



1 Oregon, 97204.

2 2. On January 27, 1994 Respondent submitted an application to be licensed  
3 to conduct a mortgage lending business pursuant to the provisions of ORS 59.840  
4 through 59.960. License number MB/B-247 was issued effective January 27, 1994  
5 by the Division of Finance and Corporate Securities (the Division) to Respondent  
6 authorizing Respondent to transact business at the principal office and branch  
7 offices located at 9955 SE Washington St., Suite 304, Portland, Oregon 97216 and  
8 3875 SW Hall Blvd., Beaverton, Oregon 97005.

9 3. Respondent conducted a mortgage lending business from the two Oregon  
10 branch offices until about March 15, 1994 at which time the offices were  
11 closed. No amendment to Respondent's application was filed disclosing that the  
12 branch offices had been closed as required by law.

13 4. On about March 1, 1994, Respondent changed management and did not file  
14 an amendment to the application which disclosed the changes as required by law.

15 5. Between January 1, 1994 and March 15, 1994, Respondent received funds  
16 from at least three Oregon residents for purchase of appraisals on real estate.  
17 The appraisals were completed but Respondent did not pay the appraisers. On or  
18 about March 15, 1994, the balance of the funds in the Client's Trust Account was  
19 withdrawn and the account was closed.

20 6. On March 18, 1994, Respondent submitted an aged list of accounts  
21 payable which totaled \$1,281,006.88 of which \$520,894.57 was over 45 days past  
22 due.

23 7. On January 27, 1994, Respondent submitted a financial statement in  
24 support of their application. The financial statement disclosed that Respondent  
25 incurred a net loss of \$6,240,660.00 during the year ending December 31, 1992  
26 and, as of that date, had a working capital deficiency of \$16,128,337.00 and a

1 negative net worth of \$3,057,428.00. The Certified Public Accountant which  
2 prepared the financial statement expressed the opinion that because of the  
3 financial condition of Respondent, there was substantial doubt about the  
4 Respondent's ability to continue as a going concern.

5 8. From May 27, 1994 to the present, the Division has made repeated  
6 attempts to communicate with Respondent by mail and telephone. No response has  
7 been received to mail inquiries, and the telephone service has been disconnected.

#### 8 CONCLUSIONS OF LAW

9 1. Respondent transacted a mortgage banking and mortgage broker business.

10 2. By failing to use the borrower funds intended for payment of appraisal  
11 fees Respondent engaged in an act, practice and course of business which  
12 operated as a fraud and deceit upon the client borrower and the appraiser in  
13 violation of the provisions of ORS 59.930(3).

14 3. Respondent violated the provisions of ORS 59.860(2) by failing to  
15 amend the license application to disclose the changes in management and control  
16 persons.

17 4. Respondent is insolvent in the sense that their liabilities exceed  
18 their assets and they have not paid their obligations as they matured.

19 5. The insolvency of Respondent and the violations enumerated in  
20 Conclusions of Law one through three constitute grounds for revocation of  
21 Respondent's license pursuant to the provisions of ORS 59.865(1), (2) and (3).

#### 22 ORDER

23 THEREFORE pursuant to ORS 59.885(4), the Director hereby **ORDERS**:

24 1. Respondent TransCoastal Mortgage Corp. to CEASE AND DESIST violations  
25 of any of the provisions of ORS 59.840 through 59.960.

26 Pursuant to the provisions of ORS 59.865 the Director REVOKES the license

1 of Respondent TransCoastal Mortgage Corp.

2 The entry of this Order in no way limits further remedies which may be  
3 available to the Director under Oregon law.

4 Dated this 22<sup>nd</sup> day of August, 1994 at Salem, Oregon.

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KERRY BARNETT, DIRECTOR  
DEPARTMENT OF CONSUMER AND  
BUSINESS SERVICES

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