

1 DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
2 DIVISION OF FINANCE AND CORPORATE SECURITIES  
3 ENFORCEMENT SECTION  
4 BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

5 In the Matter of:

6 Morgan Financial Inc.,

7 Respondent.

M-04-0003-2

8 ORDER TO CEASE AND DESIST  
9 ORDER ASSESSING CIVIL PENALTIES

10 And  
11 CONSENT TO ENTRY OF ORDER

12 WHEREAS the Director of the Department of Consumer and Business Services  
13 for the State of Oregon (hereinafter "the Director") conducted an investigation of Morgan  
14 Financial, Inc. and determined that Morgan Financial, Inc. engaged in activities  
15 constituting violations of ORS 59.840 through 59.965 (hereinafter cited as the Oregon  
16 Mortgage Lender Law); and

17 WHEREAS Morgan Financial, Inc., wishes to resolve and settle this matter with  
18 the Director,

19 NOW THEREFORE, as evidenced by the authorized signature subscribed on  
20 this order, Morgan Financial, Inc. hereby **CONSENTS** to entry of this order upon the  
21 Director's Findings of Fact and Conclusions of Law as stated hereinafter:

22 **FINDINGS OF FACT**

23 The Director **FINDS** that:

24 1. Morgan Financial, Inc. (hereinafter "Respondent") is an Oregon corporation  
25 formed on October 30, 1995 that the Director has licensed to engage in Oregon  
26 residential mortgage transactions since November 7, 1995.

2. Respondent is currently licensed to operate from a principal location of 127  
South Weber Drive in Chandler, Arizona 85226 and 32 branch locations.

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1 3. Respondent has never been licensed to operate from 2046 N. Highway 99 in  
2 McMinnville, Oregon 97128 (hereinafter "the McMinnville Location").

3 4. Respondent provided the Director notification that it had hired Cristobal Vilorio,  
4 Eddy Morales and Juan Carlos Morales to operate as loan originators for Respondent  
5 on December 8, 2003.

6 5. At the time that the notice of the loan originators was provided, the Director's  
7 records showed that Cristobal Vilorio, Eddy Morales and Juan Carlos Morales were  
8 employed as loan originators for City Lending Group, LLC. Respondent asserts that it  
9 was unaware of this fact at the time that they were hired.

10 6. The Director sent a request to City Lending Group, LLC to confirm if Cristobal  
11 Vilorio, Eddy Morales and Juan Carlos Morales were still employed by City Lending  
12 Group, LLC as loan originators.

13 7. The Director did not receive confirmation that Cristobal Vilorio, Eddy Morales and  
14 Juan Carlos Morales had been terminated as loan originators from City Lending Group,  
15 LLC.

16 8. At sometime prior to January 1, 2004, Cristobal Vilorio, Eddy Morales and Juan  
17 Carlos Morales commenced operating a branch at the McMinnville Location.  
18 Respondent asserts that the McMinnville Location was opened without Respondent's  
19 knowledge or authorization.

20 9. The Director licensed City Lending Group, LLC. to operate a branch location from  
21 the McMinnville Location from October 21, 2002 through May 14, 2004.

22 10. On February 9, 2004, the Director attempted to commence a branch examination  
23 of City Lending Group, LLC at the McMinnville Location.

24 11. During the examination at the McMinnville Location, the Director's examiners  
25 were informed by Cristobal Vilorio, Eddy Morales and Juan Carlos Morales that the  
26 location was not operated by City Lending Group, LLC but rather was a branch location

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1 of Respondent operating under the dba Infinity Investments Corp.

2 12. The Director's examiners found various documents around the office bearing the  
3 name Morgan Financial, Inc. and/or Infinity Investments Corp. including business cards  
4 for Cristobal Vilorio, Eddy Morales and Juan Carlos Morales.

5 13. As of February 9, 2004, Respondent had not provided notification to the  
6 Director that it would be operating from the McMinnville Location. Respondent asserts  
7 that it was not aware and had not authorized Cristobal Vilorio, Eddy Morales and Juan  
8 Carlos Morales to operate from the McMinnville Location and therefore did not have had  
9 sufficient information to provide notification to the Director of the McMinnville Location.

10 14. A records search of the Corporation Division of the Secretary of State revealed  
11 that Infinity Investments Corp. is registered to Eddy Morales as a domestic business  
12 corporation.

13 15. At all times relevant herein, Respondent had not registered the dba Infinity  
14 Investments Corp. Respondent asserts that it did commence the process of acquiring  
15 the right to operate under the dba Infinity Investments Corp. and had not authorized  
16 Cristobal Vilorio, Eddy Morales, and Juan Carlos Morales to operate under that name.

17 16. At all times relevant herein, the Director had not issued a license to any company  
18 to use the name "Infinity Investments."

19 17. At all times relevant herein, Respondent had not submitted to the Director a  
20 surety bond including coverage for the name "Infinity Investments Corp." or any similar  
21 name because, as Respondent asserts, it had not authorized Cristobal Vilorio, Eddy  
22 Morales and Juan Carlos Morales to operate under the dba Infinity Investments Corp.

23 18. Subsequent to the attempted office examination, the Director was asked to  
24 provide assistance to a criminal investigation relating to actions taken at the McMinnville  
25 Location by Cristobal Vilorio, Eddy Morales and Juan Carlos Morales.

26 19. In connection with that investigation, the Director's examiners reviewed files and



1 participated in interviews regarding loans originated by Cristobal Vilorio, Eddy Morales  
2 and Juan Carlos Morales for several companies, including City Lending Group, LLC and  
3 Morgan Financial, Inc., and specifically including files for Oregon consumers Carlos  
4 Aquino, Isaias Sandoval, Salvador Corona and Enrique Olmedo.

5 20. During the review of the files related to the loan for Carlos Aquino, the Director's  
6 examiners found that Respondent, through loan originator Juan Carlos Morales,  
7 brokered a loan for Carlos Aquino through Accredited Home Lenders, Inc.

8 21. In connection with the Carlos Aquino loan, Gary Brooks performed an appraisal  
9 on January 5, 2004 and submitted his appraisal report to Respondent at the McMinnville  
10 Location.

11 22. Carlos Aquino reported that after the close of his loan, Juan Carlos Morales told  
12 him that he needed to pay Juan Carlos Morales an additional \$900 for the loan. Carlos  
13 Aquino wrote a check to Infinity Investments from his US Bank on January 27, 2004 in  
14 the amount of \$928. Respondent asserts that it was unaware of this request and  
15 Respondent had instructed Juan Carlos Morales that he was not authorized to accept  
16 money from borrowers.

17 23. During the review of the files related to the loan for I [REDACTED] S [REDACTED] the  
18 Director's examiners found that Respondent, through loan originator Juan Carlos  
19 Morales, brokered a loan for I [REDACTED] S [REDACTED] through First Franklin.

20 24. The file contained a good faith estimate for a first mortgage loan for Isaias  
21 Sandoval prepared by Respondent that was signed by I [REDACTED] S [REDACTED] on October 18,  
22 2003.

23 25. The file also contained a Truth in Lending disclosure for I [REDACTED] S [REDACTED]  
24 prepared by Respondent that was signed by I [REDACTED] S [REDACTED] no later than October 18,  
25 2003.

26 26. The file contained a credit report for I [REDACTED] S [REDACTED] pulled through CIS by



1 Respondent on October 22, 2003.

2 27. The I [REDACTED] S [REDACTED] file contained an invoice for the appraisal completed in  
3 connection with the transaction that had been sent to Respondent at the McMinnville  
4 Location along with an invoice for \$400.

5 28. I [REDACTED] S [REDACTED] reported that he gave Juan Carlos Morales a check for \$400 to  
6 pay for the appraisal. Respondent asserts that it was unaware of the \$400 check and  
7 Respondent had instructed Juan Carlos Morales that he was not authorized to accept  
8 money from borrowers.

9 29. The application for I [REDACTED] S [REDACTED] indicates that he is employed by Raul  
10 Castillo Construction and contains documents that appear to verify that employment,  
11 upon which Respondent asserts that it relied. However, I [REDACTED] S [REDACTED] was not  
12 employed by Raul Castillo Construction.

13 30. Eddy Morales reported that Raul Castillo Construction was paid to provide false  
14 employment verifications in connection with loans originated from the McMinnville  
15 Location. Respondent asserts that it was unaware of this fact.

16 31. The I [REDACTED] S [REDACTED] file contained a five-page fax from First Franklin dated  
17 December 29, 2003 containing on the second page an alteration to line "12. Loan  
18 Disbursements:" where the broker fee paid to Respondent was typed as \$300 but  
19 contained a hand-written 7 in front of the typed \$300 to make it appear as if the broker  
20 fee was \$7,300. It was initialed in an illegible manner that appeared to be the initials of  
21 the borrower to approve the change and dated "12/29/03." The document did contain  
22 the signature of I [REDACTED] S [REDACTED]

23 32. [REDACTED] S [REDACTED] indicated that he did not initial the change from \$300 to  
24 \$7,300. The initials and date were already there when he signed the document.  
25 Respondent asserts that it was unaware that the borrower did not initial the change.

26 33. The final HUD-1 indicates that Respondents received a \$7,300 broker fee in

1 connection with the loan originated for I [REDACTED] S [REDACTED].

2 34. The final HUD-1 also indicates that I [REDACTED] S [REDACTED] paid \$400 for the appraisal  
3 through closing despite having paid Juan Carlos Morales \$400 for the appraisal by  
4 check. Respondent asserts that it was unaware of the double payment.

5 35. During the review of the files related to the loan for S [REDACTED] C [REDACTED], the  
6 Director's examiners found that Respondent, through loan originator Cristobal Vilorio,  
7 brokered a loan for S [REDACTED] C [REDACTED] through Accredited Home Lenders, Inc.

8 36. The HUD-1 indicated that Respondent and/or Infinity Investment Corp. received  
9 fees of \$1,275, specifically using the name Infinity Investment Corp. Respondent  
10 asserts that it understood from the document that no monies were being paid to Infinity  
11 Investment Corp.

12 37. During the review of the files related to the loan for S [REDACTED] C [REDACTED], the  
13 Director's examiners found that Respondent, through loan originator Carlos Morales,  
14 brokered a loan for S [REDACTED] C [REDACTED] through Accredited Home Lenders, Inc.

15 38. The application submitted in connection with the loan for E [REDACTED] O [REDACTED]  
16 indicated that he has been employed at Raul Castillo Construction for three years as a  
17 foreman making \$4,089 per month. Respondent asserts that the borrower file for  
18 E [REDACTED] O [REDACTED] contains documents which appear to verify employment with Raul  
19 Castillo Construction and Respondent relied upon that documentation.

20 39. E [REDACTED] O [REDACTED] was not employed at Raul Castillo Construction. Respondent  
21 asserts that it was unaware of this fact.

22 40. On June 15, 2004, a Yamhill County Grand Jury indicted Cristobal Vilorio on one  
23 count of Racketeering under ORS 166.720, a class A felony, eight counts of Fraud and  
24 Deceit with Respect to Mortgage Banker or Broker Business under ORS 59.930, a class  
25 C felony, five counts of Theft in the First Degree under ORS 164.055, a class C felony,  
26 and one count of Theft in the Second Degree under ORS 164.045, a class A



1 | misdemeanor.

2 | 41. On June 15, 2004, a Yamhill County Grand Jury indicted Eddy Morales on one  
3 | count of Racketeering under ORS 166.720, a class A felony, seven counts of Fraud and  
4 | Deceit with Respect to Mortgage Banker or Broker Business under ORS 59.930, a class  
5 | C felony, two counts of Issuing a False Financial Statement under ORS 165.102, a  
6 | class A misdemeanor, three counts of Theft in the First Degree under ORS 164.055, a  
7 | class C felony, and one count of Aggravated Theft in the First Degree under ORS  
8 | 164.057, a class B felony.

9 | 42. On June 15, 2004, a Yamhill County Grand Jury indicted Juan Carlos Morales  
10 | on one count of Racketeering under ORS 166.720, a class A felony, ten counts of Fraud  
11 | and Deceit with Respect to Mortgage Banker or Broker Business under ORS 59.930, a  
12 | class C felony, one count of Issuing a False Financial Statement under ORS 165.102, a  
13 | class A misdemeanor, six counts of Theft in the First Degree under ORS 164.055, a  
14 | class C felony, one count of Theft in the Second Degree under ORS 164.045, a class A  
15 | misdemeanor, and two counts of Forgery in the First Degree under ORS 165.013, a  
16 | class C felony.

17 | 43. Pursuant to an agreement to settle the criminal case, on February 3, 2006,  
18 | Cristobal Antonio Vilorio entered a plea of guilty to three counts of Fraud and Deceit  
19 | with Respect to Mortgage Banker or Broker Business under ORS 59.930, all class C  
20 | felonies, and one count of Theft in the First Degree under ORS 164.055, al class C  
21 | felony.

22 | 44. Pursuant to an agreement to settle the criminal case, on February 1, 2006, Eddy  
23 | Morales entered a plea of guilty to one count of Issuing a False Financial Statement  
24 | under ORS 165.102, a class A misdemeanor and three counts of Fraud and Deceit with  
25 | Respect to the Mortgage Broker or Banker Business, ORS 59.930, all class C felonies.

26 | 45. Pursuant to an agreement to settle the criminal case, on June 28, 2005, Juan

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1 Carlos Morales entered a plea of guilty to one count of Racketeering under ORS  
2 166.720, a class A felony, one count of Fraud and Deceit with Respect to Mortgage  
3 Banker or Broker Business under ORS 59.930, a class C felony, and three counts of  
4 Theft in the First Degree under ORS 164.055, a class C felony.

5 46. The Director has included herein several assertions made by Respondent that  
6 are specifically identified as such. The Director has insufficient information to either  
7 prove or disprove these assertions made by Respondent.

### 8 CONCLUSIONS OF LAW

9 The Director **CONCLUDES** that:

10 1. Respondent violated ORS 59.865(15) by failing to diligently supervise and control  
11 the activities of loan originators Cristobal Vilorio, Eddy Morales and Juan Carlos  
12 Morales such that the three loan originators originated loans from an unlicensed  
13 location, used a dba in connection with the unlicensed location prior to registration of  
14 the dba, failed to account for all funds taken from consumers and provided false  
15 information in connection with Oregon residential mortgage loan applications.

16 2. Respondent's violation of ORS 59.865(15) continued between at least December  
17 8, 2003 and February 12, 2004.

### 18 ORDER

19 The Director, pursuant to ORS 59.885(4) hereby **ORDERS** that Respondent will  
20 **CEASE AND DESIST** from violating any provision of Oregon Mortgage Lender Law,  
21 OAR 441-850-0005 through 441-885-0010 and any rule, order or policy issued by the  
22 Division.

23 The Director, pursuant to ORS 59.996 hereby **ORDERS** Respondent to pay the  
24 State of Oregon a civil penalty of \$20,000, based upon one continuing violation of ORS  
25 59.865(15) (failure to diligently supervise and control a loan originator).

26 The date of this order is the day the Director or Director's nominee signs the

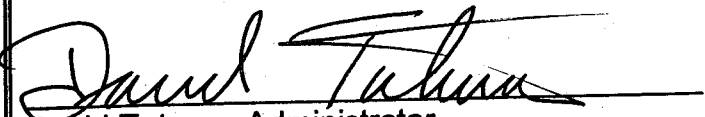




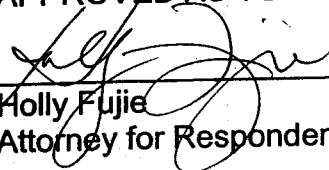
1 order. The entry of this Order in no way limits further remedies which may be available  
2 to the Director under Oregon law.

3 Dated this 30<sup>th</sup> day of June, 2006, at Salem, Oregon.

4  
5 CORY STREISINGER, Director  
6 Department of Consumer and Business Services

7   
8 David Tatman, Administrator  
9 Division of Finance and Corporate Securities

10 APPROVED AS TO FORM:

11   
12 Holly Fujie  
13 Attorney for Respondent

Dated: 6/19/06

14 **CORPORATE CONSENT TO ENTRY OF ORDER**

15 I, Morgan Smith, state that I am an officer of Respondent, and I am authorized to  
16 act on its behalf; that I have read the foregoing Order and that I know and fully  
17 understand the contents hereof; that I and this entity have been advised of the right to a  
18 hearing and of the right to be represented by counsel in this matter; that Respondent  
19 voluntarily and without any force or duress, consents to the entry of this Order,  
20 expressly waiving any right to a hearing in this matter; that Respondent understands  
21 that the Director reserves the right to take further actions to enforce this Order or to take  
22 appropriate action upon discovery of other violations of the Oregon Mortgage Lender  
23 Law; and that Respondent will fully comply with the terms and conditions stated herein.

24 Respondent further assures the Director that neither Respondent, nor its officers,  
25 directors, employees or agents will effect mortgage transactions in Oregon unless such  
26 activities are in full compliance with Chapter 59 of the Oregon Revised Statutes.

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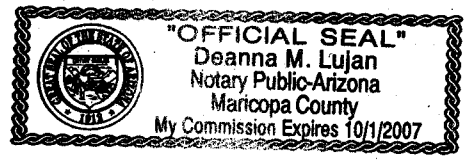
Respondent understands that this Consent Order is a public document.

Dated this 12 day of June, 2006.

By *MS*  
Morgan Smith  
*President*  
(Office Held)

**CORPORATE ACKNOWLEDGMENT**

There appeared before me this 12<sup>th</sup> day of June, 2006, Morgan Smith, who was first duly sworn on oath, and stated that he was and is 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.



*Deanna M. Lujan*  
Notary Public  
for the State of: *Arizona*  
My commission expires: *10/1/2007*

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