

1 **STATE OF OREGON**
2 **DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**
3 **DIVISION OF FINANCE AND CORPORATE SECURITIES**

4 In the Matter of:

S-15-0010

5 Direct REO Investments Inc., and
6 Debra K. Chruszch

ORDER TO CEASE AND DESIST; ORDER
ASSESSING CIVIL PENALTIES;
ORDER DENYING EXEMPTIONS; AND
CONSENT TO ENTRY OF ORDER

7 Respondents.

8 WHEREAS, the Director of the Department of Consumer and Business Services
9 for the State of Oregon (hereinafter “the Director”), acting by the authority of the Oregon
10 Securities Law, Oregon Revised Statutes Chapter 59, has conducted an investigation of
11 Respondents and concluded that violations of Oregon law have been committed;

12 WHEREAS the Director, acting by and through the Division of Finance and
13 Corporate Securities (“DFCS”) issued a Notice Order against Respondents on February
14 24, 2015;

15 WHEREAS Respondents wish to resolve this matter with the Director;

16 WHEREAS Respondents submit to the jurisdiction of the Director, but otherwise,
17 Respondents neither admit nor deny the Findings of Fact and Conclusions of Law set
18 forth in Sections I and II below;

19 NOW THEREFORE, as evidenced by the signatures subscribed on this Order,
20 Respondents CONSENT to entry of this Order upon the Director’s Findings of Fact and
21 Conclusions of Law.

22 **I. FINDINGS OF FACT**

23 The Director FINDS that, at all times relevant to this Order:

24 1. **Respondent Direct REO Investments Inc. (“Direct REO” or “the**
25 **Company”)** was a Nevada organized company with a corporate address of 6130 W.
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1 Tropicana Ave., Suite 211, Las Vegas, Nevada 89103. Direct REO did business in
2 Oregon at 17675 Farmington Road #254, Beaverton, Oregon 97007.

3 2. **Respondent Debra K. Chruszch** (“Chruszch”) was the president and sole
4 officer of Direct REO.

5 3. On or about August 30, 2013, **KP**, a resident of Washington, submitted a
6 complaint against Direct REO and Chruszch to the Oregon Department of Justice;
7 subsequently, the complaint was forwarded to the Division of Finance and Corporate
8 Securities (“DFCS”) for investigation. The investigation indicated that Direct REO and
9 Chruszch, while in Oregon, issued and sold promissory notes to multiple investors.
10 Chruszch told investors that Direct REO would use their investment funds to acquire and
11 rehabilitate distressed real estate in Ohio that would be resold for a profit.

12 4. On September 7, 2010, **KP** purchased a promissory note issued by Direct REO
13 for \$22,000. KP’s investment funds were deposited into an account for Direct REO at
14 U.S. Bank in Aloha, Oregon. Direct REO’s promissory note promised to return KP’s
15 “principal loan amount of \$22,000 plus a minimum return on funds of 25% for a total of
16 \$5,500” on March 7, 2011. Chruszch signed the promissory note and was the sole person
17 KP communicated with at Direct REO.

18 5. On September 10, 2010, **DK**, a resident of Oregon purchased a promissory
19 note issued by Direct REO for \$45,000. DK’s investment funds were deposited into an
20 account for Direct REO at U.S. Bank in Aloha, Oregon. Direct REO’s promissory note
21 promised to return DK’s “principal loan amount of \$45,000 plus a minimum return on
22 funds of 25% for a total of \$11,250” on March 9, 2011. Chruszch signed the promissory
23 note and was the sole person DK communicated with at Direct REO.

24 6. At or before the time of investment, Direct REO provided KP and DK with a
25 short description of their “Private Investment.” The description provided in relevant part:

26 Direct REO Investments, Inc. is a high yield return investment
Company based in Oregon that invests in distressed US real





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estate and other types of property. Direct REO Investments, Inc. allows individuals and companies to receive an above average return based on a loan to the company controlled and operated by President Deb Chruszch.

This is a hands-off investment opportunity that generates returns on the investment funds for those wishing to benefit from the US housing market without the headaches, hassles, time commitment and risk of traditional real estate investing.

Every dollar contributed to the Company is invested in substantially undervalued American real estate through strategic contacts with direct bank sources. Some of the properties are resold at wholesale prices in a short time frame for small gains while others are held for at least 90 days while they are renovated and resold for substantially more.

7. Direct REO and Chruszch did not provide disclosures to KP and DK with respect to the material risks associated with investing with the Company and / or the risks associated with investing in distressed U.S. real estate. Thus, without more fulsome disclosures, the “Private Investment” description materially misrepresented the investment opportunity as risk free and without hassle.

8. In September 2010, the funds from KP and DK were commingled with another investor’s funds in Direct REO’s U.S. Bank account. The majority of investor funds were then wired to American Patriot Title Agency and used by Chruszch to acquire 641 Garfield Ave., Canton, Ohio and 31 East Emerling Ave., Akron, Ohio. Subsequently, Chruszch deeded these properties to Direct REO.

9. In 2013, Direct REO sold the 641 Garfield and 31 E. Emerling properties at a significant loss. Proceeds from the sale were not used to repay KP or DK.

10. Direct REO has never registered any securities with the Director.

II. CONCLUSIONS OF LAW

The Director **CONCLUDES** that:

1. The Director has jurisdiction over Respondents for the violations described below. ORS 59.235.



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unregistered securities to KP and DK.

b. \$40,000 (forty thousand dollars) for violating ORS 59.135(2), for misrepresentation and omissions in connection with the sale of securities to KP and DK.

4. The Director will SUSPEND the collection of the civil penalty set forth in Paragraph 3 or Section III, provided Respondents comply with:

a. The Stipulated General Judgment in *Kay v. Direct REO Investment, Inc.* entered on or about March 27, 2015 (Case No. CV14100138, Circuit Court Clackamas County); and,

b. The November 13, 2013 agreement between Respondents and KP which requires Respondents to pay a minimum of \$80 per month until the debt owed to KP is satisfied.

5. If Respondents comply with all terms and conditions of this Consent Order and meet the conditions of Paragraph 4(a) and 5(b) of Section III above, the Director will waive the collection of the \$80,000 civil penalty.

6. Respondents stipulate and agree that the civil penalty assessed in Paragraph 3 of Section III is not dischargeable under 11 U.S.C. 523(a)(7).

7. Should any term or condition of this Consent Order require interpretation or enforcement, Respondents stipulate and agree to the jurisdiction of the Marion County Circuit Court, Salem, Oregon.

The entry of this Order in no way limits further remedies which may be available to the Director under Oregon law.

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1 Dated this 15th day of June, 2015, at Salem, Oregon.

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3 PATRICK 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
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