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**STATE OF OREGON  
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
DIVISION OF FINANCE AND CORPORATE SECURITIES  
BEFORE THE DIRECTOR OF THE DEPARTMENT  
OF CONSUMER AND BUSINESS SERVICES**

**In the Matter of:**

**Schulzke, Inc., dba Hometown Mortgage,  
and Heidi Schulzke;  
  
Respondents.**

**ORDER TO CEASE AND DESIST,  
ORDER ASSESSING CIVIL  
PENALTIES,  
ORDER TO PAY EXAMINATION  
EXPENSES 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” and the “Department,” respectively) conducted an investigation into the activities of Schulzke, Inc. dba Hometown Mortgage (hereinafter “Schulzke, Inc.”) and Heidi Schulzke (together with Schulzke, Inc., hereinafter “Respondents”) and determined that Respondents engaged in activities constituting violations of ORS 86A.095 et seq. (hereinafter cited as the Oregon Mortgage Lender Law) and ORS 59.005 et seq. (hereinafter cited as the Oregon Securities Law);

**WHEREAS** Respondents neither admit nor deny the Findings of Fact or Conclusions of Law contained herein; and

**WHEREAS** Respondents wish to resolve this matter with the Director,

**NOW THEREFORE,** as evidenced by the authorized signature subscribed on this Order, Respondents hereby CONSENT to entry of this Order upon the Director’s Findings of Facts and Conclusions of Law as stated hereinafter:

**FINDINGS OF FACT**

**A. Parties**

1. Schulzke, Inc. is an Oregon corporation with its former principal place of business

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 located at 724 South Central #103, Medford, Oregon 97501. Schulzke, Inc. obtained an Oregon  
2 mortgage lender license (ML- 1573) on June 16, 1998. Heidi Schulzke and Eugene Schulzke  
3 were joint, equal owners of Schulzke, Inc. Heidi Schulzke was registered with the Division as the  
4 firm's experienced person and President.

5 2. W.E. and J.E. are a married couple. At all relevant times described herein W.E. and J.E.  
6 were Oregon residents.

7 3. K.C. is related to W.E. and J.E. in that he is their grandchild. At all relevant times  
8 described herein K.C. was an Oregon resident.

9 **B. Real Estate Paper Transactions**

10 4. Respondents, as mortgage brokers, sold notes secured by real estate to private  
11 individuals.

12 5. In typical real estate paper transactions, mortgage brokers broker loans between private  
13 lenders and private borrowers. The borrowers pay back the loans, plus interest, just as they  
14 would traditional bank-financed loans, though, typically, at higher interest rates.

15 **C. Investments Secured by 642 and 662 Vansant Street, Medford, Oregon**

16 6. In July 2005, Respondents discussed with W.E. and J.E. a potential opportunity to lend  
17 money for the development of certain residential properties. The prospective borrowers intended  
18 to develop properties at 642 and 662 Vansant Street in Medford, Oregon (hereinafter the "642  
19 Vansant Investment Property" and the "662 Vansant Investment Property," respectively, and  
20 together, the "642 and 662 Vansant Investment Properties").

21 7. W.E. and J.E. declined to lend at that time, and other lenders were located to fund the  
22 loans for the 642 and 662 Vansant Investment Properties. These lenders (hereinafter the "First  
23 Trust Deed Lenders") received trust deeds secured by first position liens.

24 8. On or about July 18, 2006, W.E. met with Respondents at Respondents' office to discuss  
25 the 642 and 662 Vansant Investment Properties loans.

26 9. On or about July 21, 2006, K.C. called Respondents to discuss the 642 and 662 Vansant



1 Investment Properties loans.

2 10. On or about July 25, 2006, W.E. and J.E. reviewed preliminary closing documents for the  
3 642 Vansant Investment Property. Also, on or about July 25, 2006, W.E., J.E., and K.C.  
4 reviewed preliminary closing documents for the 662 Vansant Investment Property.

5 11. On or about July 26, 2006, W.E. and J.E. jointly loaned \$57,400 to the developer of the  
6 642 Vansant Investment Property.

7 12. Also, on or about July 26, 2006, K.C. loaned \$33,998.98 and W.E. and J.E. jointly loaned  
8 \$21,401.02 to the developer of the 662 Vansant Investment Property (comprising 61.37% and  
9 38.63%, respectively, of the total \$55,400 loan amount).

10 13. W.E., J.E., and K.C. loaned money with the expectation of making a profit.

11 14. W.E., J.E., and K.C. had no role in the essential managerial efforts of the borrowers.

12 15. The success of W.E.'s, J.E.'s, and K.C.'s investments were interwoven with and  
13 dependent upon the efforts and success of the borrowers.

14 16. At no time relevant to this matter were the interests in the loans in these transactions  
15 registered with the Director for offer or sale in Oregon as securities.

16 17. At no time relevant to this matter were Respondents or any of the principals, owners, or  
17 employees engaged in the transactions that are the subject of this Order ever licensed to sell  
18 securities in Oregon.

19 **D. Disclosure Violations**

20 18. Respondents did not provide a written disclosure document to W.E., J.E., and K.C. that  
21 contained a disclosure of the value of the real property located at 642 and 662 Vansant that was  
22 based on either: a) a tax assessed value that was equal to 100% of the true cash value of the  
23 property; or b) an appraisal by an independent licensed appraiser.

24 19. Respondents did not provide a written disclosure document to W.E., J.E., and K.C. that  
25 contained a disclosure of the borrower's payment record for the prior two years.

26 20. Respondents did not provide a written disclosure document to W.E., J.E., and K.C. that



1 contained a disclosure of the terms of the senior lien or a copy of the instrument creating the lien  
2 and any assignments.

3 21. Respondents did not provide a written disclosure document to W.E., J.E., and K.C. that  
4 contained a statement of the risk of loss on foreclosure of a senior lien.

5 **E. Total Loss of Investment in 642 and 662 Vansant Investment Properties**

6 22. On or about September 28, 2006, the First Trust Deed Lenders on the 642 Vansant  
7 Investment Property filed a Notice of Default for non-payment according to the terms of the  
8 loan.

9 23. On or about October 18, 2006, the First Trust Deed Lenders on the 662 Vansant  
10 Investment Property filed a Notice of Default for non-payment according to the terms of the  
11 loan.

12 24. On or about July 12, 2007, K.C. contacted the Division to file a complaint against  
13 Respondents. K.C. lost approximately \$33,998.98, not including attorney fees or other costs, of  
14 his investment in the 662 Vansant Investment Property.

15 25. On or about August 10, 2007, W.E. and J.E. contacted the Division to file a complaint  
16 against Respondents. W.E. and J.E. lost approximately \$78,801.02, not including attorney fees or  
17 other costs, of their investment in the 642 and 662 Vansant Investment Properties.

18 **CONCLUSIONS OF LAW**

19 The Director **CONCLUDES** that:

20 1. Respondents, as mortgage brokers, sold notes secured by real estate, which are defined as  
21 “real estate paper” under ORS 59.015(15). Real estate paper sold by a mortgage broker is a  
22 security under ORS 59.015(19).

23 2. The exemption from registration contained in ORS 59.035(7) does not apply to the 662  
24 Vansant Investment Property transaction because the real estate paper was fractionalized and sold to  
25 two separate investors in violation of OAR 441-035-0020(1).

26 3. The exemption from registration contained in ORS 59.035(7) does not apply to either of



1 the two transactions described herein because Respondents did not provide all of the disclosures  
2 required by OAR 441-035-0021 and OAR 441-870-0050 to W.E., J.E., and K.C.

3 4. Respondents violated OAR 441-870-0050(1)(d) and 441-035-0021(3)(h) by not  
4 providing a written disclosure document to W.E., J.E., and K.C. that contained a disclosure of  
5 the value of the real property located at 642 and 662 Vansant that was based on either: a) a tax  
6 assessed value that was equal to 100% of the true cash value of the property; or b) an appraisal  
7 by an independent licensed appraiser.

8 5. Respondents violated OAR 441-035-0021(3)(j) by not providing a written disclosure  
9 document to W.E., J.E., and K.C. that contained a disclosure of the borrower's payment record  
10 for the prior two years.

11 6. Respondents violated OAR 441-870-0050(1)(f) and 441-035-0021(3)(c) by not providing  
12 a written disclosure document to W.E., J.E., and K.C. that contained a disclosure of the terms of  
13 the senior lien or a copy of the instrument creating the lien and any assignments.

14 7. Respondents violated OAR 441-870-0050(1)(j) and 441-035-0021(3)(e) by not providing  
15 a written disclosure document to W.E., J.E., and K.C. that contained a statement of the risk of  
16 loss on foreclosure of a senior lien.

17 8. In each of the two transactions described herein, Respondents sold securities without first  
18 obtaining a license as required by ORS 59.165.

19 9. In each of the two transactions described herein, Respondents sold securities that were  
20 not registered as required by ORS 59.055.

21 **ORDER**

22 The Director, pursuant to ORS 59.245 and ORS 86A.127(4) (previously ORS 59.885(4))  
23 hereby **ORDERS** that Respondents shall **CEASE AND DESIST** from violating any provision  
24 of the Oregon Securities Law or Oregon Mortgage Lending Law and any administrative rules  
25 adopted pursuant thereto.

26 The Director, pursuant to ORS 59.045, hereby **ORDERS** that Respondents are denied the



1 use of any exemptions to Oregon securities registration requirements authorized by ORS 59.025  
2 and ORS 59.035 until further order of the Director.

3 By Consent of the Parties, Respondents are hereby prohibited from acting as “mortgage  
4 bankers,” “mortgage brokers,” or “loan originators,” as these terms are defined in ORS 86A.100,  
5 in the state of Oregon for a period of three years from the date of this Order. This prohibition does  
6 not apply to organizations exempt under ORS 86A.100(3)(b), ORS 86A.100(5)(b), and ORS  
7 86A.200(4)(b) or to any other entities outside the jurisdiction of the Division.

8 The Director, pursuant to ORS 59.995 and ORS 86A.992 (formerly ORS 59.996(2)),  
9 hereby **ORDERS** Respondents to pay the State of Oregon a **CIVIL PENALTY** of \$15,000.  
10 As long as Respondents fully comply with this Order, the Director agrees to suspend payment  
11 of the \$15,000 civil penalty for a period of three years from the date of this order. If Respondents  
12 remain in full compliance with this Order through the three-year period, the Director agrees to  
13 waive the civil penalty in its entirety.

14 The Director, pursuant to ORS 86A.124, **ORDERS** Respondents to pay \$500 for costs  
15 associated with the examination of this matter.

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

19 IT IS SO ORDERED.

12 (DCT)

20 Dated this 10<sup>th</sup> day of January, 2014.

21 PATRICK ALLEN (DCT)  
22 ~~SCOTT L. HARRA~~, Acting Director  
Department of Consumer and Business Services

23 /S/David C. Tatman

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



**CORPORATE CONSENT TO ENTRY OF ORDER**

I, Heidi Schulzke, state that I am an officer of Schulzke Inc. dba Hometown Mortgage, and I am authorized to act on its behalf; that I have read the foregoing Order and that I know and fully understand the contents hereof; that I and this entity have been advised of the right to a hearing and have been represented by counsel in this matter; that Schulzke Inc. dba Hometown Mortgage voluntarily and without any force or duress, consents to the entry of this Order, expressly waiving any right to a hearing in this matter; that Schulzke Inc. dba Hometown Mortgage understands 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 or Oregon Securities Law; and that Schulzke Inc. dba Hometown Mortgage will fully comply with the terms and conditions stated herein.

Schulzke Inc. dba Hometown Mortgage understands that this Consent Order is a public document.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2011

By \_\_\_\_\_  
Heidi Schulzke  
\_\_\_\_\_  
Office Held

**ENTITY ACKNOWLEDGMENT**

There appeared before me this \_\_\_\_\_ day of \_\_\_\_\_ 2011 who was first duly sworn on oath, and stated that she was and an officer of Schulzke Inc. dba Hometown Mortgage and that she is authorized and empowered to sign this Consent to Entry of Order on behalf of Schulzke Inc. dba Hometown Mortgage, and to bind Schulzke Inc. dba Hometown Mortgage to the terms hereof.

\_\_\_\_\_  
Notary Public for the State of \_\_\_\_\_  
My commission expires: \_\_\_\_\_

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**CONSENT TO ENTRY OF ORDER**

I, Heidi Schulzke, state that I have read the foregoing Order and that I know and fully understand the contents hereof; that I have been advised of my right to a hearing and have been represented by counsel in this matter; that I voluntarily consent to the entry of this Order without any force or duress, expressly waiving any right to a hearing in this matter; that I understand that the Director reserves the right to take further actions against me to enforce this Order or to take appropriate action upon discovery of other violations of the Oregon Mortgage Lending Law or Oregon Securities Law; and that I will fully comply with the terms and conditions stated herein.

I understand that this Consent Order is a public document.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_  
Heidi Schulzke

SUBSCRIBED AND SWORN to before me this \_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_  
(Printed Name of Notary Public)  
Notary Public  
for the State of: \_\_\_\_\_  
My commission expires: \_\_\_\_\_

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



**CALIFORNIA JURAT WITH AFFIANT STATEMENT**

GOVERNMENT CODE § 8202

- See Attached Document (Notary to cross out lines 1-6 below)
- See Statement Below (Lines 1-6 to be completed only by document signer[s], *not* Notary)

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Signature of Document Signer No. 1

Signature of Document Signer No. 2 (if any)

State of California

County of Los Angeles

Subscribed and sworn to (or affirmed) before me

on this 16<sup>th</sup> day of December, 2011

by

(1) Heidi Schulzke  
Name of Signer

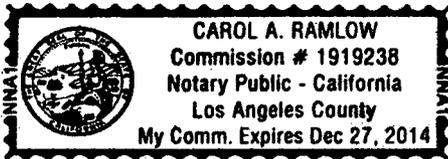
proved to me on the basis of satisfactory evidence to be the person who appeared before me (.) (.)

(and

(2) \_\_\_\_\_  
Name of Signer

proved to me on the basis of satisfactory evidence to be the person who appeared before me.)

Signature Carol A. Ramlow  
Signature of Notary Public



Place Notary Seal Above

**OPTIONAL**

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

**Further Description of Any Attached Document**

Title or Type of Document: Corporate Consent to Entry of order

Document Date: Dec 16 2011 Number of Pages: 7/8

Signer(s) Other Than Named Above: None

**RIGHT THUMBPRINT OF SIGNER #1**

Top of thumb here

**RIGHT THUMBPRINT OF SIGNER #2**

Top of thumb here

**CALIFORNIA JURAT WITH AFFIANT STATEMENT**

GOVERNMENT CODE § 8202

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- See Statement Below (Lines 1-6 to be completed only by document signer[s], *not* Notary)

1 \_\_\_\_\_

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6 \_\_\_\_\_

Signature of Document Signer No. 1

Signature of Document Signer No. 2 (if any)

State of California

County of Los Angeles

Subscribed and sworn to (or affirmed) before me

on this 16<sup>th</sup> day of December, 2011,  
Date Month Year

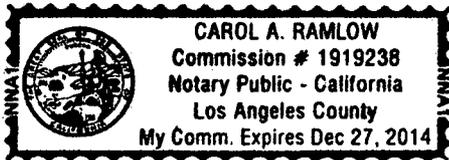
by  
(1) Heidi Schulzke  
Name of Signer

proved to me on the basis of satisfactory evidence to be the person who appeared before me (.) (.)

(and

(2) \_\_\_\_\_  
Name of Signer

proved to me on the basis of satisfactory evidence to be the person who appeared before me.)



Place Notary Seal Above

Signature Carol A. Ramlow  
Signature of Notary Public

**OPTIONAL**

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Document Date: Dec 16<sup>th</sup> 2011 Number of Pages: 8/8

Signer(s) Other Than Named Above: None

**RIGHT THUMBPRINT OF SIGNER #1**

Top of thumb here

**RIGHT THUMBPRINT OF SIGNER #2**

Top of thumb here