



## 2023 Off To a Great Start – Message from Charlie Clark

2023 is off to a great start for DFI. I have to say that around the office, it feels a little like before the pandemic.

For example, with the Legislature in session, our in-person stakeholder meetings have picked up dramatically. I always enjoy meeting with industry representatives at the beginning of session, as well as meeting with industry associations when they visit the Legislature or have their policy day in Olympia.

I attended many of these events in January. It is a great opportunity to hear about important issues that are directly impacting those whom we regulate.



*DFI Director Charlie Clark*

This time of year, we also have more stakeholder meetings with other groups who care deeply about consumer protection in connection with the industries we regulate. In addition, our Legislature has many new members with the start of the New Year, and my team has been busy getting to know many of them.

Other DFI leaders and I gave overview presentations about DFI and the work we do this past January to both the House Consumer Protection and Business Committee as well as the Senate Business, Financial Services, Gaming & Trade Committee.

All of these stakeholder engagements are very helpful in ensuring that we stay in tune with issues that matter to all of you.

My hope is that through strong engagement and communication, DFI can be more effective in serving all Washingtonians.

Charlie Clark, DFI Director

## DFI Hosted a Diversity Equity and Inclusion CLE Friday, Feb. 3: “Narrowing the Wealth Gap: A Legal Perspective.”

This event brought as keynote speaker Professor Mehrsa Baradaran, renowned law professor at the University of California, Irvine and author of two highly respected books: *“The Color of Money – Black Banks and the Racial Wealth Gap”* and *“How the Other Half Banks.”*

Professor Baradaran is an expert in banking law and has spent many years studying, writing and speaking on inequality and the racial wealth gap.

*“The Color of Money - Black Banks and the Racial Wealth Gap”* was recommended to me during a meeting with the NAACP in August of 2021. I and several others on DFI’s Executive Team read the book and agreed — it’s an incredibly powerful read and related directly to DFI’s areas of focus, specifically banking, lending, raising capital, and personal finance.

If you haven’t read it, I highly recommend it. The book walks the reader through many aspects of American history that were likely not focused on in school, but are significant for purposes of understanding the racial wealth gap. I felt that as state government policy makers, attorneys, and financial regulators, these concepts are important to learn.

The event also included Director Dr. Karen A. Johnson “Dr. J” Director of the [Office of Equity](#) as our luncheon speaker, speakers from the [Wing Luke Civil Rights Division](#) of the Attorney General’s Office, a panel of Washington State DEI leaders talking about implementing change, and an overview of the Washington State Bar Association’s DEI Ethics Rule and discussion of the Rules of Professional Conduct (RPC) for lawyers that intersect with DEI and working as a government attorney.

We welcomed 125 state agency attorneys and DEI leaders for this event. Based on the feedback we’ve received, we know we’ll be hosting another similar event. We look forward to future in-person meetings with you — our licensees and regulated entities, financial education partners, grantees, DEI collaborators and longtime agency partners.



Pictured left to right – Charlie Clark, DFI Director, Roberta Hollinshead, DFI Director of Banks, Adam Yeaton, DFI Financial Legal Examiner

## Photos from Diversity, Equity, and Inclusion CLE



*James Kane, DFI, and author Mehrsa Baradaran*



*Erin Lopez Nielsen, DFI, Jesse Johnson, Treasurer's Office, Ellis Starrett, Dept. of Licensing, Megan Matthews, Office of Equity*



*Ethics Panel*

## DFI Attends Conference of State Bank Supervisors Board Meeting and Symposium

In late 2022, along with a number of DFI staff, I had the honor of attending the Conference of State Bank Supervisors (CSBS) Board Meeting & Supervisors Symposium in New York City.

This event is an annual learning and networking event for senior state officials responsible for state bank and non-bank supervision and regulation, and I am very proud of the role DFI plays in contributing to CSBS leadership.

The Symposium was well attended by state banking regulators around the country and a great opportunity to hear from both state and federal regulators who discussed the latest updates on both depository and non-depository financial regulation, all in support networked supervision.

During the meeting, we heard from federal regulators including the Comptroller of the Currency, Director of the Financial Crimes Enforcement Network, and officials from the FDIC and Federal Reserve. I was honored to lead a “fireside chat” with the Consumer Financial Protection Bureau Director Rohit Chopra on the topic of emerging regulatory issues.

Division of Banks Director Roberta Hollinshead presented as the Chair of the CSBS Regulatory Committee on a panel with the rest of the Chairs of the functional CSBS Committees (State Supervisory Process Committee, Legislative Committee, and Non -Depository Supervisory Committee). The committee chairs discussed 2022 accomplishments, emerging issues and areas of focus for 2023.



Group photo pictured left to right, CSBS President and CEO Jim Cooper, Consumer Services Financial Examiner Supervisor Anya Tabb, Consumer Services Chief of Examinations Rick St. Onge, DFI Director Charlie Clark, Division of Banks Program Manager Shannon Tushar, Director of Banks Roberta Hollinshead



In his role as DFI's Director and as the CSBS Vice Chair, Director Clark participated in a “fireside chat” with Rohit Chopra, the Director of the Consumer Financial Protection Bureau, to discuss a wide range of emerging regulatory issues.



## DFI Looking into FinTech Companies and Out of State Banks Charging High Interest Rates for Consumer Loans

The Washington State Department of Financial Institutions (DFI) is gathering information about lending activity involving financial technology (fintech) companies that partner with out of state banks and credit unions.

Lending relationships between fintech companies and banks or credit unions are often referred to as “rent-a-bank relationships” or “banking as a service.” Banks and credit unions in other states may “export” their home state’s interest rate to other states, including Washington, through the fintech lender, resulting in higher interest rates charged to Washington consumers. It can be difficult to determine which entity in these relationships is the “true lender.” The true lender question is important because different regulations and interest rate limits apply to loan companies as compared to depository institutions.

DFI is issuing requests for information to 10 well-known fintech companies making loans in Washington while operating in partnership with an out of state bank or credit union. The requests were sent to OppFi, Elevate, NetCredit, Personify Financial, American First Finance, Axxcess Financial Services, EasyPay Finance, Lendly, Max Cash, and Total Loan Services.

The information requested from the fintech lenders will help DFI better understand the relationship between fintechs and out of state banks or credit unions, the terms of these financial products, whether they need a Washington license, and how their loan products affect Washingtonians.

For more information about this inquiry, please email [CSReg@dfi.wa.gov](mailto:CSReg@dfi.wa.gov).



## Representative Steve Kirby Retires

Representative Steve Kirby's landing page gives you some insight into the personality of this long-time Washington legislator.

*Representing the 29th District as a legislator is sometimes like juggling an egg, a bowling ball, and a badger. It sometimes takes finesse, sometimes strength, and sometimes it turns around and bites you. Over the years I've gotten pretty good at it, but there's always a possibility that I might drop the ball (or the egg, or the badger). That's where **you** come in.*

*By visiting this website, it shows either (a) you're related to me or (b) you have some interest in what the heck's going on in Olympia and want to get involved.*



*Representative Steve Kirby with DFI Staff*

The man has a great sense of humor and humility about him – even though he's known as a legislator with his name attached to a lot of bills passed in his 22 years of serving the residents of Washington's 29<sup>th</sup> District – which includes most of South Tacoma, and much of Lakewood, Parkland, Spanaway and Frederickson. "I had the highest percentage of bills that got in, got fixed and passed," Kirby noted.

"It's not rocket science," Kirby says – repeatedly - when talking about his successes in Washington's Legislature.

According to his legislative web page, in his time, he's served on the House Rules Committee, the Agriculture Committee, the Technology Committee, the Capital Budget Committee, The Local Government and Housing Committee, the Public Safety and Emergency Preparedness Committee, the Organized Crime Advisory Board, and the Joint Executive Legislative Committee on Water Policy.

He most recently served on the House [Civil Rights and Judiciary Committee](#), the [Commerce and Gaming Committee](#), the Committee on Committees and he was Chairman of the [Consumer Protection and Business Committee](#) where he was known for his expertise in consumer protection legislation.

For those who have worked with legislators on behalf of the Department of Financial Institutions, however, Kirby stands out as someone they came to trust when there were agency-requested bills in need of shepherding through the legislative process. In his time, Kirby helped move 34 DFI agency-requested bills to the Governor's desks for signature.

"Your stuff has been a no-brainer for me," Kirby told DFI staff. "It's consumer protection! Why don't we give the regulator what they need to do the work? Rocket Science!"

Former DFI Legislative Liaison and now Deputy Director Catherine Mele-Hetter and current agency Policy Director Drew Bouton shared fond memories of working with Rep. Kirby at an agency gathering Oct. 31.

"You always diffused difficult situations," Mele-Hetter told him.

"You had such good relations," Bouton noted.

"You took the pressure off of staff who had to testify," added DFI Director Charlie Clark.

"I ran my meetings differently," Kirby said of his style as Chairman. "I tried to lighten things up."

After a simple welcoming of everyone to the committee hearing, he said, he would then tell attendees, "Now you're gonna see democracy in action – that's two words!"

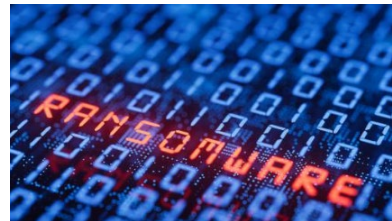
After 22 years serving Washington, Rep. Kirby officially hung up his gavel and retired.



*Representative Steve Kirby with Deputy Director Catherine Mele-Hetter and Policy Director Drew Bouton*

# A Cautionary Tale from a Washington Bank

Some of you may remember reading early last year about the Night Sky ransomware attacks that exploit the log4j vulnerability. A Washington-chartered bank was targeted by the hacking group, successfully recovered from the attack, and provided their account of the incident for the awareness and benefit of our banking community. This account is specific to the Night Sky attack, but the takeaways apply to ransomware attacks more broadly.



Night Sky ransomware made its way through industry software in early 2022, taking control of sensitive information along the way, locking out the legitimate business users and holding data and systems “hostage” until a ransom was paid to release the information.

In a first-person account from a community bank that was attacked in January 2022, they cite a known vulnerability ([log4j](#)) that the institution believed had been addressed by their internal IT team and a hired security provider.

The hackers, however, had used a vulnerability not yet announced to crack a 12-character, randomized password of an administrator to gain access and install remote control software. The hackers then created two new users, camouflaged as service accounts, to clone file server data and attempt to exfiltrate.

## ***From the Banker Perspective***

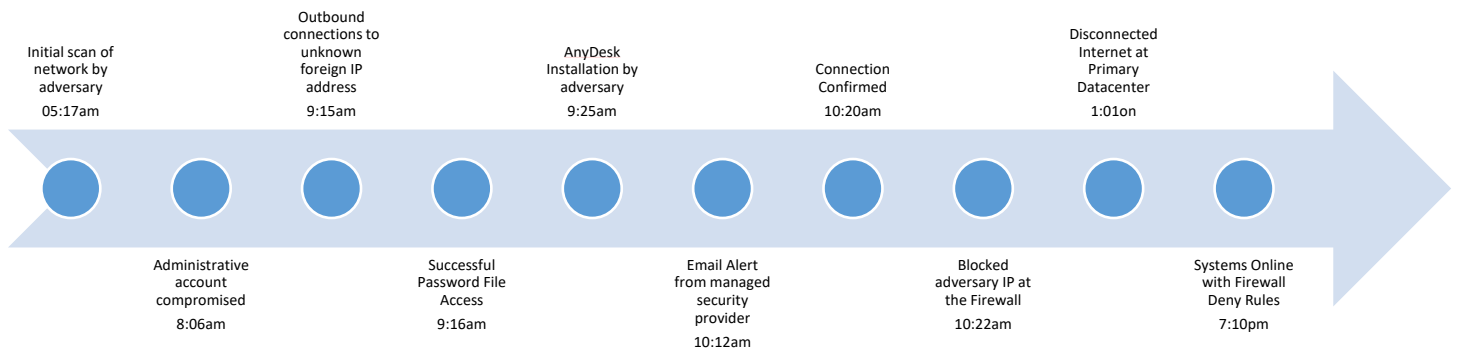
On an otherwise typical Monday morning, the bank’s security provider sent an alert that it detected “multiple outbound connections initiated by PowerShell.”

Within 10 minutes of that alert, the bank’s team confirmed the outbound connections initiated from within the bank’s primary datacenter and blocked the IP address on the other end where the attackers were attempting to exfiltrate the data. This immediate response proved crucial to the bank thwarting the attack. They also took the entire system offline to investigate the specific actions the intruders used to exploit the bank’s network.

The adversary’s initial network scan was at 5:17 a.m., the alert from the security provider came at 10:12 a.m., and by 7:10 p.m. the same day the bank was able to detect the breach, take the system offline, determine what was being cloned, prevent removal of the content, repair the breach and bring all systems back online with less than nine hours of downtime.

Cautionary Tale from Washington Bank Continued...





Though this is a success story, in the debrief the institution reflected on what they could have done better to prevent attacks like this moving forward.

### Lessons Learned:

- Administrative staff are now required to increase passwords to 20 characters.
- Multi-factor authentication has been implemented for all users.
- Attackers, once inside the network can traverse the network and compromise even patched servers very quickly.
- Network segmentation and managing insider risk is necessary to at least delay negative impacts from an intrusion.
- Regular internal audits and a peer-reviewed process of verifying all security components are in place prior to a machine being placed into production should be strongly considered.
- Proactively blocking ransomware group-friendly upload sites could help prevent data exfiltration.
- A Security Information and Event Management (SIEM) tool with a good security team, or an outsourced security team, should also be strongly considered.
- Review the Conference of State Bank Supervisors [Ransomware Self-Assessment Tool \(R-SAT\)](#) and mitigate any deficiencies identified.

Don't let your business be the next victim.

## Credit Unions Have Chance to Take Advantage of Employee Retention Credit

When the COVID-19 pandemic shook our country and world, it left many businesses without proper support to be financially stable. Since 2020, and even 2021, businesses are slowly making a comeback.

In support of businesses beginning to build their finances back up again and moving toward normal, credit unions now have a chance to take advantage of a new opportunity under the CARES Act, called the Employee Retention Credit. This credit is for businesses that kept their employees on their payroll during the pandemic.

The Employee Retention Credit is a fully refundable tax credit — 50% of up to \$10,000 in wages for each employee paid by an eligible employer whose business has been financially impacted by COVID-19. An eligible employer is anyone who carried on a trade or business during the 2020 calendar year. Some of our credit unions could receive a sizable refund using this credit. Businesses should talk to their CPA to see if they qualify.

### Division of Credit Unions Returns to In-Person Exams



*Meet the Division of Credit Unions staff. **Top row, left to right** – Marcus Timmons, Sherilyn Moore, Linda Peltomaa, Amy Hunter, Cheryl Gilbert, Sam Johnson, Mike Roe, Larry Greiner. **Middle row, left to right** – Myriam Powers, Austine Izuagbe, Slade Mielitz, Aldo Pineda, John Morra, Kay Still, Mark Vasquez. **Front row** – Lael Byington and Kolby Carter (Pittman).*

## Securities Exams Return to the Field

Since the COVID-19 pandemic began to impact DFI in 2020, staff adapted to conducting exams using online tools. We recognize that for many of our licensees, this was not optimal for a satisfactory exam process.

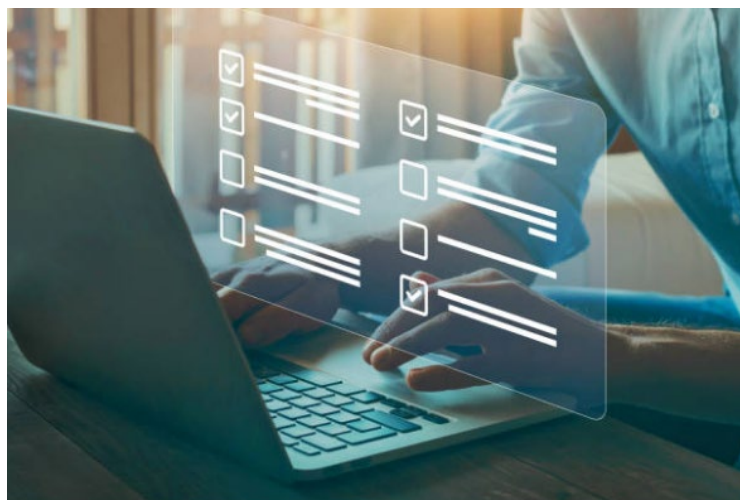
When conducting online exams, it can be difficult to gauge the scope of how comfortable the person feels while the exam is taking place. This means that the examiner – and the licensee - are missing nonverbal cues as well as assessing the overall atmosphere.

The Division of Securities has found, overall, investment advisors and examiners prefer in-person exams rather than online.

When scheduling an exam, DFI sends a questionnaire to ask some general questions about the appointment, including where the recipient would like the exam to take place, either online or in-person. This ensures that the recipient can express where they would feel better conducting the exam so the examiner is respecting their space.

Now that our state is moving to a “new normal,” the Division of Securities is moving to conducting more exams in person within licensee establishments throughout the state.

To learn more about the Division of Securities at DFI, or if you have questions, please visit our website at [Washington State Division of Securities](#).



## DFI Recognizes Our Employees Who Are Veterans

DFI recognizes our employees who are Veterans, and is grateful for their service. When reflecting on this past Veterans Day and the meaning behind it, every person has their own relationship with the day. Some have loved ones who have served; others have themselves served.

Throughout the years, DFI has made a point to show our Veteran employees we support and appreciate them.



*DFI's Veterans Wall at the agency headquarters*

A tactile expression of this is the challenge coin ceremonies with DFI Director **Charlie Clark**, the recruitment of and outreach to Veterans by the agency's recruiter **Tom Grant**, and the ever-present recognition of our Veterans on the honor wall on the second floor of the building.

"It's important to recognize the experience our Veterans bring to the agency with their service," Director Clark said.

"Whether for two years or 20, these people made a commitment to this country the majority of us have not – they gained skillsets not always attained in traditional workplace settings, skills that are a huge benefit to DFI."

There are 22 Veterans at DFI, each of them with their own experiences and stories to share. To honor those who have served, some Veterans spend the day reflecting on those who lost their life while in service.

When reflecting on Veterans Day and the meaning behind it, Rick St. Onge, Examinations Program Manager for Consumer Services, said, "Veterans Day for me is a series of events."

**DFI Recognizes Our Veterans Continued...**



St. Onge explained, saying he spent 12 years in the Army in Infantry and Special Forces. During his service, the two-weeks leading up to Veterans Day came to hold a significance for him because after one deployment, “We had to lay our brothers who fought to rest the week of Veterans Day.”

DFI Human Resources Consultant Manny Udarbe spent 20 years in the Army as a mechanic and managed a shop. He said he takes his family each year to the National Cemetery for Veteran commemoration and the cemetery on Fort Lewis.

“Veterans Day and what I do to celebrate is not much for me, but rather other Veterans,” Udarbe explained.

DFI strives to bring opportunities for Veterans and provide a supportive atmosphere for our current Veteran employees. Staff recognize those efforts.

“I was able to bring my leadership experience from the Army to DFI,” St. Onge said.

“DFI does a great job representing our (Veterans’) accomplishments,” Udarbe added.

DFI is committed to recognizing and honoring the skills, leadership and commitment Veterans bring to our culture. We are thankful for our Veterans and for the sacrifices they made in serving our country.



*DFI Human Resources Consultant and Veteran Manny Udarbe*

## DFI Collaborating with Partners to Provide Down Payment Assistance Resources

DFI is making significant strides in collaborating with state and local agencies and organizations to improve life for people who call Washington State “home” but don’t yet own one.

In recent efforts, we heard clearly from community leaders that growing awareness of down payment assistance programs is an important step in making homeownership accessible to more people in Washington.



Our agency is collaborating with the Department of Commerce, the Washington State Housing Finance Commission, Department of Licensing, industry partners, and community leaders to provide down payment information and resources to employees and clients.

As a result, an estimated 23,500 mortgage loan originators will now learn about down payment assistance as part of their 1-hour annual Washington State continual learning requirements.

Our work with the Department of Licensing includes down payment assistance education, mortgage compliance process, and education around bias toward certain mortgage products in new Fair Housing education. This training is expected to reach 44,700 real estate brokers and managing brokers.

As more homeownership professionals become more informed on the process of down payments, more potential homeowners can look forward to additional options to help make homeownership a reality.

These partnerships are an example of changes that can be made with partners working together for fast, effective change to address an important issue – homeownership – something key in addressing systemic inequities in wealth accumulation.

We look forward to doing more with the partnerships already established, and to building more partnerships with many of you, to make Washington an even better place for more people to call “home.”

# DFI to Promote Spanish Outreach in Money Smart Week Presentation

DFI's Financial Education Programs Coordinator Vanessa Arita Reyes, is providing a presentation Tuesday, April 18 during the [2023 Money Smart Week](#) activities:

*Las razones clave por las que debo saber más sobre las instituciones financieras (Top reasons why I need to learn more about financial institutions)*

Why is it important to learn more about financial institutions? Vanessa Arita Reyes speaks to why it's important to seek information and have conversations about personal finances and the financial systems in the communities we live in.

Vanessa will share stories about her own top reasons to learn more about financial institutions, including how credit and credit reports work, as well as what tools and resources are available to folks navigating the financial system in the United States for the first time, so that they can protect themselves from fraud and improve their financial wellbeing.

In her role with DFI, Vanessa says she focuses on creating spaces for dialogue on personal finance with people living in Washington. Prior to joining DFI, Vanessa has worked in a variety of visual, writing, and outreach communications positions within the private and Non-Governmental Organizations (NGO) industries, including organizations working with multiple stakeholders in local communities. She has teaching, training, and capacity building experience in the United States and abroad in Honduras, where she was born and raised.

[Agenda - Money Smart Week 2023 \(cvent.com\)](#)

▼ Day 2: Instituciones Financieras (Financial Institutions)



**Vanessa Arita Reyes**  
Financial Education Outreach Coordinator  
Washington State Department of Financial Institutions (DFI)

*This session will be conducted in Spanish with English captions.*

*Presented by Washington State Department of Financial Institutions (DFI)*

**Las razones clave por las que debo saber más sobre las instituciones financieras** (Top reasons why I need to learn more about financial institutions)

## Maureen Camp New Program Manager for Division of Consumer Services Licensing and Administration

Maureen Camp, who was previously the Mortgage Licensing Supervisor for the Division of Consumer Services, is now the Program Manager for Licensing and Administration. Maureen transitioned into this role in October 2022 and is looking forward to all aspects that this position has to offer.

“I am excited for the administration and licensing side of this job,” Maureen said. “I will be on the frontline of learning the market conditions and the changes to come for the future while helping staff grow in my executive duties.”

Maureen has been with DFI since June 2005. Some of her favorite aspects about working at DFI include staff, the mission at DFI, and the importance of protecting our consumers. When not working, Maureen enjoys being with her family, which usually includes cheering on the sidelines at her children’s sporting events. She also enjoys going to the Seattle Sounder games and is a season ticket holder.



## Rachel Mercer – Business Transformation Manager

DFI welcomes Rachel Mercer to a new role at the Department of Financial Institutions — Business Transformation Manager. This position leads agency-wide projects and process improvement initiatives that are vital to fulfilling DFI’s mission and strategic plan.

Rachel brings 15 years of experience in state government to DFI. Prior to taking on this new role, Rachel worked at the Department of Children, Youth & Families where she implemented new programs.

Rachel says she looks forward to working as a team at DFI and helping make change happen with innovative ways of solving problems. Rachel earned her B.A. in Business Administration at the Evergreen State College. When not working, she enjoys spending time kayaking, reading, and watching the Seattle Seahawks.





## Welcome Lisa Zolman, New Chief Information Officer

We welcome Lisa Zolman as DFI's new Chief Information Officer. Lisa comes to DFI with the experience of 30 years of service in technology management. She was previously the Deputy CIO for the Washington Military Department and has worked on several software development teams. Lisa's passion for IS includes solving problems and helping people do their jobs better.

When not working behind the computer, you can find Lisa on a mountain backpacking, skiing, running, and enjoying the great PNW summer on her boat.

Welcome, Lisa, to DFI. We are happy to have you at our agency.

## DFI Chief Information Officer Phil Davis Retires

After being the Chief Information Officer for four years, Phil Davis has left DFI and entered into a new and exciting life stage: retirement. Prior to working for DFI, Phil served 33 years as a state employee.

He led the agency's tech team through one of the biggest challenges the agency ever faced. When the pandemic struck, DFI staff needed to be equipped with the proper technology to work from home. Phil and the IS team took on the project of providing the equipment needed so that each employee could work from home.

"DFI employees did not have a way to work from home so there was a short amount of time for the IS team to train employees, give out laptops, and provide VPN," Phil explained. "I am proud of the IS team for the effort they put forth to providing our staff with supplies."

When looking back at his time with DFI, Phil recalled one of his favorite memories, the agency's adapted Public Service Recognition Week luncheon and gift distribution. Maintaining COVID distancing, safe food preparation, serving, and recognizing the need to connect were overcome with the creation of a "drive through" with distanced interactions.

"During COVID-19, employees drove to DFI and formed a pickup line, and I was able to give them food and jackets while they were in their car," Phil recalled. This was the first time supervisors had seen their staff in person in more than a year. For some staff, who were hired during the work from home order, this was the very first time they saw these new employees in person, creating a memorable experience.