



Mortgage Industry Webinar Agenda

Thursday, June 11 2015

9:00 a.m.

1. Welcome – Charlie Clark

The information provided during this webinar is for informational purposes only and is not legal advice. You should contact an attorney to obtain advice with respect to any particular business practice. The opinions expressed during the webinar are the opinions of the individuals and may not reflect the opinions of the department. The information provided may not be applicable in all situations or under all circumstances. You are ultimately responsible for compliance with state and federal law.

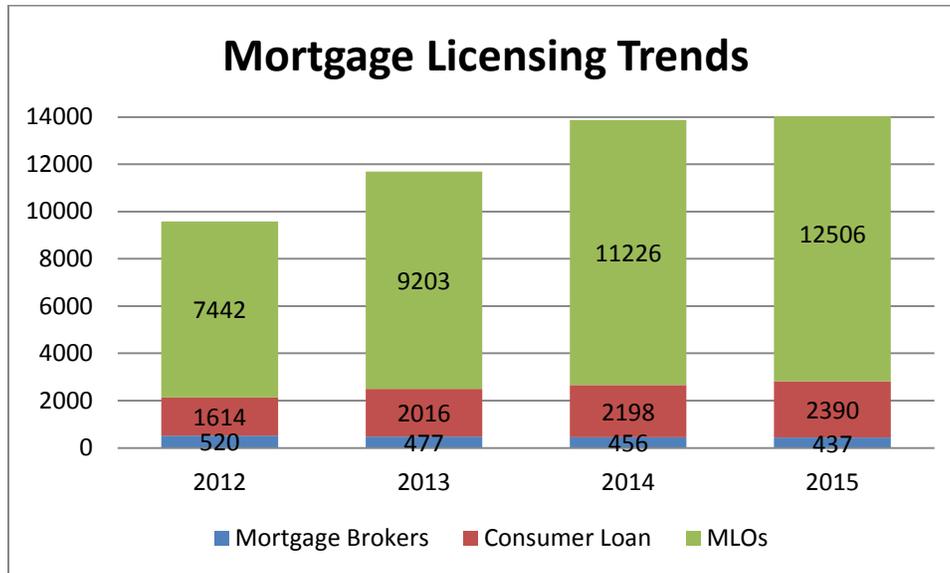
2. Licensing Update – Maureen Camp
3. Examination Update – Tani Thurston
4. Enforcement Update – Steve Sherman & Janet Howe
5. Opportunity to Submit Questions – Cindy Fazio

Licensing Unit Report - Mortgage Program

Mortgage Industry Webinar

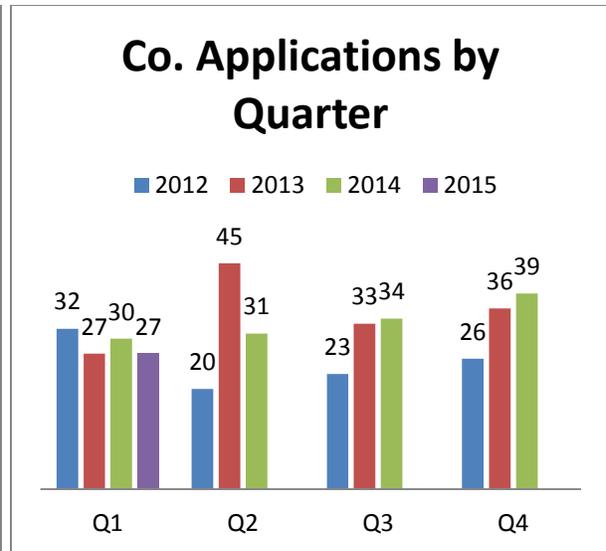
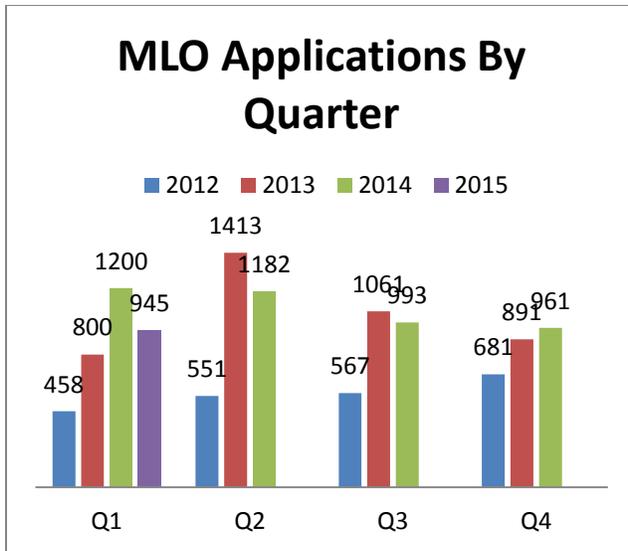
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License Types	May 2012	May 2013	May 2014	May 2015	Total Change
Mortgage Broker Main	369	336	302	278	-91
Mortgage Broker Branch	151	141	154	159	+8
Consumer Loan Main	421	452	488	521	+100
Consumer Loan Branch	1,193	1,564	1,710	1,869	+676
MLOs (Active & Inactive)	5,442	9,203	11,226	12,506	+7,064



Licensing Trends

- Largest growth in Consumer Loan Act licensees, main and branches, and MLO licensees
 - Consumer Loan Act Licensees
 - Majority of new company licensees are out-of-state
 - Most are mortgage-related companies, but still seeing consumer lenders
 - Only 1 or 2 Mortgage Brokers moved to Consumer Loan license this year
 - MLOs
 - Majority of new MLO licensees are out-of-state
 - Most are sponsored so initial approval is active
- Mortgage Broker branch licenses slowly, but steadily increasing since beginning of 2015



Application Trends

- Mortgage Loan Originator applications still declining in Q1, as they have each quarter in 2014
 - Total number of MLO licensees, however, is greater than in previous years
 - About 10% of MLO applicants are individuals previously licensed with DFI
- Company applications declined in Q1 after increasing slightly each quarter in 2014, still about equal to applications received for the same time period in previous years

Licensing Highlights

- Paper/Electronic Licenses
 - DFI discontinued issuing electronic licenses for MLOs at the end of 2012
 - Delivery of the electronic license was duplicative and delayed at least 24 hours
 - NMLS Consumer Access website provides comprehensive licensing information
 - DFI still issues electronic licenses for company and branch licensees
- Uniform State Test (UST) Adoption
 - As of mid-July, 47 state agencies of 59 will have adopted the UST



Compliance Tips for Employment Changes

- Hiring an existing MLO licensee takes actions from both the MLO and the company
 - MLO
 - Terminate previous relationship, if not already completed by former company
 - Grant access to new sponsoring company
 - Submit new filing with updated contact information, employment history and any other relevant change
 - Company
 - Confirm MLO has granted access
 - Verify or initiate updates to MLO's record for contact information, employment history and any other relevant change
 - Create relationship and request sponsorship

[Change in Employer Quick Guide](#) – for Individuals

[Hiring an Existing MLO Quick Guide](#) – for Companies

- Relate MLOs to the location where they will actually work, not just any already licensed location
 - Relationships can be established with pending company or branch locations
- Be proactive
- When in doubt, reach out to us

CS - Examination Unit Report

Consumer Loan and Mortgage Broker Programs

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Examination Summary – Consumer Loan

25 exams completed for March-May 2015

Composite Rating	Number of Licensees	Avg. Billable Hrs	Avg. Exam Cost
1	2	134.50	9,280.50
2	12	145.24	10,021.56
3	4	140.83	9,717.27
4	1	144.50	9,970.50
5	0	N/A	N/A
*N/A	1	501	34,569
**Desk Review	5	N/A	N/A

*This is an MMC exam, no rating assigned.

**These are Desk Review exams that are not assigned a rating or billed for exam fees.

**Examination Summary – Mortgage Brokers

17 exams completed for March-May 2015

Composite Rating	Number of Licensees	Avg. Billable Hrs	Avg. Exam Cost
1	0	N/A	N/A
2	5	N/A	N/A
3	5	N/A	N/A
4	7	N/A	N/A
5	N/A	N/A	N/A
*N/A	N/A	N/A	N/A

**This program does not bill for examinations, unless under Orders by the Department

*These are SWE exams that are not assigned a rating

Common Origination Violations

1. Homeownership Counseling List are not Provided to Borrowers

Licenses are not providing borrowers with a homeownership counseling list within three business days of receipt of application. Regulation X 12 CFR Section 1024.20 requires the licenses to provide a list of home counseling organizations that provide relevant counseling services in the borrower's location. If the mortgage broker has provided the list, the lender is not required to provide an additional list. The CFPB Web site has a tool to help generate the ten closest counselors to the borrower's location based on their zip code.

<http://www.consumerfinance.gov/find-a-housing-counselor/>.

2. Advertising Free Service

Examiners are finding licenses are advertising services, such as appraisals, credit reports, and "no-cost loans" as "free" to the borrowers. Advertising services as "free" or other similar terms or phrase implies there is no cost to the borrower. The costs of these services may be recovered in the price of the interest rate or other costs of the loan. Any advertising implying a free service is a violation of WAC 208-660-440(3) and WAC 208-620-630(8) as well as may be considered a deceptive practice under RCW 31.04.027(1), (2), (7) and RCW 19.146.0201(1), (2), (7).

3. Consumer Access Link and License Numbers not Included on the Web sites

Examiners have found licenses are not including their main license number on their main home or web pages and a link to the NMLS Consumer Access Web site page for the Company. In addition, mortgage loan originators are not including their license numbers closely following their names and a link to the NMLS Consumer Access Web site page for the Company on their separate home or main web pages. Please review WAC 208-660-446(1),(2) and WAC 208-620-622(1),(2) for further information.

4. Information Security Consumer Loan and Mortgage Broker Exams

The Consumer Services Exams Unit has developed an information security (IS) component to the examinations of both the Consumer Loan and Mortgage Broker licenses in accordance with the federal [Safeguards Rule](#) in 16 CFR, Part 314. In addition to complying with federal law, licenses must comply with applicable state law, RCW 19.255, entitled Personal Information-Notification of Security Breaches. The law requires notification to consumers, and under certain circumstances to the Attorney General's Office, when a data breach occurs. The law contains specific language required in any notification. Recent amendments to this law become effective July 24, 2015.

The IS component will be performed separately during the exam but will be included in one Report of Examination. Trial IS reviews are currently scheduled through December 2015 which will not affect the Report of Examinations. For additional information regarding the IS review visit the DFI Web site in the Consumer Services Consumer Loan Companies and Mortgage Brokers Examination sections. Please be prepared to provide documentation regarding your institution's IS program during your next examination.

COMMON SERVICING VIOLATIONS

1. Failed to Clearly and Conspicuously Explain a Fee

On monthly periodic statements mailed to the borrower, companies often do not clearly and conspicuously explain fees by combining fees such as corporate advances, dishonored check fees, property preservation fees, late charge fees, speed pay fees, and attorney fees into a vague section usually named "other charges" in violation of WAC 208-620-900(3)(e).

2. Provided Misleading Documents

This captures multiple deficiencies. They range from monthly statements saying "Your Note and Security Instrument are presently in DEFAULT" when the loan is current, to providing modification denial letters with blank fields, to issuing correspondence on Private Label loans without disclosing the name of the actual servicing entity. These are violations of RCW 31.04.027, which states, in part:

It is a violation of this chapter for a licensee, its officers, directors, employees, or independent contractors, or any other person subject to this chapter to:

- (1) Directly or indirectly employ any scheme, device, or artifice to defraud or mislead any borrower, to defraud or mislead any lender, or to defraud or mislead any person;
- (2) Directly or indirectly engage in any unfair or deceptive practice toward any person

Proposed Prudential Regulatory Standards for Non-Depository Servicers

The Conference of State Bank Supervisors has proposed regulatory standards regarding:

1. Capital
2. Liquidity
3. Risk Management
4. Data Standards
5. Data Protection, including Cyber Risk
6. Corporate Governance
7. Servicing Transfer Requirements
8. Change of Control Requirements.

For each of these areas, state regulators propose to leverage existing standards or generally accepted business practices. This should allow for an easier transition as the industry should be familiar with the existing standards. In areas where there are not current standards applicable to non-bank mortgage servicers, relying on generally accepted business practices will ensure widely available resources for implementation.

By establishing Baseline Standards, state regulators can focus on the firms that require enhanced standards due to their complexity and overall risk profile. State regulators believe the Baseline Standards should be sufficient for most servicers.

Here is a link to the proposed standards: <http://www.csbs.org/regulatory/Documents/MSR-ProposedRegulatoryPrudentialStandardsforNon-BankMortgageServicers.pdf>

Here is a link to the public comment site: <http://www.csbs.org/regulatory/Pages/MSR.aspx>
Comments are due by June 23, 2015.

Mortgage Industry Enforcement Unit Report

February 13 – May 31, 2015

Complaints	MBPA For this period	CLA For this period	All Industries For this period
Received	52	130	305
Closed	24	94	243
Open as of 5/31/2015 (all industries)	n/a	n/a	182

Investigations

Investigations – Open (MBPA only)	48
Investigations – Open (CLA only)	35
Investigations – Closed in period (all industries)	41

Enforcement Actions for this period	
CCSA	7
CLA	13
EARA	3
UMSA	5
MBPA	16

Enforcement Actions for this period – Mortgage Broker Practices Act

Statements of Charges	3
Consent Orders	6
Consent Orders pertaining to Loan Modification services	3
Temporary Order to Cease and Desist	0
Criminal Referrals	0
Final Orders	7
Civil Actions: (injunction, enforce subpoena)	0

Enforcement Actions per this period – Consumer Loan Act

Statements of Charges	6
Consent Agreements	1
Consent Orders (none applying to Loan Modification cases)	4
Temporary Order to Cease and Desist	0
Criminal Referrals	0
Final Orders	2
Civil Actions: (injunction, enforce subpoena)	0

Notable Recent Violations

Unlicensed activity

- ❖ Use of unlicensed loan originators (RCW 31.04.221 and RCW 19.146.200)
 - ❖ Received a fee not permitted by this section (RCW 19.146.200(1))
 - ❖ Collected, charged, or attempted to collect or charge a fee prohibited by RCW 19.146.030 or .070
 - ❖ Employed a scheme, device, or artifice to defraud or mislead
(RCW 19.146.020(1))
- Violate any applicable state or federal law relating to the activities governed by this chapter (RCW 31.04.027(13))
 - Failed to make reasonable attempts to comply with a borrower's request for information or to respond to any dispute initiated by the borrower (RCW 31.04.290(1)(e))
 - Failed to promptly correct any errors and refund any fees assessed to the borrower resulting from the servicer's error (RCW 31.04.290(1)(f))
 - Engaged, directly or indirectly, in an unfair or deceptive practice (RCW 31.04.027(2))
 - Failed to make payment from escrow account and to ensure that no late penalties were assessed or other negative consequences resulted for the borrower (RCW 31.04.290(1)(d))
 - Failed to notify the department upon the occurrence of a significant event affecting the business (WAC 208-620-490)
 - MLO transferred loans in violation of this section (WAC 208-620-700(2))
 - Failed in responsibility to sufficiently supervise employees to avoid conduct violating the Act or rules (WAC 208-620-372)