

1
2 **STATE OF OREGON**
3 **DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**
4 **DIVISION OF FINANCE AND CORPORATE SECURITIES**
5 **MORTGAGE LENDING SECTION**

6
7 **BEFORE THE DIRECTOR OF THE DEPARTMENT**
8 **OF CONSUMER AND BUSINESS SERVICES**

9 **In the Matter of:**

10 **Pinnacle Realty Services LLC and**
11 **KMR Homes**

12 Respondents.

13 **DM-11-0031**
14 **FINAL ORDER TO CEASE AND DESIST**
15 **AND**
16 **ORDER ASSESSING CIVIL PENALTIES**
17 **ENTERED BY DEFAULT**

18 On September 30, 2011, the Director of the Department of Consumer and Business
19 Services for the State of Oregon (hereafter the "Director"), acting by and pursuant to the
20 authority contained in Oregon Revised Statutes ("ORS") ORS 86A.100 et seq. and Oregon
21 Administrative Rules 441-850-0005 through 441-885-0010 (collectively "Oregon Mortgage
22 Lender Law") and ORS 697.602 to 697.842 and OAR 441-910-0000 through 441-910-0120
23 (hereinafter "the Oregon Debt Management Service Provider Law"), issued Administrative
24 Order No. DM-11-0031 - Order to Cease and Desist, Proposed Order Assessing Civil Penalties,
25 and Notice of Right to a Hearing (hereinafter "the Order") against Pinnacle Realty Services LLC
26 and KMR Homes.

On May 7, 2012, Pinnacle Realty Services LLC and KMR Homes were duly served with
true copies of the Order by regular, first-class mail and by certified mail, postage prepaid, and
addressed to the following addresses: Joanna Humphrey, 1124 Chatham Drive SE, Olympia,
Washington 98513 and John A. Cochran, The Cochran Law Firm LLC, 3404 SE 45th Ave.,
Portland, Oregon 97206. A green card evidencing receipt of the order sent by certified mail to
Joanna Humphrey was signed by Ray Humphrey and returned on May 9, 2012, and a green card
evidencing receipt of the order sent by certified mail to John A. Cochran was signed and returned

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 on May 8, 2012. Pinnacle Realty Services LLC and KMR Homes have not made a written
2 request for a contested case hearing in this matter, and the time to do so has expired.

3 **NOW THEREFORE**, the Director hereby issues the following Findings of Fact,
4 Conclusions of Law, and Final Order:

5 **FINDINGS OF FACT**

6 The Director FINDS that:

7 1. Respondent Pinnacle Realty Services LLC (hereinafter "Pinnacle Realty") is an
8 Oregon limited liability company first registered with the Oregon Secretary of State on April 14,
9 2010. Pinnacle Realty is currently listed as inactive.

10 2. Pinnacle Realty's principal place of business is listed as 6622 Northeast Sandy
11 Boulevard, Portland, Oregon 97213.

12 3. Upon information and belief, Pinnacle Realty has moved locations to 5321 Southeast
13 Foster Road, Portland, Oregon 97206.

14 4. Joanna Humphrey is listed as a member and the registered agent for Pinnacle Realty.

15 5. Pinnacle Realty is not currently, or at any time relevant herein, an Oregon licensed
16 mortgage broker and is not current, or at any time relevant herein, registered as
17 a debt management service provider in Oregon.

18 6. Respondent KMR Homes is not currently listed with the Oregon Secretary of State.

19 7. By information and belief, KMR Homes' principal place of business was located at
20 6622 Northeast Sandy Boulevard, Portland, Oregon 97213 and moved, along with Pinnacle
21 Realty, to 5321 Southeast Foster Road, Portland, Oregon 97206.

22 8. KMR Homes is not currently, or at any time relevant herein, an Oregon licensed
23 mortgage broker and is not currently, or at any time relevant herein, registered as
24 a debt management service provider in Oregon.

25 9. KMR Homes markets residential loan modification services through the website
26 <http://www.mod-loans.us/about-kmr-homes> which includes the title "Loan Modification



1 Experts” with the slogan underneath it “Save Your Home and Stop Foreclosure.”

2 10. At all times relevant to this matter, consumers “T.T”, “S.H.S”, “N.G.”, and “S.H”
3 identified herein, were Oregon residents and were a party to a residential mortgage loans secured
4 by real estate located in Oregon.

5 **I. Oregon Consumer T.T.**

6 11. Oregon Consumer T.T. applied for a mortgage loan modification through Pinnacle
7 Realty. A Pinnacle Realty representative provided T.T. with a contract offering to assist her in
8 renegotiating the terms of her residential mortgage program and/or loan structure.

9 12. The contract lists “KMR Homes LLC” on the letterhead and also on the signature line
10 with the same address listed for Pinnacle Realty.

11 13. Based on Pinnacle and KMR’s representations, T.T. accepted Pinnacle Realty and
12 KMR Homes’ offer and signed and returned the contract to Pinnacle Realty on or about March
13 25, 2010.

14 14. As instructed, T.T. submitted her personal nonpublic financial information,
15 including details about her residential mortgage loan and income to Pinnacle Realty.

16 15. Also as instructed, T.T. also submitted \$2,000 to Pinnacle Realty in four installments
17 starting with a “down payment” of \$500 paid on March 25, 2010 for loan modification services.

18 16. T.T. worked with Ray Humphrey (hereinafter “Humphrey”) and Marcell Gonzales
19 (hereinafter “Gonzales”) of Pinnacle Realty.

20 17. T.T. reported that Humphrey told her that the company would be calling her two to
21 three times a week to work on her transaction, and this never happened.

22 18. As of April 2011, T.T. had tried to call Pinnacle Realty numerous times with no
23 answer. T.T. called Humphrey’s personal cell phone and left a message. T.T.’s husband called
24 again later, and this time a message said that the voicemail box was full.

25 19. Pinnacle Realty previously represented to T.T. that they were moving to a new
26 location but did not provide the address or contact information, and neither Pinnacle Realty nor



1 Humphrey have contacted her.

2 20. On or about April 25, 2011, T.T. called the bank that holds her mortgage, and a bank
3 representative told her that they did not receive the paperwork needed for her loan modification,
4 so her claim was dropped.

5 21. Pinnacle Realty and KMR have failed and refuse to perform on their promise made in
6 exchange for the advance fees paid by T.T. to negotiate a modification of her residential
7 mortgage loan.

8 **II. Oregon Consumer S.H.S.**

9 22. In early 2010, Humphrey from Pinnacle Realty came to Oregon consumer S.H.S.'s
10 work place and offered to complete a loan modification that would lower S.H.S.'s monthly
11 mortgage payments within six months.

12 23. Based on Humphrey's representations, S.H.S. accepted the offer to modify his
13 residential home mortgage loan and, as instructed, submitted his personal nonpublic financial
14 information, including details about his residential mortgage and income to Humphrey.

15 24. It was explained to S.H.S. that Pinnacle Realty and KMR Homes were the same
16 company. Humphrey instructed S.H.S. to pay KMR Homes.

17 25. On or about January 21, 2010, S.H.S. paid \$250 by check to Humphrey for loan
18 modification services.

19 26. On or about March 17, 2010, S.H.S. paid \$500 by check to KMR Homes LLC.

20 27. On or about April 10, 2010, S.H.S. paid \$450 by check to KMR Homes LLC. S.H.S.
21 paid \$1,200 in total.

22 28. Nearly one year after S.H.S. had applied for loan modification assistance with Ray
23 from Pinnacle Realty, S.H.S. still had not received a loan modification, so he called Humphrey,
24 and he did not answer. S.H.S. then went to Pinnacle Realty's office, and he was told Humphrey
25 was not there.

26 29. Pinnacle Realty and KMR Homes have failed and refuse to perform on their promise



1 made in exchange for the advance fees paid by S.H.S. to negotiate a modification of his
2 residential mortgage loan.

3 **III. Oregon Consumer N.G.**

4 30. On or about May 23, 2010, Oregon consumer N.G. met with Humphrey of Pinnacle
5 Realty, and Humphrey offered to assist N.G. in renegotiating her residential mortgage program
6 and/or loan structure.

7 31. Based on Humphrey's representations, N.G. accepted the offer to modify her
8 residential home mortgage loan and, as instructed, submitted his personal nonpublic financial
9 information, including details about his residential mortgage and income to Humphrey and
10 Pinnacle.

11 32. Also as instructed, N.G. paid \$1,500 in total to Pinnacle Realty by check in five
12 monthly installments starting on June 18, 2010 through October 22, 2010.

13 33. On March 17, 2010, after several requests for a refund, Humphrey provided N.G.
14 with an "Awareness Notice" in which he agreed to refund \$1,000 to N.G. within 30 days.

15 34. Humphrey later provided N.G. with a \$430 refund, but N.G. did not receive the full
16 refund as promised in the "Awareness Notice."

17 35. Pinnacle Realty failed and refused to perform on their promise made in exchange for
18 the advance fees paid by N.G. to negotiate a modification of his residential mortgage loan.

19 **IV. Oregon Consumer S.H.**

20 36. Oregon consumer S.H. met with Ray Humphrey, Gonzales, and Sam Cole of Pinnacle
21 Realty several times in June 2010, and Pinnacle offered to assist S.H. in renegotiating four of her
22 residential mortgage transactions and/or loan structures.

23 37. Based on Pinnacle's representations, S.H. accepted the offer to modify her residential
24 home mortgage loans and, as instructed, submitted her personal nonpublic financial information,
25 including details about his residential mortgage and income to Humphrey and Pinnacle.

26 38. Also as instructed, S.H. paid \$4,200 in total to Pinnacle Realty by check and money



1 order in monthly installments starting with a \$1,500 “down payment” on July 2, 2010 through
2 October 8, 2010.

3 39. Humphrey told S.H. that she should stop making her monthly mortgage payments.

4 40. S.H. received several calls from the bank holding her mortgage, and she asked if they
5 had received the loan modification documents from Pinnacle Realty for her mortgage, and a
6 bank representative said “no.”

7 41. S.H. became concerned and checked in with Humphrey, and he reassured her that
8 “everything would be okay soon” and advised her not to call or talk to the bank.

9 42. S.H. reported that she tried to cancel her loan modification agreement with Pinnacle,
10 and Gonzales assured S.H. that she would take over the loan modification assistance work on
11 S.H.’s file.

12 43. Pinnacle Realty failed and refused to perform on their promise made in exchange for
13 the advance fees paid by S.H. to negotiate a modification of his residential mortgage loan.

14 44. The Division of Finance and Corporate Securities (hereinafter the “Division”)
15 notified Pinnacle Realty in writing on October 26, 2010 and October 27, 2010 that they were
16 required to comply with the licensing requirements of the Oregon Mortgage Lender Law or the
17 registration requirements of the Debt Management Service Providers Act to collect and retain
18 fees in exchange for offering to assist Oregon consumers in adjusting the terms of their
19 residential real estate loans.

20 45. The Division also requested, in writing, that Pinnacle Realty refund the fees collected
21 from S.H., since they were operating unlicensed and unregistered and did not perform on their
22 promise to obtain a modification of the terms of S.H.’s residential mortgage loan.

23 46. Pinnacle replied that they obtained a debt management service provider “license”
24 from the Department of Consumer and Business Services. The response also reported that
25 Pinnacle “offers a payment plan as well as an option to pay the fee upon successful completion
26 of the loan modification.”



1 47. To show they are “licensed” to provide debt management services in Oregon,
2 Pinnacle Realty submitted documents evidencing that the company has a Multnomah County
3 Business License, Certificate of Compliance, and is registered with the Oregon Secretary of State
4 to transact business in Oregon.

5 48. Pinnacle did not provide evidence of a debt management service provider registration
6 or an Oregon mortgage broker license as requested.

7 49. Pinnacle Realty failed to refund the fees that they collected from S.H. after written
8 notice from the Director advising Pinnacle Realty that their loan modification activities were in
9 violation of Oregon law, and the time for doing so has expired.

10 CONCLUSIONS OF LAW

11 The Director CONCLUDES that:

12 1. Pinnacle Realty acted as a “mortgage broker” as defined by ORS 86A.100(5)(a)(C)
13 when they offered to negotiate the terms of T.T., S.H.S., N.G., and S.H.’s residential mortgage
14 loan in exchange for receiving compensation.

15 2. KMR Homes acted as a “mortgage broker” as defined by ORS 86A. 100(5)(a)(C)
16 when they offered to negotiate the terms of T.T. and S.H.S.’s residential mortgage loan in
17 exchange for receiving compensation.

18 3. Pinnacle Realty and KMR Homes engaged in a “residential mortgage transaction in
19 this state” as defined by ORS 86A.103(2) when they offered to negotiate a mortgage loan for
20 Oregon residents T.T., S.H.S., N.G., and S.H.’s Oregon residential real property.

21 4. Pinnacle Realty and KMR Homes violated ORS 86A.103(1) when they engaged in
22 residential mortgage transaction in this state without first being licensed as a mortgage broker.

23 5. Humphrey and acted as a “loan originator” as defined by ORS 86A.100(4)(a) when
24 he offered to negotiate the terms of T.T., S.H.S., N.G., and S.H.’s residential mortgage loan in
25 exchange for compensation.

26 6. Gonzales and acted as a “loan originator” as defined by ORS 86A.100(4)(a), when



1 he offered to negotiate the terms of S.H.’s residential mortgage loan in exchange for
2 compensation.

3 7. Pinnacle Realty failed to notify the Director of the employment of loan originators
4 Humphrey and Gonzales in violation of ORS 86A.179(1).

5 8. Pinnacle Realty and KMR Homes performed a “debt management service” as
6 defined by ORS 697.602(2)(c) when they offered to modify the terms and conditions of T.T.,
7 S.H.S., N.G., and S.H.’s existing mortgage loan in exchange for payment of an advance fee.

8 9. Pinnacle Realty and KMR Homes violated ORS 697.612(1)(a) when they performed a
9 debt management service without first registering with the Director under ORS 697.632.

10 10. The \$1,500 “down payment” collected by Pinnacle Realty from S.H. and the \$750
11 “down payment” collected by Humphrey from T.T. (\$500) and S.H.S. (\$250) exceeded the
12 amount permitted by ORS 697.692(1).

13 11. Pinnacle Realty and Humphrey violated ORS 697.662(7)(a) when they collected
14 fees that exceeded the amounts permitted by ORS 697.692(1).

15 12. Pinnacle Realty and KMR Homes violated ORS 697.662(5) when it performed a
16 debt management service without having a good faith belief formed after conducting an
17 evaluation described in ORS 697.662(4) that the consumer can or will comply with the terms
18 of the agreement described in ORS 697.652.

19 13. Pinnacle Realty and KMR Homes violated ORS 86A.154(2) when it made an
20 untrue statement of material fact by telling T.T., S.H.S., N.G., and S.H. that it would attempt
21 to negotiate a residential mortgage loan modification for these consumers and did not.

22 14. Pursuant to ORS 697.718(1), Pinnacle Realty and KMR Homes is liable to
23 consumers for any ascertainable loss of money or property when he was required to register as
24 a debt management service provider under ORS 697.612 and violated the requirements for
25 providing debt management services in Oregon as set forth in ORS 697.652, 697.662,
26 697.682, 697.692 or 697.707.

1 Dated this 7th day of June , 2012.

2 Nunc Pro Tunc September 27, 2011.

3 PATRICK M. ALLEN, Director

4 Department of Consumer and Business Services

5 /s/ David Tatman

6 David C. Tatman, Administrator

7 Division of Finance and Corporate Securities

8 NOTICE: You may be entitled to judicial review of this Order. Judicial review may be
9 obtained by filing a petition with the Court of Appeals in Salem, Oregon within 60 days from the
10 service of this Order. Judicial review is pursuant to the provisions of ORS 183.482 to the Oregon
11 Court of Appeals.

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