STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES
ENFORCEMENT SECTION

BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

In the Matter of:	**M-08-0023**
FIRST PACIFIC LENDING, INC.	**ORDER OF ISSUANCE OF CONDITIONAL MORTGAGE BANKER/MORTGAGE BROKER LICENSE AND CONSENT TO ENTRY OF ORDER**
Respondent.	

WHEREAS, The Director of the Department of Consumer and Business Services for the State of Oregon (hereinafter "the Director") conducted an investigation of First Pacific Lending, Inc. and determined that the public interest is served by conditioning First Pacific's license pursuant to ORS 59.840 et seq.

WHEREAS, First Pacific Lending, Inc. wishes to resolve and settle this matter with the Director,

NOW THEREFORE, the Director **GRANTS** a conditional mortgage banker/broker license to First Pacific Lending Inc until further order of the Director subject to renewal fee and document requirements. First Pacific Lending Inc. **CONSENTS** to entry of this order upon the Director's Findings of Fact and Conclusions of Law as stated hereinafter:

FINDINGS OF FACT

The Director **FINDS** that:

1. First Pacific Lending, Inc. (hereinafter "First Pacific") is an Oregon domestic corporation first registered on May 24, 2005. Principal offices for First Pacific are located at 10211 S.W. Barbur Boulevard Suite 101A, Portland, OR.

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2. First Pacific first obtained a license to engage in Oregon residential mortgage transactions, license ML 2432, on July 27, 2005. This license is set to expire on July 27, 2008. First Pacific submitted a renewal application online on or about July 24, 2008. As of July 25, 2008, the Division has not received any financial statements pursuant to the license renewal.

3. The Director's records list John Leonidas (hereinafter "Leonidas") as the owner, control person, experienced person and a loan originator for First Pacific.

4. Examiners employed by the Division have completed two on-site examinations of the books and records of First Pacific. Examinations are scored on a scale of 1 to 5, with 5 being the worst. Licensees who score 4 or below are scheduled for a follow-up examination within one year.

a. 2007 Exam

5. The first examination was conducted or about February 12, 2007 (hereinafter"2007 Exam") and First Pacific received a score of 4.

6. The 2007 Exam revealed that First Pacific failed to notify the Division within 30 days of the employment of loan originators Luke Kost (hereinafter "Kost"), Brent Weyer (hereinafter "Weyer") and Leonidas.

7. Personnel information reviewed on loan originators Brian Glass (hereinafter "Glass"), Shelby Wescott (hereinafter "Wescott") and Leonidas indicate they are experienced loan originators. The deadline for satisfying the continuing education requirements for these experienced loan originators was January 31, 2006. Glass, Westcott and Leonidas failed to complete required continuing education by January 31, 2006. Any person who fails to meet the continuing education requirement may not function as a loan originator until they take a Certified Authority approved entry-level course and pass a Certified Authority approved examination on state and federal laws and rules relating to mortgage lending in Oregon. Glass, Wescott and Leonidas completed the entry-level education requirements on February 8, 2007.

8. The loan pipeline report provided for the 2007 Exam indicates that First Pacific

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continued to employ Leonidas and Westcott as loan originators even though they had failed to complete continuing education by January 31, 2006 such that between the January 31, 2006 and February 8, 2007, Leonidas originated eight loans, Wescott originated 34 loans and Glass originated no loans.

9. The 2007 Exam also revealed that First Pacific had not completed a criminal background check on loan originators Kost, Wescott, and Weyer prior to their start of employment. Background checks for these loan originators were completed after the start of their employment. Personnel records reviewed during the 2007 Exam indicate that no criminal background check was completed for Leonidas or Glass.

10. Of the seven loan files reviewed, two did not contain an interest rate lock or float agreement.

11. The Division sent First Pacific a copy of the examination report, and the company responded that it would correct all the deficiencies noted.

a. **2008 Exam**

12. The follow-up examination was conducted on or about March 18, 2008 (hereinafter "2008 Exam") and First Pacific also received a score of 4. During the 2008 Exam, personnel files were reviewed and loan files were selected randomly and identified herein as Paulino, Doolin, Wood and Hammons.

13. Despite the notice and direction provided by the 2007 Exam, the 2008 Exam revealed that First Pacific still failed to list Leonidas as a loan originator with the Division and failed to complete his criminal records check until March 11, 2008.

14. The 2008 Exam also revealed that loan originator Jennifer Robles (hereinafter "Robles') was terminated approximately 90 days prior to the 2008 Exam, but First Pacific failed to provide written notice of this information to the Division. Respondent also indicated that loan originator Adrian Muntean (hereinafter "Muntean") was hired as a loan originator more than 30

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days before the 2008 Exam, and First Pacific failed to provide written notice of this to the Division.

15. Despite the notice and direction provided by the 2007 Exam, personnel information reviewed during the 2008 Exam indicated that Glass and Wescott failed to complete the continuing education requirements in a timely manner. Glass was required to complete 20 hours of continuing education by July 27, 2007. Several weeks after the 2008 Exam, on or about April 10, 2008, the Division received a certificate of completion for Glass representing that Glass had completed the continuing education requirement on April 9, 2008. Wescott was required to complete 20 hours of continuing education by January 31, 2008. The 2008 Exam revealed that First Pacific did not have completion certificates demonstrating that Wescott had completed 20 hours of continuing education by January 31, 2008. On or about May 4, 2008, First Pacific provided the Division with written notice that Wescott is no longer employed with Respondent.

16. The Paulino file did not contain a copy of the initial Truth in Lending Disclosure matching the amount and/or rate originally applied for.

17. The Paulino file did not include all expenses that are finance charges, as listed on the Good Faith Estimate, into the calculation of the APR.

18. Of the four loan transactions reviewed, two (Hammons, Wood) did not disclose the potential for payment of other fees arising through the loan such as yield spread premiums or rebates on the Good Faith Estimate.

19. The Doolin file did not contain an interest rate lock or float agreement.

20. The Doolin file also contained loan documents that were signed by the applicant but were incomplete.

21. On or about April 1, 2008, the Division sent First Pacific an exam report and an invoice detailing the exam fees and payment due date. There were several deficiencies noted in second exam report that were also noted in the first report. First Pacific sent a written response to the Division stating that it had taken steps to correct the deficiencies noted in the exam.

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22. The fee for the 2008 Exam totaled $450. First Pacific paid half of the fee on or about May 22, 2008. To date, the Division has not received the remaining balance of the exam fee.

CONCLUSIONS OF LAW

The Director **CONCLUDES** that:

1. By failing to notify the Director within 30 days of employing loan originators Kost, Leonidas, Weyer and Muntean, First Pacific violated **ORS 59.969(1) and OAR 441-880-0030(2)**.

2. By failing to notify the Director within 30 days of terminating loan originator Robles, First Pacific violated **ORS 59.969(1) and OAR 441-880-0030(2)**.

3. By failing to provide notice of the hire of Muntean and the termination of Robles despite notice and direction of the requirement, First Pacific willfully and/or repeatedly violated **ORS 59.969(1)** and **OAR 441-880-0030(2)**, which pursuant to **ORS 59.865(3)**, constitutes grounds to revoke First Pacific's license.

4. By continuing to employ loan originators Glass, Leonidas and Wescottt who had not completed the required loan originator education, First Pacific violated **OAR 441-880-0030(6)**.

5. By continuing to employ loan originators Glass and Wescott when they had not completed required education despite notice regarding the prohibition against employing a loan originator who has not completed required education, First Pacific willfully and/or repeatedly violated **OAR 441-880-0030(6)**, which pursuant to **ORS 59.865(3)**, constitutes grounds to revoke First Pacific's license.

6. By failing to conduct a criminal background checks of loan originators Kost, Wescott and Weyer in a timely manner, First Pacific violated **ORS 59.972** and **OAR 441-880-0050(1)**.

7. By failing to include an interest rate lock or float agreement in all loan files reviewed, First Pacific violated **OAR 441-865-0060(1)(c)**.

8. By failing to maintain a copy of the rate lock or float agreement despite notice and direction of the requirement provided at the 2007 Exam, First Pacific willfully and/or repeatedly

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violated **OAR 441-860-0065(1)(c)**, which pursuant to **ORS 59.865(3)**, constitutes grounds to condition First Pacific's license.

9. By failing to disclose the potential for payment of other fees arising through the loan, known as yield spread premium or rebates on the Good Faith Estimate for the Hammons and Wood files, First Pacific violated **24 CFR 3500.7**.

10. By violating **24 CFR 3500.7** in failing to disclose potential for payment of other fees, First Pacific violated **ORS 59.865(2)** by engaging in unfair or unethical practices in the mortgage business, which constitutes grounds to revoke First Pacific's license.

11. By retaining documents in the Doolin loan file that were signed by the borrower but were incomplete, First Pacific violated **ORS 59.865(2)** by engaging in unfair or unethical practices in the mortgage business, which constitutes grounds to revoke First Pacific's license.

12. By submitting an application for renewal of a mortgage broker license on or about July 24, 2008, less than 30 days prior to the expiration of the license, First Pacific violated **OAR 441-860-0050**.

13. By submitting an incomplete license renewal, specifically lacking the requisite financial statements, First Pacific violated **OAR 441-860-0050(2).**

14. By only submitting $225, to date, First Pacific failed to pay the complete exam fee ($450) upon receipt of the examination fee invoice in violation of **OAR 441-860-0110(1)**.

ORDER

NOW, THEREFORE, THE DIRECTOR ISSUES THE FOLLOWING ORDERS:

The Director, pursuant to **ORS 59.865**, **ORS 59.860**, **ORS 59.880** and **ORS 59.885**, hereby **ORDERS** that, effective the date of this order, a conditional Oregon mortgage lender license shall be issued to First Pacific until further order of the Director subject to renewal fee and document requirements.

The Director, pursuant to **ORS 59.996 and ORS 59.870**, hereby **ORDERS** First Pacific to pay the State of Oregon a civil penalty of $70,000. The Director suspends the payment of the

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assessed civil penalty provided that respondent complies with all the terms of this order for a period of two years from the date of this order. The assessed civil penalty is based upon $5,000 per violation.

The conditional license shall be subject to the following conditions such that if First Pacific fails to comply with the conditions First Pacific agrees that the license shall be revoked immediately.

1. Respondent will comply with **ORS 59.840** through **59.996**, **OAR 441-850-0005** through **441-885-0010** and any rule, order or policy issued by the Director, including but specifically not limited to:
   a) Respondent shall notify the Director within 30 days of the hire or termination of a loan originator;
   b) Respondent shall obtain a criminal records check prior to the hire of a loan originator;
   c) Respondent shall not employ any loan originator who has not completed the required entry-level or continuing education requirements in compliance with **OAR 441-880-0020**;
   d) Respondent shall immediately terminate any loan originator who has not completed the required entry-level or continuing education in compliance with **OAR 441-880-0020**;
   e) Respondent shall provide each borrower all disclosures required by the Truth in Lending Act prior to the close of any mortgage;
   f) Respondent shall maintain a compliant rate lock or float agreement in each borrower file; and
   g) Respondent shall not allow a borrower to sign a blank document.
2. Respondent shall pay the complete exam fees for the 2008 Exam due by August 25, 2008.

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3. Respondent's mortgage banker/broker license will be revoked if respondent fails to comply with any provisions of this order.

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

Dated this 22nd day of August, 2008 at Salem, Oregon.

CORY STREISINGER, Director

Department of Consumer and Business Services

David Tatman

David C. Tatman, Administrator

Division of Finance and Corporate Securities

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CORPORATE CONSENT TO ENTRY OF ORDER

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

Respondent further assures the Director that neither Respondent, nor its officers, directors, employees or agents will effect mortgage transactions in Oregon unless such activities are in full compliance with the Oregon unless such activities are in full compliance with the Oregon Mortgage Lender Law.

Respondent understands that respondent will be subject to another examination within 12 months and that if that examination reveals any of the same or similar violations, or results in an exam score of less than 3, respondent's mortgage banker/broker license will be revoked.

Respondent understands that this Consent Order is a public document.

Dated this 8th day of August 2008

By: _____
John Leonidas

CFO
Office Held

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CORPORATE ACKNOWLEDGMENT

There appeared before me this 8th day of Aug. 2008 who was first duly sworn on oath, and stated that he was and is an officer 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 .

KM Brune
Signature of Notary

KM BRUNE
Printed Name of Notary Public

Notary Public for the State of: OREGON

My commission expires: 7/17/10

OFFICIAL SEAL
K M BRUNE
NOTARY PUBLIC - OREGON
COMMISSION NO. 407489
MY COMMISSION EXPIRES JUL. 17, 2010

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