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: **1st Rate Mortgage Inc. and** **Paula Hannan** **Respondent.**	**M-10-0021** **ORDER ACCEPTING MORTGAGE BROKER LICENSE SURRENDER, ORDER TO CEASE AND DESIST, ORDER ASSESSING CIVIL PENALTIES, AND CONSENT TO ENTRY OF ORDER**

WHEREAS the Director of the Department of Consumer and Business Services for the State of Oregon (hereinafter "the Director") conducted an investigation of 1st Rate Mortgage Inc. and Paula Hannan and determined that 1st Rate Mortgage Inc. and Paula Hannan engaged in activities constituting violations of ORS 86A.100 et. seq., previously ORS 59.840 et seq., (hereinafter cited as the "Oregon Mortgage Lender Law"); and

WHEREAS 1st Rate Mortgage Inc. and Paula Hannan wish to resolve and settle this matter with the Director,

NOW THEREFORE, as evidenced by the authorized signatures subscribed on this order, 1st Rate Mortgage Inc. and Paula Hannan hereby **CONSENT** 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. 1st Rate Mortgage Inc. (hereinafter "1st Rate") is an Oregon domestic business corporation operating from a principal place of business located at 735 Southwest 9th Street, Redmond, Oregon 97756.

2. On August 20, 1998, the Director issued 1st Rate a license to engage in residential

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mortgage transactions, license ML-1266. Paula Hannan (hereinafter "Hannan") is the owner, experienced person, and a loan originator for 1st Rate.

3. On or about April 29, 2010, 1st Rate requested to surrender its mortgage broker license to the Division.

4. The Division has completed two examinations of 1st Rate. In April 2007, 1st Rate received a satisfactory 3 rating, and in August 2009 1st Rate received an outstanding 1 rating. However, these examinations do not address the quality of the loans reviewed or the accuracy of the loan information provided to the lender.

5. The Division received a complaint in January 2009 from a consumer (hereinafter "Consumer One") regarding a mortgage loan transaction completed at 1st Rate with Hannan as the loan originator.

6. In spring 2006, Consumer One visited 1st Rate interested in obtaining a refinance loan on her home. Due to considerable debt and back taxes owed, she did not qualify. Consumer One inquired about the possibility of a refinance loan with a co-signor (hereinafter "Consumer Two"), and with a co-signor, Consumer One did not qualify for a refinance loan.

7. Hannan advised Consumer One to sell the home to Consumer Two to get funds to pay off the debt and the back taxes owed, so she could possibly repurchase the home in one to two years.

8. Hannan prepared a purchase and sale agreement for the sale of the property from Consumer One to Consumer Two and a mortgage loan application with Consumer Two as the borrower for this purpose.

9. The purchase and sale agreement and the mortgage loan application list a gift of equity in the property from Consumer One to Consumer Two of $108,000, a purchase price of $175,000, a loan amount of $67,000, and $46,653 cash to seller. The loan application was submitted to the lender and subsequently funded.

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CONCLUSIONS OF LAW

The Director **CONCLUDES** that:

1. By advising consumers to complete the sale of Consumer One's property to Consumer Two, with Consumer Two taking out a mortgage loan to allow Consumer One to pay off debts and back taxes so she could repurchase the property again in one to two years, 1st Rate and Hannan engaged in unfair or unethical conduct in connection with the mortgage business in violation of ORS 86A.115(2) and ORS 86A.183 (1), previously ORS 59.865(2), ORS 59.971(1).

ORDER

NOW, THEREFORE, THE DIRECTOR ISSUES THE FOLLOWING ORDERS:

The Division accepts the surrender of 1st Rate's Oregon residential mortgage broker license effective the date of this order.

The Director, pursuant to ORS 86A.127(4), previously ORS 59.885(4), hereby **ORDERS** that 1st Rate and Paula Hannan will **CEASE AND DESIST** from violating any provision of the Oregon Mortgage Lender Law, and any rules, or orders issued by the Division.

The Director, pursuant to ORS 86A.992 and ORS 86A.118, previously ORS 59.996 and ORS 59.870, hereby **ORDERS** Hannan to pay the State of Oregon a civil penalty of $2,500. If, in the period between the date of this Order for three years from the date of this Order, 1st Rate or Hannan, violates any provision of the Oregon Mortgage Lender Law, any rule issued by the Director, or the terms of this order, the suspended portion of the assessed civil penalty will become immediately due and payable. If 1st Rate and Hannan do not violate the Oregon Mortgage Lender Law, any rule issued by the Director, or the terms of the this order, in three years from the date of this Order, the suspended portion of the civil penalty is waived.

Pursuant to this order, Paula Hannan agrees that she will not own, control, act as a partner, officer, director, or experienced person for a mortgage banker/broker as described in ORS 59.850(2), previously ORS 86A.106(2), or perform similar functions of a partner, officer,

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director or experienced person for a mortgage banker/broker for any company licensed as a mortgage broker or banker by the Oregon Division of Finance and Corporate Securities until further order of the Director. This order does not restrict or prohibit Paula Hannan from employment as a loan originator in the State of Oregon with an employer acceptable to the Director, under supervision that has been deemed acceptable and appropriate to the Director, provided Hannan complies with the Oregon Mortgage Lender Law, any rule issued by the Director, or the terms of this order.

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

Dated this 13th day of May 2010 at Salem, Oregon.

CORY STREISINGER, Director

Department of Consumer and Business Services

/s/ David Tatman

David C. Tatman, Administrator

Division of Finance and Corporate Securities

CORPORATE CONSENT TO ENTRY OF ORDER

I, Paula Hannan, state that I am an officer of Respondent 1st Rate, 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

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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 Mortgage Lender Law.

1st Rate understands that this Consent Order is a public document.

Dated this 11th day of May 2010

By /s/ Paula Hannan
1st Rate Mortgage Inc.
(Office held)

ENTITY ACKNOWLEDGMENT

There appeared before me this 11th day of May 2010 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 .

/s/ Deanna Shoemaker
Notary Public for the State of Oregon
My commission expires: 7/30/10

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CONSENT TO ENTRY OF ORDER

I, Paula Hannan, state that I have read the foregoing Order and that I know and fully understand the contents hereof; that I have been advised of the right to a hearing and of the right to be represented by counsel in this matter; and desire to resolve and settle this matter with the Director without admitting or denying the findings or conclusions set for herein, that I voluntarily and without any force or duress, consent to the entry of this Order, expressly waiving

any right to a hearing in this matter; that I understand that the Director reserves the right to take further actions to enforce this Order or to take appropriate action upon discovery of other violations of the Oregon Mortgage Lender Law; and that I will fully comply with the terms and conditions stated herein.

I understand that this Consent Order is a public document.

Dated this 11 day of May, 2010

By: /s/ Paula Hannan
Paula Hannan

/s/ Deanna Shoemaker
Notary Public
for the State of: Oregon

My commission expires: 7/30/10

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