



1 Financial & Mortgage Corporation that three clients; Robert Patterson, Phillip Monson, and  
2 Mark Stewart, had closed loans funded by ISI and that during the negotiations no mention was  
3 made by ISI that the loans would be subject to prepayment penalties.

4 5. At the time of settlement Robert Patterson and Phillip Monson received truth In  
5 Lending statements and Notes which contained statements that the loans may be subject to  
6 a prepayment penalty. Neither of these borrowers received a document containing a  
7 prepayment penalty legend required under OAR 441-870-040.

8 6. On the Truth In Lending statement and on the Adjustable Rate Note received at  
9 closing by the Mark Stewart there was a statement that the loan would not be subject to a  
10 prepayment penalty. However, included with the documents was a Prepayment Penalty Rider  
11 which stated "The principal and accrued interest on this loan may be prepaid in whole or in  
12 part at any time but a prepayment made within thirty-six (36) months of the date of execution  
13 shall be subject to the following prepayment charge, whether such prepayment is voluntary,  
14 involuntary or results from default in any term of this Note or Deed of Trust by which it is  
15 secured: a sum equal to the payment of six (6) months' advance interest on the amount  
16 prepaid in any twelve (12) month period in excess of twenty percent (20%) of the unpaid  
17 balance will be charged. If the remaining term of the loan is less than six (6) months, the  
18 prepayment consideration shall be the amount of the advance interest for the remaining term  
19 on the amount prepaid in excess of twenty (20%) of the unpaid balance." This Rider does  
20 not contain the legend required by OAR 441-870-040 nor did Mark Stewart receive any other  
21 document containing the prepayment penalty legend required under OAR 441-870-040.

22 7. On November 20, 1995, at the request of the Department, a written response to  
23 the complaint filed by Charter Bancorp Financial and Mortgage was received from ISI.  
24 Included with the response were copies of the settlement documents signed by Patterson,  
25 Monson and Stewart. On Stewart's Adjustable Rate Note under Section 5 "Borrower's Right  
26 to Prepay" there has been added in different type style "\*\*\*\*See Addendum to Note for  
27 Prepayment Provisions\*\*\*\*". ISI utilized loan documents and forms prepared by out of state  
28 lenders which it believed were in compliance with all provisions of Oregon law. ISI was

1 prohibited by the out of state lenders from altering or changing the loan documents. ISI and  
2 the out-of-state lenders have recently added the required prepayment disclosure to loan  
3 documents utilized in Oregon transactions.

4 8. On December 6, 1995 a certified copy of Stewart's Adjustable Rate Note was  
5 received from First American Title Insurance Company of Oregon, the escrow company that  
6 handled the closing of Stewart's loan. There was no additional type written clause on the  
7 Adjustable Rate Note under Section 5 "Borrower's Right to Prepay."

8 9. Information received from Southern Pacific Mortgage, the company who purchased  
9 Stewart's loan from ISI, states that ISI hand delivered copies of the Stewart's loan to them and  
10 that the copy of the Adjustable Rate Note contains the added type written clause under  
11 Section 5 "Borrower's Right to Prepay."

12 10. ISI and its owner, Mark E. Pritchett, state no one was ever authorized to alter the  
13 Stewart Adjustable Rate Note by adding "\*\*\*\*See Addendum to Note for Prepayment  
14 Provisions\*\*\*\*."

#### 15 CONCLUSIONS OF LAW

16 The Director **CONCLUDES** that:

17 1. Respondent ISI failed in at least three instances to issue a Prepayment Penalty  
18 legend in violation of OAR 441-870-040.

19 2. On two occasions by failing to provide the correct notice of a prepayment penalty  
20 and on one occasion by providing notice on one document that no prepayment penalty would  
21 apply and a contradictory statement that such a penalty would apply on another document,  
22 Respondent ISI engaged in an act, practice or course of business which operated or would  
23 operate as a fraud or deceit upon a person in violation of ORS 59.930(3)

24 3. By submitting a document to the Director which was materially altered after the time  
25 of closing, Respondent ISI violated ORS 59.930(4).

#### 26 ORDER

27 The Director, pursuant to ORS 59.885(4) hereby **ORDERS** that ISI shall **CEASE AND**  
28 **DESIST** from:

- 1 1. Violating any provisions of ORS 59.840 through 59.960.
- 2 2. Failing to issue a Prepayment Penalty legend as required under OAR 441-870-
- 3 040.
- 4 3. Engaging in any act, practice or course of business which operates or would
- 5 operate as a fraud or deceit upon any person.
- 6 4. Submitting an altered document to the director.

7 The Director, pursuant to the authority of ORS 59.996, **ORDERS** ISI to pay to the state of  
8 Oregon a civil penalty of \$4,000 consisting of \$1,000 for each of the three known loans in  
9 which ISI failed to submit to the borrowers the required prepayment penalty legend and  
10 \$1,000 for submitting an altered document to the Director.

11 The Director **SUSPENDS** payment of \$2,000 of the civil penalty for a period of three  
12 years. If in the three-year period ISI does not violate any provision of Oregon's Mortgage  
13 lender law or applicable administrative rules, the suspended portion of the civil penalty will  
14 be waived. If ISI violates any provision of Oregon's Mortgage Lender Law or applicable  
15 administrative rules within the three-year suspension period, the suspended penalty of  
16 \$2,000 will be immediately due and payable.

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

19 Dated this 28<sup>th</sup> day of May, 1996 at Salem, Oregon.

20  
21   
22 **KERRY BARNETT, DIRECTOR**  
23 **DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**

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

25 I, MAEK E. PRITCHETT, state that I am an officer of Investment Strategies, Inc. dba  
26 I.S.I. Wholesale; that I have read the foregoing Order and that I know and fully understand  
27 the contents hereof; that the factual allegations stated herein are true and correct; that  
28 Investment Strategies, Inc. dba I.S.I. Wholesale has been advised of its right to a hearing

1 and of its right to be represented by counsel in this matter; that Investment Strategies, Inc.  
 2 dba I.S.I. Wholesale voluntarily consents to the entry of this Order without further hearing  
 3 and without any force or duress, expressly waiving any right to a hearing in this matter: that  
 4 Investment Strategies, Inc. dba I.S.I. Wholesale understands that the Director reserves the  
 5 right to take further actions to enforce this Order or to take appropriate action upon  
 6 discover of other violations of the Oregon Mortgage Lenders Law; and that Investment  
 7 Strategies, Inc. dba I.S.I. Wholesale will fully comply with the terms and conditions stated  
 8 herein.

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

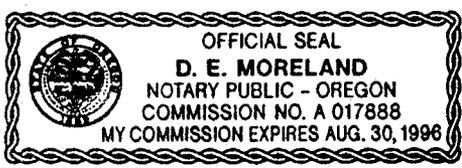
10  
 11 Dated this 24<sup>th</sup> day of May, 1995.

12  
 13 By [Signature]  
 (Signature of Officer)  
 14 MARK E. PRITCHETT  
 (Printed name of officer signing)  
 15  
PRES.  
 (Office Held)  
 16  
 17

18 **CORPORATE ACKNOWLEDGMENT**

19 There appeared before me this 21 day of MAY, 1996, MARK E PRITCHETT  
 20 who has subscribed and affirmed before me, and stated that he was and is the PRES  
 21 of Investment Strategies, Inc. dba I.S.I. Wholesale and that he is authorized and  
 22 empowered to sign the above Consent to Entry of Order in Case No. O-95-0054 on behalf  
 23 of Investment Strategies, Inc. dba I.S.I. Wholesale and to bind Investment Strategies, Inc.  
 24 dba I.S.I. Wholesale to the terms hereof.

25 [Signature]  
 (Signature of notary)  
 26 Notary Public for OREGON  
 27 County of WASHINGTON  
 28



My commission expires: 8/30/96