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DEPT. OF FINANCIAL INSTITUTIONS
OLYMPIA, WASHINGTON

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF CONSUMER SERVICES

IN THE MATTER OF DETERMINING:
Whether there has been a violation of the
Mortgage Broker Practices Act of Washington by:

PUGET SOUND MORTGAGE INCORPORATED,
d/b/a EDMONDS MORTGAGE,
DAVID BYRON PAGE, President,
BOBBIE JO PAGE, Vice President, and
VICKIE L. McKENNEY, Designated Broker,

Respondents.

NO. C-09-495-11-CO01

CONSENT ORDER AS TO
PUGET SOUND MORTGAGE,
INCORPORATED, d/b/a EDMONDS
MORTGAGE, and DAVID B. PAGE

COMES NOW the Director of the Department of Financial Institutions (Director), through his designee Deborah Bortner, Division Director, Division of Consumer Services, and Puget Sound Mortgage, Inc. (Respondent Puget Sound), and David B. Page, President (Respondent Page), by and through their attorney, John A. Long, and finding that the issues raised in the above-captioned matter as they relate to Respondent Puget Sound and Respondent Page (Respondents) may be economically and efficiently settled, agree to the entry of this Consent Order. This Consent Order is entered pursuant to chapter 19.146 of the Revised Code of Washington (RCW), and RCW 34.05.060 of the Administrative Procedure Act, based on the following:

AGREEMENT AND ORDER

The Department of Financial Institutions, Division of Consumer Services (Department) and Respondents have agreed upon a basis for resolution of the matters as related to Respondents alleged in Statement of Charges No. C-09-495-10-SC01 (Statement of Charges), entered May 14, 2010, incorporated herein by reference and attached hereto. Respondents hereby agree to the Department's entry of this Consent Order as related to Respondents. By entry of this Consent Order Respondents are agreeing not to contest the Statement of Charges. The parties intend this Consent Order to fully resolve the Statement of Charges as it relates to Respondents.

1 Based upon the foregoing:

2 **A. Jurisdiction.** It is AGREED that the Department has jurisdiction over the subject matter
3 of the activities discussed herein.

4 **B. Waiver of Hearing.** It is AGREED that Respondents have been informed of the right to
5 a hearing before an administrative law judge, and hereby waive their right to a hearing and any and
6 all administrative and judicial review of the issues raised in this matter, or of the resolution reached
7 herein. Accordingly, by their signatures and the signature of their representative below,
8 Respondents withdraw their appeal to the Office of Administrative Hearings.

9 **C. Admissions.** With the following exceptions, Respondents neither admit nor deny the
10 Factual Allegations of the Statement of Charges. Respondent Puget Sound admits that:

- 11 1. On or about October 1, 2008, Respondent Puget Sound entered into a referral fee
12 agreement with Pilchuck Mortgage, Inc. Pursuant to that agreement, Respondent
13 Puget Sound received residential mortgage loan referrals from and paid
14 compensation to Pilchuck Mortgage, Inc. from the proceeds of federally-related
15 mortgage loans originated by Respondent Puget Sound. Respondent Puget Sound
16 further admits that Respondent Puget Sound did not disclose the referral fee
17 payments on either the Good Faith Estimate or the HUD-1 Settlement Statement
18 provided to the borrowers.
- 19 2. During 2007, and again in 2009, Respondent Puget Sound entered into referral fee
20 agreements with the independent contractors of an affiliated business, Edmonds
21 Realty. Pursuant to those agreements, Respondent Puget Sound received residential
22 mortgage loan referrals from and paid compensation to independent contractors of
23 Edmonds Realty from the proceeds of federally-related mortgage loans originated
24 by Respondent Puget Sound. Respondent Puget Sound further admits that
Respondent Puget Sound did not disclose the referral fee payments on either the
Good Faith Estimate or the HUD-1 Settlement Statement provided to the borrowers.
3. Respondent Puget Sound did not provide required disclosures or provided
incomplete disclosures to some borrowers, including disclosures related to
borrower-paid services, rate locks, and yield spread premiums.
4. Respondent Puget Sound did not provide the Department with notification of
significant developments relating to Designated Brokers.
5. Respondent Puget Sound received funds at closing for payment of third-party
services and did not deposit those funds into a statutorily-required trust account.

1 **D. License Revocation.** It is AGREED that Respondent Puget Sound's mortgage broker
2 license is revoked.

3 **E. Prohibition from Industry.** It is AGREED that, for a period of ten years from the date
4 of entry of this Consent Order, Respondents are prohibited from participating in the conduct of the
5 affairs of any mortgage broker or consumer loan company licensed by the Department or subject to
6 licensure or regulation by the Department, in any capacity, including but not limited to: (1) any
7 financial capacity whether active or passive; or (2) as an officer, director, principal, partner, LLC
8 member, designated broker, employee, or loan originator; or (3) any management, control, oversight
9 or maintenance of any trust account(s) in any way related to any residential transaction; or (4)
10 receiving, disbursing, managing or controlling in any way, consumer trust funds in any way related
11 to any residential mortgage transaction.

12 **F. Restitution.** It is AGREED that Respondents shall pay restitution totaling \$10,413.08
13 to those consumers and in those amount specifically set forth in Appendix A. Prior to the entry of
14 this Consent Order, the total restitution amount shall be deposited into a third-party trust account for
15 distribution to the specified consumers, and Respondents shall provide the Department with proof
16 that the restitution funds have been deposited to trust. Once deposited, Respondents shall not be
17 permitted to receive any portion of the restitution funds. Respondents will instruct the third party to
18 mail restitution checks to the specified consumers within 15 days after entry of this Consent Order.
19 The restitution checks will be accompanied by a cover letter printed on Edmonds Mortgage
20 letterhead as set forth in Appendix B. In the event that any consumer(s) cannot be located or
21 restitution checks are not cashed within 60 days of issuance, Respondents will instruct the third
22 party to submit those funds to the Washington State Department of Revenue (Department of
23 Revenue) within 120 days of entry of this Consent Order as unclaimed property on behalf of the
24 specified consumers, subject to the rules and regulations of the Unclaimed Property Section of the

1 Department of Revenue. Respondents will bear the cost of all related expenses such as mailing, stop
2 payment fees, and submitting funds to the Department of Revenue. Within 130 days after entry of
3 this Consent Order, Respondents will provide the Department with written proof of all restitution
4 payments in the form of copies of the front and back of each cancelled check, a copy of all
5 unclaimed property reports submitted to the Department of Revenue, and written confirmation from
6 the third party that all restitution funds have been distributed as agreed.

7 **G. Rights of Consumers.** It is AGREED that this Consent Order shall not release, waive,
8 or in any way affect any legal rights that any consumers may have concerning Respondents.

9 **H. Fine.** It is AGREED that Respondents acknowledge liability for a fine of \$250,000, and
10 shall pay a fine to the Department in the amount of \$115,000, in the form of a cashier's check made
11 payable to the "Washington State Treasurer," upon entry of this Consent Order.

12 **I. Investigation Fee.** It is AGREED that Respondents shall pay to the Department an
13 investigation fee of \$23,989.92, in the form of a cashier's check made payable to the "Washington
14 State Treasurer," upon entry of this Consent Order. The Fine and Investigation Fee may be paid
15 together in one \$138,989.92 cashier's check made payable to the "Washington State Treasurer."

16 **J. Closure Report and Records Retention.** It is AGREED that within 20 days of the entry
17 of this Consent Order, Respondent Page will complete the "NMLS Surrender Checklist," including
18 completing and filing a 2011 Mortgage Broker Closure Report form with the Department. It is
19 further AGREED that Respondents shall maintain books and records in compliance with the Act;
20 shall update Records Custodian and records location information on Respondent Puget Sound's
21 Form MU1 with the name, address and telephone number of the Records Custodian. Respondent
22 Page shall notify the Department in writing of any changes to location of the records, or to the
23 Records Custodian's mailing address or telephone number, within fifteen days of any such change.

24 //

1 **K. Authority to Execute Order.** It is AGREED that the undersigned have represented and
2 warranted that they have the full power and right to execute this Consent Order on behalf of the
3 parties represented.

4 **L. Non-Compliance with Order.** It is AGREED that Respondents understand that failure
5 to abide by the terms and conditions of this Consent Order may result in further legal action by the
6 Director. In the event of such legal action, Respondents may be responsible to reimburse the
7 Director for the cost incurred in pursuing such action, including but not limited to attorney fees.

8 **M. Voluntarily Entered.** It is AGREED that the undersigned Respondents have voluntarily
9 entered into this Consent Order, which is effective when signed by the Director's designee.

10 **N. Completely Read, Understood, and Agreed.** It is AGREED that Respondents have
11 read this Consent Order in its entirety and fully understand and agree to all of the same.

12 RESPONDENTS:

13 Puget Sound Mortgage, Inc.

14 By:

14 David B Page
15 David B. Page, President

6/14, 2011
Date

16 David B. Page

17 David B Page
18 David B. Page, Individually

6/14, 2011
Date

19 APPROVED AS TO FORM
20 John Long Law, PLLC

20 John A Long
21 John A. Long, WSBA No. 15119
22 Attorneys for Respondents

6/15/2011
Date

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DO NOT WRITE BELOW THIS LINE

THIS ORDER ENTERED THIS 16th DAY OF JUNE, 2011



A handwritten signature in blue ink, appearing to read "Deborah Bortner", written over a horizontal line.

DEBORAH BORTNER
Director
Division of Consumer Services
Department of Financial Institutions

Presented by:

A handwritten signature in blue ink, appearing to read "Anthony W. Carter", written over a horizontal line.

ANTHONY W. CARTER
Senior Enforcement Attorney

Approved by:

A handwritten signature in blue ink, appearing to read "James R. Brusselback", written over a horizontal line.

JAMES R. BRUSSELBACK
Enforcement Chief

**APPENDIX A -
RESTITUTION LIST**

Borrower	PSM Refund
JF	\$1,834.32
LW	\$1,781.25
SM	\$2,223.74
KF	\$1,949.79
CG	\$1,423.98
CM	\$100.00
WO	\$100.00
DK	\$500.00
KB	\$500.00
TOTAL:	\$10,413.08

APPENDIX B

TO BE SENT ON EDMONDS MORTGAGE LETTERHEAD

DATE

Borrower's Name
Address Line 1
Address Line 2
CSZ

Re: Refund of Loan Fees on Loan Number #INSERT

Dear Mr./Ms. Borrower:

It has been determined that you are entitled to a refund of \$INSERT in connection with the above referenced loan. A refund check in that amount is enclosed.

The enclosed check **must be** deposited or cashed within sixty (60) days of its issuance. Otherwise, a stop payment will be issued and the refund amount will be provided to the Washington State Department of Revenue as unclaimed property.

Sincerely,

David B. Page, President
Edmonds Mortgage

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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF CONSUMER SERVICES**

IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Mortgage Broker Practices Act of Washington by:

PUGET SOUND MORTGAGE INCORPORATED,
d/b/a EDMONDS MORTGAGE,
DAVID BYRON PAGE, President,
BOBBIE JO PAGE, Vice President, and
VICKIE LYNN McKENNEY, Designated Broker,

Respondents.

NO. C-09-495-10-SC01

STATEMENT OF CHARGES and NOTICE OF
INTENT TO ENTER AN ORDER TO REVOKE
LICENSES, PROHIBIT FROM INDUSTRY,
ORDER RESTITUTION, IMPOSE FINES, AND
COLLECT INVESTIGATION FEES

INTRODUCTION

Pursuant to RCW 19.146.220 and RCW 19.146.223, the Director of the Department of Financial Institutions of the State of Washington (Director) is responsible for the administration of chapter 19.146 RCW, the Mortgage Broker Practices Act (the Act).¹ After having conducted an investigation pursuant to RCW 19.146.235, and based upon the facts available as of the date of this Statement of Charges, the Director, through his designee, Division of Consumer Services Director Deborah Bortner, institutes this proceeding and finds as follows:

I. FACTUAL ALLEGATIONS

1.1 Respondents.

A. Puget Sound Mortgage Incorporated, d/b/a Edmonds Mortgage (Respondent Edmonds Mortgage) is a closely-held Washington for-profit corporation organized on May 29, 2002, in Edmonds, Washington. Respondent Edmonds Mortgage was originally licensed by the Department of Financial Institutions (Department) to conduct business as a mortgage broker on April 12, 1999, and has been continuously licensed to date.² Respondent Edmonds Mortgage originates and brokers both conventional and federally-guaranteed residential mortgage loans and is a Federal Housing Authority (FHA) approved mortgage broker.

B. David Byron Page (Respondent Page) is the president, sole owner, and control person of Respondent Edmonds Mortgage, and has supervisory authority over Respondent Edmonds Mortgage. Respondent Page has

¹ Effective January 1, 2007.

² Respondent Edmonds Mortgage was originally organized and licensed as Edmonds Mortgage Incorporated.

1 never been licensed with the Department in any capacity. Respondent Page is also the sole owner of an affiliated
2 real estate brokerage, Puget Sound Home Exchange, LLC, d/b/a Edmonds Realty, and an affiliated escrow
3 company, Edmonds Escrow, Inc.

4 **C. Bobbie Jo Page** (Respondent Bobbie Page) is the vice president of Respondent Edmonds Mortgage, and
5 is Respondent Page's former sister-in-law. Respondent Bobbie Page has never been licensed with the Department
6 in any capacity.

7 **D. Vickie Lynn McKenney** (Respondent McKenney) has been a licensed loan originator and the designated
8 broker for Respondent Edmonds Mortgage from January 16, 2009, to date. In her role as the designated broker,
9 Respondent McKenney has been responsible for all activities of Respondent Edmonds Mortgage in conducting
10 the business of a mortgage broker.

11 **1.2 Referral Fee Agreement with Pilchuck Mortgage.**

12 In July 2009, the Department conducted a for-cause on-site examination of Respondent Edmond Mortgage's
13 business practices for the period of January 1, 2007, through June 30, 2009, the relevant time period. The
14 Department selected 65 Washington residential mortgage loan files for review. Five of the loan files reviewed
15 contained loan origination documents from a competitor, Pilchuck Mortgage of Everett, Washington.

16 **A. Agreement.** In or around October 2008, Respondents Edmonds Mortgage and Page entered into a
17 referral fee agreement with David Evans, the vice president and co-owner of Pilchuck Mortgage. Respondents
18 Edmonds Mortgage and Page agreed to pay Pilchuck Mortgage and David Evans for referrals of prospective
19 borrowers who closed residential mortgage loans through Respondent Edmonds Mortgage. Respondent
20 Edmonds Mortgage would retain a \$1,000 processing fee plus 20% of the total of broker fees on every closed
21 loan, and pay Pilchuck Mortgage and David Evans the remaining 80% of broker fees.

22 **B. Referrals.** From about October through December, 2008, Respondent Edmonds Mortgage received at
23 least five residential mortgage loan referrals from Pilchuck Mortgage and David Evans. Respondent Edmonds
24 Mortgage subsequently originated, processed, and closed five federally-related residential mortgage loans.

25 //

1 **C. Payment.** Respondents Edmonds Mortgage and Page earned \$23,123.36 in mortgage broker fees on
2 the five loans. Pursuant to the Pilchuck Mortgage referral fee agreement, Respondents Edmonds Mortgage and
3 Page retained \$8,703.07, and paid Pilchuck Mortgage and David Evans \$14,420.29, as follows:

4 **i. Borrower JF:** On or about October 10, 2008, Pilchuck Mortgage and David Evans referred
5 borrower JF to Respondents Edmonds Mortgage and Page. On or about November 19, 2008,
6 borrower JF's FHA loan closed. Respondent Edmonds Mortgage earned \$5,071.60 on the loan, and
7 calculated the referral fee due under the agreement as \$3,237.28. On or about November 20, 2008,
8 Respondent Edmonds Mortgage issued check number 9455, payable to David Evans, in the amount
9 of \$3,237.28. On or about November 21, 2008, the check was deposited to an account controlled
10 by David Evans.

11 **ii. Borrower LW:** On or about October 14, 2008, Pilchuck Mortgage and David Evans referred
12 borrower LW to Respondents Edmonds Mortgage and Page. On or about January 14, 2009,
13 borrower LW's FHA loan closed. Respondent Edmonds Mortgage earned \$4,614.23 on the loan,
14 and calculated the referral fee due under the agreement as \$2,832.98. On or about January 16,
15 2009, Respondent Edmonds Mortgage issued check number 9475, payable to David Evans, in the
16 amount of \$2,832.98. On or about January 20, 2009, the check was deposited to an account
17 controlled by David Evans.

18 **iii. Borrower SM:** On or about November 7, 2008, Pilchuck Mortgage and David Evans referred
19 borrower SM to Respondents Edmonds Mortgage and Page. On or about February 11, 2009,
20 borrower SM's FHA loan closed. Respondent Edmonds Mortgage earned \$4,748.94 on the loan, and
21 calculated the referral fee due under the agreement as \$3,894.96. On or about February 20, 2009,
22 Respondent Edmonds Mortgage issued check number 9512, payable to David Evans, in the amount
23 of \$6,694.12. (The amount included payment for the KF loan discussed below.) On or about
24 February 23, 2009, the check was deposited to an account controlled by David Evans.

25 **iv. Borrower KF:** On or about December 2, 2008, Pilchuck Mortgage and David Evans referred
borrower KF to Respondents Edmonds Mortgage and Page. On or about February 17, 2009,
borrower KF's FHA loan closed. Respondent Edmonds Mortgage earned \$2,569.89 on the loan, and
calculated the referral fee due under the agreement as \$2,799.16. On or about February 20, 2009,
Respondent Edmonds Mortgage issued check number 9512, payable to David Evans, in the amount
of \$6,694.12. (The amount included payment for the SM loan discussed above.) On or about
February 23, 2009, the check was deposited to an account controlled by David Evans.

v. Borrower CG: On or about December 16, 2008, Pilchuck Mortgage and David Evans referred
borrower CG to Respondents Edmonds Mortgage and Page. On or about February 27, 2009,
borrower CG's FHA loan closed. Respondent Edmonds Mortgage earned \$6,118.70 on the loan, and
calculated the referral fee due under the agreement as \$1,255.91. On or about March 3, 2009,
Respondent Edmonds Mortgage issued check number 9522, payable to David Evans, in the amount
of \$1,655.91. (The amount included \$400.00 as additional \$200.00 payments for each of the SM
and KF loans discussed above.) On or about March 5, 2009, the check was deposited to an account
controlled by David Evans.

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1 **1.3 Referral Fee Agreement with Edmonds Realty.**

2 During at least 2007, and again in 2009, Respondents Edmonds Mortgage and Page entered into referral fee
3 agreements with independent contractors of Edmonds Realty.

4 **A. Commission Agreements.** During at least 2007, Respondents Edmonds Mortgage and Page entered into
5 commission referral fee agreements with real estate agents working as independent contractors for Edmonds
6 Realty. Pursuant to the commission referral fee agreement, after certain conditions were met, Respondent Page
7 would pay agents 2% of the mortgage loan amount for all referrals that resulted in a residential mortgage loan
8 closed through Respondent Edmonds Mortgage. The agreements were discontinued sometime during 2008.

9 **B. Cash Agreement.** During 2009, Respondents Edmonds Mortgage and Page entered into cash referral fee
10 agreements with real estate agents working as independent contractors for Edmonds Realty. Pursuant to the cash
11 referral fee agreement, after certain conditions were met, Respondent Page would pay agents \$100 cash for each
12 referral to Respondent Edmonds Mortgage, plus \$400 cash for each referral that resulted in a residential mortgage
13 loan closed through Respondent Edmonds Mortgage.

14 **C. Referrals.** During at least 2007, under the commission referral fee agreement, Respondent Edmonds
15 Mortgage received at least sixteen referrals. During 2009, under the cash referral fee agreement, Respondent
16 Edmonds Mortgage received at least four referrals, at least two of which resulted in loans. Respondent Edmonds
17 Mortgage subsequently originated, processed, and closed at least eighteen federally-related mortgage loans.

18 **D. Payment.** Respondents Edmonds Mortgage and Page earned \$74,392.10 in mortgage broker fees on the
19 loans. Pursuant to the referral fee agreements, Respondents Edmonds Mortgage and Page were contracted to pay
20 \$104,711.14 to affiliated real estate agents if the conditions were met. Payments known to be made as of the date
21 of this Statement of Charges include:

22 **i. Agent EJW:** Between January and June 2009, agent EJW referred at least three customers to
23 Respondent Edmonds Mortgage. Pursuant to the cash referral fee agreement, Respondent Page paid
24 agent EJW \$100 in cash for two of the referrals. On the third referral, on or about June 11, 2009,
25 Respondent Page issued check number 5056, payable to EJW, in the amount of \$500. (Because the
referral resulted in a residential mortgage loan, the amount included \$100 for the referral plus \$400
for the loan. Borrower DLK's loan was originated and closed through Respondent Edmonds
Mortgage.)

1 **ii. Agent CDS:** In January 2009, agent CDS referred at least one customer to Respondent Edmonds
2 Mortgage. Pursuant to the cash referral fee agreement, Respondent Page paid agent CDS \$500 for the
3 referral. On or about June 26, 2009, Respondent Page issued check number 5085, payable to CDS,
4 in the amount of \$500. (Because the referral resulted in a residential mortgage loan, the amount
5 included \$100 for the referral plus \$400 for the loan. Borrower KB's loan was originated and
6 closed through Respondent Edmonds Mortgage.)

7 **1.4 Missing or Incomplete Disclosures.** The loan file review conducted during the examination revealed
8 that during the relevant time period, Respondent Edmonds Mortgage was not making required disclosures, not
9 making complete disclosures, or both, including:

10 **A. Incomplete Good Faith Estimates: Fees Inuring To Respondent Edmonds Mortgage.** Within three
11 business days following receipt of a residential mortgage loan application, Respondent Edmonds Mortgage was
12 required to provide applicants with a full written disclosure itemizing and explaining all fees and costs that a
13 borrower must pay in connection with getting a loan. Among other things, the disclosure needed to specify the
14 fee(s) which inured to the benefit of Respondent Edmonds Mortgage. [RCW 19.146.030(1).] Furthermore, as the
15 disclosures were being made pursuant to the Real Estate Settlement Procedures Act (RESPA), 12 U.S.C. §1601,
16 and Regulation X, 24 C.F.R. §3500, Respondent Edmonds Mortgage was required to disclose, on lines 808
17 through 811 of the Good Faith Estimate (GFE), all fees which inured to the benefit of Respondent Edmonds
18 Mortgage. [WAC 208-660-430(4).] In at least 50 of the 65 loan files reviewed, Respondent Edmonds Mortgage
19 did not itemize and explain on lines 808 through 811 of the GFE all fees which inured to its benefit.

20 **B. Incomplete Good Faith Estimates: Fees To Pilchuck Mortgage.** Respondent Edmonds Mortgage did
21 not disclose to the five borrowers referenced in §1.2 of this Statement of Charges that David Evans of Pilchuck
22 Mortgage received referral fees.

23 **C. Incomplete Good Faith Estimates: Fees To Real Estate Agents.** Based on information and belief,
24 Respondent Edmonds Mortgage did not disclose to the nineteen borrowers referenced in §1.3 C of this Statement
25 of Charges that real estate agents working as independent contractors for Edmonds Realty received referral fees.

D. Missing Borrower-Paid Services Disclosure. Within three business days following receipt of a
residential mortgage loan application, Respondent Edmonds Mortgage was required to provide applicants with a

1 written disclosure advising of the availability of copies of borrower-paid appraisals, title reports, and credit
2 reports when an applicant is denied a loan. [RCW 19.146.030(2)(d).] In at least 25 of the 65 loan files reviewed,
3 Respondent Edmonds Mortgage did not provide the required disclosure.

4 **E. Missing or Incomplete Rate Lock-In Agreements.** Within three business days following receipt of a
5 residential mortgage loan application, Respondent Edmonds Mortgage was required to provide applicants with
6 written disclosures advising that disclosed interest rates and loan terms were subject to change, or, if applicable,
7 the cost, terms, duration, and conditions of a interest rate lock-in agreement. If applicable, Respondent Edmonds
8 Mortgage was also required to disclose whether a lock-in agreement had been entered; whether the lock-in
9 agreement was guaranteed by Respondent Edmonds Mortgage; and whether and under what conditions any lock-
10 in fees were refundable to the applicant. [RCW 19.146.030(2)(c) and (e).] In at least 40 of the 65 loan files
11 reviewed, Respondent Edmonds Mortgage did not provide, or provided incomplete, rate lock-in disclosures.

12 **F. Missing or Incomplete Yield Spread Premium Disclosure.** Within three business days following
13 receipt of a residential mortgage loan application, Respondent Edmonds Mortgage was required to provide
14 applicants with a full written disclosure itemizing and explaining all fees and costs that a borrower must pay in
15 connection with getting a loan. Among other things, the disclosure needed to specify the Yield Spread Premium
16 (YSP) paid by the lender to Respondent Edmonds Mortgage. [Regulation X, 24 C.F.R. §3500.7(c).] The
17 disclosure was required to be made on the 800 series of lines on the GFE. [Regulation X, Appendix B, Fact
18 Situation 13.] In at least 25 of the 65 loan files reviewed, Respondent Edmonds Mortgage did not provide, or
19 provided incomplete, disclosure of the YSP.

20 **1.5 Unlicensed Loan Origination.**

21 **A. Respondent Bobbie Page.** On or about January 2, 2007, Respondent Bobbie Page applied to the
22 Department for a loan originator license. The license application was incomplete when received, and no license
23 was ever issued. Respondent Bobbie Page originated at least three residential mortgage loans while unlicensed.

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1 **B. Linda Walsh.** On or about December 31, 2008, the loan originator license of Linda Walsh, a loan
2 originator working for Respondent Edmonds Mortgage, expired. Between January 1, 2009, and February 18,
3 2009, when her license was renewed, Ms. Walsh originated at least twenty-two residential mortgage loans.

4 **C. Real Estate Agents.** In at least four of the referrals made under the commission referral fee agreement,
5 the referring real estate agent, though not licensed by the Department, originated the residential mortgage loan.

6 **1.6 Notification of Significant Developments.** Respondents Edmonds Mortgage and Page were required by
7 the Act to have at all times a designated broker responsible for all activities of the mortgage broker. From
8 approximately April 1, 2007, to April 30, 2008, Cheri Peterson was the designated broker for Respondent
9 Edmonds Mortgage. Ms. Peterson resigned on or about April 30, 2008. Within five business days of her
10 resignation, Respondents Edmonds Mortgage and Page were required to notify the Department of the resignation
11 of their designated broker, and within thirty days were required to apply to the Department for approval for a new
12 designated broker. From May 1, 2008, to November 25, 2008, when Respondent McKenney applied with the
13 Department to be the new designated broker, Respondents Edmonds Mortgage and Page did not notify the
14 Department of the resignation of their designated broker. From May 1, 2008, to January 16, 2009, when
15 Respondent McKenney's application to be designated broker was approved, Respondents Edmonds Mortgage and
16 Page did not have a designated broker.

17 **1.7 Forgery of Loan Origination, Processing, and Submission Documents.**

18 **A. Cheri Peterson Forgeries.** Between about May 2008, when Cheri Peterson left Respondent Edmonds
19 Mortgage, and January 16, 2009, when Respondent McKenney was approved by the Department to be the new
20 designated broker, at least five residential mortgage loans were closed by Respondent Edmonds Mortgage that
21 indicated Cheri Peterson had originated, processed, and submitted the loan documents to lenders. Numerous
22 documents purported to have been signed by Cheri Peterson were signed by someone other than Cheri Peterson,
23 apparently other employees of Respondent Edmonds Mortgage.

24 **B. Real Estate Agent Forgeries.** Between about April 1, 2007, and July 1, 2007, at least four residential
25 mortgage loans referred to Respondent Edmonds Mortgage from Edmonds Realty were originated by the referring

1 real estate agent. However, based on the Department's review of the loan files, the 1003 loan applications taken
2 to originate the loans purported to have been signed by the originating real estate agent were signed by someone
3 else, apparently other employees of Respondent Edmonds Mortgage.

4 **1.8 Failure to Maintain Funds from Borrower for Payment of Third-Party Providers in Trust.**

5 Respondents have not received authorization from the Department to accept trust funds. In connection with the
6 residential mortgage loan files reviewed during the examination, on at least fifteen loans Respondent Edmonds
7 Mortgage received funds at closing for payment of third-party provider services. Respondents Edmonds
8 Mortgage and Page deposited these funds into operating accounts under their control, thereby commingling trust
9 funds with operating funds.

10 **1.9 Misrepresentation of Borrower's Intent.** On or about May 1, 2007, Respondent Bobbie Page began
11 assisting borrower PP to obtain a \$610,000 residential mortgage loan to purchase property A. Respondent Bobbie
12 Page represented to the lender that the borrower intended to occupy property A as her personal residence. This
13 loan closed on or about June 29, 2007. On or about May 4, 2007, Respondent Bobbie Page began assisting
14 borrower PP to obtain a \$459,000 residential mortgage loan to purchase property B from a different lender.
15 Respondent Bobbie Page represented to the different lender that borrower PP intended to occupy property B as
16 her personal residence. The loan on property B closed on or about June 8, 2007.

17 Respondent Bobbie Page used the same credit report for both loans, never disclosed to the lenders that there
18 were two primary residences involved, and misrepresented to the lenders borrower PP's intent to simultaneously
19 occupy the two properties as her primary residence.

20 **1.10 On-Going Investigation.** The Department's investigation into the alleged violations of the Act by
21 Respondents continues to date.

22
23 **II. GROUNDS FOR ENTRY OF ORDER**

24 **2.1 Liability for Actions by Others.** Pursuant to RCW 19.146.245 and WAC 208-660-155(3), Respondent
25 Edmonds Mortgage is liable for any violations of the Act by designated brokers, loan originators, or other

1 licensed mortgage brokers employed or engaged by Respondent Edmonds Mortgage. Furthermore, pursuant to
2 RCW 19.146.200(4)(b), Respondents David Page and McKenney are liable for any violations of the Act by
3 employees, independent contractors, or other licensees if they knew, or by the exercise of reasonable care and
4 inquiry, should have known of the violations at a time when the consequences could have been avoided or
5 mitigated, and they failed to take reasonable remedial action.

6 **2.2 Prohibited Acts.** Based on the Factual Allegations set forth in Section I above, Respondents Edmonds
7 Mortgage, Page, and McKenney are in apparent violation of RCW 19.146.0201(1), (2), and (3) for directly or
8 indirectly employing a scheme, device or artifice to defraud or mislead any person, engaging in an unfair or
9 deceptive practice toward any person, and obtaining property by fraud or misrepresentation from any person by
10 paying referral fees, forging residential mortgage loan documents, not disclosing fees and costs, making no or
11 incomplete disclosures, and by using unlicensed loan originators,

12 **2.3 Unfair or Deceptive Practice.** Based on the Factual Allegations set forth in Section I above, Respondent
13 Bobbie Page is in apparent violation of RCW 19.146.0201(1) and (2), for directly or indirectly employing a
14 scheme, device or artifice to defraud or mislead any person and by engaging in an unfair or deceptive practice
15 toward any person by misrepresenting to lenders a borrower's intent to simultaneously occupy two properties as
16 her personal residence.

17 **2.4 Requirement to Comply with the Real Estate Settlement Procedures Act.** Based on the Factual
18 Allegations set forth in Section I above, Respondents Edmonds Mortgage, Page, and McKenney are in apparent
19 violation of RCW 19.146.0201(11) by not complying with RESPA, 12 U.S.C. §2601 and Regulation X, 24 C.F.R.
20 §3500, which prohibits payment of referral fees, requires disclosure on the GFE of the fees and YSP which inured
21 to the benefit of Respondent Edmonds, and which further requires disclosure on both the GFE and HUD-1 of the
22 referral payments to both David Evans and Edmonds Realty real estate agents.

23 **2.5 Requirement to Disclose Residential Mortgage Loan Fees.** Based on the Factual Allegations set forth
24 in Section I above, Respondents Edmonds Mortgage, Page, and McKenney are in apparent violation of

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1 RCW 19.146.0201(6) and (15) for not making disclosures to loan applicants as required by RCW 19.146.030,
2 including the initial disclosures required by RCW 19.146.030(1).

3 **2.6 Requirement to Make Other Disclosures.** Based on the Factual Allegations set forth in Section I
4 above, Respondents Edmonds Mortgage, Page, and McKenney are in apparent violation of RCW 19.146.0201(6)
5 and (15) for not making disclosures to loan applicants as required by RCW 19.146.030, including the disclosure
6 concerning borrower-paid services required by RCW 19.146.030(2)(d); the rate lock disclosures required by
7 RCW 19.146.030(2)(c), (2)(e), and (3); and the YSP disclosures required by RESPA.

8 **2.7 Requirement to Obtain Loan Originator Licenses.** Based on the Factual Allegations set forth in
9 Section I above, Respondent Bobbie Page is in apparent violation of RCW 19.146.200(1) for engaging in the
10 business of a mortgage broker or loan originator without first obtaining a license under the Act, and
11 Respondents Edmonds Mortgage and Page are in apparent violation of RCW 19.146.200(1) for the unlicensed
12 loan originator activity of Bobbie Page, Linda Walsh, and four Edmonds Realty real estate agents.

13 **2.8 Requirement to Notify Department of Significant Developments.** Based on the Factual Allegations
14 set forth in Section I above, Respondents Edmonds Mortgage and Page are in apparent violation of
15 WAC 208-660-400(9) for not notifying the Director five days after the resignation of their designated broker, and in
16 apparent violation of WAC 208-660-180(3) for not replacing their designated broker within thirty days.

17 **2.9 Requirement to Maintain Funds from Borrowers for Payment of Third-Party Providers in Trust.**
18 Based on the Factual Allegations set forth in Section I above, Respondents Edmonds Mortgage, Page, and
19 McKenney are in apparent violation of RCW 19.146.050 and WAC 208-660-410 for failing to deposit funds
20 received on behalf of borrowers for payment of third-party provider services in a trust account of a federally
21 insured financial institution located in this state, prior to the end of the third business day following receipt of
22 such monies, and for commingling trust funds with operating funds.

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1 **III. AUTHORITY TO IMPOSE SANCTIONS**

2 **3.1 Authority to Revoke License.** Pursuant to RCW 19.146.220(2)(e), the Director may revoke licenses for
3 any violation of the Act.

4 **3.2 Authority to Prohibit from Industry.** Pursuant to RCW 19.146.220(5), the Director may issue an order
5 prohibiting from participation in the affairs of a licensed mortgage broker any officer, principal, employee, or loan
6 originator of any licensed mortgage broker for any violation of RCW 19.146.0201(1) through (9), RCW 19.146.030
7 through 19.146.080, or RCW 19.146.200.

8 **3.1 Authority to Order Restitution.** Pursuant to RCW 19.146.220(2)(e), the Director may order restitution
9 against licensees or other persons subject to the Act for any violation of the Act.

10 **3.3 Authority to Impose Fines.** Pursuant to RCW 19.146.220(2)(e), the Director may impose fines on a
11 licensee or other person subject to the Act for any violations the Act.

12 **3.4 Authority to Collect Investigation Fees.** Pursuant to RCW 19.146.228(2), WAC 208-660-520, and
13 WAC 208-660-550(4), the Department may collect the costs of any investigation of alleged violations of the Act.

14
15 **IV. NOTICE OF INTENT TO ENTER ORDER**

16 Respondents' violations of the provisions of chapter 19.146 RCW and chapter 208-660 WAC, as set forth
17 in the above Factual Allegations, Grounds for Entry of Order, and Authority to Impose Sanctions, constitute a
18 basis for the entry of an Order under RCW 19.146.220, RCW 19.146.221 and RCW 19.146.223. Therefore, it is
19 the Director's intent to ORDER that:

- 20 **4.1** The mortgage broker license held by Respondent Puget Sound Mortgage Incorporated, d/b/a Edmonds
21 Mortgage, be revoked; and
- 22 **4.2** The loan originator license held by Respondent Vickie Lynn McKenney be revoked; and
- 23 **4.3** Respondents Puget Sound Mortgage Incorporated, d/b/a Edmonds Mortgage, and David Byron Page be
24 prohibited from participation in the conduct of the affairs of any mortgage broker subject to licensure by the
25 Director, in any manner, for a period of ten (10) years; and
- 4.4** Respondents Vickie Lynn McKenney and Bobbie Jo Page be prohibited from participation in the conduct of
the affairs of any mortgage broker subject to licensure by the Director, in any manner, for a period of five
(5) years; and

- 1 **4.5** Respondents Puget Sound Mortgage Incorporated, d/b/a Edmonds Mortgage, and David Bryon Page, jointly
2 and severally, pay restitution in the amount of all fees which inured to the benefit of Respondent Puget Sound
3 Mortgage Incorporated, d/b/a Edmonds Mortgage, to any borrower subject to violations of the Act by
4 Respondents Puget Sound Mortgage Incorporated, d/b/a Edmonds Mortgage, David Bryon Page, Bobbie Jo
5 Page, or Vickie Lynn McKenney; and
- 6 **4.6** Respondents Puget Sound Mortgage Incorporated, d/b/a Edmonds Mortgage, and David Bryon Page, jointly
7 and severally, pay a fine that as of the date of this Statement of Charges totals \$475,000; and
- 8 **4.7** Respondent Vickie Lynn McKenney pay a fine that as of the date of this Statement of Charges totals \$10,000;
9 and
- 10 **4.8** Respondent Bobbie Jo Page pay a fine that as of the date of this Statement of Charges totals \$10,000; and
- 11 **4.9** Respondents Puget Sound Mortgage Incorporated, d/b/a Edmonds Mortgage, and David Bryon Page, jointly
12 and severally, pay an investigation fee that as of the date of this Statement of Charges totals \$12,853.65,
13 representing 250 staff hours at \$48.00 per hour (\$12,000.00), plus \$853.65 in costs.
- 14 **4.10** Respondents Puget Sound Mortgage Incorporated, d/b/a Edmonds Mortgage, and David Bryon Page
15 maintain records in compliance with the Act and provide the Department with the location of the books,
16 records and other information relating to Respondent Puget Sound Mortgage Incorporated, d/b/a Edmonds
17 Mortgage's mortgage broker business, and the name, address and telephone number of the individual
18 responsible for maintenance of such records in compliance with the Act.

V. AUTHORITY AND PROCEDURE

19 This Statement of Charges and Notice of Intent to Enter an Order to Revoke Licenses, Prohibit from
20 Industry, Order Restitution, Impose Fines, and Collect Investigation Fee (Statement of Charges) is entered
21 pursuant to the provisions of RCW 19.146.220, RCW 19.146.221, RCW 19.146.223 and RCW 19.146.230, and is

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1 subject to the provisions of chapter 34.05 RCW (the Administrative Procedure Act). Respondents may make a
2 written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND
3 OPPORTUNITY FOR HEARING accompanying this Statement of Charges.

4
5 Dated this 14th day of May, 2010.

6 

7 DEBORAH BORTNER, Director
8 Division of Consumer Services
9 Department of Financial Institutions

10 Presented by:

11 

12 ANTHONY W. CARTER
13 Enforcement Attorney



14 Presented by:

15 

16 SHANA L. OLIVER
17 Legal Extern

18 Approved by:

19 

20 JAMES R. BRUSSELBACK
21 Enforcement Chief