

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
DIVISION OF FINANCE AND CORPORATE SECURITIES  
SECURITIES SECTION  
BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
STATE OF OREGON

In the Matter of: )  
 )  
CENTRAL OREGON MORTGAGE, INC ) O-94-0051  
PAUL D. BARNES ) ORDER TO CEASE AND DESIST  
ROBERT W. PALMER ) ASSESSMENT OF CIVIL PENALTIES  
 ) ORDER TO REVOKE LICENSE  
 ) CONSENT TO ENTRY OF ORDER  
Respondents. )

WHEREAS the Director of the Department of Consumer and Business Services has conducted an investigation of CENTRAL OREGON MORTGAGE, INC (hereinafter "Respondent COMI"), PAUL D. BARNES (hereinafter "Respondent BARNES"), and ROBERT W. PALMER (hereinafter "Respondent PALMER") and has determined that COMI, BARNES AND PALMER (hereinafter "the Respondents") engaged in activities constituting violations of the Oregon Revised Statute 59.840 through 59.960 (hereinafter "the Mortgage Lender Law");

WHEREAS Respondents wishes to resolve and settle this matter with the Director;

NOW THEREFORE, as evidenced by the authorized signature(s) subscribed on this Order, Respondents hereby CONSENTS to entry of this Order upon the Director's Findings of Facts and Conclusions of Law as stated hereinafter:

FINDINGS OF FACT

The Director FINDS that:

1. Respondent COMI is an Oregon corporation located at 782 Rimrock Way, Redmond, Oregon, whose agent for service of process is Ronald L Bryant with offices at 888 W. Evergreen Ave., Redmond, Oregon. Respondent COMI was licensed as a mortgage broker in Oregon pursuant to the Mortgage Lender Law on

ORDER TO CEASE AND DESIST, ASSESSMENT OF CIVIL PENALTIES, ORDER TO REVOKE LICENSE, CONSENT TO ENTRY OF ORDER 899-SECMB

OREGON DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
Division of Finance and Corporate Securities  
21 Labor and Industries Building  
Salem, OR 97310  
(503) 378-4387

1 January 1, 1994;

2 2. Respondent PALMER is a President and 50% owner of Respondent COMI.  
3 Respondent PALMER's business address is the same as that of Respondent COMI;

4 3. Respondent BARNES is a Secretary, Vice President and 50% owner of  
5 Respondent COMI. The business address of Respondent BARNES is the same as that  
6 of Respondent COMI;

7 4. During the period commencing on or about January 1, 1994 and  
8 continuing through December 31, 1994, the Respondents conducted the business of  
9 a mortgage broker in Oregon by making and negotiating and offering to make and  
10 negotiate loans secured by interests in real estate for compensation;

11 5. Commencing on or about August 22, 1994 through on or about  
12 October 15, 1994, Respondent COMI submitted four applications for loans secured  
13 by lien interests in real estate to an Oregon licensed mortgage lender. Each of  
14 the four loan applications included inspection reports on four separate  
15 structures located on each of the four properties. The inspection reports were  
16 presented to the mortgage lender as the work product of Todd Sheets Home  
17 Inspections and purportedly were signed by Todd Sheets;

18 6. Each of the four inspection reports described in item 5 above were  
19 prepared and signed by the Respondents without the knowledge or authority of  
20 Todd Sheets. Each of the four loan applications which contained the forged  
21 inspection reports were approved and funded by the mortgage lender. Respondent  
22 Palmer was aware of three of the inspection reports. Respondent Barnes was  
23 aware of four of the inspection reports;

24 7. Commencing on or about March 2, 1994 through on or about  
25 September 26, 1994, Respondent COMI and Respondent Barnes prepared and submitted  
26 to five different mortgage lenders eight different applications for loans

ORDER TO CEASE AND DESIST, ASSESSMENT OF CIVIL PENALTIES, ORDER TO REVOKE  
LICENSE, CONSENT TO ENTRY OF ORDER 899-SECMB

PAGE 2

1 secured by lien interests in real estate on behalf of eight Oregon borrowers.  
2 The applications included credit reports which purported to reflect the credit  
3 history of each of the eight borrowers;

4 8. The credit reports described in item 7 above were prepared at the  
5 request of Respondent COMI and Respondent BARNES by an Oregon credit reporting  
6 company. All of the original credit reports contained derogatory reports on the  
7 payment history of the borrowers for whom the loan applications were prepared;

8 9. Respondent COMI and Respondent BARNES submitted to the credit  
9 reporting company 12 letters, purported to be from five different creditors,  
10 requesting that derogatory information be removed from the borrower's credit  
11 report;

12 10. The request to remove derogatory information was routinely honored by  
13 the credit reporting company and a second credit report, which did not include  
14 derogatory reports from the five creditors, was prepared for each of the eight  
15 borrowers and ultimately submitted to the mortgage lenders in support of the  
16 loan application. At least five of the eight loan applications which contained  
17 these credit reports were funded by the mortgage lender;

#### 18 CONCLUSIONS OF LAW

19 The Director **CONCLUDES** that:

- 20 1. The Respondents transacted the business of a mortgage broker;
- 21 2. In the conduct of a mortgage business Respondent COMI and Respondent  
22 BARNES, employed a device, scheme or artifice to defraud on four separate  
23 occasions in violation of ORS 59.930(1) by forging four inspection reports and  
24 Respondent Barnes submitted one report to lenders in support of a mortgage loan;
- 25 3. In the conduct of a mortgage business Respondent Palmer employed a  
26 device, scheme or artifice to defraud on three separate occasions in violation

**ORDER TO CEASE AND DESIST, ASSESSMENT OF CIVIL PENALTIES, ORDER TO REVOKE  
LICENSE, CONSENT TO ENTRY OF ORDER 899-SECMB**

PAGE 3

1 of ORS 59.930(1) by submitting forged inspection reports to lenders in support  
2 of mortgage loans;

3 4. In the conduct of a mortgage business Respondent COMI and Respondent  
4 BARNES employed a device, scheme or artifice to defraud on twelve occasions in  
5 violation of ORS 59.930(1) by forging letters to a credit reporting company  
6 requesting that derogatory information be removed from credit reports which were  
7 subsequently submitted to lenders in support of mortgage loans;

8 5. Respondent COMI, by and through Respondent BARNES and Respondent  
9 PALMER, engaged in dishonest, fraudulent and illegal practices or conduct in a  
10 mortgage business in violation of ORS 59.865(2) by submitting four forged  
11 inspection reports to mortgage lenders in support of mortgage loan applications;

12 6. Respondent COMI, by and through Respondent BARNES, engaged in  
13 dishonest, fraudulent and illegal practices or conduct in a mortgage business in  
14 violation of ORS 59.865(2) by forging twelve letters to a credit reporting  
15 company requesting that derogatory information be removed from credit reports  
16 which were subsequently submitted to lenders in support of mortgage loans.

17 **ORDER**

18 **NOW THEREFORE, THE DIRECTOR ORDERS:**

19 1. Pursuant to the authority of ORS 59.885(3), Respondent COMI,  
20 Respondent BARNES, and Respondent PALMER shall **CEASE AND DESIST** from  
21 participating in any violations of the Oregon Mortgage Lender Law.

22 2. Pursuant to the authority of ORS 59.865, the mortgage broker license  
23 of Respondent COMI is **REVOKED**.

24 3. Pursuant to the authority of ORS 59.996, the Director **HEREBY ASSESSES**  
25 the following civil penalties:

26 a. Respondent COMI, Respondent BARNES, Respondent PALMER are **ORDERED** to  
**ORDER TO CEASE AND DESIST, ASSESSMENT OF CIVIL PENALTIES, ORDER TO REVOKE**  
**LICENSE, CONSENT TO ENTRY OF ORDER 899-SECMB**

OREGON DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
Division of Finance and Corporate Securities  
21 Labor and Industries Building  
Salem, OR 97310  
(503) 378-4387

1 pay the sum of \$60,000 for continuing violations of ORS 59.930(1) as stated  
2 herein, and shall be jointly and severally liable for payment of such penalties.

3 b. The director suspends payment of \$54,000 of the civil penalty for a  
4 period of three years from the date of this order. The date of this Order is  
5 the date the Director executes the Order. If in the period from the date of  
6 this Order to three years from the date of this Order, the Respondents violate  
7 any provision of Oregon's Mortgage Lender Law and administrative rules, the  
8 \$54,000 suspended civil penalty will become immediately due and payable. In the  
9 event violations of the law or this order do occur, only the person responsible  
10 for the violation(s) shall be liable for payment of the suspended civil  
11 penalty. If at the end of the three year period the Respondents have not  
12 violated the provisions of Oregon's Mortgage Lender Law, the suspended portion  
13 of the civil penalty shall be waived.

14  
15 The entry of this Order in no way limits further remedies which may be available  
16 to the Director under Oregon law.

17 Dated this 14<sup>th</sup> day of February, 1995 at Salem, Oregon.

18  
19   
20 KERRY BARNETT  
21 DIRECTOR  
22 DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

23 **CONSENT TO ENTRY OF ORDER**  
24 **ADMISSION OF FACTS**

25 I, Paul D. Barnes, state that I am a resident of the State of Oregon, that  
26 I have read the foregoing Order and that I know and fully understand the  
contents hereof; that I have been advised of my right to a hearing, and that I  
have been represented by counsel in this matter; that, without admitting or

1 denying the factual allegations stated herein, I voluntarily consent to the  
2 entry of this Order without further hearing on this matter without any force or  
3 duress, expressly waiving any right to a hearing in this matter; that I  
4 understand that the Director reserves the right to take further actions against  
5 me to enforce this Order or to take appropriate action upon discovery of other  
6 violations of the Oregon Mortgage Lender Law by me; and that I will fully comply  
7 with the terms and conditions stated herein.

8 I further assure the Director that I will not engage in the activities of a  
9 mortgage broker unless such activities are in full compliance with the Oregon  
10 Mortgage Lender Law.

11 I understand that this Consent Order is a public document.

12 DATED this 30th day of January, 1995.

*Paul D. Barnes*  
Paul D. Barnes

14 SUBSCRIBED AND SWORN to before me this 30 day of January 1995.

15 NOTARY PUBLIC for State of: Oregon

16 *Carla M. Aas*  
17 Printed name of Notary Public  
18 My commission expires: 8/10/98



19  
20 **CONSENT TO ENTRY OF ORDER  
ADMISSION OF FACTS**

21 I, Robert W. Palmer, state that I am a resident of the State of Oregon,  
22 that I have read the foregoing Order and that I know and fully understand the  
23 contents hereof; that I have been advised of my right to a hearing, and that I  
24 have been represented by counsel in this matter; that, without admitting or  
25 denying the factual allegations stated herein, I voluntarily consent to the  
26 entry of this Order without further hearing on this matter without any force

**ORDER TO CEASE AND DESIST, ASSESSMENT OF CIVIL PENALTIES, ORDER TO REVOKE  
LICENSE, CONSENT TO ENTRY OF ORDER 899-SECMB**

1 or duress, expressly waiving any right to a hearing in this matter; that I  
2 understand that the Director reserves the right to take further actions against  
3 me to enforce this Order or to take appropriate action upon discovery of other  
4 violations of the Oregon Mortgage Lender Law by me; and that I will fully comply  
5 with the terms and conditions stated herein.

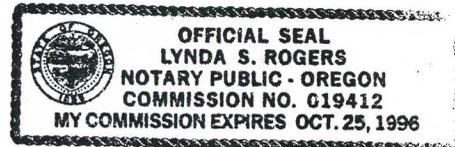
6 I further assure the Director that I will not engage in the activities of a  
7 mortgage broker unless such activities are in full compliance with the Oregon  
8 Mortgage Lender Law.

9 I understand that this Consent Order is a public document.

10 DATED this 7<sup>th</sup> day of FEBRUARY 1995.  
11 \_\_\_\_\_  
12 Robert W. Palmer

13 SUBSCRIBED AND SWORN to before me this 7<sup>th</sup> day of FEBRUARY 1995.

14 NOTARY PUBLIC for State of: OREGON  
15 Lynda S. Rogers  
16 Printed name of Notary Public  
My commission expires: OCT 25, 1996



18 **CONSENT TO ENTRY OF ORDER**

19 I, \_\_\_\_\_, state that I am officer of Central Oregon Mortgage,  
20 Inc., and I am authorized to act on its behalf; that I have read the foregoing  
21 Order and that I know and fully understand the contents hereof; that Central  
22 Oregon Mortgage, Inc. has been advised of its right to a hearing, and has been  
23 represented by counsel in this matter; that, without admitting or denying the  
24 factual allegations stated herein, Central Oregon Mortgage, Inc. voluntarily  
25 consents to the entry of this Order without further hearing without any force or  
26 duress, expressly waiving any right to a hearing in this matter; that Central

OREGON DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
Division of Finance and Corporate Securities  
21 Labor and Industries Building  
Salem, OR 97310  
(503) 378-4387

1 Oregon Mortgage, Inc. understands that the Director reserves the right to take  
2 further actions to enforce this Order or to take appropriate action upon  
3 discovery of other violations of the Oregon Mortgage Lender Law and that  
4 Central Oregon Mortgage, Inc. will fully comply with the terms and conditions  
5 stated herein.

6 Central Oregon Mortgage, Inc. further assures the Director that Central  
7 Oregon Mortgage, Inc. will not transact business as a mortgage broler unless  
8 such activities are in full compliance with Chapter 59 of the Oregon Mortgage  
9 Lender Law.

10 I understand that this Consent Order is a public document.

11 Dated this 7th day of FEBRUARY, 1995.

12 By [Signature] <sup>Robert</sup><sub>W. Palmer</sub>  
(Printed Name)

13 President  
14 (Office Held)

15 SUBSCRIBED AND SWORN to before me this 7th day of FEBRUARY 1995.

16 NOTARY PUBLIC for State of: OREGON

17 Lynda S ROGERS

18 Printed name of Notary Public

19 My commission expires: OCT 25, 1996



OREGON DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
Division of Finance and Corporate Securities  
21 Labor and Industries Building  
Salem, OR 97310  
(503) 378-4387