

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

<p>4 In the Matter of:</p> <p>5 MORTGAGE TRUST, INC., MICHAEL</p> <p>6 LELAND, AND TIMOTHY REID,</p> <p>7 Respondents.</p>	<p>)</p>	<p>No. M-05-0024 (B)</p> <p>ORDER TO CEASE AND DESIST AND</p> <p>ASSESSING CIVIL PENALTIES AND</p> <p>CONSENT TO ENTRY OF ORDER AS</p> <p>TO TIMOTHY REID ONLY</p>
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11 **WHEREAS**, the Director of the Department of Consumer and Business Services for the
12 State of Oregon (hereafter the "Director"), has conducted an investigation into the activities of
13 Mortgage Trust, Inc., (hereafter "**MORTGAGE TRUST**"), Michael Leland (hereafter
14 "**LELAND**"), and Timothy Reid (hereafter "**REID**"), and has determined that Respondents have
15 engaged in activities that constitute violations of ORS 59.840 through ORS 59.965 (hereafter the
16 "Oregon Mortgage Lender Law");

17 **WHEREAS, REID** wishes to avoid the time and expense of further investigation
18 by the Director and desires to obtain a disposition of this matter without invoking his right to a
19 hearing;

20 **WHEREAS, REID** acknowledges fully reading and understanding the contents of this
21 **ORDER TO CEASE AND DESIST AND ASSESSING CIVIL PENALTIES AND**
22 **CONSENT TO ENTRY OF ORDER** (hereafter the "Order"), and expressly waives any right
23 to a hearing or to challenge or appeal this Order;

24 **NOW THEREFORE**, the Director hereby issues the following Findings of Fact and
25 Conclusions of Law, to which **REID** neither admits nor denies, and Order, to which **REID**

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1 consents, as is evidenced by his signature on the **CONSENT TO ENTRY OF ORDER** attached
2 hereto;

3 **FINDINGS OF FACT**

4 The Director **FINDS** that:

5 **Parties**

6 1. **MORTGAGE TRUST** was first licensed by the Oregon Division of Finance and
7 Corporate Securities as a mortgage lender on September 11, 2000. At all times relevant herein,
8 **MORTGAGE TRUST** was licensed to conduct mortgage lending business in Oregon.

9 2. At all times relevant herein, **MORTGAGE TRUST** arranged for residential
10 mortgage transactions in Oregon for monetary compensation.

11 3. At all times relevant herein, **MORTGAGE TRUST** conducted business from 4386
12 SW Macadam, Suite 401, Portland, Oregon 97239.

13 4. Michael **LELAND** is the President and owner of **MORTGAGE TRUST**. At all
14 times relevant herein, **LELAND** conducted business from 4386 SW Macadam, Suite 401,
15 Portland, Oregon 97239.

16 5. Timothy **REID** was employed as a loan originator by **MORTGAGE TRUST** from
17 September, 2004 to August, 2005. At all times relevant herein, **REID** conducted business from
18 4386 SW Macadam, Suite 401, Portland, Oregon 97239

19 6. In September, 2004 **REID**, in his capacity as a loan originator for **MORTGAGE**
20 **TRUST**, assisted an Oregon resident, Brian Park, that sought to obtain financing for real
21 property located in this state.

22 7. In September, 2004 **REID**, in his capacity as a loan originator for **MORTGAGE**
23 **TRUST**, assisted an Oregon resident, Kristin Dahl, that sought to obtain financing for real
24 property located in this state.

25 **The Brian Park Transaction**

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1 8. In September, 2004 Oregon resident Brian Park was employed as an officer in the
2 United States Naval Reserve. His gross monthly salary was approximately \$1,085.00. Park had
3 no other source of earned income during this period.

4 9. **REID** garnered information about Park's employment, credit, and financial history for
5 the purpose of preparing loan applications to be submitted to prospective lenders.

6 10. Based on his communications with Park, **REID** directed the preparation of a
7 "Uniform Residential Loan Application." The Uniform Residential Loan Application listed
8 Park's gross monthly income as \$1,085.98. The application represented that Park had been in his
9 current line of work – the military - for sixteen years, and his current posting for one year and
10 three months. Although the application lists **LELAND** as interviewer, **REID** prepared this
11 document. This information was substantially accurate, and was based on data provided to **REID**
12 by Brian Park.

13 11. **REID** determined that, based on Park's income, he would not be able to qualify for
14 the financing he sought.

15 12. In an effort to nevertheless garner financing for Park, **REID** caused a fraudulent
16 "Uniform Residential Loan Application" to be prepared, with the express goal of providing
17 knowingly false information to a prospective lender that would cause it to approve financing it
18 would not otherwise authorize. Although the application lists **LELAND** as interviewer, **REID**
19 prepared this document. On this application, **REID** described Park as a consultant for an entity
20 called Computers By Design located at 1225 NW Murray Road, Portland, Oregon 97229. Park
21 has never been employed by Computers By Design, nor did he represent to **REID** that he had
22 been employed by this firm.

23 13. On this same application, **REID** indicated that Park had been a consultant for
24 Computers By Design for "3Y and 3M" (three years and three months), and had been employed
25 in that line of work for "16Y" (sixteen years). Length of employment is an important factor in
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1 the mortgage approval process. Park has never been employed by Computers By Design for *any*
2 period of time, nor did he represent to **REID** that he had been employed by this firm.

3 14. On this same application, **REID** indicated that Park's monthly income was \$3,200.00,
4 nearly triple his actual salary with his true employer.

5 15. To further his scheme to garner financing for Park, **REID** undertook to create
6 documentation that would support the falsehoods espoused in the Uniform Residential Loan
7 Application he authored. To this end, he instructed his wife, Taunya Reid, to complete a
8 "Request For Verification of Employment" for Park's fictional employment with Computers By
9 Design, a business that **REID** had randomly selected from a telephone directory. **REID** provided
10 his wife with the names, dates, and income amounts to be placed onto the form, designed to lead
11 a prospective lender to conclude that Park's purported work history and reported income were
12 accurate.

13 **The Kristin Dahl Transaction**

14 16. On August 14, 2004 Oregon resident Kristin Dahl was awarded an M.S. in Urban
15 Planning by Portland State University. Dahl had been a full time graduate student and part time
16 employee of her boyfriend's business, ENRG Kayaking, during the previous two years.

17 17. On August 1, 2004 Dahl was retained on a full time basis by an entity named "Rural
18 Development and Initiatives" at a salary of \$5,500.00 per month.

19 18. **REID** garnered information about Dahl's employment, credit, and financial history
20 for the purpose of preparing applications to be submitted to prospective lenders.

21 19. **REID** prepared a loan package for Dahl consisting of a purchase loan and a
22 simultaneous second loan. Although separate lenders were involved, the loans were processed
23 concurrently, and **REID** should have listed completely identical employment data on each
24 Uniform Residential Loan Application.

25 20. Based on his conversations with Dahl, **REID** directed the preparation of a "Uniform
26 Residential Loan Application" for the simultaneous second loan. The application represented that



1 Dahl had been employed by Rural Development and Initiatives for one month, and had been a
2 graduate student at Portland State University for the previous two years. Although the
3 application lists a Christy Bockman as interviewer, **REID** prepared this document. This
4 information was substantially accurate, and was based on data provided to **REID** by Kristin
5 Dahl.

6 21. **REID** determined that, based on Dahl's recent hire date and the fact that she had
7 spent the past two years as a student, she would not be able to qualify for the financing she
8 sought for the purchase loan.

9 22. In an effort to nevertheless garner financing for Dahl, **REID** directed the preparation
10 of a fraudulent "Uniform Residential Loan Application" for the express purpose of providing
11 knowingly false information to a prospective lender that would cause it to approve financing for
12 the purchase loan it would not otherwise authorize. On this application, **REID** described Dahl as
13 a "guide" for ENRG Kayaking, who had been so employed for two years at a salary of \$5,500 a
14 month. (Length of employment is an important factor in the mortgage approval process.) **REID**
15 was cognizant of the fact that Dahl had been employed by ENRG Kayaking, on a part time basis,
16 for less than two years, at a salary significantly less than the above referenced amount, and was,
17 at the time of the application, a full time employee of Rural Development and Initiatives.

18 CONCLUSIONS OF LAW

19 The Director **CONCLUDES** that:

20 23. **REID** caused, in connection with the Brian Park transaction, a fraudulent "Uniform
21 Residential Loan Application" to be prepared, with the express goal of providing knowingly
22 false information to a prospective lender that would cause it to approve financing it would not
23 otherwise authorize, by falsely describing Park as a consultant for an entity called Computers By
24 Design. **REID**'s actions constitute the making of an untrue statement of a material fact or the
25 omission to state a material fact necessary in order to make the statements made, in the light of
26 the circumstances under which they are made, not misleading, in violation of ORS 59.930 (2).

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1 Furthermore, said conduct constitutes unethical conduct by a loan originator, in violation of ORS
2 59.971 (1).

3 24. **REID** caused, in connection with the Brian Park transaction, a fraudulent “Uniform
4 Residential Loan Application” to be prepared, with the express goal of providing knowingly
5 false information to a prospective lender that would cause it to approve financing it would not
6 otherwise authorize, by falsely indicating that Park had been a consultant for Computers By
7 Design for “3Y and 3M” (three years and three months), and had been employed in that line of
8 work for “16Y” (sixteen years). **REID**’s actions constitute the making of an untrue statement of
9 a material fact or the omission to state a material fact necessary in order to make the statements
10 made, in the light of the circumstances under which they are made, not misleading, in violation
11 of ORS 59.930 (2). Furthermore, said conduct constitutes unethical conduct by a loan originator,
12 in violation of ORS 59.971 (1).

13 25. **REID** caused, in connection with the Brian Park transaction, a fraudulent “Uniform
14 Residential Loan Application” to be prepared, with the express goal of providing knowingly
15 false information to a prospective lender that would cause it to approve financing it would not
16 otherwise authorize, by falsely stating that Park’s monthly income was \$3,200.00. **REID**’s
17 actions constitute the making of an untrue statement of a material fact or the omission to state a
18 material fact necessary in order to make the statements made, in the light of the circumstances
19 under which they are made, not misleading, in violation of ORS 59.930 (2). Furthermore, said
20 conduct constitutes unethical conduct by a loan originator, in violation of ORS 59.971 (1).

21 26. **REID**, in connection with the Brian Park transaction, undertook to create
22 documentation that would support the falsehoods espoused in the Uniform Residential Loan
23 Application he authored by providing false information to and then instructing his wife, Taunya
24 Reid, to complete a “Request For Verification of Employment” for Park’s fictional employment.
25 **REID**’s actions constitute the making of an untrue statement of a material fact or the omission to
26 state a material fact necessary in order to make the statements made, in the light of the

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1 circumstances under which they are made, not misleading, in violation of ORS 59.930 (2).
2 Furthermore, said conduct constitutes unethical conduct by a loan originator, in violation of ORS
3 59.971 (1).

4 27. **REID**'s actions, in connection with the Kristin Dahl transaction, by directing the
5 preparation of a fraudulent "Uniform Residential Loan Application" for the express purpose of
6 providing knowingly false information to a prospective lender that would cause it to approve
7 financing for the purchase loan it would not otherwise authorize, constitute the making of an
8 untrue statement of a material fact or the omission to state a material fact necessary in order to
9 make the statements made, in the light of the circumstances under which they are made, not
10 misleading, in violation of ORS 59.930 (2). Furthermore, said conduct constitutes unethical
11 conduct by a loan originator, in violation of ORS 59.971 (1).

12 **ORDER**

13 Therefore, the Director **ORDERS** that:

14 28. **REID** shall, pursuant to the authority contained in ORS 59.885(4), **CEASE AND**
15 **DESIST** from violating any provision of the Oregon Mortgage Lender Law, its accompanying
16 administrative rules, or the terms of this Order.

17 29. **REID** shall, pursuant to the authority contained in ORS 59.996 (1), pay the sum of
18 **TWO THOUSAND DOLLARS** (\$2,000.00) as a civil penalty for each violation of ORS 59.930
19 made in connection with the Brian Park transaction described herein, for a total sum of **EIGHT**
20 **THOUSAND DOLLARS** (\$8,000.00). Furthermore, **REID** shall, pursuant to the authority
21 contained in ORS 59.996 (1), pay the sum of **TWO THOUSAND DOLLARS** (\$2,000.00) as a
22 civil penalty for the violation of ORS 59.930 made in connection with the Kristin Dahl
23 transaction described herein, for a total civil penalty of **TEN THOUSAND DOLLARS**
24 **(\$10,000.00)** for all violations of ORS 59.930. **REID** shall tender the sum of **FIVE HUNDRED**
25 **DOLLARS** (\$500.00) concurrent with the entry of this Order, and shall make monthly payments
26 of **FIVE HUNDRED DOLLARS** (\$500.00) on the first calendar day of each month until the

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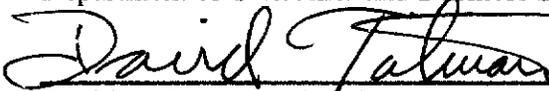


1 sum of **TEN THOUSAND DOLLARS** (\$10,000.00) has been paid. Time shall be deemed to be
2 of the essence for purposes of this paragraph; a payment that is not received by the Division by
3 the tenth calendar day of the month in which it is due shall be deemed to be untimely. Failure to
4 make a payment in a timely fashion shall cause the entirety of the balance of the civil penalty
5 imposed in this paragraph to become immediately due and owing. Additionally, failure to make a
6 payment in a timely fashion shall constitute a violation of the terms of this Order, and shall cause
7 the entirety of the civil penalty assessed in paragraph thirty (30) of this Order to become
8 immediately due and owing.

9 30. **REID** shall, pursuant to the authority contained in ORS 59.996 (1), pay the sum of
10 **TWO THOUSAND DOLLARS** (\$2,000.00) as a civil penalty for each violation of ORS 59.971
11 made in connection with the Brian Park transaction described herein, for a total sum of **EIGHT**
12 **THOUSAND DOLLARS** (\$8,000.00). Furthermore, **REID** shall, pursuant to the authority
13 contained in ORS 59.971 (1), pay the sum of **TWO THOUSAND DOLLARS** (\$2,000.00) as a
14 civil penalty for the violation of ORS 59.971 made in connection with the Kristin Dahl
15 transaction, for a total civil penalty of **TEN THOUSAND DOLLARS** (\$10,000.00) for all
16 violations of ORS 59.971. The entirety of this amount shall be **SUSPENDED FOR A PERIOD**
17 **OF THREE YEARS FROM THE DATE OF ENTRY OF THIS ORDER, PENDING**
18 **FULL COMPLIANCE WITH ITS TERMS**, including making all monthly payments
19 described in paragraph twenty-nine (29) in a timely fashion. Should **REID** comply with all terms
20 of this Order, at the conclusion of the three (3) year period the entirety of this portion of the civil
21 penalty imposed in this paragraph shall be deemed to be **WAIVED. IT IS SO ORDERED.**

22 Dated this 15th day of ^{MAY}~~April~~, 2007 NUNC PRO TUNC June 12, 2006 at Salem, Oregon.

23
24 CORY STREISINGER, Director
Department of Consumer and Business Services

25 

26 David C. Tatman, Administrator
Division Of Finance And Corporate Securities

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1 **CONSENT TO ENTRY OF ORDER**

2 I, Timothy Reid, state that I have read the foregoing Order and that I know and fully
3 understand the contents herein; that I have been advised of the right to a hearing and of the right
4 to be represented by counsel in this matter; that I voluntarily and without any force or duress,
5 consent to the entry of this Order, expressly waiving any right to a hearing in this matter; that I
6 neither admit to nor deny the Director's Findings of Fact and Conclusions of Law; that this Order
7 contains the entirety of the agreement reached by the parties, and that no other assurances or
8 promises have been made by either party; that I understand that the Director reserves the right to
9 take further actions to enforce this Order or to take appropriate action upon discovery of other
10 violations of the Oregon Mortgage Lender Law; and that I will fully comply with the terms and
11 conditions stated herein.

12 I assure the Director that I will not effect mortgage transactions in Oregon unless such
13 activities are in full compliance with Chapter 59 of the Oregon Revised Statutes.

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

15 Dated this 3 day of ~~April~~, 2007.

May

[Handwritten signature of Timothy Reid]

17 By
18 Timothy Reid

Natalie M. Mohr Natalie Mohr

19 (Printed Name of Notary Public)

20 Notary Public

21 for the State of: Oregon

22 My commission expires: 8-30-10



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