



# The Idaho Compliance Connection

A Newsletter Published by the Consumer Finance Bureau of the Idaho  
Department of Finance for Mortgage Brokers and Lenders,  
Consumer Finance Companies, and Collection Agencies

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## WELCOME OUR NEW STAFF

**Brenda Stubblefield** joins the Bureau as an Examiner/Investigator in the Exam/Enforcement section. She brings over 6 years of varied experience as a Branch Manager for Avco Financial Services, a Compliance Officer for the Idaho State Tax Commission and a Loan Officer for both UC Lending and US Bank.

**Erin Van Engelen** joins the Bureau as an Examiner/Investigator in the Licensing section. She was previously with Smith Barney as a Registered Associate for over 5 years and with US Bank for almost 2 years as a Sales Assistant. She also maintains a position as an Assistant Coach on the BSU Forensics (Debate) Team.

**Richard Dekker** joins the Bureau as an Examiner/Investigator in the Exam/Enforcement section. He brings over 15 years of consumer, mortgage and collection experience from HFC, WFS Financial, Bob Rice Ford, Dan Wiebold Ford and Jubilee Auto Sales.

**Karen Carlyle** rounds out the additions to the Bureau as Administrative Assistant to the Examiners in the Exam/Enforcement section. She brings over 10 years experience primarily from the Department of Public Instruction and First Security Bank.

## Letter From the Bureau Chief

Idaho is at the threshold of loan originator licensing - a significant change in the regulatory structure of the residential mortgage industry.

In this issue of the Compliance Collection, I wanted to recap a bit of the history relative to loan originator licensing in Idaho. In 2004 the Idaho Mortgage Brokers Association ("IMBA") and the Idaho Mortgage Lenders Association ("IMLA") obtained amendments to the Idaho Residential Mortgage Practices Act to include licensing and continuing education requirements for mortgage loan originators. The Department worked closely with IMBA and IMLA during this process.

More recently, the 2005 Idaho Legislature provided funding to the Department to implement loan originator licensing, which goes into effect in January 2006. This was a vital milestone enabling the Department to prepare for the coming wave of new loan originator licensees. The members of IMBA and IMLA were instrumental in helping the Department obtain the staffing and tools necessary to successfully implement loan originator licensing in Idaho.

The Department estimates that within three years its regulatory oversight responsibilities will expand to cover approximately 10,000 new loan originator licensees. Despite this significant workload increase, the Department is committed to providing efficient regulatory services to its licensees.

In this issue of the Compliance Connection you will find information about upcoming free training seminars to be offered throughout Idaho for prospective loan originator licensees. Check page 4 of this Newsletter for locations and dates. Register early, as seating is not guaranteed, and will be offered through pre-registration on a first-come, first-served basis.

The Department's training seminars will provide an excellent opportunity for mortgage loan originators to learn everything they need to know to prepare for licensing. The seminars have been approved by the Director of the Department of Finance for up to three continuing education credits for attendees who apply to the Department for a loan originator license within ninety days of the training, and whose license applications are subsequently approved.

The Department appreciates licensees who take steps to ensure that they operate in compliance with applicable laws and rules. We find that licensees who take the time to study and apply the rules and laws under which they operate are miles ahead of their competition on the compliance front.

As always, Department staff members are ready and willing to answer your compliance related questions. The Department's website is also a convenient source for information. It can be accessed at: <http://finance.idaho.gov>.

Michael Larsen  
Consumer Finance Bureau Chief  
Idaho Department of Finance

# Enforcement Actions

## Regulated Lenders

**(includes Payday, Title, Finance Companies, etc)**

### **Check to Cash, LLC--8/8/05**

Agreement and Order--Assessed \$1,500 administrative penalty, with \$1,000 suspended, plus \$500 attorney fees for failing to file a timely and complete payday renewal form.

## Mortgage Brokers/Lenders

### **Anita Yekel dba White Knight Mortgage--7/25/05**

Cease and Desist Order--conducting unlicensed activity.

### **Access Mortgage Company Inc--7/26/05**

Agreement and Order--paid \$15,000 administrative penalty for unlicensed activity.

### **Prime West Financial Ltd--8/3/05**

Agreement and Order--paid \$1,000 administrative penalty for filing a false or misleading response as to a material fact on its annual renewal form.

### **Christian Roberts Mtg LLC--8/19/05**

Agreement and Order--paid \$1,500 administrative penalty for filing a false or misleading response as to a material fact on its annual renewal form.

## Collection Agencies

### **Giove Law Office PC--5/16/05**

Order Denying Application for Collection Agency Permit



## Top Consumer Complaints 3/1/05 through 8/31/05

Complaint issues listed from most prevalent to least.

### 1) Origination:

These complaints relate to nondisclosures of costs for third-party expenses, as well as representations made by loan officers that a loan will be closed on a certain date ~ and the date passes. Usually the result is the loan could not be obtained as originally promised. A few complainants indicated that they were told to stop making payments as the loan is going to close very soon.

### 2) Loan Servicing.

These complaints (some included federally regulated entities) pertained to difficulties with escrow accounts, payments made by complainants not applied as they understood - and borrowers simply not understanding the terms of a simple interest loan.

### 3) Appraisal payments.

These complaints are related to appraisers not being paid for services rendered. This area of complaints reflect an increase not seen before ~ there were seven complaints.

### 4) Advertising violations.

These complaints are related most frequently to violations of the Residential Mortgage Practices Act. Representations made that do not reflect the true intent of the solicitation.

### 5) Unlicensed activities.

These complaints relate to facsimiles received in the Department, as well as from the industry regulating itself.



# What to Know about Identity Thieves

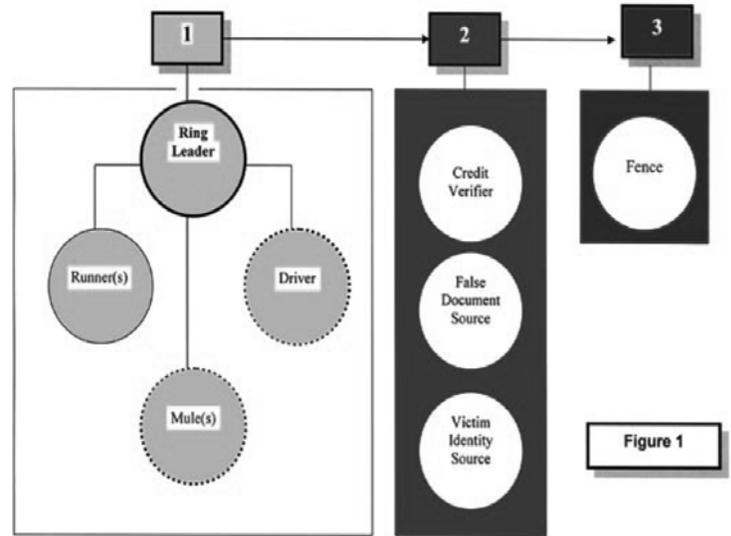
It is likely that most of us have either heard second-hand accounts of instances of identity theft and its effect on someone's financial situation or, we may personally know of someone who has been harmed by this "silent" crime. In the financial services industry, awareness of the growing problem of identity theft is important and becomes more significant every day. The magnitude of the issue is illustrated by studies, such as one conducted by Judith Collins, professor and director of Michigan State's Identity Theft Program, that indicated that up to 70 percent of identity theft cases begin when personal data is stolen by employees of a company that is in possession of a consumer's non-public information (Sullivan, 2004). But, regardless of how much we hear about the issue or how many measures are put in place to prevent identity theft from occurring, how many of us can state we know who represents a threat to our consumers' private information?

In an extremely detailed and pertinent article entitled "Identity Theft and SLIT Rings: An Unrecognized Yet Growing Cancer," published in the July/August edition of *Crime & Justice International*, author Bruno Pravlicek provides insight into an evolving class of identity thieves. Mr. Pavlicek explains that in many cities, criminals who traditionally engaged in burglaries, drug trafficking, and robbery are moving toward criminal activities that carry less risk relative to the potential for financial gain. Because of this shift in criminal activity, street level identity theft rings, or SLIT rings, have become an operating format for identity theft (Pavlicek, 2005).

Mr. Pavlicek describes SLIT rings as associations of common street level criminals from inner cities, generally from lower socioeconomic and minority backgrounds. These criminals conspire and loosely organize together for the purpose of illegally acquiring and compromising victim's identities. They have the intent and means to impersonate victims in the course of conducting fraudulent financial transactions for purposes of separate elements of an identity theft crime in separate locations. For instance, consumer information illicitly obtained in one state may be used fraudulently for financial gain in another state. Another advantage is that SLIT rings engage in a criminal enterprise that requires significant resources to investigate and prosecute, which makes identity theft crimes more difficult to pursue than more traditional crimes, such as burglaries and drug trafficking. Finally, a continued lack on the part of many organizations, which maintain non-public consumer information, to implement safeguards against identity theft allows these criminal organizations the opportunity to continue their activities without early detection.

The definition of SLIT rings given above provides a general overview of how such organizations act to perpetrate identity theft crimes. However, a more detailed analysis of certain traits of a SLIT ring is necessary in order to aid financial service companies in preventing consumers or themselves from becoming victims of an identity theft crime. The following figure illustrates a key trait of a SLIT ring—its division of labor. Regularly a ring leader acts to maintain the operation of the criminal enterprise, recruit new members, and direct the activities of associated parties. The ring leader of a SLIT ring will pull together resources that include personnel at the lowest level of the organization, such as "mules", who intercept items delivered by mail to a victim, for example, books of checks or account statements. Other resources necessary to a SLIT ring include skilled personnel who can verify the credit quality of victims or who can create false or forged documents, such as driver's licenses to aid in perpetrating the crime.

Figure 1: SLIT Ring Division of Labor Chart



A key element in the structure of a SLIT ring is noted in the above figure as "Victim Identity Source." This member of the SLIT ring is crucial to the continuation of identity theft crimes in that it represents a member of the ring who has access to the consumer information that is obtained for the SLIT ring. From the perspective of a financial services company, this member of the identity theft operation is the initial threat to the safety of its consumer's personal information. The Victim Identity Source may be any party affiliated with a financial services company who has the ability to illicitly obtain a consumer's information. This could include employees of a company or potentially vendors who may have the means to access such information. Once the Victim Identity Source obtains personal consumer information, it is then transmitted to the SLIT ring leader in order to further the crime of identity theft. Therefore, it is critical that financial services companies incorporate safeguards to limit the potential for the Victim Identity Source to complete the task of acquiring personal, non-public information.

Financial service companies have already been subject to many legislative changes designed to restrict access to a consumer's personal, non-public information. It could be expected that if incidents of identity theft continue to increase, the result may mean reactive legislation that will increase regulatory control over the manner in which companies obtain and maintain consumer information. Recognizing the features that single out the perpetrators of identity theft crimes could lead to more proactive action, with measurable results, on the part of financial service companies. Positive results in the effort to reduce instances of identity theft related crimes are the means to decrease the effectiveness of identity theft rings while also lessening the need for more governmental oversight related to the protection of consumer information.

## References:

- Pavlicek, B. (July/Aug 2005). "Identity theft and slit rings: an unrecognized yet growing cancer." *Crime & Justice International*.
- Sullivan, B. (May 21, 2004). "Study: ID theft usually an inside job." MSNBC Interactive. Retrieved September 6, 2005 from the World Wide Web: <http://msnbc.msn.com/id/5015565/?GTI=3391>.

## IMPORTANT DATES TO REMEMBER EACH YEAR

### Renewals and Annual Notifications

**Regulated Lenders** (includes payday & title lenders, as well as dual-licensed mortgage lenders with this license)

**Collection Agencies/Foreign Permittees**  
**Mortgage Brokers & Lenders**  
**Escrow Companies**

### Annual Reports of Activity

**Regulated Lenders**  
**Collection Agencies/Foreign Permittees**  
**Mortgage Brokers & Lenders**

### Last Date to Complete

January 31st  
 March 15th  
 August 31st  
 April 30th

May 31st  
 March 15th  
 August 31st



### Free Mortgage Loan Originator Training

**Loan Officers and Qualified Persons in Charge--approved for 3 hours continuing education credit!**

Training is designed to meet the requirements of continuing education in Idaho law. Registrants should be limited to loan originators and those designated as the Qualified Person in Charge (QPIC) due to limited seating. The QPIC is identified with each licensee on our website.

**BOISE/MERIDIAN--**Wednesday, Oct. 19, 2005--Comfort Suites, 2310 E Freeway Drive, Meridian

**COEUR D'ALENE--**Friday, Oct 21, 2005--Ameritel Inn, 333 Ironwood Ave

**TWIN FALLS--**Tuesday, Nov. 1, 2005--Ameritel Inn, 1377 Blue Lakes Blvd North

**POCATELLO--**Wednesday, Nov. 2, 2005--Ameritel Inn, 1440 Bench Rd

**IDAHO FALLS--**Thursday, Nov. 3, 2005-- Ameritel Inn, 645 Lindsay Blvd

A morning and afternoon session will be presented at each location. Morning sessions will run from 8:30 a.m. until 12:00 noon. Sign-in begins at 8:00 a.m. Afternoon sessions will run from 1:30 p.m. until 5:00 p.m. Sign-in begins at 1:00 p.m.

**SEATING IS LIMITED. RESERVE YOUR SEAT BEFORE OCTOBER 1, 2005 BY CALLING (208) 332-8072 OR 1-888-346-3378 (toll free in Idaho)**

Visit our website at <http://finance.idaho.gov> for more information

### New on the Web!

**Collection Agencies--**Now file your Collection Agency Quarterly Notification of Collectors/Agents online! Located in an e-file format in the collection agency forms section.

**Mortgage Loan Originators--** Get a head start on securing your surety bond with the Loan Originator Surety Bond form. For those who plan to file a CD in lieu of the bond, the Department's policy letter/instructions is also available. Both items are posted in the mortgage form section.

**Debt Buyer Policy--**for entities involved in debt buying, but not the collection of the debt, the Department's Debt Buyer Policy is available in the new "Policy" section from the homepage.

**Idaho Financial Fraud Prevention Act--**this new law, under Title 67 Chapter 27, became effective July 1, 2005 and effects all entities licensed by the Bureau. Access this law for review and how it may affect you in the "Laws/Statutes" section from the homepage.

This newsletter is produced semi-annually as a part of the Bureau's continued communication outreach with the companies we regulate.

Special thanks to Brenda Stubblefield, Anthony Polidori and Cina Treese for their contributions to this issue!

## Escrow Company Licensure Required

Licensing requirements for independent escrow companies became effective July 1, 2005 under the new Idaho Escrow Act. If not qualified for an exemption, those entities conducting activity described as "*...any transaction in which any person, for the purpose of effecting the sale, transfer, encumbrance, or lease of real or personal property to another person, delivers any written instrument, money, evidence of title to real or personal property, or other thing of value to a third person to be held by that third person until the happening of a specified event or the performance of a prescribed condition, when the instrument, money, evidence of title or thing of value is then to be delivered by the third person to a grantee, grantor, promisee, promisor, obligee, obligor, bailee, bailor, or any agent or employee of any of the latter, pursuant to written instruction*" shall be required to apply for a license by October 28, 2005.

Based on the description of activity, independent escrow companies may not be the only entities affected. Property management companies and others conducting the activity of collecting and maintaining trust funds for tenants and owners may also be affected.

The Idaho Escrow Act is available on the website in the "Laws/Statutes" section from the homepage.



### BUREAU STATISTICS

#### Active Licensees (as of 8/31/2005)

Mortgage Brokers	796
Mortgage Lenders	808
Escrow Companies	0
Regulated Lenders (inc. title lenders)	348
Payday Lenders	216
Collection Agencies	156
Foreign Permittees	400
Debt/Credit Counselors	33

#### New Applications Received (3/1-8/31/2005)

Mortgage Brokers/Lenders	343
Regulated Lenders (incl. payday/title)	56
Collection Agencies/Foreign Permittees	58
Escrow Companies	0

#### Exams Conducted (3/1-8/31/2005)

Mortgage Brokers/Lender	12
Regulated Lenders (inc payday/title)	0
Collection Agency	41

#### Exemptions (3/1-8/31/2005) 45

#### Voluntary License/Application Withdrawals (3/1-8/31/2005)

Mortgage Brokers/Lenders	173
Regulated Lenders (inc payday/title)	16
Collection Agency	10

#### Complaints filed (written) (3/1-8/31/2005)

Mortgage (origination & servicing)	51
Collection Agency	102
Payday Lender, Regulated Lender (finance co., payday, title)	23
Other (banks, credit unions)	25

#### Complaints closed (all) (3/1-8/31/2005) 120

### Contact Information for the Idaho Department of Finance

Main phone number (208)-332-8000  
Consumer Finance Bureau (208) 332-8002  
Facsimile (208) 332-8099

**USPS (regular mail)**  
Idaho Department of Finance  
PO Box 83720  
Boise ID 83720-0031

**Overnight Delivery**  
Idaho Department of Finance  
700 W State Street 2nd Floor  
Boise ID 83702

**We have a new web address!** <http://finance.idaho.gov>



Suggestions and comments concerning the newsletter or its contents should be sent to the Bureau at  
PO Box 83720, Boise, Idaho 83720-0031 or via email to  
[kc\\_schaler@finance.idaho.gov](mailto:kc_schaler@finance.idaho.gov)