0	0
Franchise Exemptions	57	199	0	50	212	2
Business Opportunities	2	2	0	0	2	0
Small Business Retirement Marketplace Filings	2	0	2	1	2	0
<b>TOTAL</b>	<b>6,689</b>	<b>25,667</b>	<b>23,099</b>	<b>6,826</b>	<b>25,050</b>	<b>21,533</b>

Division of Securities, *Continued***Firms & Entities**

	2018 NEW	2018 RENEW	2019 NEW	2019 RENEW
Securities Broker-Dealers	83	1,741	102	1,722
Investment Advisers	85	685	64	694
Investment Advisors- Notice Filed	55	2,016	164	2,105
Franchise Brokers	161	246	308	163
Exempt Reporting Advisors	12	60	20	79
TOTALS	396	4,748	638	4,684

**Representatives & Salespersons**

	2018 NEW	2018 RENEW	2019 NEW	2019 RENEW
Investment Adviser Representatives	2,723	12,083	2,403	13,470
Intrastate Securities Salespersons	0	1	1	0
Agents of Issuers	34	9	13	8
Securities Salespersons	36,989	176,294	33,779	181,358
Salespersons with Disclosure History	3,939	0	8,499	0
TOTALS	43,685	188,378	44,695	194,836



2018 - 2019 BIENNIAL REPORT  
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