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Jeggy Clark

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:

M-05-0048

Diamond Financial Group of Oregon Inc.,

ORDER TO CEASE AND DESIST
ORDER ASSESSING CIVIL PENALTIES

Respondent.

And
CONSENT TO ENTRY OF ORDER

The Director of the Department of Consumer and Business Services for the State of Oregon (hereinafter "the Director") acting by the authority of the Chapter 59 of the Oregon Revised Statutes (hereinafter cited as "the Oregon Mortgage Lender Law"), hereby issues the following Findings of Fact, Conclusions of Law, Order and Notice of Right to a Public Hearing:

FINDINGS OF FACT

CL300-4-17 1717-001-0500-001620070
*Entered into LEAR
1-31-06
ps*

The Director FINDS that:

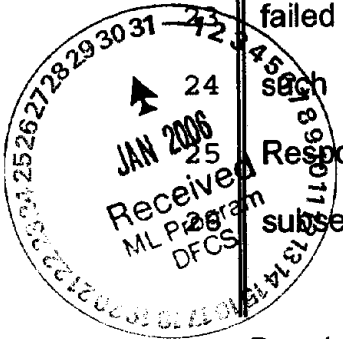
1. Diamond Financial Group of Oregon, Inc. (hereinafter "Respondent") is an Oregon corporation formed on May 7, 2003.

2. The Director first issued a license to engage in Oregon residential mortgage lending to Respondent on November 28, 2001 under the name Diamond Financial Inc. That license was cancelled on June 12, 2003 when a new license was issued to Respondent under the name Diamond Financial Group of Oregon, Inc. Respondent failed to submit a complete application for renewal prior to the expiration of the license

such that the Director cancelled the license for failure to renew on June 11, 2004.

Respondent submitted a complete application to renew the license. Director subsequently issued the Respondent a license to engage in Oregon residential

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1 mortgage lending on June 14, 2004 retroactive to June 11, 2004. Therefore
2 Respondent has been continuously licensed to engage in Oregon residential mortgage
3 lending since November 28, 2001.

4 3. Kevin Covington currently is and has always been the sole owner of Respondent
5 and the experience person of record for Respondent with regard to Respondent's
6 license to engage in Oregon residential mortgage lending.

7 **A. Failure to Notify of Loan Originators**

8 4. Respondent reported to the Director that it hired Timothy Murphy to originate
9 residential mortgage loans in Respondent's name effective July 7, 2003.

10 5. Timothy Murphy originated Oregon residential mortgage loans for Respondent
11 between July 7, 2003 and April 30, 2004 including:

12 a. Timothy Murphy took an application for a mortgage loan to be secured by
13 the real property located at 24 SE 194th Street in Portland Oregon from Santiago
14 Sanchez Sr. and Enedina Sanchez on September 22, 2003 as a loan originator
15 for Respondent. Through Timothy Murphy's efforts, that loan closed on January
16 5, 2004 with Respondent receiving payment for broker services.

17 b. Timothy Murphy took an application for a mortgage loan to be secured by
18 the real property located at 1265 SW 35th in Corvallis, Oregon from Wanda
19 Wasson on September 30, 2003 as a loan originator for Respondent. Through
20 Timothy Murphy's efforts, that loan closed on January 9, 2004 with Respondent
21 receiving payment for broker services.

22 c. Timothy Murphy took an application for a mortgage loan to be secured by
23 the real property located at 6362 SE 153rd Avenue in Beaverton, Oregon from
24 Barbara MacDonald on or about February 16, 2004 as a loan originator for
25 Respondent. Through Timothy Murphy's efforts, that loan closed on or around
26 March 24, 2004 with Respondent receiving payment for broker services.

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- 1 6. On April 30, 2004, the Director first received notice on from Respondent that it
2 had hired Timothy Murphy to originate Oregon mortgage loans for Respondent.
- 3 7. Respondent reported to the Director that it hired Lee Ann Butcher to originate
4 residential mortgage loans in Respondent's name effective December 11, 2003.
- 5 8. Lee Ann Butcher originated Oregon residential mortgage loans for Respondent
6 between December 11, 2003 and April 30, 2004 including:
 - 7 a. Lee Ann Butcher took an application for a mortgage loan to be secured by
8 the real property located at 10105 SW Shearwater Loop in Beaverton, Oregon
9 from George and Julie VonBother. On March 15, 2004, Respondent paid Lee
10 Ann Butcher a commission of \$1,505 for the origination of the loan from the
11 commission of \$2,450 Respondent received from the close of the loan.
 - 12 b. Lee Ann Butcher took an application for a mortgage loan to be secured by
13 the real property located at 2055 NW 14th Street in Gresham, Oregon from Roger
14 and Debra Olson. On March 3, 2004, Respondent paid Lee Ann Butcher a
15 commission of \$2,304.23 for the origination of the loan from the commission of
16 \$3,670 Respondent received from the close of the loan.
- 17 9. The Equal Credit Opportunity Act limits when a person's credit report may be
18 accessed. Mortgage companies are typically limited to accessing credit reports to when
19 the company has an application for a mortgage loan or has received permission from
20 the consumer to access the credit report for the purposes of determining whether the
21 consumer would qualify for a mortgage.
- 22 10. Lee Ann Butcher ordered eight credit reports, including ones for VonBother and
23 Olson, in February 2004. The cost of the credit reports Lee Ann Butcher ordered in
24 February was deducted from the commission that she received from the close of the
25 loan to Roger and Debra Olson.
- 26 11. On April 30, 2004, the Director first received notice from Respondent that it had

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1 hired Lee Ann Butcher to originate Oregon mortgage loans for Respondent.

2 12. On July 19, 2004, Respondent reported to the Director that Andre S. Becton Sr.
3 was employed to originate residential mortgage loans in Respondent's name.

4 13. On December 9, 2002, the Director first received notice from Respondent that it
5 had hired Andre S. Becton Sr. to originate Oregon mortgage loans for Respondent
6 effective October 1, 2002.

7 14. On January 15, 2003, the Director received notice from Respondent that it had
8 terminated Andre S. Becton Sr.'s employment effective December 31, 2002.

9 15. On April 30, 2004, the Director received notice from Respondent that it had
10 hired Andre S. Becton Sr. to originate Oregon mortgage loans for Respondent effective
11 August 2, 2003.

12 **B. Failure to Conduct Criminal Background Checks**

13 16. The Director received notice signed by Respondent on May 1, 2004 that Timothy
14 Murphy, Lee Ann Butcher, Andre S. Becton Sr., Brenise J. André, and Kevin Covington
15 were employed by Respondent as loan originators prior to January 1, 2004 but
16 indicating that criminal background checks had not been completed for Timothy Murphy,
17 Lee Ann Butcher, Andre S. Becton Sr., and Brenise J. André.

18 17. On May 12, 2004, the Director sent a facsimile notice to Respondent that the
19 Director could not accept the loan originator notifications that indicated that a criminal
20 background check had not been completed because OAR 441-880-0050, requiring that
21 a criminal background check on each loan originator be completed by the licensee, took
22 effect on January 1, 2004.

23 18. On June 16, 2004, the Director sent a facsimile notice to Respondent as part of
24 the renewal process for Respondent's Oregon mortgage lending license requesting that
25 Respondent provide copies of the criminal background check Respondent performed for
26 Timothy Murphy, Lee Ann Butcher and Kevin Covington.



1 19. In response, Respondent provided copies of criminal background checks
2 performed on June 16, 2004 through Intellius.com for Timothy Murphy, Lee Ann
3 Butcher, Brenise André and Kevin Covington.

4 20. Respondent did not provide any criminal background check for Andre S. Becton
5 Sr. and reported that as of May 1, 2004 one had not been completed.

6 **C. Failure to Terminate Loan Originator With an Impermissible Conviction**

7 21. Respondent provided the Director with a copy of a criminal background check
8 performed on June 16, 2004 through Intellius.com for Lee Ann Butcher that indicated
9 that she had been convicted of Assault IV on November 23, 1999 in Washington County
10 case number C993193CR.

11 22. The Oregon Judicial Information Network reported that Lee Ann Butcher was
12 convicted on November 23, 1999 of Assault III, a class C felony, in Washington County
13 case number C993193CR.

14 23. Respondent reported to the Director on July 19, 2004 that it had noted the
15 Assault IV conviction on the June 16, 2004 background check for Lee Ann Butcher but
16 hadn't reviewed the conviction to determine if it was disqualifying conviction.

17 24. On July 19, 2004, the Director specifically told Respondent that the Assault
18 conviction was a felony therefore requiring Respondent to terminate Lee Ann Butcher
19 as a loan originator.

20 25. Respondent did not terminate Lee Ann Butcher as a loan originator until July
21 30, 2004.

22 **D. Failure to Terminate Loan Originators that Failed to Meet the Education**
23 **Requirements**

24 26. Respondent was the first company to report hiring Timothy Murphy to act as a
25 loan originator and reported that his initial start date as a loan originator was July 7,
26 2003.



1 27. Timothy Murphy's notification date is July 7, 2003.

2 28. Timothy Murphy did not have three years full-time experience as a loan
3 originator prior to January 1, 2002.

4 29. Because Timothy Murphy did not have three years experience as a loan
5 originator prior to January 1, 2002, he was required to complete an entry-level
6 education course and pass an examination on Oregon and Federal mortgage laws
7 within six months of his notification date as a loan originator.

8 30. A review of Respondent's personnel records for Timothy Murphy during an
9 examination of Respondent's books and records completed in June 2004 revealed that
10 the personnel records failed to contain any completion certificates for entry-level or
11 continuing education courses or evidence that Timothy Murphy met the criteria to be
12 excused from the entry-level education requirement.

13 31. Timothy Murphy did not complete an entry-level education course and pass an
14 examination on Oregon and Federal mortgage laws by January 7, 2004.

15 32. Despite Timothy Murphy's failure to complete the required entry-level education
16 course and pass an examination on Oregon and Federal mortgage laws by January 7,
17 2004, Respondent continued to employ Timothy Murphy as a loan originator after
18 January 7, 2004.

19 33. Timothy Murphy originated Oregon residential mortgage loans for Respondent
20 between January 7, 2004 and July 12, 2004, including the mortgage loan for Barbara
21 MacDonald originated on or about February 16, 2004.

22 34. Home Capital Funding was the first company to report hiring Lee Ann Butcher to
23 act as a loan originator and reported on September 16, 2003 that her initial start date as
24 a loan originator was September 9, 2003.

25 35. Lee Ann Butcher's notification date is September 16, 2003.

26 36. Lee Ann Butcher did not have three years full-time experience as a loan



1 originator prior to January 1, 2002.

2 37. Because Lee Ann Butcher did not have three years experience as a loan
3 originator prior to January 1, 2002, she was required to complete an entry-level
4 education course and pass an examination on Oregon and Federal mortgage laws
5 within six months of her notification date as a loan originator.

6 38. A review of Respondent's personnel records for Lee Ann Butcher during an
7 examination of Respondent's books and records completed in June 2004 revealed that
8 the personnel records failed to contain any completion certificates for entry-level or
9 continuing education courses or evidence that Lee Ann Butcher met the criteria to be
10 excused from the entry-level education requirement.

11 39. Lee Ann Butcher did not complete an entry-level education course and pass an
12 examination on Oregon and Federal mortgage laws by March 16, 2004.

13 40. Despite Lee Ann Butcher's failure to complete the required entry-level education
14 course and pass an examination on Oregon and Federal mortgage laws by March 9,
15 2004, Respondent continued to employ Lee Ann Butcher as a loan originator after
16 March 16, 2004.

17 41. Lee Ann Butcher originated Oregon residential mortgage loans for Respondent
18 between March 16, 2004 and July 12, 2004, including the mortgage loan for Morrisson
19 for which Respondent paid Lee Ann Butcher a commission of \$3,885 on May 25, 2004.

20 42. Respondent was the first company to report hiring Brenise André to act as a
21 loan originator and reported on June 18, 2003 that her initial start date as a loan
22 originator was June 18, 2003.

23 43. Brenise André's notification date is June 18, 2003.

24 44. Brenise André did not have three years full-time experience as a loan originator
25 prior to January 1, 2002.

26 45. Because Brenise André did not have three years experience as a loan originator



1 prior to January 1, 2002, she was required to complete an entry-level education course
2 and pass an examination on Oregon and Federal mortgage laws within six months of
3 her notification date as a loan originator.

4 46. A review of Respondent's personnel records for Brenise André during an
5 examination of Respondent's books and records completed in June 2004 revealed that
6 the personnel records failed to contain any completion certificates for entry-level or
7 continuing education courses or evidence that Brenise André met the criteria to be
8 excused from the entry-level education requirement.

9 47. Brenise André did not complete an entry-level education course and pass an
10 examination on Oregon and Federal mortgage laws by December 18, 2003.

11 48. Despite Brenise André's failure to complete the required entry-level education
12 course and pass an examination on Oregon and Federal mortgage laws by December
13 18, 2003, Respondent continued to employ Brenise André as a loan originator after
14 December 18, 2003.

15 49. Brenise André originated Oregon residential mortgage loans for Respondent
16 between December 18, 2003 and July 12, 2004, including:

17 a. Brenise André took an application for a mortgage loan from Michael and
18 Robyn Proudfoot on January 13, 2004 as a loan originator for Respondent.
19 Through Brenise André's efforts, that loan closed on February 11, 2004 with
20 Respondent receiving payment for broker services. Respondent paid Brenise
21 André a commission for the origination of the loan in the amount of \$910.32 on
22 February 17, 2004.

23 b. Brenise André took an application for a mortgage loan from Lynn and Eric
24 Boldt on February 12, 2004 as a loan originator for Respondent. Through
25 Brenise André's efforts, that loan closed on February 26, 2004 with Respondent
26 receiving payment for broker services. Respondent wrote check number 1158



1 to Brenise André in the amount of \$5,310.56 on February 26, 2004 which
2 represented her commission on the loan for Lynn and Eric Boldt as well as
3 payment for another matter by the name of Eby.

4 c. Respondent also completed commission statements signed by Kevin
5 Covington and Brenise André indicating that Brenise André was to receive
6 commissions for the origination of loans. Among the statements found were:

7 i. Brenise André and Kevin Covington signed a commission statement
8 on April 2, 2004 for the payment of \$990 to Brenise André for origination
9 of the Oregon residential mortgage loan for Ron and Peggy McGlohn.

10 ii. Brenise André and Kevin Covington signed a commission statement
11 on March 18, 2004 for the payment of \$1,852.40 to Brenise André for
12 origination of the Oregon residential mortgage loan for Patricia Roth.

13 iii. Brenise André and Kevin Covington signed a commission statement
14 on April 2, 2004 for the payment of \$7,044.40 to Brenise André for
15 origination of the Oregon residential mortgage loan for Clifford and
16 Jennifer Roythorne.

17 d. Respondent also issued checks to Brenise André representing payment
18 for the origination of Oregon residential mortgage loans including:

19 i. Check number 1136, dated February 2, 2004, in the amount of
20 \$2,672.68 for the origination of the Fred loan.

21 ii. Check number 1139, dated February 10, 2004, in the amount of
22 \$607.62 for the origination of the Miller loan.

23 iii. Check number 1169, dated March 3, 2004, in the amount of
24 \$283.67 for the origination of the Olson loan.

25 iv. Check number 1174, dated March 18, 2004, in the amount of
26 \$1,222.58 for the origination of the Roth loan.



1 50. Respondent was the first company to report hiring Andre S. Becton Sr. to act as
2 a loan originator and reported that his initial start date as a loan originator was October
3 1, 2002.

4 51. Andre S. Becton Sr.'s notification date is October 1, 2002.

5 52. Andre S. Becton Sr. did not have three years full-time experience as a loan
6 originator prior to January 1, 2002.

7 53. Because Andre S. Becton Sr. did not have three years experience as a loan
8 originator prior to January 1, 2002, he was required to complete an entry-level
9 education course and pass an examination on Oregon and Federal mortgage laws
10 within six months of his initial start date as a loan originator.

11 54. A review of Respondent's personnel records for Andre S. Becton Sr. during an
12 examination of Respondent's books and records completed in June 2004 revealed that
13 the personnel records failed to contain any completion certificates for entry-level or
14 continuing education courses or evidence that Andre S. Becton Sr. met the criteria to be
15 excused from the entry-level education requirement.

16 55. Andre S. Becton Sr. did not complete an entry-level education course and pass
17 an examination on Oregon and Federal mortgage laws by April 1, 2003.

18 56. Respondent terminated Andre S. Becton Sr. on December 31, 2002 but hired
19 him as a loan originator again on August 2, 2003 despite Andre S. Becton Sr.'s failure to
20 complete the required entry-level education course and pass an examination on Oregon
21 and Federal mortgage laws by April 1, 2003.

22 **E. Failure to Maintain Required Books and Records**

23 57. Respondent maintained a personnel file for Brenise André that contained solely
24 a copy of the Section 6 – Loan Originator Information that Respondent filed with the
25 Director, a financial ledger of gross pay and withholdings, and commission statements.

26 58. Respondent's personnel file for Brenise André did not contain information about



1 her responsibilities at the company.

2 59. Respondent acted as a mortgage broker in obtaining Oregon residential
3 mortgage loans and maintained borrower loan files for Barbara MacDonald, Michael
4 and Robyn Proudfoot, Wanda Wasson, Katrina and Atish Sharma and Sandeev Kumar,
5 Santiago Sanchez Sr. and Enedina Sanchez, Kimberly Rohde, June Puntillo-Fricke,
6 Peter and Livia Petrix, Roger Olson, Pedro Morales, Debra Hobbs, Heidi and Dale
7 Haner, John and Lorene Davis, Lynn and Eric Boldt, Roberta Miller, Henry Mai, and
8 Paul Connelly.

9 60. Respondent's loan file for borrower Barbara MacDonald did not contain a
10 borrower executed loan application even though the loan Respondent originated for her
11 closed.

12 61. Respondent's loan files for borrowers Barbara MacDonald, Michael and Robyn
13 Proudfoot, Wanda Wasson, Katrina and Atish Sharma and Sandeev Kumar, Santiago
14 Sanchez Sr. and Enedina Sanchez, Kimberly Rohde, June Puntillo-Fricke, Peter and
15 Livia Petrix, Roger Olson, Pedro Morales, Debra Hobbs, Heidi and Dale Haner, John
16 and Lorene Davis, and Paul Connelly did not contain a borrower executed float
17 agreements or lock agreements even though the loans Respondent originated for each
18 of the consumers closed.

19 62. Respondent's loan files for borrowers Lynn and Eric Boldt, Roberta Miller, and
20 Henry Mai each contained a signed lock agreement that did not contain a disclosure
21 that the lock may be subject to change if any of the loan factors.

22 63. Respondent's loan files for borrowers Lynn and Eric Boldt, Roberta Miller, and
23 Henry Mai each contained a signed lock agreement that did not contain a disclosure
24 that if the lock expires, the interest rate and points are subject to change.

25 64. Respondent's loan files for borrowers Wanda Wasson and Heidi and Dale Haner
26 did not contain a copy of a Good Faith Estimate disclosure (hereinafter "GFE") even



1 | though the loans Respondent originated for each of the consumers closed more than
2 | three days after the date of application.

3 | 65. Respondent's loan files for borrowers Barbara MacDonald, Michael and Robyn
4 | Proudfoot, Peter and Livia Petrix and Pedro Morales did not contain a copy of an
5 | executed release of credit information even though the loans Respondent originated for
6 | each of the consumers closed and each file contained a credit report.

7 | 66. Respondent's loan file for borrowers Katrina and Atish Sharma and Sandeep
8 | Kumar did not contain a copy of the borrowers' credit report even though the loan
9 | Respondent originated for the consumers closed.

10 | 67. Respondent's loan files for borrowers Michael and Robyn Proudfoot, Wanda
11 | Wasson, Santiago Sanchez Sr. and Enedina Sanchez, Roger Olson, Pedro Morales,
12 | and Henry Mai did not contain a copy of a Truth in Lending disclosure (hereinafter "TIL")
13 | even though the loans Respondent originated for each of the consumers closed.

14 | 68. A HUD-1 is a closing statement prepared for each loan that closes that lists all
15 | the costs associated with the closing of real estate transaction.

16 | 69. Respondent's loan file for borrower Barbara MacDonald did not contain a copy
17 | of the borrowers' HUD-1 even though the loan Respondent originated for the
18 | consumers closed.

19 | **G. Failure to provide or mail a Good Faith Estimate Within Three Days**

20 | 70. Respondent took an application for a residential mortgage loan from Santiago
21 | Sanchez Sr. and Enedina Sanchez on September 22, 2003.

22 | 71. Respondent prepared a GFE for consumers Santiago Sanchez Sr. and Enedina
23 | Sanchez that did not contain a date of preparation but was signed by the consumers on
24 | December 26, 2003.

25 | 72. Respondent's loan file for Santiago Sanchez Sr. and Enedina Sanchez did not
26 | contain any GFEs other than the one signed on December 26, 2003.



1 73. Respondent did not provide Santiago Sanchez Sr. and Enedina Sanchez with
2 any GFE other than the one signed by the consumers on December 26, 2003, which
3 was provided or mailed to the consumers more than three days following the date that
4 the consumers applied for a mortgage loan through Respondent.

5 74. Respondent took an application for a residential mortgage loan from Roger
6 Olson on March 18, 2004.

7 75. Respondent prepared a GFE for Roger Olson that did not contain a date of
8 preparation but was signed by Roger Olson on March 26, 2004.

9 76. Respondent's loan file for Roger Olson did not contain any GFEs other than the
10 one signed on March 26, 2004.

11 77. Respondent did not provide Roger Olson with any GFE other than the one
12 signed by him on March 26, 2004, which was provided or mailed to the consumer more
13 than three days following the date that Roger Olson applied for a mortgage loan through
14 Respondent.

15 78. Respondent took an application for a residential mortgage loan from Henry Mai
16 on February 18, 2004.

17 79. Respondent prepared a GFE for Henry Mai that did not contain a date of
18 preparation but was signed by Henry Mai on March 11, 2004.

19 80. Respondent's loan file for Henry Mai did not contain any GFEs other than the
20 one signed on March 11, 2004.

21 81. Respondent did not provide Henry Mai with any GFE other than the one signed
22 by him on March 11, 2004, which was provided or mailed to the consumer more than
23 three days following the date that Henry Mai applied for a mortgage loan through
24 Respondent.

25 82. Respondent took an application for a residential mortgage loan from John and
26 Lorene Davis on November 7, 2003.



1 83. Respondent prepared a GFE for John and Lorene Davis that did not contain a
2 date of preparation.

3 84. Respondent faxed the GFE to John and Lorene Davis on November 19, 2003.

4 85. John and Lorene Davis signed the GFE on November 21, 2003.

5 86. Respondent's loan file for John and Lorene Davis did not contain any GFEs
6 other than the one signed on November 21, 2003.

7 87. Respondent did not provide John and Lorene Davis with any GFE other than the
8 one signed by them on November 21, 2003, which was provided or mailed to the
9 consumer more than three days following the date that John and Lorene Davis applied
10 for a mortgage loan through Respondent.

11 **H. Failure to Disclosure the Yield Spread Premium on the GFE**

12 88. Respondent's loan file for Roberta Miller contained only one GFE, which was
13 signed by the consumer, indicated that the lender would be Argent Mortgage Company,
14 and did not indicate that Respondent might receive a yield spread premium (hereinafter
15 "YSP").

16 89. The HUD-1 for the close of the loan to Roberta Miller indicated that Argent
17 Mortgage Company paid Respondent a YSP of \$560.

18 90. On January 13, 2004, Respondent received an approved Wholesale Lock
19 Request from M&T Mortgage that indicated that Respondent would receive a YSP of
20 0.75% of the loan amount.

21 91. Respondent prepared a GFE for Michael and Robyn Proudfoot, dated January
22 13, 2004, which did not indicate that Respondent might receive a YSP.

23 92. The January 13, 2004 GFE was the only one in Respondent's loan file for
24 Michael and Robyn Proudfoot.

25 93. The HUD-1 for the close of the loan to Michael and Robyn Proudfoot indicated
26 that M&T Mortgage paid Respondent a YSP of \$540.



1 94. Respondent's loan file for Katrina and Atish Sharma and Sandeev Kumar
2 contained only one GFE, which was dated January 26, 2004 and did not indicate that
3 Respondent might receive a YSP.

4 95. The HUD-1 for the close of the loan to Katrina and Atish Sharma and Sandeev
5 Kumar indicated that Respondent received a YSP of \$3,135.

6 96. Respondent's loan file for Santiago Sanchez Sr. and Enedina Sanchez
7 contained only one GFE, which was signed by the consumers on December 26, 2003
8 and did not indicate that Respondent might receive a YSP.

9 97. The HUD-1 for the close of the loan to Santiago Sanchez Sr. and Enedina
10 Sanchez indicated that Respondent received a YSP of \$3,138.63.

11 98. Respondent's loan file for June Puntillo-Fricke contained two GFEs; neither
12 GFE indicated that Respondent might receive a YSP.

13 99. The HUD-1 for the close of the loan to June Puntillo-Fricke indicated that
14 Respondent received a YSP of \$737.50.

15 100. On November 4, 2003, Respondent completed a Document Order Form
16 indicating that Respondent was to receive a YSP of 2% of the loan amount then sent
17 the document to Argent Mortgage Company to request the documents necessary to
18 close the mortgage loan for Peter and Livia Petrix.

19 101. Respondent prepared a GFE for Peter and Livia Petrix, which did not
20 contain the date that Respondent prepared the GFE, was signed by the consumers on
21 November 14, 2003, and did not indicate that Respondent might receive a YSP.

22 102. The November 14, 2003 GFE was the only one in Respondent's loan file
23 for Peter and Livia Petrix.

24 103. The HUD-1 for the close of the loan to Peter and Livia Petrix indicated
25 that Argent Mortgage Company paid Respondent a YSP of \$6,660.

26 104. Respondent's loan file for Pedro Morales contained only one GFE, which



1 did not indicate that Respondent might receive a YSP.

2 105. The HUD-1 for the close of the loan Pedro Morales indicated that
3 Respondent received a YSP of \$2,422.50.

4 106. On November 25, 2003, Respondent completed a Loan Submission
5 Transmittal indicating that Respondent wanted a YSP of 1.5% of the loan amount
6 equaling \$1,575, then sent the document to Argent Mortgage Company to request
7 approval of a mortgage loan for Debra Hobbs.

8 107. Respondent prepared two GFEs for Debra Hobbs. Neither GFE
9 contained the date that Respondent prepared the GFE, however one GFE was signed
10 by the consumer on November 25, 2003. Neither GFE indicated that Respondent might
11 receive a YSP.

12 108. The HUD-1 for the close of the loan to Debra Hobbs indicated that
13 Argent Mortgage Company paid Respondent a YSP of \$1,872.50.

14 109. On November 7, 2003, Respondent completed a Loan Submission
15 Transmittal indicating that Respondent wanted a YSP of 1% of the loan amount
16 equaling \$1,890, then sent the document to Argent Mortgage Company to request
17 approval of a mortgage loan for John and Lorene Davis.

18 110. Respondent prepared a GFE for John and Lorene Davis, which did not
19 contain the date that Respondent prepared the GFE, but was faxed from Respondent
20 on November 19, 2003 and did not indicate that Respondent might receive a YSP.

21 111. The HUD-1 for the close of the loan to John and Lorene Davis indicated
22 that Argent Mortgage Company paid Respondent a YSP of \$1,785.

23 112. Respondent did disclose that it might receive a YSP on GFEs for
24 consumers Barbara MacDonald, Lynn and Eric Boldt, Roger Olson, Henry Mai and Paul
25 Connelly.

26 \ \ \



1 **I. Failure to Provide a Compliant Truth in Lending Disclosure**

2 113. Respondent's loan files for Barbara MacDonald, Kimberly Rohde, June
3 Puntillo-Fricke, Debra Hobbs, Heidi and Dale Haner, John and Lorene Davis, and Paul
4 Connelly each contained only one TIL disclosure prepared by the Respondent.

5 114. With regard to the TILs Respondent prepared for Barbara MacDonald,
6 Kimberly Rohde, June Puntillo-Fricke, Debra Hobbs, Heidi and Dale Haner, John and
7 Lorene Davis, and Paul Connelly, each TIL disclosure Respondent prepared was
8 missing the timing of payments scheduled to repay the obligation.

9 115. Respondent took an application for a 2/28 adjustable rate residential
10 mortgage loan from Paul Connelly; both the consumer and Respondent signed and
11 dated the application on December 31, 2003.

12 116. A 2/28 adjustable rate mortgage indicates that the loan's interest rate will
13 be fixed for a two-year period and then the loan's interest rate will adjust according to
14 the provisions of the loan agreement, thus making the loan a variable rate mortgage.

15 117. On December 31, 2003, Respondent completed a Loan Submission
16 Transmittal to request approval of a 2/28 adjustable rate mortgage loan for Paul
17 Connelly and sent the document to Argent Mortgage Company.

18 118. Argent Mortgage Company sent Respondent a Loan Approval Summary
19 dated January 29, 2004 that indicated that Paul Connelly was approved for Argent
20 Mortgage Company's 2/28 Prime Advantage adjustable rate mortgage loan.

21 119. Because the loan that Paul Connelly received contained a provision that
22 the interest rate would be fixed for two years and then the rate would vary based upon
23 the provisions of the loan agreement, the payment schedule on the loan would require
24 that the payments be fixed at a particular amount for two-years and would then change
25 based upon the interest rate calculated pursuant to the loan agreement, thus the
26 payments would not remain the same for 359 months.



1 120. Respondent's loan file for Paul Connelly contained only one TIL disclosure
2 prepared by the Respondent.

3 121. The TIL Respondent prepared for Paul Connelly did not disclose the fact
4 that the loan contains a variable rate feature or a statement that variable-rate
5 disclosures have been provided earlier.

6 122. Because the TIL Respondent prepared for Paul Connelly indicated that
7 the loan would be repaid with 359 payments of \$664.21 and one payment of \$664.86,
8 the TIL did not disclose the number, amounts, and timing of payments scheduled to
9 repay the 2/28 adjustable rate mortgage loan.

10 CONCLUSIONS OF LAW

11 The Director **CONCLUDES** that:

12 1. Because Respondent hired Timothy Murphy as a loan originator on July 7, 2003
13 but did not provide the Director notice of the hire of Respondent's new loan originator
14 until April 30, 2004, Respondent violated ORS 59.969(1) and OAR 441-880-0030(2) by
15 failing to provide the Director notice of the hire of Timothy Murphy as a loan originator
16 within 30 days.

17 2. Because Respondent hired Lee Ann Butcher as a loan originator on December
18 11, 2003 but did not provide the Director notice of the hire of Respondent's new loan
19 originator until April 30, 2004, Respondent violated ORS 59.969(1) and OAR 441-880-
20 0030(2) by failing to provide the Director notice of the hire of Lee Ann Butcher as a loan
21 originator within 30 days.

22 3. Because Respondent hired Andre S. Becton Sr. as a loan originator on August 2,
23 2003 but did not provide the Director notice of the hire of Andre S. Becton Sr. until April
24 30, 2004, Respondent violated ORS 59.969(1) and OAR 441-880-0030(2) by failing to
25 provide the Director notice of the hire of Andre S. Becton Sr. as a loan originator within
26 30 days.



1 4. ORS 59.972(1), requiring a licensee to conduct criminal background checks on
2 its loan originators, and OAR 441-800-0050(2), requiring a licensee to conduct the
3 criminal background check on loan originators the licensee employees as of January 1,
4 2004 within 120 days of the effective date of the rule, took effect on January 1, 2004.
5 April 30, 2004 was 120 days after the effective date of OAR 441-800-0050(2).

6 5. Because Respondent employed Timothy Murphy, Lee Ann Butcher, Brenise
7 André, Kevin Covington, and Andre S. Becton Sr. on January 1, 2004 but failed to
8 conduct criminal background checks on loan originators Timothy Murphy, Lee Ann
9 Butcher, Brenise André, and Kevin Covington until June 16, 2004 and had not
10 completed a criminal background check on Andre S. Becton Sr. as of May 1, 2004,
11 Respondent violated OAR 441-880-0050(2) by not completing the criminal records
12 check required for loan originators by ORS 59.972(1) by April 30, 2004.

13 6. ORS 163.165 provides that Assault III is a class C felony. ORS 163.160
14 provides that Assault IV is both class A misdemeanor and a class C felony depending
15 on the circumstances of the assault or the prior record of the assailant.

16 7. OAR 441-880-0050(4)(a) provides that a felony, described as "crimes punishable
17 by death or imprisonment in excess of one year under the law under which the person
18 was convicted," is among the categories of criminal convictions that will prevent a
19 person from acting as a loan originator.

20 8. Because Respondent continued to employ Lee Ann Butcher as a loan originator
21 after Respondent obtained a criminal background check for Lee Ann Butcher on June
22 16, 2004 that revealed that she had been convicted on November 23, 1999 of Assault
23 IV and the Director informed Respondent on July 19, 2004 that the conviction was for a
24 felony which is among the categories of criminal convictions that prohibit a person from
25 acting as a loan originator, Respondent violated ORS 441-880-0050(3) which requires a
26 licensee to terminate immediately any loan originator whose background check



1 discloses a disqualifying conviction.

2 9. Unless a loan originator had three years full-time experience acting as a loan
3 originator prior to January 1, 2002, OAR 441-880-0020(1) requires that, prior to July 31,
4 2002 or within six months from the date that the loan originator first begins originating
5 Oregon loans, whichever date occurs first, the loan originator must complete an entry-
6 level course and pass an examination on Oregon and federal mortgage laws and rules.

7 10. Because Respondent continued to employ Timothy Murphy to serve as a
8 loan originator after January 7, 2004 when he failed to complete an entry-level
9 education course and pass an examination on Oregon and federal mortgage laws and
10 rules by January 7, 2004 as required by OAR 441-880-0020, Respondent violated OAR
11 441-880-0030(6) which provides that a licensee may not continue to employ any loan
12 originator that has not met the educational requirements of OAR 441-880-0020.

13 11. Because Respondent continued to employ Lee Ann Butcher to serve as a
14 loan originator after March 16, 2004 when she failed to complete an entry-level
15 education course and pass an examination on Oregon and federal mortgage laws and
16 rules by March 16, 2004 as required by OAR 441-880-0020, Respondent violated OAR
17 441-880-0030(6) which provides that a licensee may not continue to employ any loan
18 originator that has not met the educational requirements of OAR 441-880-0020.

19 12. Because Respondent continued to employ Brenise André to serve as a
20 loan originator after December 18, 2003 when she failed to complete an entry-level
21 education course and pass an examination on Oregon and federal mortgage laws and
22 rules by December 18, 2003 as required by OAR 441-880-0020, Respondent violated
23 OAR 441-880-0030(6) which provides that a licensee may not continue to employ any
24 loan originator that has not met the educational requirements of OAR 441-880-0020.

25 13. Because Respondent hired Andre S. Becton to serve as a loan originator
26 on August 2, 2003 when he had failed to complete an entry-level education course and



1 pass an examination on Oregon and federal mortgage laws and rules by April 1, 2003
2 as required by OAR 441-880-0020 and had still not completed the required course and
3 pass the examination, Respondent violated OAR 441-880-0030(6) which provides that a
4 licensee may not employ any loan originator that has not met the educational
5 requirements of OAR 441-880-0020.

6 14. Because Respondent's personnel file for Brenise André did not contain
7 information about her responsibilities at the company, Respondent violated OAR 441-
8 865-0050(1) which requires Respondent to maintain a personnel ledger listing the n
9 position or title and responsibilities of the employee.

10 15. Because Respondent's loan file for Barbara MacDonald did not contain an
11 executed loan application, Respondent violated OAR 441-865-0060(1)(a) which
12 provides that each borrower's loan file maintained by Respondent must have a copy of
13 an executed loan application.

14 16. Because Respondent's loan files for Barbara MacDonald, Michael and
15 Robyn Proudfoot, Wanda Wasson, Katrina and Atish Sharma and Sandeev Kumar,
16 Santiago Sanchez Sr. and Enedina Sanchez, Kimberly Rohde, June Puntillo-Fricke,
17 Peter and Livia Petrix, Roger Olson, Pedro Morales, Debra Hobbs, Heidi and Dale
18 Haner, John and Lorene Davis, and Paul Connelly did not contain a borrower executed
19 float agreement or a lock agreement, Respondent violated OAR 441-865-0060(1)(c)
20 which provides that Respondent must maintain a copy of a borrower executed float
21 agreement or a lock agreement in each borrower's file.

22 17. Because Respondent's loan files for Lynn and Eric Boldt, Roberta Miller,
23 and Henry Mai each contained a signed lock agreement that did not contain a
24 disclosure that the lock may be subject to change if any of the loan factors change,
25 Respondent violated OAR 441-865-0060(1)(c)(E) which provides that, when the
26 borrower has entered into a lock agreement instead of a float agreement, the lock



1 agreement that Respondent must maintain a copy of in each borrower file must contain
2 a disclosure that "the lock may be subject to change if any of the loan factors change."

3 18. Because Respondent's loan files for Lynn and Eric Boldt, Roberta Miller,
4 and Henry Mai each contained a signed lock agreement that did not contain a
5 disclosure that if the lock expires, the rate and points are subject to change,
6 Respondent violated OAR 441-865-0060(1)(c)(G) which provides that, when the
7 borrower has entered into a lock agreement instead of a float agreement, the lock
8 agreement that Respondent must maintain a copy of in each borrower file must contain
9 a disclosure that "if the lock expires, the rate and points are subject to change."

10 19. Because Respondent's loan files for Wanda Wasson and Heidi and Dale
11 Haner did not contain a copy of the GFE, Respondent violated OAR 441-865-0060(1)(d)
12 which provides that Respondent must maintain a copy of the GFE prepared pursuant to
13 Federal Regulation X in each borrower's file.

14 20. Because Respondent's loan files for Barbara MacDonald, Michael and
15 Robyn Proudfoot, Peter and Livia Petrix, and Pedro Morales did not contain a copy of
16 an executed Authorization to Release Credit Information, Respondent violated OAR
17 441-865-0060(1)(e) which provides that Respondent must maintain a copy of the
18 executed Authorization to Release Credit Information in each borrower's file.

19 21. Because Respondent's loan file for Katrina and Atish Sharma and
20 Sandeev Kumar did not contain a copy of the borrowers' credit report, Respondent
21 violated OAR 441-865-0060(1)(f) which provides that Respondent must maintain a copy
22 of the final credit report or the report relied upon for the loan decision, if other than the
23 final credit report, in each borrower's file.

24 22. Because Respondent's loan files for Michael and Robyn Proudfoot,
25 Wanda Wasson, Santiago Sanchez Sr. and Enedina Sanchez, Roger Olson, Pedro
26 Morales, and Henry Mai did not contain a copy of a TIL prepared by Respondent,

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350 Winter Street NE, Suite 410
Salem, OR 97301-3881
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1 Respondent violated OAR 441-865-0060(1)(g) which provides that Respondent must
2 maintain a copy of the TIL prepared pursuant to Federal Regulation Z in each
3 borrower's file.

4 23. Because Respondent's loan file for Barbara MacDonald did not contain a
5 copy of the final HUD-1, Respondent violated OAR 441-865-0060(1)(h) which provides
6 that Respondent must maintain a copy of the final HUD-1 in each borrower's file.

7 24. Because Respondent failed to provide applicants Santiago Sanchez Sr.
8 and Enedina Sanchez, Roger Olson, Henry Mai, and John and Lorene Davis with a
9 GFE within three days after each made application for a mortgage loan with
10 Respondent, Respondent violated 24 CFR § 3500.7(b) which requires that the
11 mortgage broker provide a GFE to the borrower within three days following the
12 borrower's application with the mortgage broker.

13 25. In addition to any civil penalty, ORS 59.865(2) allows the Division to deny,
14 suspend, condition or revoke a licensee's license when the licensee has "engaged in
15 dishonest, fraudulent or illegal practices or conduct in any business or profession or
16 unfair or unethical practices or conduct in connection with the mortgage business."

17 26. A mortgage broker's failure to provide an applicant a GFE within three
18 days following the borrower's application with the mortgage broker in violation of 24
19 CFR § 3500.7(b) is an illegal practice in the mortgage broker business.

20 27. Respondent's violations of 24 CFR § 3500.7(b) for its failure to provide
21 GFEs to Santiago Sanchez Sr. and Enedina Sanchez, Roger Olson, Henry Mai, and
22 John and Lorene Davis within three days following the day that the consumers made
23 application with Respondent are also violations of ORS 59.865(2).

24 28. Because Respondent did not provide applicants Roberta Miller, Michael
25 and Robyn Proudfoot, Katrina and Atish Sharma and Sandeev Kumar, Santiago
26 Sanchez Sr. and Enedina Sanchez, June Puntillo-Fricke, Peter and Livia Petrix, Pedro



1 Morales, Debra Hobbs, and John and Lorene Davis with a GFE that disclosed that
2 Respondent might receive a YSP when Respondent did receive a YSP on the final
3 HUD-1, Respondent violated 24 CFR § 3500.7(c) which requires that GFE contain an
4 estimate, in dollar amount or range, of the charges that will appear in section L of the
5 HUD-1.

6 29. A mortgage broker's failure to disclose that it might receive a YSP on a
7 GFE when the HUD-1 will show that the mortgage broker is to receive a YSP in violation
8 of 24 CFR § 3500.7(c) is an illegal practice in the mortgage broker business.

9 30. Respondent's violations of 24 CFR § 3500.7(c) for its failure to provide
10 GFEs to Roberta Miller, Michael and Robyn Proudfoot, Katrina and Atish Sharma and
11 Sandeev Kumar, Santiago Sanchez Sr. and Enedina Sanchez, June Puntillo-Fricke,
12 Peter and Livia Petrix, Pedro Morales, Debra Hobbs, and John and Lorene Davis
13 disclosing that Respondent might receive a YSP are also a violations of ORS 59.865(2).

14 31. Because Respondent did not provide applicants Barbara MacDonald,
15 Kimberly Rohde, June Puntillo-Fricke, Debra Hobbs, Heidi and Dale Haner, John and
16 Lorene Davis, and Paul Connelly with a TIL that contained the dates for repayment of
17 the loan, Respondent violated 12 CFR § 226.18(g) which requires that a TIL contain the
18 "timing of payments scheduled to repay the obligation."

19 32. Because the only TIL disclosures that Respondent provided Barbara
20 MacDonald, Kimberly Rohde, June Puntillo-Fricke, Debra Hobbs, Heidi and Dale Haner,
21 John and Lorene Davis, and Paul Connelly prior to the consummation of their loans
22 failed to disclose the dates for repayment of the loans in violation of 12 CFR §
23 226.18(g), Respondent violated ORS 59.955 which requires that the licensee provide
24 the consumer a TIL disclosure as required by 15 U.S.C. 1601 et seq. and Regulation Z,
25 12 C.F.R. Part 226 prior to consummation.

26 33. Because Respondent did not provide applicant Paul Connelly with a TIL



1 that disclosed that the loan contained a variable rate feature and a statement that
2 variable rate disclosures have been provided earlier, Respondent violated 12 CFR §
3 226.18(f)(2) which requires that a TIL for a variable rate loan contain a disclosure that
4 the transaction contains a variable-rate feature and a statement that variable-rate
5 disclosures have been provided earlier.

6 34. Because the only TIL disclosure that Respondent provided Paul Connelly
7 prior to the consummation of his loan failed to disclose that the loan contained a
8 variable rate feature and a statement that variable rate disclosures have been provided
9 earlier in violation of 12 CFR § 226.18(f)(2), Respondent violated ORS 59.955 which
10 requires that the licensee provide the consumer a TIL disclosure as required by 15
11 U.S.C. 1601 et seq. and Regulation Z, 12 C.F.R. Part 226 prior to consummation.

12 35. Because Respondent did not provide applicant Paul Connelly with a TIL
13 that disclosed the number, amounts and timing of payments scheduled to repay the
14 adjustable rate loan for which the consumer applied, Respondent violated 12 CFR §
15 226.18(g) which requires that a TIL contain the number, amounts, and timing of
16 payments scheduled to repay the obligation.

17 36. Because the only TIL disclosure that Respondent provided Paul Connelly
18 prior to the consummation of his loan failed to disclose the number, amounts and timing
19 of payments scheduled to repay the adjustable rate loan for which the consumer applied
20 in violation of 12 CFR § 226.18(g), Respondent violated ORS 59.955 which requires
21 that the licensee provide the consumer a TIL disclosure as required by 15 U.S.C. 1601
22 et seq. and Regulation Z, 12 C.F.R. Part 226 prior to consummation.

23 ORDER

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



1 Division.

2 The Director, pursuant to ORS 59.996 hereby **ORDERS** Respondent to pay the
3 State of Oregon a civil penalty of \$90,000. The civil penalty is based upon 1) \$5,000 for
4 violations of ORS 59.969(1) and OAR 441-880-0030(2) for failing to provide the Director
5 with notice of the hire of loan originators Timothy Murphy, Lee Ann Butcher and Andre
6 S. Becton Sr. within 30 days of their dates of hire; 2) \$5,000 for violations of OAR 441-
7 880-0050(2) for failing to conduct criminal background checks on loan originators
8 Timothy Murphy, Lee Ann Butcher, Brenise André, Kevin Covington and Andre S.
9 Becton Sr. by April 30, 2004; 3) \$5,000 for a violation of OAR 441-880-0050(3) for
10 failing to terminate Lee Ann Butcher upon obtaining the criminal background check that
11 disclosed a disqualifying conviction; 4) \$5,000 for violations of OAR 441-880-0030(6) for
12 continuing to employ Timothy Murphy, Lee Ann Butcher and Brenise André as loan
13 originators after the date that each failed to complete education required by OAR 441-
14 880-0020 and hiring Andre S. Becton Sr. when he had not completed the education
15 required by OAR 441-880-0020; 5) \$5,000 for a violation of OAR 441-865-0050(1) for
16 failing to list the responsibilities for Brenise André on the personnel ledger; 6) \$5,000
17 for a violation of OAR 441-865-0060(1)(a) for failing to have a copy of an executed loan
18 application in Barbara MacDonald's file; 7) \$5,000 for violations of OAR 441-865-
19 0060(1)(c) for failing to have a copy of a borrower executed float agreement or a lock
20 agreement in the loan files of Barbara MacDonald, Michael and Robyn Proudfoot,
21 Wanda Wasson, Katrina and Atish Sharma and Sandeev Kumar, Santiago Sanchez Sr.
22 and Enedina Sanchez, Kimberly Rohde, June Puntillo-Fricke, Peter and Livia Petrix,
23 Roger Olson, Pedro Morales, Debra Hobbs, Heidi and Dale Haner, John and Lorene
24 Davis, and Paul Connelly; 8) \$5,000 for violations of OAR 441-865-0060(1)(c)(E) and
25 OAR 441-865-0060(1)(c)(G) for failing to disclose that the lock was subject to change if
26 any of the loan factors change and that if the lock expires the rate and points are



1 subject to change on the lock agreements in the loan files for Lynn and Eric Boldt,
2 Roberta Miller, and Henry Mai; 9) \$5,000 for violations of OAR 441-865-0060(1)(d) for
3 failing to place a copy of the GFE prepared pursuant to Federal Regulation X in the loan
4 files for Wanda Wasson and Heidi and Dale Haner; 10) \$5,000 for violations of OAR
5 441-865-0060(1)(e) for failing to maintain a copy of the executed Authorization to
6 Release Credit Information in the loan files for Barbara MacDonald, Michael and Robyn
7 Proudfoot, Peter and Livia Petrix, and Pedro Morales; 11) \$5,000 for a violation of OAR
8 441-865-0060(1)(e) for failing to maintain a copy of the appropriate credit reports in the
9 loan file for Katrina and Atish Sharma and Sandeev Kumar; 12) \$5,000 for violations of
10 OAR 441-865-0060(1)(g) for failing to maintain a copy of the TIL prepared pursuant to
11 Federal Regulation Z in the loan files for Michael and Robyn Proudfoot, Wanda
12 Wasson, Santiago Sanchez Sr. and Enedina Sanchez, Roger Olson, Pedro Morales,
13 and Henry Mai; 13) \$5,000 for a violation of OAR 441-865-0060(1)(h) for failing to
14 maintain a copy of the final HUD-1 in the loan file for Barbara MacDonald; 14) \$5,000
15 for violations of ORS 59.865(2) for failing to provide Santiago Sanchez Sr. and Enedina
16 Sanchez, Roger Olson, Henry Mai, and John and Lorene Davis with a GFE within 3
17 days of application as required by 24 CFR § 3500.7(b); 15) \$5,000 for violations of ORS
18 59.865(2) for failing to disclose a YSP on the GFEs provided to applicants Roberta
19 Miller, Michael and Robyn Proudfoot, Katrina and Atish Sharma and Sandeev Kumar,
20 Santiago Sanchez Sr. and Enedina Sanchez, June Puntillo-Fricke, Peter and Livia
21 Petrix, Pedro Morales, Debra Hobbs, and John and Lorene Davis as required by 24
22 CFR § 3500.7(c); 16) \$5,000 for violations of ORS 59.955 for failing to include the dates
23 of repayment on the TILs provided to applicants Barbara MacDonald, Kimberly Rohde,
24 June Puntillo-Fricke, Debra Hobbs, Heidi and Dale Haner, John and Lorene Davis, and
25 Paul Connelly as required by 12 CFR § 226.18(g); 17) \$5,000 for a violation of ORS
26 59.955 for failing to include a disclosure that the loan has variable rate feature and

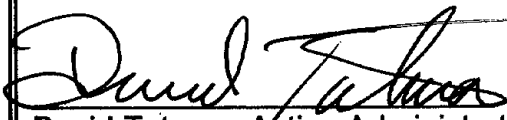
1 include a statement that variable rate disclosures have been provided earlier on the TIL
2 provided to Paul Connelly as required by 12 CFR § 226.18(f)(2); and 18) \$5,000 for a
3 violation of ORS 59.955 for failing to include the number, amounts and timing of
4 payments scheduled to repay the adjustable rate loan on the TIL provided to Paul
5 Connelly as required by 12 CFR § 226.18(g).

6 The \$90,000 civil penalty may be paid in minimum monthly installments of
7 \$2,000. The first payment is due no later than February 1, 2006 and a \$2,000 payment
8 shall be due thereafter on the first day of each month until the \$90,000 civil penalty is
9 paid in full. If any one payment is not received by the Director by the fifth day of the
10 month in the month it is due, any portion of the civil penalty not previously paid becomes
11 immediately due and payable.

12 The date of this order is the day the Director or Director's nominee signs the
13 order. The entry of this Order in no way limits further remedies which may be available
14 to the Director under Oregon law.

15 Dated this 2nd day of February, 2006, at Salem, Oregon.

16
17 CORY STREISINGER, Director
18 Department of Consumer and Business Services

19 
20 David Tatman, Acting Administrator
21 Division of Finance and Corporate Securities

22
23 **CORPORATE CONSENT TO ENTRY OF ORDER**

24 I, Kevin Covington, state that I am an officer of Respondent, and I am authorized
25 to act on its behalf; that I have read the foregoing Order and that I know and fully
26 understand the contents herein; that I and this entity have been advised of the right to a

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350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4140



1 hearing and of the right to be represented by counsel in this matter; that Respondent
2 voluntarily and without any force or duress, consents to the entry of this Order,
3 expressly waiving any right to a hearing in this matter; that Respondent understands
4 that the Director reserves the right to take further actions to enforce this Order or to take
5 appropriate action upon discovery of other violations of the Oregon Mortgage Lender
6 Law; and that Respondent will fully comply with the terms and conditions stated herein.

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

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

11 Dated this 26th day of Jan, 2006.

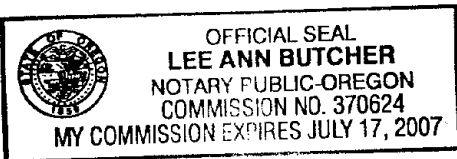
12
13 By [Signature]
(Signature of officer)

14
15 Owner
(Office Held)

16 **CORPORATE ACKNOWLEDGMENT**

17 There appeared before me this 26th day of January, 2006, Kevin
18 Covington, who was first duly sworn on oath, and stated that he was and is
19 the owner of Respondent and that he is authorized and empowered to sign this Consent
20 to Entry of Order on behalf of Respondent, and to bind Respondent to the terms hereof.

21
22 Lee Ann Butcher
(Individual)



23
24 Lee Ann Butcher
(Printed Name of Notary Public)
25 Notary Public
26 for the State of: Oregon
My commission expires: July 17, 2007

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