

1 DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
2 DIVISION OF FINANCE AND CORPORATE SECURITIES
3 ENFORCEMENT SECTION
4 BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

4 In the Matter of:

5 Timothy A. Lunceford,

6 and

7 Mekkem, Inc.

8 Respondents.

M-04-0013
M-05-0070-1

ORDER TO CEASE AND DESIST
ORDER ASSESSING CIVIL PENALTIES

And
CONSENT TO ENTRY OF ORDER

9
10 WHEREAS the Director of the Department of Consumer and Business Services
11 for the State of Oregon (hereinafter "the Director") conducted an investigation of
12 Timothy A. Lunceford and Mekkem, Inc. and determined that Timothy A. Lunceford and
13 Mekkem, Inc. engaged in activities constituting violations of ORS 59.840 through 59.965
14 (hereinafter cited as the Oregon Mortgage Lender Law); and

15 WHEREAS Timothy A. Lunceford and Mekkem, Inc. do not admit the Findings of
16 Fact and Conclusions of Law contained herein but wish to resolve and settle this matter
17 with the Director,

18 NOW THEREFORE, as evidenced by the authorized signatures subscribed on
19 this order, Timothy A. Lunceford and Mekkem, Inc. hereby **CONSENT** to entry of this
20 order upon the Director's Findings of Fact and Conclusions of Law as stated hereinafter:

21
22 **FINDINGS OF FACT**

23 The Director **FINDS** that:

- 24 1. Allstate Property Fund Corp. (hereinafter "Allstate") is an Oregon
25 corporation formed on March 30, 1981. Jerry D. Sittner is the President of Allstate.
26 Allstate's principal place of business is 4225 SW Huber Street, Suite 400, Portland,

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3781
Telephone: (503) 378-4140





1 Oregon 97219.

2 2. Allstate has been continuously licensed since the Director first issued an
3 Oregon residential mortgage license to Allstate on March 1, 1994. At all times relevant
4 herein, Allstate was licensed to engage in Oregon residential mortgage transactions.

5 3. Mekkem, Inc. (hereinafter "Mekkem") was an Oregon corporation formed
6 on July 5, 1994 that was administratively dissolved on August 31, 2001. Timothy A.
7 Lunceford was the President and Secretary of Mekkem. Mekkem's principal place of
8 business was 3828 Linn Avenue SE, Albany, Oregon 97321.

9 4. The Director has never issued a license to engage in Oregon residential
10 mortgage transactions to Mekkem. At all times relevant herein, Mekkem was not
11 licensed to engage in Oregon residential mortgage transactions.

12 5. In a January 28, 1997 deposition, Timothy A. Lunceford stated that he had
13 a desk in Allstate's office but isn't an employee of the company. Timothy A. Lunceford
14 indicated that he refers loans to Allstate and Allstate refers loans to him.

15 6. On May 22, 1998, Margie L. Emery signed a statement that she
16 acknowledged and agreed that Mekkem "has been employed as a borrower's broker
17 and agent to secure funding on borrower's behalf."

18 7. In December 2000, Timothy A. Lunceford stated during the first meeting of
19 creditors for the Chapter 11 bankruptcy he filed that he was a mortgage broker and
20 Mekkem was a mortgage broker company.

21 8. On November 15, 1995, Margie L. Emery obtained a loan of \$135,000 from
22 Hanna K. Still (hereinafter the "Still loan") secured by her residence located at 2735
23 Marche Heights in Turner, Oregon 97392 (hereinafter "Marche Heights"). First
24 American Title Company (hereinafter "First American") closed escrow on the transaction

25 9. The HUD-1 for the close of escrow of the Still loan indicates that part of the
26 proceeds of the Still loan paid off existing mortgages on Marche Heights.



1 10. In connection with the Still loan, Margie L. Emery paid a loan origination fee
2 of \$9,450 to Advanced Investment Corp. and a loan fee of \$4,050 to Allstate for total
3 broker fees of \$13,500, which was 10% of the loan of \$135,000.

4 11. Timothy A. Lunceford was Margie L. Emery's loan originator for the purposes
5 of the arranging the Still loan.

6 12. Margie L. Emery's application for the Still Loan indicated that her income was
7 \$1,300 per month. In addition to that, the application indicated that she also had
8 offshore investments of \$500,000, "Int'l Certif" of \$500,000 and "Bearer non profet [sic]
9 organization \$150,000 due in 6 mo." The monthly income from these "investments" was
10 listed as "varies."

11 13. Margie L. Emery was having difficulty making the monthly interest-only
12 payments of \$1,687.50 on the Still loan so she sought to refinance the obligation in
13 1998. On May 27, 1998, Margie L. Emery received a loan of \$160,000 from Robert
14 Cramer (hereinafter "the Cramer loan") secured by Marche Heights. Part of the
15 proceeds of the Cramer loan paid off the Still loan.

16 14. First American closed escrow on the Cramer loan. The HUD-1 for the
17 close of escrow on the transaction indicates that Timothy A. Lunceford's company
18 Mekkem received a broker fee of \$4,800 in connection with the loan transaction and
19 Allstate received a loan fee of \$11,200 for total broker fees of \$16,000, which is 10% of
20 the loan of \$160,000.

21 15. Timothy A. Lunceford was Margie L. Emery's loan originator for the
22 Cramer loan.

23 16. In connection with the Cramer loan, Margie L. Emery completed a loan
24 application that indicated that her income was \$1,333 per month from social security
25 and a \$670 payment for leasing the property to a telephone utility company for a total
26 monthly income of \$2,003. The application did not list any investments or other



1 expected income available to make the \$2,000 monthly payments required by the loan.

2 17. In connection with the Cramer loan, Allstate submitted a fee schedule to
3 First American directing the escrow company to pay out \$4,800 in broker fees by check
4 payable to "Mekkem" but to deliver the check to Allstate.

5 18. On May 27, 1998, First American sent a letter to Allstate transmitting
6 check number 123342 in the amount of \$4,800 payable to "Mekkem, Inc. c/o Allstate
7 Property Funds Corp."

8 19. On May 29, 1998, check 123342 from First American was deposited to
9 Mekkem's bank account at Bank of America.

10 20. Also on May 27, 1998, Margie L. Emery received a loan of \$57,500 from
11 Eleanor Delapoer (hereinafter "the Delapoer Loan") secured by Marche Heights. The
12 Delapoer loan paid off an existing loan owed to Advanced Investment Corp. of
13 \$42,702.75. First American closed escrow on the Delapoer loan.

14 21. Timothy A. Lunceford was Margie L. Emery's loan originator for the
15 Delapoer loan.

16 22. In connection with the Delapoer loan, Margie L. Emery paid \$2,875 to
17 Timothy A. Lunceford's company Mekkem for loan fees and \$2,875 to James Delapoer
18 for attorney fees incurred by the lender. As such the total of the fees associated with
19 obtaining the loan was \$5,750, or 10% of the loan amount.

20 23. On May 27, 1998, First American sent a letter Allstate transmitting check
21 number 123332 for \$2,875 payable to "Mekkem, Inc. c/o Allstate Property Funds Corp."

22 24. On May 29, 1998, check 123332 from First American was deposited to
23 Mekkem's bank account at Bank of America.

24 25. At the close of Delapoer loan, Margie L. Emery pre-paid \$7,500
25 representing one year of payments from the proceeds of the loan.

26 26. The Delapoer loan, dated May 12, 1998, required Margie L. Emery to pay



1 interest only payments of \$718.75 with the balance of the \$57,500 loan due on May 12,
2 2000, making the Delapoer loan a two-year loan.

3 27. When the Delapoer loan was made, Margie L. Emery had the same
4 income as was disclosed on the application completed for the Cramer loan, \$2003 per
5 month.

6 28. The Delapoer loan required Margie L. Emery to make monthly payments
7 of \$718.75. Therefore the combined loan payments required by the Cramer and
8 Delapoer loans were \$2,718.75.

9 29. Margie L. Emery had difficulty making the monthly payments required by
10 the Cramer loan so she sought to refinance the obligation in 1999.

11 30. On February 2, 1999, Margie L. Emery received a loan of \$210,000 from
12 Ralph Scheidt (hereinafter "the Scheidt loan") secured by Marche Heights. Part of the
13 proceeds paid off the Cramer loan. Key Title Company (hereinafter "Key Title") closed
14 escrow on the Scheidt loan transaction.

15 31. Timothy A. Lunceford was the loan originator for Margie L. Emery on the
16 Scheidt loan.

17 32. The HUD-1 for the close of escrow of the Scheidt loan indicates that
18 Timothy A. Lunceford's company Mekkem received a mortgage broker fee of \$5,040 in
19 connection with the loan transaction and Allstate received loan origination fees of
20 \$11,760 for total mortgage broker fees of \$16,800, which was 8% of the \$210,000 loan.

21 33. On February 2, 1999, Key Title issued check number 1121591 in the
22 amount of \$5,040 to Mekkem based upon a fee schedule it received from Allstate.

23 34. On February 2, 1999, Mekkem's bank account at Bank of America
24 received a deposit of \$5,040.

25 35. In connection with the Scheidt loan, Margie L. Emery completed a loan
26 application that indicated that her income was \$1,333 per month from social security

1 and a \$670 payment for leasing property to a telephone utility company for a total
2 monthly income of \$2,003. The application did not list any investments or other
3 expected income available to make the \$2,625 monthly payments required by the loan.

4 36. The loan file maintained by Allstate in connection with the Scheidt loan
5 contained a Borrower's Disclosure Information Sheet that indicated that Margie L.
6 Emery's ability to pay the \$2,625 monthly payment was based upon "income, sales of
7 lots or refinance."

8 37. Margie L. Emery had difficulty making the monthly payments required by
9 the Scheidt loan.

10
11 **CONCLUSIONS OF LAW**

12 The Director **CONCLUDES** that:

13 1. At all times relevant herein, Mekkem was a mortgage broker as defined by
14 ORS 59.840(7).

15 2. At all times relevant herein, Timothy A. Lunceford acted on behalf of
16 Mekkem as loan originator as defined by ORS 59.840(4).

17 3. Mekkem violated ORS 59.845(1) by originating the Cramer loan in
18 exchange for compensation while not licensed to engage in Oregon residential
19 mortgage transactions.

20 4. Timothy A. Lunceford aided and abetted Mekkem's violation of ORS
21 59.845(1) by acting as the loan originator for the Cramer loan.

22 5. Mekkem violated ORS 59.845(1) by originating the Delapoer loan in
23 exchange for compensation while not licensed to engage in Oregon residential
24 mortgage transactions.

25 6. Timothy A. Lunceford aided and abetted Mekkem's violation of ORS
26 59.845(1) by acting as the loan originator for the Delapoer loan.

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1 7. Mekkem violated ORS 59.845(1) by originating the Scheidt loan in
2 exchange for compensation while not licensed to engage in Oregon residential
3 mortgage transactions.

4 8. Timothy A. Lunceford aided and abetted Mekkem's violation of ORS
5 59.845(1) by acting as the loan originator for the Scheidt loan.

6 9. Timothy A. Lunceford violated ORS 59.971(1) by engaging in an unfair or
7 unethical act by acting as the loan originator for the Cramer and Scheidt loans that
8 contained loan payment terms that equaled or exceeded the borrower's known income.

9 10. Because the Cramer, Delapoer and Scheidt loans were refinance loans
10 secured by Margie L. Emery's primary residence and the loan fees on each loan
11 equaled or exceeded 8% of the loan amount, the Cramer, Delapoer and Scheidt loans
12 were all subject to the provisions of the Home Ownership Equity Protection Act
13 (HOEPA), 12 CFR §226.32.

14 11. Because the Delapoer loan provided for twelve monthly payments to be
15 paid in advance from the close of escrow, it contained a payment schedule that
16 consolidated more than two periodic payments and paid them in advance from the
17 proceeds of the loan in violation of 12 CFR § 226.32(d)(3).

18 12. Timothy A. Lunceford violated ORS 59.971(1) by engaging in an unfair or
19 unethical act by brokering a loan that contained a provision prohibited by HOEPA when
20 he originated the Delapoer loan, which contained a payment schedule that consolidated
21 more than two periodic payments and paid them in advance from the proceeds of the
22 loan.

23 13. Because the Delapoer loan provided for interest-only payments of
24 \$718.75 with the balance of the \$57,500 loan due on May 12, 2000, the loan possessed
25 a term of less than five years and a payment schedule with regular periodic payments
26 that when aggregated do not fully amortize the outstanding principal balance in violation

1 of 12 CFR § 226.32(d)(1)(i).

2 14. Timothy A. Lunceford violated ORS 59.971(1) by engaging in an unfair or
3 unethical act by originating a loan that contained a provision prohibited by HOEPA when
4 he originated the two-year Delapoer loan, which contained a payment schedule that did
5 not fully amortize the outstanding principal balance.

6
7 **ORDER**

8 The Director, pursuant to ORS 59.885(4) hereby **ORDERS** that Respondents
9 Mekkem, Inc. and Timothy A. Lunceford will **CEASE AND DESIST** from violating any
10 provision of Oregon Mortgage Lender Law, OAR 441-850-0005 through 441-885-0010
11 and any rule, order or policy issued by the Division.

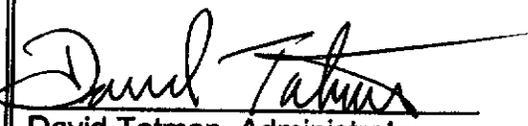
12 The Director, pursuant to ORS 59.996 hereby **ORDERS** that Mekkem, Inc. will
13 shall not be issued a license to originate Oregon residential mortgage loans.

14 The Director, pursuant to ORS 59.996 hereby **ORDERS** that Timothy A.
15 Lunceford shall not be issued a license to originate nor may he originate Oregon
16 residential mortgage loans for a period of two years from the date of this Order.

17 The date of this order is the day the Director or Director's nominee signs the
18 order. The entry of this Order in no way limits further remedies which may be available
19 to the Director under Oregon law.

20 Dated this 27th day of August, 2007, at Salem, Oregon.

21
22 **CORY STREISINGER, Director**
23 **Department of Consumer and Business Services**

24 
25 **David Tatman, Administrator**
26 **Division of Finance and Corporate Securities**

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1 APPROVED AS TO FORM:

2 Joseph D McDonald
3 Joseph D McDonald
4 Attorney for Respondent

Dated: 8/20/07

5 **CONSENT TO ENTRY OF ORDER**

6 I, Timothy A. Lunceford, state that I was an officer of Respondent Mekkem, Inc.,
7 a now-dissolved corporation, and I am authorized to act on its behalf; that I have read
8 the foregoing Order and that I know and fully understand the contents hereof; that I and
9 this entity have been advised of the right to a hearing and of the right to be represented
10 by counsel in this matter; that Mekkem, Inc. voluntarily and without any force or duress,
11 consents to the entry of this Order, expressly waiving any right to a hearing in this
12 matter but does not admit the Findings of Fact or Conclusions of Law contained herein;
13 that Mekkem, Inc. understands that the Director reserves the right to take further actions
14 to enforce this Order or to take appropriate action upon discovery of other violations of
15 the Oregon Mortgage Lender Law; and that Mekkem, Inc. will fully comply with the
16 terms and conditions stated herein.

17 Mekkem, Inc. further assures the Director that neither Mekkem, Inc., nor its
18 officers, directors, employees or agents will effect mortgage transactions in Oregon
19 unless such activities are in full compliance with Chapter 59 of the Oregon Revised
20 Statutes.

21 Respondent understands that this Consent Order is a public document.

22 Dated this 14th day of August, 2007.

23
24 By Timothy A. Lunceford
25 Timothy A. Lunceford
26

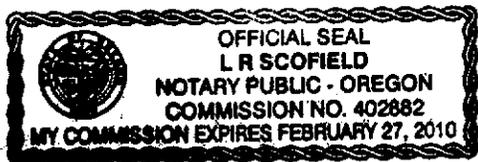
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CORPORATE ACKNOWLEDGMENT

There appeared before me this 14th day of August, 2007, Timothy A. Lunceford, who was first duly sworn on oath, and stated that he was an officer of Mekkem, Inc. and that he is authorized and empowered to sign this Consent to Entry of Order on behalf of Mekkem, Inc., and to bind Mekkem, Inc. to the terms hereof.



L R Scofield
Notary Public
for the State of: Oregon
My commission expires: 02-27-2010

CONSENT TO ENTRY OF ORDER

I, Timothy A. Lunceford, state that I have read the foregoing Order and that I know and fully understand the contents hereof; that I have been advised of the right to a hearing and of the right to be represented by counsel in this matter; that I voluntarily and without any force or duress, consent to the entry of this Order, expressly waiving any right to a hearing in this matter but do not admit the Findings of Fact or Conclusions of Law contained herein; that I understand that the Director reserves the right to take further actions to enforce this Order or to take appropriate action upon discovery of other violations of the Oregon Mortgage Lender Law; and that I will fully comply with the terms and conditions stated herein.

I further assure the Director that neither I, nor any employee or agents of mine will effect mortgage transactions in Oregon unless such activities are in full compliance with Chapter 59 of the Oregon Revised Statutes.

Division of Finance and Corporate Securities
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350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4140



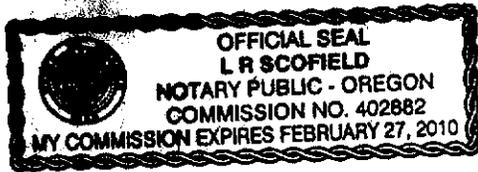
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I understand that this Consent Order is a public document.

Dated this 14th day of August, 2007.

By *T. Lunceford*
Timothy A. Lunceford

Sworn to before me by Timothy A. Lunceford, this 14th day of August,
2007.



L R Scofield
Notary Public
for the State of: Oregon
My commission expires: 02-27-2010

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