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DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES
FINANCE SECTION
BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

In the Matter of:

THE WATERMARK GROUP, INC.,

Respondent.

M-10-0020-15 and M-10-0010

FINAL ORDER SUSPENDING
MORTGAGE BANKER/BROKER
LICENSE, 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") acting by the authority of ORS 86A.100 et seq., previously ORS 59.840 et seq., (hereinafter cited as "the Oregon Mortgage Lender Law") conducted an investigation of Respondent The Watermark Group, Inc. ("Watermark") during 2008 through 2010 and determined that The Watermark Group Inc. engaged in activity constituting violations of the Oregon Mortgage Lender Law; and,

WHEREAS, Watermark is a dissolved Oregon corporation and wishes to resolve and settle this matter with the Director without admission of any findings of fact or conclusions of law.

NOW THEREFORE, as evidenced by the authorized signature subscribed on this Order, Watermark hereby consents to entry of this Order without admission of any finding of fact or conclusion of law.

FINDINGS OF FACT

The Director **FINDS** that:

- 1. Watermark Group Inc. dba Watermark Financial (hereinafter "Watermark") is an

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





1 Oregon corporation first registered with the Oregon Secretary of State on November 8,
2 2005. Principal offices for Watermark are located at 805 SW Broadway, Suite 1560, in
3 Portland, Oregon, 97205.

4 2. On April 14, 2006, Watermark received a license to engage in Oregon residential
5 mortgage transactions, and that the license expired on December 31, 2010. No
6 renewal request was received to renew the license for 2011. As of December 31, 2010,
7 however, this matter was on-going and the Division has not formally issued a notice of
8 cancellation for failure to renew.

9 3. The Director's records presently list Michael Knapp (hereinafter "Knapp") as the
10 ^{33% DCI} hundred percent owner, president, experienced person and a loan originator for
11 Watermark.

12 2008 Examination

13 4. On August 4, 2008, an examiner employed by the Division of Finance and
14 Corporate Securities (hereinafter "Division") completed an on-site examination of the
15 books and records of Watermark. Loan files and personnel files were reviewed during
16 the examination. Watermark received a poor score of 5 out of 5.

17 5. The examination revealed, among other things, that Watermark failed to notify
18 the Division of the opening of a branch location and the employment of a loan originator.
19 Watermark did not complete proper criminal records checks on all loan originators
20 before hiring. In addition, a Stock Redemption Agreement dated February 10, 2008
21 reviewed during the examination indicates that Knapp sold fifty percent of his ownership
22 in Watermark to Taunya Reid, but did not notify the Division of the change in ownership.

23 6. The examination also revealed that Watermark continued to employ three loan
24 originators who failed to complete the required entry-level training and seven loan
25 originators, including owner Knapp, failed to complete the required continuing
26 education.



1 7. Five loan files reviewed did not contain an interest rate lock or float agreement.
2 For one private investor loan transaction, the file reviewed did not contain the applicable
3 private loans disclosures.

4 8. The fee for the examination owed by Watermark totaled \$360. On or about
5 September 11, 2008, the Division sent a report detailing the examination findings
6 (hereinafter "examination report") to Watermark requesting a response and an invoice
7 for payment of examination fees. The Division did not receive a response.

8 9. On October 10, 2008, an office specialist from the Mortgage Lending section of
9 the Division left a voice message with the contact person for Watermark listed with the
10 Division requesting a response to the examination report. The office specialist was told
11 that the contact person listed with the Division no longer worked for the company and
12 that Taunya Reid was the new contact person. This notice has never been provided in
13 writing to the Division. The Division left word with Taunya Reid to complete and submit
14 a response to the examination report.

15 10. On or about October 17, 2008, the Division sent a letter to Watermark requesting
16 the examination fees owed warning that if they were not paid, the matter would be
17 referred to the Collections Unit. That day, the Division received payment in full for the
18 examination fees.

19 11. On or about November 12, 2008, an office specialist from the Mortgage Lending
20 section spoke with a Watermark employee regarding the failure to submit a response to
21 the examination report, and she reported that the response would be mailed that day.

22 12. Since no response was received, on or about December 3, 2008, the office
23 specialist called Watermark again and spoke with the same employee she had spoken
24 with previously, and the employee said that she would check with Reid to see what
25 happened to the response and would call back.

26 13. When the Division did not receive a response, on or about December 23, 2008,



1 the office specialist left another message for Taunya Reid.

2 14. On or about January 6, 2009, the Division sent Watermark a letter noting that if
3 the response to the examination report was not received by January 27, 2009, the
4 matter would be referred for enforcement. The Division did not receive a response by
5 the deadline, and the matter was referred for enforcement.

6 15. Watermark received a response from Kirsten Anderson, Mortgage Lending
7 Program Manager, on or about March 17, 2010 confirming that many of the foregoing
8 items were cleared and requesting additional information regarding some items,
9 particularly regarding loan originator requirements.

10 16. To date, Kirsten Anderson has not received the requested items.

11 **August 2009 Inquiry**

12 17. On or about August 13, 2009, the Division learned of a complaint regarding a
13 loan originated by Watermark and opened an investigation. The Division made a
14 request to Watermark for the complete loan file for the transaction in question. That
15 same day, an examiner employed by the Division, confirmed with loan originator
16 Timothy Reid that the file was available to be picked up and made arrangements for
17 another examiner to visit Watermark to obtain the file. Timothy Reid later called back
18 and reported that the file was not currently available at the office, but he gave
19 assurances that the file would promptly be copied and forwarded to the Division.

20 18. Division records do not list any alternative locations for file storage other than the
21 principal place of business for Watermark.

22 19. Since the file had not been received as of August 20, 2009, despite written and
23 verbal requests, the examiner left a message with Taunya Reid at the office and at
24 home requesting the file.

25 20. On or about August 31, 2009, Reid reported that a copy of the transaction file
26 was sent to the Division by mail.



1 21. On or about September 17, 2009, the examiner sent a letter to Taunya Reid, by
2 mail and email, reporting that the Division had not received the file and warned that if
3 the file was not received by September 30, 2009 the examiner would personally pick up
4 the file from Watermark on October 1, 2009. The examiner also noted that if the file
5 was not produced, a subpoena would be issued and the matter referred to enforcement.

6 22. As of September 30, 2009, the examiner had not received the file or a response
7 from Taunya Reid and visited Watermark with a subpoena requiring production of the
8 file. The examiner requested to speak with Reid, and she was told by a Watermark
9 employee that both Timothy and Taunya Reid were unavailable. The employee
10 attempted to contact Timothy and Taunya Reid by cell phone and did not receive a
11 response. The employee reported that she was unable to produce the file because the
12 file was at the home of Timothy and Taunya Reid.

13 December 2009 Inquiry

14 23. On or about December 1, 2009, the Division learned of another complaint
15 regarding a loan originated by Watermark and opened an investigation. The Division
16 made a request to Watermark for the complete loan file for the transaction in question
17 on January 14, 2010 to be submitted to the Division no later than February 8, 2010.

18 24. As of February 9, 2010, the examiner had not received the file or a response
19 from Taunya Reid and visited Watermark with a subpoena requiring production of the
20 file by the close of business on February 22, 2010. Taunya Reid told the examiner that
21 the file would likely be ready later on February 9, 2010, but the file was not ready.

22 25. Taunya Reid then told the examiner that the file would be sent by overnight mail
23 on February 17, 2010 to arrive at the Division on February 18, 2010. The file arrived at
24 the Division at 4:26 p.m. on February 22, 2010.

25 2009 Annual Report

26 29. Respondent held a license to engage in Oregon residential mortgage lending in



1 2009.

2 30. ORS 86A.112(3) requires that the Department's Division of Finance and
3 Corporate Securities (the "Division") obtain from licensed Oregon mortgage bankers
4 and brokers annual reports concerning their residential mortgage lending activities.
5 Oregon Administrative Rule ("OAR") 441-865-0025 defines data required to be included
6 in those reports and sets the deadline for filing them. The deadline for filing mortgage
7 lending annual reports with the Division for business conducted in 2009 was March 31,
8 2010.

9 31. On or about January 12, 2010, the Division made public a website located at
10 <https://www4.cbs.state.or.us/exs/dfcs/mlrpt/> for licensees to use to file their annual
11 reports. The Division posted a link to that website from the Division home page along
12 with information on the annual report requirement. In addition, the Mortgage Lender
13 home page also contained a prominent notice.

14 32. By letter dated January 12, 2010, all firms that held a mortgage lending license in
15 Oregon in 2009 were notified of the requirement to file the 2009 annual report by March
16 31, 2010.

17 33. On or about January 12, 2010, a Division employee sent an email to all
18 companies for which it had a valid email address, reminding them of the requirement to
19 file the annual report.

20 34. On February 1, 2010, a Division employee sent another reminder email to those
21 companies that had not yet file an annual report, for which it had a valid email
22 addresses.

23 35. On March 1, 2010, a Division employee sent another reminder email to those
24 companies that had not yet filed an annual report, for which it had valid email
25 addresses.

26 36. On March 15, 2010, a Division employee sent another reminder email to those



1 companies that had not yet filed an annual report, for which it had valid email
2 addresses.

3 37. On March 29, 2010, a Division employee sent another reminder email to those
4 companies that had not yet filed an annual report, for which it had valid email
5 addresses.

6 38. On April 1, 2010, a Division employee sent reminder letters to all the companies
7 that have current mortgage lender licenses in Oregon and had a license in 2009, but
8 had not yet file an annual report. The letter reminded the licenses of the obligation to
9 file the annual report, informed them again of the \$100 penalty per day for failure to file
10 the report and noted that the Mortgage Lending Section would be forwarding those
11 companies who had not filed the annual report by May 1, 2010 to the Enforcement
12 Section for enforcement of the civil penalty.

13 39. Since Respondent did not file the annual report by the deadline, the case matter
14 was sent for enforcement.

15 40. The Division had not received an annual report from Respondent.

16 41. Watermark authorized its dissolution on April 1, 2010.

17 42. Watermark was a dissolved Oregon corporation as of June 3, 2010.

18 CONCLUSIONS OF LAW

19 The Director **CONCLUDES** that:

20 1. By failing to make one loan file available for examination pursuant to a written
21 request from the Director, and later by a subpoena, Watermark violated ORS
22 86A.115(11), previously ORS 59.865(11), which constitutes grounds for the Director to
23 suspend the Oregon mortgage broker license of Watermark.

24 2. By failing to respond to the Division's examination report following numerous
25 requests, Watermark violated ORS 86A.115(11), previously ORS 59.865(11),
26 which constitutes grounds for the Director to suspend the Oregon mortgage broker

1 license of Watermark.

2 3. By failing to provide notice to the Director of the change in ownership of
3 Watermark within 30 days, Watermark violated OAR 441-860-0070(1)(f).

4 4. By failing to provide notice to the Director of the opening of a Watermark branch
5 location within 30 days, Watermark violated ORS 86A.166, previously ORS 59.950(2).

6 5. By failing to provide notice to the Director of the hire of a loan originator within 30
7 days, Watermark violated ORS 86A.179, previously ORS 59.969(1).

8 6. By continuing to employ seven loan originators out of compliance with required
9 loan originator training, Watermark violated OAR 441-880-0030(6).

10 7. By failing to complete proper criminal records checks on all loan originators
11 employed, Watermark violated OAR 441-860-0045.

12 8. By failing to complete the proper disclosures requiring for private investors loans
13 and maintain the documents in the investor files, Watermark violated OAR 441-870-
14 0050.

15 9. By failing to file an annual report with the Director by March 31, 2010,
16 Respondent violated ORS 86A.112(3).

17 **ORDER**

18 NOW, THEREFORE, THE DIRECTOR ISSUES THE FOLLOWING ORDERS:

19 1. The Director hereby **SUSPENDS** the mortgage broker license and all activity of
20 Watermark that requires an Oregon mortgage broker/banker license in the State of
21 Oregon pending reinstatement of Watermark's license subject to the Director's
22 discretion and review under the Oregon Mortgage Lender Law (the "License").

23 2. The Director hereby **ORDERS** Watermark to file an annual report for calendar
24 year 2009 with the Director within 45 days of entry of this Order.

25 3. The Director hereby **ORDERS** Watermark to pay a civil penalty of Three
26

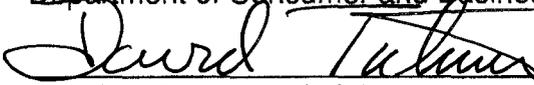
Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street, Suite 410
Salem, OR 97301-3888
Telephone: (503) 378-4140



1 Thousand and no/100ths Dollars (\$3,000.00) for the foregoing violations. The penalty
2 shall be suspended unless and until Watermark seeks reinstatement of the License by
3 the Director.

4 Dated this 26th day of June, 2012.

5 PATRICK M. ALLEN, Director
6 Department of Consumer and Business Services

7 

8 David C. Tatman, Administrator
9 Division of Finance and Corporate Securities

10 ENTITY CONSENT TO ENTRY OF ORDER

11 I, Michael Knapp, state that I am the acting officer of The Watermark Group, Inc., a
12 dissolved Oregon corporation. I am acting officer solely for purposes of wrapping up the
13 operations of Watermark. I have read the foregoing order and know and fully
14 understand the contents hereof. I have been advised of the right to a hearing and of the
15 right to be represented by counsel in this matter. Watermark voluntarily and without
16 force or duress consents to the entry of this Order expressly waiving any right to a
17 hearing in this matter. Consent to this Order is without admission of any finding of fact
18 or conclusion of law but instead is granted for purposes of resolution only. Watermark
19 understands that the Director reserves the right to take further actions to enforce this
20 Order or to take appropriate action upon discovery of other violations of the Oregon
21 Mortgage Lenders Law, and that Watermark will fully comply with the terms and
22 conditions stated herein.

23 Watermark assures the Director that Watermark will not engage in any activity
24 requiring an Oregon mortgage broker/banker license. Watermark understands that
25 reinstatement of its License is not guaranteed, and that any reinstatement will require
26 submission and approval by the Director pursuant to the Oregon Mortgage Lender Law

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



1 and the National Mortgage Licensing System as implemented by the Director or any
2 licensing system in existence at the time of any application.

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

4 Dated this 19 day of JUNE, 2012.

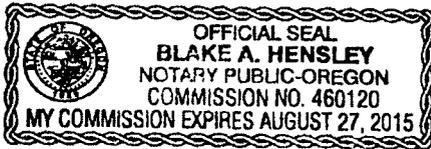
5 THE WATERMARK GROUP, INC., A Dissolved
6 Oregon Corporation

7 By Michael Knapp
8 Michael Knapp
9 Acting Officer

10 **CORPORATE ACKNOWLEDGMENT**

11 There appeared before me this 19 day of June, 2012,

12 Michael Knapp, who was first duly sworn on oath, and stated that he was and is
13 authorized and empowered to sign this Consent to Entry of Order on behalf of
14 Watermark, and to bind Watermark to the terms hereof.



15
16 [Signature]
17 (Individual)

18 Blake Hensley
19 (Printed Name of Notary Public)
20 Notary Public
21 for the State of: Oregon
22 My commission expires: Aug 27, 2015

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



26



Oregon

John A. Kitzhaber, MD, Governor

Department of Consumer and Business Services

Division of Finance and Corporate Securities

350 Winter St. NE, Room 410

P.O. Box 14480

Salem, OR 97309-0405

503-378-4387

Oregon toll free: 866-814-9710

Fax: 503-947-7862

www.dfcs.oregon.gov

June 19, 2012

Michael K. Knapp
2068 NE 11th Ave.
Portland, OR 97212

RE: Settlement of The Watermark Group, Inc. and its effect on Michael K. Knapp, NMLS #110919

Dear Mr. Knapp,

The State of Oregon Division of Finance and Corporate Securities (hereinafter "Division") is entering into a consent order with The Watermark Group, Inc. to resolve enforcement cases M-10-0010 and M-10-0020-15 against The Watermark Group, Inc. regarding file production, responding to exams and filing of required reports. While that order did not specifically name you, you were in control of the company at the time that the events occurred. Part of the Division's agreement to accept the terms of the order was an understanding we reached with you individually about what would occur should you seek to hold certain positions with an Oregon licensed mortgage lender. The terms of that understanding are documented in this letter (hereinafter "Agreement"), which is a public document.

Michael K. Knapp agrees that, if he chooses to work as a principal, experienced person, qualifying individual, officer, owner, or in a similar position for an entity that is required to be licensed as an Oregon mortgage broker/banker under ORS 86A.103 in three years following the date of this Agreement, he agrees that the company will be subject to a conditional Oregon mortgage lender's license with the Division. The conditional license shall be subject to the following condition such that if Michael K. Knapp fails to comply, he agrees that the company's license shall be revoked:

1. Pursuant to ORS 86A.115(12), Michael K. Knapp, as a principal, experienced person, qualifying individual, officer, owner, or in a similar position, on behalf of an entity that is required to be licensed as an Oregon mortgage broker/banker under ORS 86A.103, shall comply with the requirements of ORS 86A.112 to make and keep records prescribed by rule or order of the director, to produce such records required by the director or to file any financial reports or other information the director by rule or order may require. This includes complying with the deadline set by the Division for the filing these records.

To the extent that Michael K. Knapp is employed as a branch manager for a company that holds an Oregon mortgage lender license under ORS 86A.103, Michael K. Knapp agrees that his branch shall maintain and keep all loan records prescribed by rule or order of the director for any loan originated through the branch managed by Michael K. Knapp. Such records may be kept at the branch or principal location of the company. Michael K. Knapp further agrees that he will make all loan records available to the Division or the company by which he is employed within the period of time directed by the Division if a request to review such record is made by the Division. Examples of reasonable production include, but are not limited to, immediately if the

record is on-site, and the Division appears on-site to access or retrieve the record, or within 21 days of receipt of the request if the request is made by mail or fax, and the record is to be delivered to the Division.

This agreement does not impact Michael K, Knapp's ability to work as a licensed Oregon mortgage loan originator if he does not assume a position of a principal, experienced person, qualifying individual, branch manager, officer, owner, or a similar position, for a period of three years from the date of this Agreement.

By signing below, you acknowledge that this letter sets forth the understanding of the parties with regard to your relationship with an Oregon licensed mortgage lender for the next three years as a result of actions that occurred while you controlled The Watermark Group, Inc.

Sincerely,



David Tatman
Administrator

Acknowledgement

Michael K. Knapp:



Date signed:

June 19th 2012