



State of Washington

DEPARTMENT OF FINANCIAL INSTITUTIONS

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Summary of Consumer Loan Act Regulations

Provided below is an overview of the regulations you must comply with when holding a consumer loan license in the state of Washington. This is not intended to be a comprehensive list of all applicable rules and regulations, but is meant to give licensees an idea of the many aspects of compliance which are expected under this license type.

All licensees must know and comply with the law, RCW 31.04, and the rules that implement that law, WAC 208-620. Please read these requirements.

- ❖ For employment of loan originators and other employees, please take note of WAC 208-620-301, 208-620-371, 208-620-372, and 208-620-374.
 - These rules outline a company's obligations regarding employment and licensure of loan originators and other employees. Under certain circumstances managers must license individually as loan originators. A company may not employ anyone who has been convicted of or pled guilty to a felony in the prior seven years or at any time if the felony involved fraud, dishonesty, breach of trust, or money laundering. In addition, a company may not employ anyone who has had a lending-related license revoked or suspended. A company is responsible for the actions of its employees and independent contractors. Lastly, the company must file a relationship termination through NMLS within 10 days of a loan originator no longer working for the company.
- ❖ For rules relating to advertising, please take note of WAC 208-620-620, 208-620-621, 208-620-622, 208-620-630, and 208-620-640.
 - These rules outline the requirements a company must comply with when advertising, including electronic advertising, under the Consumer Loan Act and federal law. These requirements require the company to use its license name and NMLS number but will allow the use of an approved DBA under certain circumstances. In addition, advertisements must not be unfair or deceptive; some examples include: advertising that suggest the company is, or is affiliated with, the government; advertisements that use the borrower's current loan information without prominently disclosing the source of the information; advertising rates as "lowest" or "best;" and advertising that third-party services are "free."
- ❖ For proper completion of loan documents, please take note of WAC 208-620-550(16) and 208-620-710(24), (25), and (26).
 - These rules outline some of the requirements for filling out loan documents. They require the loan application to include the company's NMLS number, the loan originator's name and NMLS number, and the correct date. In addition, they govern the requirements relating to when the company's NMLS number must be provided in addition to the loan originator's name and NMLS number on other loan documents. Lastly, they allow variations in the name the loan originator uses in certain circumstances.
- ❖ For surety bond or bond substitute purposes, please take note of WAC 208-620-320, 208-620-325, 208-620-327, 208-620-330, 208-620-340, 208-620-341, 208-620-350, and 208-620-360.

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- These rules outline the requirements for surety bonds or bond substitutes. During the first year of operation, bonds are \$30,000 for lenders, loan modification service providers, and student education loan providers. Bond amounts change annually for lenders and range from \$30,000 to \$150,000 depending on the type of activity conducted and the amount of loans originated. Residential mortgage loan servicers don't have a bond requirement unless they elect to use a bond in lieu of net worth. The rules also outline that employees and independent contractors working for the licensee must be covered by the bond. Lastly, the rules outline the alternatives to maintaining a bond if the company is a Washington business corporation. Loan originators must obtain individual bonds based on their mortgage loan origination volume if their company uses the bond alternative.

- ❖ For Annual Report and Assessment purposes, please take note of [WAC 208-620-430](#), [208-620-440](#), [208-620-441](#), and [208-620-442](#).
 - These rules outline the two annual reports licensees are required to file with the department and the fee assessed based on the licensee's activities during the reporting year.
 - For companies that make, broker, or purchase nonmortgage loans, the annual assessment is based on the "adjusted total loan value" (principal loan balance on Washington loans in portfolio at end of prior year plus total principal loan amount on all Washington loans made during the assessment year). The adjusted total loan value is multiplied by .000180271 to get the amount of the annual assessment.
 - For companies that make, broker, or purchase residential mortgage loans, the annual assessment is based on the "adjusted total loan value" (principal loan balance on Washington loans in portfolio at end of prior year plus total principal loan amount on all Washington loans made, brokered, or purchased during the assessment year). The adjusted total loan value is multiplied by .000180271 to get the amount of the annual assessment.
 - For residential mortgage servicers the annual assessment is based on the total annual volume of Washington residential mortgage loans serviced during the reporting year minus the adjusted total loan value of the loans in the year being assessed, multiplied by .00000746624. The minimum assessment is \$500, the maximum is \$100,000.
 - Reverse mortgages are assessed on the dollar amount of advances made at origination multiplied by .000180271, the dollar amount of advances made during servicing multiplied by .00000746624, and the dollar amount of accrued interest multiplied by .00000746624.
 - For student education loan servicers the annual assessment is based on the "adjusted total loan value" (principal loan balance of Washington student education loans in your loan portfolio on December 31st of the prior year plus the principal loan balance of Washington student education loans added to the servicing portfolio during the assessment year) multiplied by .0000384616.

- ❖ For proprietary reserve mortgage products, please take note of [WAC 208-620-800](#), [208-620-805](#), [208-620-810](#), [208-620-820](#), [208-620-825](#), [208-620-830](#), and [208-620-835](#).
 - These rules outline the requirements, loan terms and conditions, and disclosures required when offering proprietary reverse mortgage products. These rules do not apply to the FHA approved home equity conversion mortgage (HECM) product or to any federally administered reverse mortgage product.

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- ❖ For residential mortgage loan servicers, please take note of WAC 208-620-551, 208-620-553, 208-620-567, 208-620-900, 208-620-905, 208-620-920, 208-620-930, and 208-620-935.
 - These rules outline the requirements a servicer of residential mortgage loans must comply with under the Consumer Loan Act and applicable state and federal law. In addition, the rules outline what business practices are prohibited when servicing residential mortgage loans.
- ❖ For student education loan servicers, please take note of WAC 208-620-569, 208-620-950, 208-620-960, and 208-620-970.
 - These rules outline the requirements a servicer of student education loans must comply with under the Consumer Loan Act and applicable state and federal law.

The Department will ensure compliance with all regulations by conducting periodic examinations, as authorized under WAC 208-620-580. You must pay for examinations at the rate of \$69.01 an hour (plus travel expenses when the examination occurs out-of-state) as outlined in WAC 208-620-590.

If you have any questions regarding the Washington Consumer Loan Act referenced above, please feel free to contact the Washington DFI Consumer Services Division at (360) 902-8703, or CSLicensing@dfi.wa.gov.