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**STATE OF OREGON
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**

In the Matter of:

M-08-0048

**REAL ESTATE LENDING
GROUP, INC.**

**ORDER TO REVOKE MORTGAGE
BANKER/BROKER LICENSE,
ORDER TO CEASE AND DESIST,
AND
CONSENT TO ENTRY OF ORDER**

Respondent.

WHEREAS the Director of the Department of Consumer and Business Services for the State of Oregon (hereinafter "the Director") conducted an investigation of Real Estate Lending Group, Inc. and determined that Real Estate Lending Group, Inc. engaged in activities constituting violations of **ORS 59.840 et seq.** (hereinafter cited as the "Oregon Mortgage Lender Law"); and

WHEREAS Real Estate Lending Group, Inc. wishes to resolve and settle this matter with the Director,

NOW THEREFORE, as evidenced by the authorized signature subscribed on this order, Real Estate Lending Group, Inc. 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:

1. Real Estate Lending Group, Inc. (hereinafter "RELG" or "licensee") is an Oregon domestic business corporation operating from a principal place of business of 220 East 11th Avenue, Suite 2 Eugene, OR 97401.

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387





1 2. On or about October 19, 1999, the Director issued RELG a license to engage in
2 residential mortgage transactions, license ML-1992. On or about February 23, 2001, RELG
3 opened a licensed branch office located at 115 West Eighth Street, Suite 246, Eugene, Oregon.
4 This branch closed on or about November 8, 2001.

5 3. Justin Dillon (hereinafter "Dillon") is the sole owner, President, Control Person,
6 Experienced Person, and a loan originator for RELG.

7 4. RELG's license was cancelled for failure to renew on October 17, 2004. The license
8 was subsequently renewed on or about October 21, 2004.

9 5. This license expired on October 17, 2008. A temporary 30-day license was issued on
10 October 19, 2008 which is set to expire on November 16, 2008.

11 **A. Prior Examinations and Administrative Order**

12 6. Examiners employed by the Division have completed four on-site examinations of the
13 books and records of RELG since licensure. Examinations are scored on a scale of 1 to 5, with 5
14 being the worst. The first examination was completed on or about August 22, 2000 by former
15 Compliance Officer Kirsten Anderson. Numerous borrower loan file and investor file
16 deficiencies were noted and the examination was rated a 5, the lowest score.

17 7. Following the poor exam score, on or about September 4, 2002, the Division issued
18 RELG an Order to Cease and Desist for violations including failure to maintain Good Faith
19 Estimates, Truth in Lending disclosures and other investor disclosures in loan and investor files.
20 A civil penalty for \$2,000 was issued with \$1,800 suspended. A follow-up examination was
21 scheduled.

22 8. The second examination was completed by former Financial Examiner Tim Spencer on
23 or about May 24, 2004. Various loan file and personnel record violations were noted, including
24 failure to notify the Director of the hiring of loan originators and failure to conduct timely
25 criminal records checks of loan originators. Again, RELG received a score of 5, the lowest
26 score.



1 9. A follow-up examination was completed by Financial Examiner Tim Spencer on or
2 about September 8, 2004. Improvements in record-keeping were noted, but again, several
3 disclosure violations were present including failure to properly maintain the Client Trust
4 Account. This examination resulted in a score of 4, a marginal rating.

5 10. The fourth examination was completed on or about November 29, 2004 by Financial
6 Examiner Anna Mahony. Further improvement in record-keeping was noted and RELG received
7 a score of 3, a satisfactory rating.

8 **B. RELG Loan Originator Kody Kimes**

9 11. On or about June 5, 2003, Kody Kimes (hereinafter "Kimes") was hired by Dillon as a
10 loan originator for RELG. Dillon and Kimes previously worked together at the mortgage broker
11 Funding Source, Inc.

12 12. In the Fall of 2005, Kimes approached an individual (hereinafter "the Borrower") and
13 asked if the Borrower was interested in making a quick \$3,000. Kimes and the Borrower were
14 friends.

15 13. Kimes explained that he had a contact who was in the process of remodeling a house
16 located on Taney Street in Eugene, Oregon. Kimes had previously engaged in business dealings
17 with this contact.

18 14. The time was nearing for the contractors on the remodeling project to be paid. The
19 contractors were owed approximately \$130,000. At that time, Kimes' contact did not have the
20 money or credit to pay the contractors for their work.

21 15. The deal would require the Borrower to apply for a loan to purchase the Taney
22 Property through Kimes as an RELG loan originator. Then after a few months, the Borrower
23 would sell the property back to Kimes' contact. At no time, would the Borrower ever live on the
24 property. Kimes explained that the Borrower's name would only be on the house for a
25 maximum of six months.

26 16. Kimes promised the Borrower that he would take care of all the paperwork and costs



1 associated with the deal. The Borrower would not have to pay anything. The proceeds from this
2 “sale” would be used to pay the contractors’ bills, and the Borrower was to receive \$3,000 for his
3 efforts.

4 17. The Borrower agreed to this proposal and admitted that he trusted the transaction was
5 legitimate because of Kimes’ professional experience in the mortgage industry.

6 18. Kimes instructed the Borrower to purchase the house for \$130,000. As a part of the
7 loan origination process, Kimes created, or caused to be created, a set of loan applications to be
8 signed by the Borrower and submitted to the lender.

9 19. The application stated that the Borrower would occupy the property as a primary
10 residence. The Borrower never occupied the property as a primary residence and never intended
11 to occupy the property as such. Kimes completed the application for the Borrower and knew the
12 Borrower would not occupy the property as a primary residence. The application was signed by
13 Kimes dated August 2, 2005 and by the Borrower dated August 4, 2005 and submitted to the
14 lender, Finance America. The loan closed on August 5, 2005 at Evergreen Title Company. The
15 loan subsequently funded.

16 20. The Underwriting Analysis Worksheet, obtained from Aurora Loan Services on behalf
17 of Finance America, indicates that the lender made its calculations based on the loan being an
18 owner-occupied purchase transaction. The Rate and Program Confirmation, also obtained from
19 Aurora Loan Services, indicates that the loan would be an owner-occupied purchase.

20 21. An Occupancy Agreement signed by the borrower, obtained from Evergreen Title
21 Company, also noted that the Borrower intended to occupy the property as a primary residence.
22 This document also indicates that the lender relied on the Borrower’s stated intent in making the
23 loan or in making the loan at that interest rate.

24 22. The loan documents prepared by Kimes obtained from Aurora Loan Services and
25 Evergreen Title Company included a prepayment penalty provision. The borrower stated that
26 Kimes never discussed the existence of a prepayment penalty provision with him. When the



1 Borrower discovered this provision, he was confused, since according to the deal with Kimes, he
2 was only to own the Taney Property for a maximum of six months.

3 23. Months after the August 5, 2005 closing on the Taney Property, the Borrower
4 attempted to sell the property and consulted a realtor. The Borrower explained to the realtor the
5 entire agreement with Kimes. After hearing the story, the realtor called Dillon to inform him of
6 what Kimes had done. According to the Borrower, Dillon told the realtor that he would talk to
7 Kimes about the transaction. In addition, Dillon promised the Borrower that he would handle a
8 refinance transaction free of charge to mitigate the harm caused by Kimes.

9 24. In July of 2006, the Borrower sold the Taney Property to a relative of Kimes' contact.

10 25. On or about November 27, 2006, the Borrower submitted a complaint to the Division
11 regarding the loan brokered by Kimes through RELG.

12 26. Kimes left Real Estate Lending Group on or about February 20, 2007. Dillon stated
13 that, before leaving RELG, Kimes mentioned to him that a complaint may come in from the
14 Borrower.

15 27. On or about October 2, 2007, Enforcement Officer Kirsten Anderson and Financial
16 Examiner Tim Spencer interviewed Dillon under oath at RELG principal offices.

17 28. Dillon stated that he had approximately nine years experience originating loans.

18 29. When Dillon was asked to describe RELG's training process for new loan originators,
19 he stated that he walks the new hires through the loan process, reviews their first files and makes
20 sure they know what they are doing.

21 30. Dillon acknowledged that he abbreviated his normal loan originator hiring and training
22 process for Kimes since the two knew each other and previously worked together. Dillon
23 admitted that, because he felt Kimes was knowledgeable about the business and could follow
24 files from beginning to end by himself, that Kimes was not subject to much supervision.

25 31. Dillon also noted that, at times, Kimes did not have excellent attention to detail and
26

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1 proceeded too quickly in his work. Dillon said that he had looked through several of the loan
2 files Kimes originated, but had never noticed anything too unusual.

3 32. During the interview, Dillon noted that he met with the Borrower and offered to
4 complete a refinance transaction free of charge to make up for what Kimes had done.

5 33. Dillon later stated that he spoke with the Borrower's spouse who indicated that they
6 would look at the terms offered, but would likely proceed with a friend at a different mortgage
7 company for the transaction.

8 34. As of October 2008, the Borrower stated that many attempts have been made to get in
9 touch with Dillon to pursue the refinance offer, and to date, Dillon has not responded to these
10 requests.

11 35. To date, the Borrower has not received the \$3,000 he was promised by Kimes.

12 CONCLUSIONS OF LAW

13 The Director **CONCLUDES** that:

14 1. RELG violated **ORS 59.930(2)** when Kimes completed a loan application stating that
15 the Borrower would occupy the property as a primary residence when Kimes knew this was false
16 and submitted the application to the lender to obtain a loan for the Borrower.

17 2. RELG violated **ORS 59.865(15)** by failing to supervise and adequately control loan
18 originator Kimes by failing to have adequate controls to prevent a loan originator from
19 submitting fraudulent applications which constitutes grounds to revoke a mortgage broker
20 license.

21 ORDER

22 **NOW, THEREFORE, THE DIRECTOR ISSUES THE FOLLOWING ORDERS:**

23 The Director, pursuant but not limited to **ORS 59.865**, hereby **ORDERS** that Real Estate
24 Lending Group's Oregon mortgage lender license is **REVOKED** as of October 28, 2008.
25 Further, pursuant to **ORS 59.885(4)**, the Director hereby **ORDERS** that Real Estate Lending
26 Group Inc. will **CEASE AND DESIST** from violating any provision of the Oregon Mortgage

1 Lender Law, and any rules, order or policy issued by the Division.

2 Pursuant to this Order, Mr. Dillon agrees that he will not own, control, act as a partner,
3 officer, director, or experienced person for a mortgage banker/broker as described in **ORS**
4 **59.850(2)**, or perform similar functions of a partner, officer, director or experienced person for a
5 mortgage banker/broker for any company licensed as a mortgage broker or banker by the Oregon
6 Division of Finance and Corporate Securities until further order of the Director. This Order does
7 not restrict or prohibit Justin Dillon from employment as a loan originator in the State of Oregon
8 provided he complies with the Oregon Mortgage Lender Law and any rule, order or policy issued
9 by the Director.

10 The date of this order is the day the Director or Director's nominee signed the order. The
11 entry of this Order in no way limited further remedies which may be available to the Director
12 under Oregon law.

13
14 Dated this 3rd day of November 2008 at Salem, Oregon.

15 CORY STREISINGER, Director

16 Department of Consumer and Business Services

17 

18 David C. Tatman, Administrator

19 Division of Finance and Corporate Securities

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1 **CORPORATE CONSENT TO ENTRY OF ORDER**

2 I, Justin Dillon, state that I am an officer of Respondent Real Estate Lending Group, and
3 I am authorized to act on its behalf; that I have read the foregoing Order and that I know and
4 fully understand the contents hereof; that I and this entity have been advised of the right to a
5 hearing and of the right to be represented by counsel in this matter; that Respondent voluntarily
6 and without any force or duress, consents to the entry of this Order, expressly waiving any right
7 to a hearing in this matter; that Respondent understands that the Director reserves the right to
8 take further actions to enforce this Order or to take appropriate action upon discover of other
9 violations of the Oregon Mortgage Lender Law; and that Respondent will fully comply with the
10 terms and conditions stated herein.

11 Respondent further assures the Director that neither Respondent, nor its officers,
12 directors, employees or agents will effect mortgage transactions in Oregon unless such activities
13 are in full compliance with the Oregon unless such activities are in full compliance with the
14 Oregon Mortgage Lender Law.

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

16 Dated this 28th day of October 2008

17
18 By Justin Dillon
19 President
20 (Office held)

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CORPORATE ACKNOWLEDGMENT

There appeared before me this 20th day of October 2008 who was first duly sworn on oath, and stated that he was and is an officer of Respondent and that he is authorized and empowered to sign this Consent to Entry of Order on behalf of Respondent, and to bind Respondent to the terms hereof .



Notary Public for the State of Oregon

My commission expires: 12/22/08

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