The Compliance Connection is part of the Bureau’s efforts to improve communication with the companies we regulate. It is distributed to Virginia mortgage and industrial loan association licensees, and other interested parties. It is the licensee’s responsibility to read this newsletter and to be familiar with the positions and interpretations stated herein.

Suggestions and comments concerning the newsletter or its contents should be addressed to the Bureau at P.O. Box 640, Richmond, VA 23218-0640 or via email at bfiquestions@scc.virginia.gov.

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Commonly Cited Violations
Advertisements that do not prominently disclose the licensed company’s NMLS ID number and the website for NMLS Consumer Access. Advertisements include print, radio, and TV ads; solicitation letters; social media sites such as the licensee’s website and its Facebook and Linkedin pages. Virginia Regulation 10 VAC 5-160-60 A 2 states the NMLS ID number must be followed by the NMLS Consumer Access website address. These disclosures (along with the name of the mortgage lender or mortgage broker and the disclosures listed in A 3 & 4 of the above referenced Regulation) must be clearly and conspicuously disclosed, which means these disclosures are reasonably understandable, prominently located, and readily noticeable by a potential borrower.

Failure to file mortgage call reports (MCRs) by the due dates prescribed by the NMLS system. MCRs must be filed within 45 days from the end of each quarter. Failing to file a MCR within 45 days of the end of the quarter prompts the NMLS to add a license item on the licensee’s NMLS record. Keep in mind that many months have 31 days, so the due dates for three of the four annual MCRs falls on the 14th of the month, not the 15th. Many licensees are cited for not filing the MCR at all, not just for filing late. We use MCRs for many purposes including determining the volume of business for examination purposes and for calculating the annual assessment fee.

Failure to provide the “Virginia” Disclosure to all first mortgage applicants. Section 6.2-406 of the Code of Virginia requires mortgage licensees to provide to all first mortgage applicants at the time of application a written disclosure that 1) describes when the interest, points, and fees quoted will be locked in, and 2) provides a good faith estimate of the processing time needed for the loan. The estimate shall take into account the time needed for the performance of any local government inspections or other functions necessary to close the loan.

Changing of the Guard in Licensing/Admin
August 31, 2018 was Deputy Commissioner Gerald Fallen’s last day in the office after 39 years with the Bureau. Gerald started at the State Corporation Commission (Commission) as an Economic Analyst in the Licensing Section of the Bureau of Financial Institutions in 1979 and moved to our Administration and Finance Section, eventually becoming its Deputy Commissioner. When the previous Deputy Commissioner in Licensing retired in 2014, the two areas were combined and Gerald was tapped to oversee this area.
MCRs Must Be Timely Filed to Avoid Violations, Regulatory Action

Section 6.2-1610 of the Code of Virginia and Virginia Regulation 10 VAC 5-160-90 B require mortgage company licensees to file quarterly mortgage call reports (MCRs) as well as such other information pertaining to the licensee’s financial condition as may be required by the NMLS. The MCR filings contain two components: the Financial Condition (“FC”) and the Residential Mortgage Loan Activity (“RMLA”) Report. The RMLA component is required to be filed no later than 45 days after the end of each quarter. For standard filers, the FC component is required to be filed annually, no later than 90 days after the fiscal year end. For expanded filers, the FC is required to be filed no later than 45 days after the end of each quarter. Expanded filers are licensees that have indicated on the MU1 Approvals and Designations Section that they are an approved Fannie Mae or Freddie Mac Seller/Servicer or Ginnie Mae Issuer. No reminders or notices are sent to licensees prior to the due dates for these reports, so licensees must have a policy in place to file these MCRs in a timely manner. If NMLS places a license item on the licensee’s record, it means the licensee is late filing the MCR, a violation has occurred, and the licensee is subject to regulatory action (e.g.: civil penalty or revocation of license) by the Commission pursuant to §§ 6.2-1619 & 6.2-1624 of the Code of Virginia.

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<tr>
<th>RMLA Due Dates</th>
<th>FC DUE DATES</th>
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<tr>
<td>Q1 May 15th</td>
<td>For Standard Filers</td>
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<tr>
<td>Q2 August 14th</td>
<td>90 day from fiscal year end</td>
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<tr>
<td>Q3 November 14th</td>
<td>For Expanded Filers</td>
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<td>Q4 February 14th</td>
<td>Q1 May 15th</td>
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Changes to Corporate or Main Address

When a mortgage company licensee decides to change its main or corporate address, it’s important to make sure that the licensee’s NMLS record is updated to reflect the correct address in all relevant sections. Updating the company address in the Identifying Information section of the MU-1 form does not automatically update the information in the Primary Company Contact or Books and Records sections. Please be sure all areas of the licensed company’s record are properly updated to ensure accurate information is provided should a regulator need to reach you. Virginia Regulation 10 VAC 5-160-90 D requires licensees to maintain current information in its records with the Registry, and these changes must be updated by the licensee “as soon as is practicable, but in no event later than five business days from when the change takes effect.”
License Update

The following is a list of companies and individuals that have been barred, had their license revoked, had an application denied, or paid a fine or civil penalty since November 7, 2017. This list should be helpful to keep track of companies with which you do business. These lists are accurate as of July 31, 2018. Call the Bureau if you have a question concerning a recent denial or regulatory action taken by the Commission.

Applications Denied

MC-4505  Security Trust Mortgage, LLC (NMLS ID #393916) – denied March 27, 2018
MLO-6625  Daniel McDonald (NMLS ID #436057) – denied March 27, 2018

Revocation Orders


MC – 4526  Action Mortgage, LLC. – order dated April 4, 2018 for failure to maintain a surety bond in violation of § 6.2-1604 of the Code of Virginia and failure to provide the Bureau with a response to its examination report, in violation of 10 VAC 5-160-50 B.

Settlement Orders


William E. Taylor, Jr. – order entered April 26, 2018. Paid $2,500 for failing to obtain Commission approval prior to acquiring 25% or more of the ownership of Hometown Lenders, Inc. (MC-5803), in violation of § 6.2-1608 of the Code of Virginia.


Firstsource Group USA, Inc. – order entered June 7, 2018. Paid $5,000 for failing to obtain Commission approval prior to acquiring 25% or more of the ownership of ISGN Solutions, Inc. (MC-5506), in violation of § 6.2-1608 of the Code of Virginia.

Interlaken Mortgage Corp. – order entered July 10, 2018. Paid $5,000 for failing to obtain Commission approval prior to acquiring 25% or more of the ownership of Belem Servicing LLC d/b/a Patriot Home Mortgage (MC-5644), in violation of § 6.2-1608 of the Code of Virginia.

Cease and Desist Orders

Parke Stanley – cease and desist order dated January 25, 2018 requiring the defendant to cease and desist from engaging in business as a mortgage broker and a mortgage loan originator without the required licenses, and to comply with the provision of Chapters 16 and 17 of Title 6.2 of the Code of Virginia.
Changing of the Guard in Licensing/Admin (continued from page 1)

Gerald is from Richmond and a graduate of the University of Richmond (both undergraduate and masters degree). He and his wife have lots of retirement plans like traveling, taking some classes, spending more time with his family, and working on his 140 year old farmhouse. We wish him many happy and healthy years in retirement!

Congratulations also go out to Dustin Physioc who was appointed Deputy Commissioner to succeed Gerald in the Administration and Licensing section. Dustin has been with the Bureau since 2006, starting out as an Assistant Financial Analyst and working his way up in 2014 to a Principal Financial Analyst. He is a native of Richmond and is a graduate of Virginia Tech.

The Bureau of Financial Institutions’ Administration and Licensing Section is responsible for processing and investigating applications from depository and non-depository institutions, individuals and other business entities for certificates of authority and licenses to conduct business in Virginia, and for branches, offices, relocations, mergers, and acquisitions. It also provides logistical support to the Bureau’s regulatory sections; administers budgeting, accounting, and procurement functions; administers human resources and information technology operations; maintains Bureau records; performs special projects for the Commissioner; and oversees compilation of the Bureau’s strategic plan.

NMLS Primary Company Contact Info

NMLS requires companies licensed through the NMLS to designate a “Primary Company Contact” on the MU-1. The primary company contact must be authorized to receive all compliance and licensing information, communications, and mailings regarding the entity, officers, directors and individuals. They must also be responsible for disseminating this information with the applicant or licensee’s organization. The primary company contact is for regulator use.

The Bureau will send correspondence to the primary company contact, including Reports of Examination, updates and notices, newsletters, and other correspondence. This person is also the first point of contact for the Bureau should we need to call to obtain company information. It is imperative that all licensees make sure the person listed as the primary contact is up-to-date to ensure proper notification of important compliance and regulatory information.