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DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES
FINANCE SECTION

BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
STATE OF OREGON

In the Matter of

O-00-0025

E-LOAN OF OREGON, INC
DBA MOUNTAIN MORTGAGE
COMPANY

CEASE AND DESIST ORDER AND
CONSENT TO IMPOSITION OF CIVIL
PENALTIES

To: David Dahle
E-loan of Oregon, Inc.
Dba Mountain Mortgage Company
3990 SW Collins Way Suite 201
Lake Oswego, Oregon 97035

WHEREAS the Director of the Department of Consumer and Business Services for the State of Oregon conducted an investigation of E-loan of Oregon, Inc. dba Mountain Mortgage Company (hereinafter "Respondent"), and determined that E-loan of Oregon, Inc. dba Mountain Mortgage Company engaged in activities constituting violations of ORS 59.840 through 59.965 (hereinafter "the Oregon Mortgage Lender Law"); and

WHEREAS E-loan of Oregon, Inc. dba Mountain Mortgage Company wishes to resolve and settle this matter with the Director;

NOW THEREFORE, as evidenced by the authorized signatures subscribed on this Order, E-loan of Oregon, Inc. dba Mountain Mortgage Company hereby **CONSENTS** to entry of this order upon the Director's Findings of Fact and Conclusions of Law as stated hereinafter:

FINDINGS OF FACT

The Director **FINDS** that:

082500-019-001001-0500-114500

1 1. The Division of Finance and Corporate Securities (hereinafter "Division") first
2 issued a mortgage banker/broker license, now called a mortgage lender license, to
3 Respondent on November 14, 1995. Respondent continuously maintained its license
4 since November 14, 1995 under either the dba Mountain Mortgage Company or E-loan
5 of Oregon Inc. dba Mountain Mortgage Company.

6 2. On November 14, 1995 when the Division initially granted Respondent a
7 mortgage lender license, the company had not incorporated. David Dahle solely owned
8 the company which, at that time, the Division had licensed to use the dba Mountain
9 Mortgage Company. Respondent maintained its license under that name until
10 December 17, 1999.

11 3. The October 1998 renewal application for Respondent listed ownership as
12 50% by David Dahle and 50% by Jeana Dahle.

13 4. On October 21, 1999, the Respondent incorporated. David Dahle and Jeana
14 Dahle each continued to own 50% of the corporation. Respondent changed its licensed
15 name to E-loan of Oregon, Inc. dba Mountain Mortgage Company. Respondent has
16 maintained its license continuously with that name since December 17, 1999.

17 5. On May 10, 2000, Mr. Dahle spoke with Kirsten Jepsen, an employee of the
18 Division, regarding the steps necessary to license Respondent's branches. The
19 branches in question are located at 2026 Pacific Avenue in Forest Grove Oregon
20 (hereinafter "Forest Grove") and 212 Shaver Avenue in Molalla Oregon (hereinafter
21 "Molalla").

22 6. On June 5, 2000, the Division sent notice to Respondent that it would be
23 examining the company's books and records on June 21, 2000.

24 7. On June 7, 2000, Mr. Dahle again spoke with Ms. Jepsen about steps required
25 to license branch offices.

26 8. On June 7, 2000, Mr. Dahle met with Ms. Jepsen at the Division's office. Russ

1 Blair, a loan officer for Respondent observed a significant portion of the meeting. Mr.
2 Dahle requested the meeting to receive answers to questions about the upcoming exam
3 During the meeting, Ms. Jepsen reviewed a loan file and asked questions about office
4 procedure. Ms. Jepsen asked whether the clients' trust account reconciliation had been
5 reviewed and signed. Upon learning that they were not, Ms. Jepsen informed Mr. Dahle
6 that the he needed to sign the reconciliations in order to be compliant.

7 9. During the June 7, 2000 meeting, Mr. Dahle attempted to provide the licensing
8 fees for two branches. Ms. Jepsen refused to accept the payments as it was after 5 p.m.

9 10. On June 8, 2000, the Division received the bond change rider increasing the
10 bond amount to \$50,000, one part of the requirements for licensing the branches.

11 11. On June 21, 2000, James Flaherty, an examiner with the Division, examined
12 Respondent's principal location at 812 Molalla Ave. #A in Oregon City, Oregon. Mr.
13 Dahle attempted to give him the licensing fees for two branches during the exam. Mr.
14 Flaherty refused to accept the fees and instead instructed Mr. Dahle to deliver the fees
15 to the Division.

16 12. Forest Grove and Molalla are commercial locations. Each provided pipelines
17 and completed the questionnaire sent to Respondent in connection with the
18 examination.

19 13. The Forest Grove pipeline, dated June 22, 2000, was printed on letterhead
20 with Respondent's name and the Forest Grove address. Capital Mortgage Banking
21 Corporation had licensed this location as a branch until the Division revoked Capital
22 Mortgage Banking Corporation's license on May 8, 2000. After that date, no one was
23 authorized to conduct activity at that location until the Division issued the branch license
24 for Respondent's company on July 3, 2000. The pipeline reveals eight (8) loan
25 applications taken between May 9, 2000 and June 22, 2000.

26 14. On July 27, 2000, Ms. Jepsen spoke with Mr. Dahle and James Varde, the

1 Forest Grove branch manager. Mr. Varde indicated that the branch did not advertise
2 prior to licensing, did not accept walk-in traffic, and did not represent to consumers that
3 the location was an operational branch of Respondent.

4 15. The Molalla branch faxed their information on June 15, 2000. The
5 information included a completed questionnaire that listed Judy Anderson as the branch
6 manager. The fax cover sheet included the branch dba "Compass Advantage Mortgage
7 Banking" with the Molalla location's address. The notes on the cover page also included
8 the following language "Could you please give me a time line of when we will have our
9 branch's FHA approval ...". Along with this information was a sheet of paper with branch
10 information including the name "Compass Mountain Mortgage" followed by "(Molalla
11 Oregon Branch of MOUNTAIN MORTGAGE)."

12 16. On July 3, 2000, the Division received the branch information and fees
13 necessary to process the branch applications for Forest Grove and Molalla. Mr. Dahle
14 signed the letter dated June 29, 2000.

15 17. On July 3, 2000, the Division issued a branch license for Forest Grove.

16 18. The June 29, 2000 letter listed Judy Anderson as Molalla's branch manager.
17 Ms. Anderson already managed a branch at the same location in Molalla for ComUnity
18 Lending Incorporated (hereinafter "ComUnity"), another licensee.

19 19. On July 3, 2000, the Division sent an incomplete notice of branch license
20 application to Respondent regarding Molalla indicating that the Division could not
21 license the branch to Respondent until ComUnity closed that branch and the Division
22 received a surety bond change rider for the new branch dba.

23 20. On July 5, 2000, Mr. Dahle called the Division to check on the licensing
24 process. Ms. Jepsen explained that the Division had licensed the Forest Grove branch,
25 but the Division needed Ms. Anderson's release from ComUnity before a license could
26 be issued for the Molalla branch.

1 21. On July 7, 2000, Ms. Anderson called the Division. She indicated that she
2 intended to leave ComUnity to work for the Respondent. She indicated that she would
3 provide evidence of her departure.

4 22. In a letter dated July 7, 2000, Mr. Dahle provided a bond rider including the
5 branch dba necessary to license the Molalla branch. He also indicated that Judy
6 Anderson would be providing her letter of resignation so that the Division could license
7 Respondent's Molalla branch.

8 23. On July 7, 2000, the Division mailed the June 21, 2000 examination results
9 to Respondent. The exam revealed several violations and concluded that there were
10 at least three branches in operation that were not licensed including the Forest Grove
11 and Molalla branches and another location at 14972 Bradford Rd in Clackamas, Oregon
12 (hereinafter "Clackamas"). The Division learned of the Clackamas location in the loan
13 documents for Robin and Marc Mitchell. The 1003 and Authorization for Credit Release
14 both have the Clackamas location on them.

15 24. On July 11, 2000, the Division received a faxed copy of Ms. Anderson's
16 resignation letter.

17 25. On July 13, 2000, the Division received a fax from ComUnity indicating that
18 the Molalla branch closed on July 10, 2000. The Division cancelled the license for the
19 Molalla branch of ComUnity retroactively to July 10, 2000. The Division licensed
20 Respondent's Molalla branch retroactively to July 10, 2000.

21 26. The examination revealed that Respondent's files lacked a lock float
22 agreement as required by OAR 441-865-0060(1)(c). Respondent's software package
23 did not include the form, but Respondent developed a form and agrees to use a lock
24 float agreement in every loan.

25 27. The exam also revealed that Respondent failed to sign and date the
26 reconciliation of the clients' trust account. Respondent agrees it will sign reconciliations

1 every month.

2 28. The exam revealed that the 1003 for Michael and Drema Williams indicated
3 that the couple sought a loan for \$41,000 but the good faith estimate of charges
4 (hereinafter "GFE") in the file contained estimates for a \$77,000 loan. The exam also
5 revealed no Truth in Lending disclosure (hereinafter "TIL"), Authorization Form for
6 Release of Credit Information or credit report as required by OAR 441-865-0060(1).
7 Respondent reports that the correct disclosures were made and the Authorization was
8 signed but copies were not kept for the files. Respondent agrees to keep copies of all
9 disclosures and authorizations in the future.

10 29. The Burt Darnielle file did not contain a TIL and the single loan disclosed was
11 finalized as two loans, a first and second position mortgage, without evidence in the file
12 of re-disclosure. Respondent reports that the TIL was forwarded to the lender but no
13 copies were made for the file. Respondent also reports that the first and second position
14 mortgage combo was re-disclosed and mailed out and the originals were forwarded to
15 the lender but no copies were kept. Respondent agrees to keep copies of all disclosures
16 in the future.

17 30. There was no credit report in the Lisa Byrd file. In addition, the GFE and TIL
18 were dated May 11, 2000 but were signed by the consumer on June 9, 2000, the day
19 the consumer signed the loan application. Respondent reports that this was an FHA
20 loan file. To insure all disclosures are in these government loans, Respondent's
21 processors review and complete the loan packet before the client(s) sign(s) the
22 application. The loan officer comes and picks up the file and takes it to the client(s) for
23 signatures. The loan officer was not able to meet with the client until June 9, 2000 in
24 this case. Federal rule 24 CFR 3500.7(a) requires that the GFE be delivered "no later
25 than three business days after the application is received or prepared." Respondent
26 agrees to note any date discrepancies in the files for future reference. Respondent also

1 agrees to mail or deliver disclosures within three business days after the application is
2 received or prepared.

3 31. The loan file of Robin and Marc Mitchell contained a loan application signed
4 and dated by the borrowers on March 20, 2000. The GFE and TIL were dated March
5 1, 2000 but signed on March 20, 2000. There was no credit report in the file. In addition
6 the loan documents contained the address 14972 SE Bradford Road in Clackamas,
7 Oregon, which is not a licensed branch. Respondent reported that in many cases
8 without out of area borrowers, Respondent completes the application and then mails it
9 with the disclosures to the consumers, who sign them and then send them back. This
10 is the reason why the dates are so different. Respondent will note in files where there
11 is this discrepancy in the future.

12 32. With regard to the lack of a credit report in the Mitchell file, Respondent also
13 reported that the particular lender on this file, Premier Mortgage Resources, orders the
14 credit report. Respondent stated that a full credit report should be attached to the
15 approval, however, on July 27, 2000, Ms. Jepsen reviewed the file, but could not find
16 a credit report attached to the approval or anywhere else in the file. Respondent agrees
17 to request a copy of the credit report for their files in the future.

18 33. Finally, in response to the Clackamas location issue, Respondent reported
19 that the loan officer places both his home address and the office address on his files so
20 that they can be routed properly because he works out of his home. However, some
21 documents in the file only contained the home address. Respondent agrees not to use
22 an unlicensed address for the Respondent's address on any documents in the future.

23 34. On July 31, 2000, the Division received a pipeline of loan activity for the
24 Molalla branch. It reveals that at least one application was originated under the name
25 Compass Mountain Mortgage prior to licensing and eight others in which the application
26 was taken when the branch was licensed to ComUnity but the loans were transferred

1 to Respondent's Molalla branch in addition to four that were transferred to Respondent's
2 principal location.

3 35. Respondent agrees to hire a compliance officer approved by the Division on
4 at least a half-time basis. Respondent agrees to ^{the} imposition of the requirements of and
5 powers granted in OAR 441-860-0080(1), (2), (3), and (4) for the compliance person
6 position if the position is vacant any time within three years from the date of this Order.
7 Respondent agrees that the Division retains the right to approve of the new candidate
8 or the plan to fill the vacancy.

9 36. Respondent agrees that the Division shall have the right to revoke its
10 approval of a compliance officer at any time if the Division discovers that the compliance
11 officer has been guilty of any act or omission which would be cause for denying,
12 suspending, or revoking the license pursuant to ORS 59.86 or if there is evidence that
13 Respondent is still not compliant with Oregon's Mortgage Lender Law, OAR 441-850-
14 0005 through 441-885-0010 and any rule, order, or policy issued by the Division after
15 the date of this Order.

16 37. The Division gives approval to Respondent's decision to hire Mr. Varde as
17 the compliance officer to comply with the terms of this consent order.

18 **CONCLUSIONS OF LAW**

19 The Director **CONCLUDES** that:

- 20 1. Respondent violated ORS 59.845, ORS 59.950(2), and OAR 441-860-0030 by
21 conducting unlicensed activity at the Molalla and Forest Grove locations.
- 22 2. Respondent failed to comply with the requirements ORS 59.860 by failing to keep
23 in the residential loan files of Michael and Drema Williams, Burt Darnielle, Lisa Byrd and
24 Robin and Marc Mitchell a borrower acknowledged float or lock agreement as required
25 by OAR 441-865-0060(1)(c).
- 26 3. Respondent failed to comply with the requirements ORS 59.860 by failing to keep

1 to Respondent's Molalla branch in addition to four that were transferred to Respondent's
2 principal location.

3 35. Respondent agrees to hire a compliance officer approved by the Division on
4 at least a half-time basis. Respondent agrees to the imposition of the requirements of
5 and powers granted in OAR 441-860-0080(1), (2), (3), and (4) for the compliance person
6 position if the position is vacant any time within three years from the date of this Order.
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12 suspending, or revoking the license pursuant to ORS 59.86 or if there is evidence that
13 Respondent is still not compliant with Oregon's Mortgage Lender Law, OAR 441-850-
14 0005 through 441-885-0010 and any rule, order, or policy issued by the Division after
15 the date of this Order.

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21 conducting unlicensed activity at the Molalla and Forest Grove locations.

22 2. Respondent failed to comply with the requirements ORS 59.860 by failing to keep
23 in the residential loan files of Michael and Drema Williams, Burt Darnielle, Lisa Byrd and
24 Robin and Marc Mitchell a borrower acknowledged float or lock agreement as required
25 by OAR 441-865-0060(1)(c).

26 3. Respondent failed to comply with the requirements ORS 59.860 by failing to keep

1 in the residential loan files of Michael and Drema Williams a copy of the executed
2 Authorization to Release Credit Information Form as required by OAR 441-865-
3 0060(1)(e).

4 4. Respondent failed to comply with the requirements ORS 59.860 by failing to keep
5 in the residential loan files of Michael and Drema Williams, Lisa Byrd and Robin and
6 Marc Mitchell a copy of the final credit report or the report relied upon for the loan
7 decision, if other than the final credit report, received on the borrower including
8 documentation of borrower payment history as required by OAR 441-865-0060(1)(f).

9 5. Respondent failed to comply with the requirements ORS 59.860 by failing to keep
10 in the residential loan files of Michael and Drema Williams and Burt Darnielle copies of
11 the Truth in Lending Disclosures made pursuant to Federal Regulation Z as required by
12 OAR 441-865-0060(1)(g).

13 ORDER

14 The Director, pursuant to ORS 59.885(4), hereby **ORDERS** that E-loan of
15 Oregon, Inc. dba Mountain Mortgage Company will **CEASE AND DESIST** from violating
16 any provision of Oregon Mortgage Lender Law, OAR 441-850-0005 through 441-885-
17 0010 and any rule, order, or policy issued by the Division.

18 The Director, pursuant to ORS 59.996 hereby **ORDERS** E-loan of Oregon, Inc.
19 dba Mountain Mortgage Company to pay the State of Oregon a civil penalty of
20 \$11,450.00. The civil penalty is based upon \$5000 fine for conducting unlicensed
21 branch activity plus \$50 for one loan application taken before the Molalla office was
22 licensed, \$5000 for conducting unlicensed branch activity plus \$50 for each of eight loan
23 applications taken before the Forest Grove office was licensed, and \$1000 for failing to
24 comply with the requirements of ORS 59.860 by failing to keep residential borrower files
25 as required by OAR 441-865-0060.

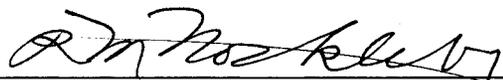
26 Based upon E-loan of Oregon, Inc. dba Mountain Mortgage Company's consent

1 to hire a compliance officer as described in this document, the Director suspends
2 payment of \$10,305.00 of the assessed civil penalty for a three year period. If in the
3 period between the date of the Order to three years from the date of the Order,
4 Respondent violates any provision of Oregon's Mortgage Lender Law. OAR 441-850-
5 0005 through 441-885-0010 or any rule, order, or policy issued by the Division or does
6 not have in its employ a compliance officer as described in this document, the
7 suspended portion of the assessed civil penalty will become immediately due and
8 payable. If the Respondent does not violate Oregon's Mortgage Lender Law, OAR 441-
9 850-0005 through 441-885-0010 or any rule, order, or policy issued by the Division in
10 the three year period and continuously has in its employ a compliance officer as
11 described by this document, the suspended portion of the civil penalty is waived. The
12 date of the Order is the date the Director signs the Order.

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

15 Dated this 28th day of August, 2000.

16
17 **MARY C. NEIDIG, DIRECTOR**
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

18
19
20 by 
21 **R.M. NOCKLEBY, ADMINISTRATOR**
DIVISION OF FINANCE AND CORPORATE SECURITIES

22
23 **CONSENT TO ENTRY OF ORDER**

24 I, David Dahle, state that I am an owner of E-loan of Oregon, Inc. dba Mountain
25 Mortgage Company, and I am authorized to act on its behalf; that I have read the
26 foregoing Order and that I know and fully understand the contents hereof; that E-loan

1 of Oregon, Inc. dba Mountain Mortgage Company admits the findings of fact herein,
2 voluntarily consents to the entry of this Order without further hearing, expressly waiving
3 any right to a hearing in this matter; that E-loan of Oregon, Inc. dba Mountain Mortgage
4 Company understands that the Director reserves the right to take further actions to
5 enforce this order or to take appropriate action upon discovery of other violations of
6 Oregon Mortgage Lender Law; and that E-loan of Oregon, Inc. dba Mountain Mortgage
7 Company will fully comply with Oregon Mortgage Lender Law.

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

9 Dated this 23 day of AUGUST, 200.

10 By PRESIDENT
11 _____ (Office Held)

12 David J. Dahle
13 (Signature)

14 **CORPORATE ACKNOWLEDGMENT**

15 There appeared before me this 23rd day of August, 2002.
16 David J. Dahle, who was first duly sworn on oath, and stated that ~~she~~ was
17 and is the President of E-loan of Oregon, Inc. dba Mountain Mortgage
18 Company and she is authorized and empowered to sign this Consent to Entry of Order
19 on behalf of E-loan of Oregon, Inc. dba Mountain Mortgage Company and to bind E-loan
20 of Oregon, Inc. dba Mountain Mortgage Company to the terms hereof.

21
22 Scott E. Simmons
23 Signature of Notary Public
24 Notary Public for the State of: OREGON
25 My Commission expires: July 9, 2003

