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**STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES
MORTGAGE LENDING SECTION**

**BEFORE THE DIRECTOR OF THE DEPARTMENT
OF CONSUMER AND BUSINESS SERVICES**

In the Matter of:

**1st Rate Mortgage Inc. and
Paula Hannan**

Respondents.

M-11-0002

**ORDER REVOKING MORTGAGE LOAN
ORIGINATOR LICENSE, ORDER TO
CEASE AND DESIST, ORDER
ASSESSING CIVIL PENALTIES,
AND
CONSENT TO ENTRY OF ORDER**

WHEREAS the Director of the Department of Consumer and Business Services for the State of Oregon (hereinafter “the Director”) conducted an investigation of 1st Rate Mortgage Inc. and Paula Hannan and determined that 1st Rate Mortgage Inc. and Paula Hannan engaged in activities constituting violations of ORS 86A.100 et. seq. (hereinafter cited as the “Oregon Mortgage Lender Law”); and

WHEREAS 1st Rate Mortgage Inc. and Paula Hannan wish to resolve and settle this matter with the Director,

NOW THEREFORE, as evidenced by the authorized signatures subscribed on this order, 1st Rate Mortgage Inc. and Paula Hannan hereby **CONSENT** 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. 1st Rate Mortgage Inc. (hereinafter “1st Rate”) is an Oregon domestic business corporation operating from a principal place of business located at 735 Southwest 9th Street, Redmond, Oregon 97756. 1st Rate first registered with the Oregon Secretary of State on July 21, 1997.





1 2. On August 20, 1997, the Director issued 1st Rate a license to engage in Oregon
2 Residential mortgage transactions, license ML-1266.

3 **I. May 2010 Order of the Director**

4 3. On May 13, 2010, the Director issued a Final Order Accepting Mortgage Broker
5 License Surrender, Order to Cease and Desist, Order Assessing Civil Penalties and Consent to
6 Entry of Order (hereinafter “the Order”) to 1st Rate and 1st Rate owner Paula Hannan (hereinafter
7 “Hannan”).

8 4. The Order cited 1st Rate and Hannan for unfair or unethical conduct in connection with
9 the mortgage business for advising a consumer to complete the sale of her property to another
10 consumer to pay off debts and back taxes so the original consumer could repurchase the property
11 again in several years.

12 5. The Order prohibits Hannan from working as an owner, control person, partner, officer,
13 director, or experienced person for a mortgage banker/broker as described in ORS 86A.106(2) or
14 performing similar functions of the above-mentioned positions.

15 6. The Order accepted the surrender of 1st Rate’s Oregon mortgage broker license. Once
16 a company surrenders their mortgage broker license to the Division of Finance and Corporate
17 Securities (hereinafter “Division”), they are no longer authorized to originate Oregon residential
18 mortgage loans.

19 7. The Order allows Hannan to act as an Oregon mortgage loan originator only if she is
20 employed by a sponsoring licensed mortgage broker acceptable to the Director, and if she is
21 subject to heightened supervision by her employer.

22 8. The Order assessed and suspended a \$2,500 civil penalty for a period of three years
23 provided Hannan complies with the terms of the Order and does not violate the Oregon
24 Mortgage Lender Law.

25 9. The Director authorized 1st Rate and Hannan to complete specific loans that were in the
26



1 origination process with the company. Hannan submitted a list of these loans to the Director by
2 letter dated November 19, 2010.

3 10. Hannan applied for and was granted an Oregon mortgage loan originator license
4 through the Nationwide Mortgage Licensing System (hereinafter "NMLS"). Presently, Hannan's
5 loan originator license is in "inactive" status in NMLS since she is not employed by a sponsoring
6 Oregon licensed mortgage broker as is required for an active license. As a result, Hannan is
7 prohibited from originating any loans that do not appear on the authorized list.

8 11. The NMLS loan originator license application asks the following disclosure questions
9 concerning if the applicant (Hannan), or the applicant's company (1st Rate), has ever been the
10 subject of regulatory action.

11 (I) Has any State or federal regulatory agency or foreign financial regulatory authority
12 ever:

13 (1) found you to have made a false statement or omission or been dishonest,
14 unfair or unethical?

15 (2) found you to have been involved in a violation of a financial services-related
16 business regulation(s) or statute(s)?

17 (4) entered an order against you in connection with a financial services-related
18 activity?

19 (K) Are you now the subject of any regulatory action proceeding that could result in a
20 "yes" answer to any part of I or J?

21 12. Hannan answered "no" to all of these questions on her loan originator application and
22 submitted the application to the Director through NMLS on May 17, 2010.

23 II. December 2007 transaction

24 13. In August 2010, the Division received a referral from the Special Investigation Unit of
25 United Guaranty Residential Insurance Company (hereinafter "United Guaranty") regarding a
26 mortgage loan transaction originated by Hannan at 1st Rate.



1 14. In October 2007, Hannan originated a refinance loan for an Oregon borrower. In
2 December 2007, Hannan originated another refinance loan for the same borrower on a different
3 property. On the second refinance application, Hannan failed to include the first loan as a
4 liability and failed to include the property on the schedule of real estate. 1st Rate submitted the
5 loan application to the lender, and the lender relied on the information listed on the application.
6 These omissions prevented the lender from making an accurate assessment of the borrower's
7 financial qualifications and ability to repay the loan. Based on the information listed on the loan
8 application, the lender funded the loan.

9 15. Hannan acknowledged that she was aware of the undisclosed property and liability.
10 She responded that, at the time the second loan was originated, her company was in the process
11 of changing to a new computer system, and one of her assistants did not properly confirm the
12 transfer of information.

13 **III. January 2011 transaction**

14 16. On December 29, 2010, a Division Manager reiterated to Hannan that 1st Rate
15 is not in business anymore, not for new or returning clients, that Hannan is not authorized to
16 originate loans, and neither she, nor anyone representing 1st Rate, should be talking with any
17 consumer about a residential mortgage loan other than those on the authorized list. Hannan
18 responded that she completely understood.

19 17. On or about January 21, 2011, a request came in to Hannan at 1st Rate for
20 information on her loan originator services for a loan to purchase several residential investment
21 properties. The caller asked her about the interest rates and fees for the loans. Hannan told the
22 caller that her company has a floor charge of \$1,800 for fees, and a 30 year fixed-rate mortgage
23 would have an interest rate of between 4.625 and 4.75 percent. Hannan made other
24 recommendations to the caller regarding his loan. The director had not authorized Hannan or 1st
25 Rate to originate this transaction.

26 18. In a conversation several days later, the caller asked Hannan for pre-



1 approval for the loans, and Hannan emailed him a loan application. The application is printed on
2 1st Rate letterhead.

3 19. Hannan followed up with the caller a few days later to double check that he received
4 the loan application.

5 CONCLUSIONS OF LAW

6 The Director **CONCLUDES** that:

7 1. Answering “no” to the disclosure questions on the NMLS mortgage loan originator
8 application asking if Hannan, or her company, had ever been the subject of state regulatory
9 action when the answers should have been “yes” constitutes making a false statement on a loan
10 originator application and is a violation of ORS 86A.224(1)(c). This violation is grounds for the
11 Director to revoke Hannan’s inactive loan originator license.

12 2. Failing to list a prior loan originated for a borrower as a liability, and failing to include
13 all property that the borrower owned on a loan application when Hannan knew that the borrower
14 had this liability and owned this property, constitutes a negligent or incompetent act in violation
15 of ORS 86A.183(1)(e), previously ORS 59.971.

16 3. Hannan acted as a loan originator for 1st Rate under ORS 86A.100(4)(a) during several
17 conversations with a caller when she quoted interest rates, terms, and fees and when she sent the
18 caller a loan application for pre-approval in expectation of compensation for the loan. Hannan
19 acted as a loan originator when she was not employed with an Oregon licensed mortgage broker
20 and did not have an active mortgage loan originator license in violation of ORS 86A.203, ORS
21 86A.206(2)(d), ORS 86A.236, and ORS 86A.224(1)(d). This violation is grounds for the
22 Director to revoke Hannan’s inactive mortgage loan originator license.

23 4. Acting as a loan originator on unauthorized loans while not employed by an Oregon
24 licensed mortgage broker is a violation of a prior order issued by the Director (case no. M-10-
25 0021) and a violation of ORS 86A.224(1)(a). This violation is grounds for the Director to revoke
26 Hannan’s inactive mortgage loan originator license.



1 Hannan violates the terms of this order, or violates the Oregon Mortgage Lender Law, the \$5,000
2 civil penalty will become immediately due and payable.

3 The date of this order is the day the Director or Director's nominee signed the order. The
4 entry of this Order in no way limits further remedies which may be available to the Director
5 under Oregon law.

6
7 Dated this 29 day of March 2011 at Salem, Oregon.

8 Scott L. Harra, Acting Director
9 Department of Consumer and Business Services

10
11 /s/ David C. Tatman

12 David C. Tatman, Administrator
13 Division of Finance and Corporate Securities

14 **ENTITY CONSENT TO ENTRY OF ORDER**

15 I, Paula Hannan, state that I am an officer of Respondent 1st Rate, and I am authorized to
16 act on its behalf. I have read the foregoing Order and that I know and fully understand contents
17 hereof and this entity have been advised of the right to a hearing and of the right to be
18 represented by counsel in this matter. Respondent voluntarily and without any force or duress,
19 consents to the entry of this Order expressly waiving any right to a hearing in this matter.

20 Respondent understands that the Director reserves the right to take further action to enforce this
21 Order or to take appropriate action upon discover of other violations of the Oregon Mortgage
22 Lender Law; and that Respondent will fully comply with the terms and conditions stated herein.

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

26 1st Rate understands that this Consent Order is a public document.

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



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Dated this 23 day of March 2011

By Paula Hannan
President
(Office held)

ENTITY ACKNOWLEDGMENT

There appeared before me this 23 day of March 2011 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 .

Loretta J. Kriege
Notary Public for the State of Oregon
My commission expires: 1/13/2014

CONSENT TO ENTRY OF ORDER

I, Paula Hannan, 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; and desire to resolve and settle this matter with the Director without admitting or denying the findings or conclusions set for herein. 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. 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.

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I understand that this Consent Order is a public document.

Dated this 23 day of March, 2011

By: Paula Hannan

Loretta J. Kriege

Notary Public for the State of Oregon

My commission expires: 1/13/2014

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