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STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF CONSUMER SERVICES

In the Matter of:

ALLSTATE FINANCIAL SERVICES, INC.
AND ROBERT WARNOCK, PRESIDENT,
DESIGNATED BROKER AND OWNER

Respondents

NO. 2001-124-C01

**STATEMENT OF CHARGES AND
NOTICE OF INTENTION TO
ENTER AN ORDER TO REVOKE
LICENSE, PROHIBIT FROM
PARTICIPATION IN INDUSTRY
AND ASSESS MONETARY
PENALTIES**

I. STATEMENT OF CHARGES

Pursuant to RCW 19.146.220, the Director of the Department of Financial Institutions (Director) is responsible for the administration of chapter 19.146 RCW, the Mortgage Broker Practices Act (Act). After having conducted an investigation, and based upon the facts available as of March 16, 2001, the Director institutes this proceeding and finds as follows:

II. FACTUAL FINDINGS

A. Allstate Financial Services, Inc. (Allstate) is known to hold itself out as a mortgage broker at 7406 27th Street W, Suite 212, Tacoma, Washington 98466. Such business has been licensed under the Act by the Department of Financial Institutions (Department) since November 10, 1994.

B. Robert Warnock (Warnock) is listed with the Department as the owner and Designated Broker for Allstate.

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Brown Complaint

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C. A complaint was filed with the Department against Allstate on February 26, 1998, by a Washington consumer, Sandra Brown (Brown). The Department investigated this complaint and made the following findings which were delivered to Warnock and Allstate on November 20, 1998 (See Exhibit 1):

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1. Allstate failed to respond to the Director's authority to investigate this complaint. Warnock and Allstate were directed in writing on February 26, 1998, and April 22, 1998, to provide specific documentation and an explanation of the complaint. On May 20, 1998, the Department received a letter from Warnock stating that his attorney, Craig Wilson (Wilson), was in the process of collecting information on the complaint and that a response would be forthcoming by the end of the following week. The Department received nothing from Allstate, Warnock or Wilson prior to rendering its findings on November 20, 1998.

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2. Allstate failed to provide certain disclosures pursuant to the Act.

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3. Allstate collected fees that inured to its benefit without meeting the requirements of the Act.

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4. Allstate was in apparent violation of the Act when it provided a Truth in Lending Disclosure that contained an understatement of the annual percentage rate and finance charge.

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5. The Department requested, among other things, that Allstate refund to Brown a total of \$3,921.00 representing trust funds and undisclosed fees.

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D. On October 11, 2000, Wilson, on behalf of Allstate, provided documentation and a response to the Department's resolution of the complaint filed by Brown one year and ten months after the response was due to the Department. Upon review of Allstate's October 11, 2000, response to the Department's resolution of the Brown complaint, the Department found

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2 that Allstate had not provided sufficient evidence to change the Department's initial findings of
3 November 28, 1998.

4 E. Additional review of the Brown complaint subsequent to the Department's
5 resolution and findings of November 20, 1998, revealed that Allstate provided multiple
6 documents to Brown that contained language regarding the earning of a commission or fee or
7 the collection of a fee in violation of the Act.

8 **Matteson Complaint**

9 F. A complaint was filed with the Department against Allstate on March 17, 1998, by
10 Washington consumers Susan and Charl Matteson (Mattesons). The Department investigated this
11 complaint and made the following findings which were delivered to Warnock and Allstate on March
12 18, 1999 (See Exhibit 2):

13 1. Allstate failed to comply with the Department's examination or investigation
14 authorities by responding two months after a response was due and by not providing the Department
15 with a copy of the Mattesons' residential mortgage loan application.

16 2. Allstate failed to provide certain required disclosures pursuant to the Act.

17 3. Allstate was in apparent violation of the Act for collecting, charging or
18 attempting to collect or charge a fee prohibited by the Act.

19 4. The Department requested, among other things, that Allstate refund to the
20 Mattesons \$175.00 for failing to provide all disclosures pursuant to the Act. To date, Warnock and
21 Allstate have failed to make the requested refund or respond, as directed, to the Department's
22 "Resolution and Request for Action," that was due to the Department by April 2, 1999.

23 G. Additional review of the Mattesons' complaint subsequent to the Department's
24 resolution and findings of March 18, 1999, revealed that Allstate provided multiple documents
25 to the Mattesons that contained language regarding the earning of a commission or fee or the
26 collection of a fee in violation of the Act.

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Moreland Complaint

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H. A complaint was filed with the Department against Allstate on February 9, 1998, by Washington consumers Darlene and Bob Moreland (Morelands). The Department investigated this complaint and made the following findings which were delivered to Warnock and Allstate on October 8, 1998 (See Exhibit 3):

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1. Allstate had failed to respond to the Department's directive and second request for information, dated March 24, 1998.

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2. Allstate was in apparent violation of the Act when it attempted to collect multiple fees from the Morelands in violation of the Act and threatened to place an invalid lien against the Morelands' property.

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3. Allstate was in apparent violation of the Act when it provided a Truth in Lending Disclosure that contained an understatement of the annual percentage rate and finance charge.

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4. Allstate was in apparent violation of the Act by employing a scheme, device or artifice to mislead; engaging in an unfair or deceptive practice; making a false or deceptive statement or representation regarding the rates, points or other financing terms for a residential mortgage loan or engaging in bait and switch advertising, as follows:

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(a) Providing the erroneous disclosure noted in paragraph 3. above; and
(b) Allstate's loan representative providing in writing to the Morelands, via an e-mail through the Morelands' son, that stated in part that, "When I send a package to the lender, by law they have to send some bogus reply to the client. Why I'm not sure. All it does is cause confusion"; and

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(c) By threatening the placement of an invalid lien against the Morelands' property if the Morelands cancelled the loan without paying certain disallowed fees and costs.

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2 5. The Department requested, among other things, that Allstate cease its
3 attempts to collect a processing fee from the Morelands in violation of the Act, to cease its
4 attempts to collect any third party charges after failing to provide all disclosures in compliance
5 with the Act and to provide the Department with the details relating to each and every situation
6 in which Allstate, Robert Warnock or Kalation Washington, a loan representative of Allstate,
7 had placed a recorded lien against any borrower's property. Allstate was also to provide the
8 Department with details regarding the placement of liens, or if no liens had been placed, a
9 statement that no such liens had been placed.

10 I. On October 28, 1998, Allstate provided an inadequate response to the Department's
11 October 8, 1998, letter of resolution of the Morelands' complaint. On November 19, 1998, the
12 Department notified Warnock and Allstate that their response to the Morelands' complaint was
13 inadequate. The Department again directed Allstate to take the steps outlined in the Department's
14 October 28, 1998, letter of resolution and to provide a response to this request no later than
15 December 4, 1998 (See Exhibit 4). Warnock and Allstate have failed to respond to the Department's
16 two requests regarding the Moreland's complaint.

17 J. Additional review of the Morelands' complaint subsequent to the Department's
18 resolution and findings of October 8, 1998, revealed that Allstate provided multiple documents
19 to the Morelands that contained language regarding the earning of a commission or fee or the
20 collection of a fee in violation of the Act.

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24 **U.S. Flood Research Complaint**
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2 K. A complaint was filed with the Department against Allstate on March 9, 1998, by
3 U.S. Flood Research. The Department investigated this complaint and made the following findings
4 which were delivered to Warnock and Allstate on September 15, 1998 (See Exhibit 5):

5 1. Allstate failed to respond to the Department's directive and request for
6 information regarding the complaint.

7 2. Allstate was in apparent violation of the Act for failing to pay third party
8 service providers in accordance with the Act.

9 3. The Department requested, among other things, that Allstate provide a
10 statement that it understands and will comply with the payment requirement as set forth in the Act in
11 all future transactions.

12 L. On November 19, 1998, the Department again directed Warnock and Allstate to
13 provide a response to the Department's September 15, 1998, letter of resolution to the U.S. Flood
14 Research complaint, reminding Allstate that such requests constitute directives under the Act (See
15 Exhibit 6). The Department requested a response no later than December 4, 1998. To date, the
16 Department has not received a response to either of the requests and directives made of Warnock and
17 Allstate.

18 **Mercer & Associates Complaint**

19 M. A complaint was filed with the Department against Allstate on August 17, 2000, by
20 Mercer & Associates, Inc. The Department investigated this complaint and made the following
21 findings which were delivered to Warnock and Allstate on November 3, 2000 (See Exhibit 7):

22 1. Allstate was in apparent violation of the Act for failing to respond to the
23 Department's directive and subpoena requesting specific documentation and an explanation regarding
24 the complaint, dated August 18, 2000, and September 6, 2000, respectively,

25 2. Allstate was in apparent violation of the Act for failing to pay third party
26 service providers in accordance with the Act.

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2 3. The Department requested, among other things, that Allstate make restitution
3 to Mercer & Associates in the amount of \$50.00 for the balance owed on third party services
4 performed. Allstate has failed to respond to any of the Department's directives and requests
5 regarding this complaint.

6 **Thompson Complaint**

7 N. A complaint was filed with the Department against Allstate on January 16, 2001, by
8 Washington consumer Maureen Thompson (Thompson). A review of this complaint reveals the
9 following apparent violations of the Act by Allstate:

10 1. Allstate was in apparent in violation of the Act when it failed to respond to
11 the Department's directive requesting information regarding the Thompson complaint, resulting in the
12 Department issuing a subpoena for the requested information. Although Allstate responded in a
13 timely manner to the subpoena, they failed to produce some of the requested information.

14 2. Allstate failed to provide certain required disclosures pursuant to the Act.

15 3. Allstate was in apparent violation of the Act by employing a scheme,
16 device or artifice to mislead; engaging in an unfair or deceptive practice; obtaining property by
17 fraud or misrepresentation as follows:

18 (a) A senior loan representative for Allstate providing a written promise
19 to the Thompsons in July 1999 to refinance the current loan that the Thompsons had just
20 obtained through Allstate, for "no closing costs" in 2001, and then Warnock and Allstate
21 reneging on that promise by collecting multiple fees on the transaction when the Thompsons
22 refinanced through Allstate in February 2001.

23 O. The investigation of these matters began on February 9, 1998, and continues to date.

24 **III. GROUNDS FOR ENTRY OF ORDER**

25 A. Pursuant to RCW 19.146.0201(6), it is a violation of this chapter for a loan
26 originator, mortgage broker required to be licensed under this chapter, or mortgage broker

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2 otherwise exempted from this chapter under RCW 19.146.020(1) (d) or (f) in connection with a
3 residential mortgage loan to fail to make disclosures to loan applicants and noninstitutional
4 investors as required by RCW 19.146.030 and any other applicable state or federal law.

5 B. Pursuant to RCW 19.146.030(1)¹, within three business days following receipt of
6 a loan application or any moneys from a borrower, a mortgage broker shall provide to each
7 borrower a full written disclosure containing an itemization and explanation of all fees and costs
8 that the borrower is required to pay in connection with obtaining a residential mortgage loan,
9 and specifying the fee or fees which inure to the benefit of the mortgage broker and other such
10 disclosures as may be required by rule. A good faith estimate of a fee or cost shall be provided
11 if the exact amount of the fee or cost is not determinable.

12 (2) The written disclosure shall contain the following information:

13 (a) The annual percentage rate, finance charge, amount financed, total
14 amount of all payments, number of payments, amount of each payment, amount of points or
15 prepaid interest and the conditions and terms under which any loan terms may change between
16 the time of disclosure and closing of the loan; and if a variable rate, the circumstances under
17 which the rate may increase, any limitation on the increase, the effect of an increase, and an
18 example of the payment terms resulting from an increase. Disclosure in compliance with the
19 requirements of the truth-in-lending act, 15 U.S.C. Sec. 1601 and Regulation Z, 12 C.F.R. Sec.
20 226, as now or hereafter amended, shall be deemed to comply with the disclosure requirements
21 of this subsection.

22 Warnock and Allstate were in apparent violation of this section when they failed to
23 provide the required disclosure for the Matteson and Thompson transactions as noted in sections
24 II.F.2. and II.N.2., respectively.

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26 ¹ Prior to July 27, 1997, this section required that the mortgage broker provide the disclosure to the borrower(s)
upon receipt of a loan application and before the receipt of any moneys from a borrower.

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(b) The itemized costs of any credit report, appraisal, title report, title insurance policy, mortgage insurance, escrow fee, property tax, insurance, structural or pest inspection, and any other third-party provider's costs associated with the residential mortgage loan. Disclosure through good faith estimates of settlement services and special information booklets in compliance with the requirements of the real estate settlement procedures act, 12 U.S.C. Sec. 2601, and Regulation X, 24 C.F.R. Sec. 3500, as now or hereafter amended, shall be deemed to comply with the disclosure requirements of this subsection.

Warnock and Allstate were in apparent violation of this section when they failed to provide the required disclosure for the Brown and Thompson transactions as noted in sections II.C.2. and II.N.2., respectively.

(c) If applicable, the cost, terms, duration, and conditions of a lock-in agreement and whether a lock-in agreement has been entered, and whether the lock-in agreement is guaranteed by the mortgage broker or lender, and if a lock-in agreement has not been entered, disclosure in a form acceptable to the Director that the disclosed interest rate and terms are subject to change.

Warnock and Allstate were in apparent violation of this section when they failed to provide the required disclosure for the Brown, Matteson and Thompson transactions as noted in sections II.C.2., II.F.2. and II.N.2., respectively.

(d) A statement that if the borrower is unable to obtain a loan for any reason, the mortgage broker must, within five days of a written request by the borrower, give copies of any appraisal, title report, or credit report paid for by the borrower to the borrower, and transmit the appraisal, title report, or credit report to any other mortgage broker or lender to whom the borrower directs the documents to be sent.

Warnock and Allstate were in apparent violation of this section when they failed to provide the required disclosure for the Thompson transaction as noted in section II.N.2.

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(e) Whether and under what conditions any lock-in fees are refundable to the borrower.

Warnock and Allstate were in apparent violation of this section when they failed to provide the required disclosure for the Thompson transaction as noted in section II.N.2.

(f) A statement providing that moneys paid by the borrower to the mortgage broker for third-party provider services are held in a trust account and any moneys remaining after payment to third-party providers will be refunded.

Warnock and Allstate were in apparent violation of this section when they failed to provide the required disclosure for the Thompson transaction as noted in section II.N.2.

C. Pursuant to RCW 19.146.030(4)², a mortgage broker shall not charge any fee that inures to the benefit of the mortgage broker if it exceeds the fee disclosed on the written disclosure pursuant to this section, unless (a) the need to charge the fee was not reasonably foreseeable at the time the written disclosure was provided and (b) the mortgage broker has provided to the borrower, no less than three business days prior to the signing of the loan closing documents, a clear written explanation of the fee and the reason for charging a fee exceeding that which was previously disclosed. However, if the borrower's closing costs, excluding prepaid escrowed costs of ownership as defined by rule, does not exceed the total closing costs in the most recent good faith estimate, no other disclosures shall be required by this subsection.

Warnock and Allstate were in apparent violation of this section when they collected fees that inured to their benefit without meeting the requirements of this section for the Brown transaction as noted in section II.C.3.

² Prior to July 27, 1997, this section was codified as RCW 19.146.030(5).

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2 D. Pursuant to RCW 19.146.060(2)³, except as otherwise provided in subsection (3)
3 of this section, a mortgage broker shall maintain accurate and current books and records which
4 shall be readily available at the mortgage broker's usual business location until at least twenty-
5 five months have elapsed following the effective period to which the books and records relate.
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7 Warnock and Allstate were in apparent violation of this section when they failed to
8 maintain a copy of and provide the Department with a copy of the Mattesons' loan application
as noted in section II.F.1.

9 E. Pursuant to RCW 19.146.070(1), except as otherwise permitted by this section, a
10 mortgage broker shall not receive a fee, commission, or compensation of any kind in connection
11 with the preparation, negotiation, and brokering of a residential mortgage loan unless a
12 borrower actually obtains a loan from a lender on the terms and conditions agreed upon by the
13 borrower and mortgage broker.

14 (2) A mortgage broker may:

15 (a) If the mortgage broker has obtained for the borrower a written
16 commitment from a lender for a loan on the terms and conditions agreed upon by the borrower
17 and the mortgage broker, and the borrower fails to close on the loan through no fault of the
18 mortgage broker, charge a fee not to exceed three hundred dollars for services rendered,
19 preparation of documents, or transfer of documents in the borrower's file which were prepared
20 or paid for by the borrower if the fee is not otherwise prohibited by the Truth-in-Lending Act,
21 15 U.S.C. Sec. 1601, and Regulation Z, 12 C.F.R. Sec. 226, as now or hereafter amended; or

22 (b) Solicit or receive fees for third party provider goods or services in
23 advance. Fees for any goods or services not provided must be refunded to the borrower and the
24 mortgage broker may not charge more for the goods and services than the actual costs of the
25 goods or services charged by the third party provider.

26 ³ Prior to July 27, 1997, this section required books and records to be maintained for a period of four years.

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2 Warnock and Allstate were in apparent violation of these sections when they provided
3 documents stating that Allstate could collect or earn fees in violation of the Act in the Brown,
4 Matteson and Moreland transactions as noted in sections II.E., II.G. and II.J., respectively, and
5 attempted to collect or charge the Morelands multiple disallowed fees as noted in section II.H.2.
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7 F. Pursuant to RCW 19.146.0201, it is a violation of this chapter for a loan
8 originator, mortgage broker required to be licensed under this chapter, or mortgage broker
9 otherwise exempted from this chapter under RCW 19.146.020(1) (d) or (f) in connection with a
10 residential mortgage loan to:

11 (10)⁴ Advertise any rate of interest without conspicuously disclosing the annual
12 percentage rate implied by such rate of interest or otherwise fail to comply with any requirement
13 of the truth-in-lending act, 15 U.S.C. Sec. 1601 and Regulation Z, 12 C.F.R. Sec. 226, the real
14 estate settlement procedures act, 12 U.S.C. Sec. 2601 and Regulation X, 24 C.F.R. Sec. 3500,
15 or the equal credit opportunity act, 15 U.S.C. Sec. 1691 and Regulation B, Sec. 202.9, 202.11,
16 and 202.12, as now or hereafter amended, in any advertising of residential mortgage loans or
17 any other mortgage brokerage activity.

18 Warnock and Allstate were in apparent violation of this section when they provided a
19 truth in lending disclosure that contained an understatement of the annual percentage rate and
20 finance charge in the Brown and Moreland transactions as noted in sections II.C.4. and II.H.3.,
21 respectively.

- 22 (1) Directly or indirectly employ any scheme, device, or artifice to defraud or
23 mislead borrowers or lenders or to defraud any person;
24 (2) Engage in any unfair or deceptive practice toward any person;
25 (3) Obtain property by fraud or misrepresentation.

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⁴ Prior to July 27, 1997, this section was codified as RCW 19.146.0201(11).

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(7) Make, in any manner, any false or deceptive statement or representation with regard to the rates, points, or other financing terms or conditions for a residential mortgage loan or engage in bait and switch advertising.

Warnock and Allstate were in apparent violation of paragraphs .0201(1), (2), and (3) when they, through a Senior Loan Officer of Allstate, promised Thompson in July 1999, a “no closing cost” refinance in 2001 and then reneged on that promise and collected multiple fees on the transaction as discussed in section II.N.3.

Warnock and Allstate were in apparent violation of paragraphs .0201(1), (2) and (7) when they threatened the placement of an invalid lien against the Morelands' property and engaged in bait and switch advertising as discussed in section II.H4.

(11) Fail to pay third-party providers no later than thirty days after the recording of the loan closing documents or ninety days after completion of the third-party service, whichever comes first, unless otherwise agreed or unless the third-party service provider has been notified in writing that a bona fide dispute exists regarding the performance or quality of the third-party service.

Warnock and Allstate were in apparent violation of this section when they failed to pay U.S. Flood Research and Mercer & Associates, Inc. as discussed in sections II.K.2. and II.M.2., respectively.

G. Pursuant to RCW 19.146.235⁵, for the purposes of investigating complaints arising under this chapter, the Director may at any time, either personally or by a designee, examine the business, including but not limited to the books, accounts, records, and files used therein, of every licensee and of every person engaged in the business of mortgage brokering, whether such a person shall act or claim to act under or without the authority of this chapter.

⁵ Prior to July 27, 1997, this section read differently, with the most recent amendment expanding the authority of the Director.

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2 For that purpose the Director and designated representatives shall have access during regular
3 business hours to the offices and places of business, books, accounts, papers, records, files,
4 safes, and vaults of all such persons. The Director or designated person may direct or order the
5 attendance of and examine under oath all persons whose testimony may be required about the
6 loans or the business or subject matter of any such examination or investigation, and may direct
7 or order such person to produce books, accounts, records, files, and any other documents the
8 Director or designated person deems relevant to the inquiry. If a person who receives such a
9 directive or order does not attend and testify, or does not produce the requested books, records,
10 files, or other documents within the time period established in the directive or order, then the
11 Director or designated person may issue a subpoena requiring attendance or compelling
12 production of books, records, files, or other documents. No person subject to examination or
13 investigation under this chapter shall withhold, abstract, remove, mutilate, destroy, or secrete
14 any books, records, computer records, or other information.

15 Warnock and Allstate were in apparent violation of the Act when they failed to comply
16 with the examination or investigation authorities under this section as discussed in the Brown
17 complaint, section II.C.1., the Matteson complaint, section II.F.1., the Moreland complaint,
18 sections II.H.1. and II.I., the U.S. Flood Research complaint, sections II.K.1. and II.L., the
19 Mercer & Associates, Inc. complaint, section II.M.1 and the Thompson complaint, section
20 II.N.1.

21 H. Pursuant to RCW 19.146.220:

22 (1) The Director shall enforce all laws and rules relating to the licensing of
23 mortgage brokers, grant or deny licenses to mortgage brokers, and hold hearings.

24 (2) The Director may impose the following sanctions:

25 (b) Suspend or revoke licenses for:

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(iii) Failure to comply with any directive or order of the Director; or

(iv) Any violation of RCW 19.146.050, 19.146.060(3),
19.146.0201 (1) through (9) or (12), 19.146.205(4), or 19.146.265;

(c) Impose fines on the licensee, employee or loan originator of the licensee, or other person subject to this chapter for:

(i) Any violations of RCW 19.146.0201(1) through (9) or (12), 19.146.030 through 19.146.080, 19.146.200, 19.146.205(4), or 19.146.265; or

(ii) Failure to comply with any directive or order of the

(d) Issue orders directing a licensee, its employee or loan originator, or other person subject to this chapter to:

(i) Cease and desist from conducting business in a manner that is injurious to the public or violates any provision of this chapter; or

(ii) Pay restitution to an injured borrower; or

(e) Issue orders removing from office or prohibiting from participation in the conduct of the affairs of a licensed mortgage broker, or both, any officer, principal, employee, or loan originator of any licensed mortgage broker or any person subject to licensing under this chapter for:

(i) Any violation of 19.146.0201(1) through (9) or (12),
19.146.030 through 19.146.080, 19.146.200, 19.146.205(4), or 19.146.265; or

(iv) Failure to comply with any directive or order of the

(3) Each day's continuance of a violation or failure to comply with any directive or order of the Director is a separate and distinct violation or failure.

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2 I. Pursuant to RCW 19.146.228(2), the Director shall establish fees by rule in
3 accordance with RCW 43.24.086 sufficient to cover, but not exceed, the costs of administering
4 this chapter. Pursuant to WAC 208-660-060(4), the investigation charge shall be calculated at
5 the rate of forty-five dollars per hour that each staff person devoted to the investigation.

6 J. Pursuant to WAC 208-660-160, the Director may deny or condition approval of
7 a license application, or suspend or revoke a license if the applicant or licensee, or any principal
8 or designated broker of the applicant or licensee:

9 (g) Has violated the provisions of the Mortgage Broker Practices Act, or
10 the Consumer Protection Act.

11 (k) Has demonstrated incompetence or negligence that results in injury to
12 a person or that creates an unreasonable risk that a person may be harmed.

13 (m) Has failed to comply with an order, directive, or requirement of the
14 Director, or his or her designee, or with an assurance of discontinuance entered into with the
15 Director, or his or her designee.

16 (n) Has performed an act of misrepresentation or fraud in any aspect of
17 the conduct of the mortgage broker business or profession.

18 (o) Has failed to cooperate with the Director, or his or her designee,
19 including without limitation by:

20 (ii) Not furnishing any necessary papers or documents requested
21 by the Director for purposes of conducting an investigation into a complaint against the licensee
22 filed with the Department, or providing a full and complete written explanation of the
23 circumstances of the complaint upon request by the Director.

24 K. Pursuant to WAC 208-660-165, each mortgage broker and each of its principals,
25 designated brokers, officers, employees, independent contractors, and agents shall comply with
26 the applicable provisions of the Mortgage Broker Practices Act. Each violation of any applicable

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2 provision of the Mortgage Broker Practices Act, or of any order, directive, or requirement of
3 the Director may, at the discretion of the Director, subject the violator to a fine of up to one
4 hundred dollars for each offense. Each day's continuance of the violation is a separate and
5 distinct offense. In addition, the Director in his or her discretion may by order assess other
6 penalties for a violation of the Mortgage Broker Practices Act.

7 **IV. NOTICE OF INTENTION TO ENTER AN ORDER**

8 Robert Warnock and Allstate's violations of the Act as set forth above constitute the basis for
9 the entry of an order under RCW 19.146.220. Therefore, it is the Director's intention to ORDER:

- 10 A. That Allstate Financial Services, Inc.'s license is revoked for a period of five years,
11 and
12 B. That Robert Warnock is removed from office and prohibited from participation in the
13 conduct of the affairs of a licensed mortgage broker, or mortgage broker subject to licensing under
14 the Act, as an officer, principal, employee or loan originator, for a period of five years, and
15 C. That Allstate and/or Warnock shall pay fines in the amount of \$50,000.00 for
16 violations of the Mortgage Broker Practices Act as described below:

17 1. Six violations of RCW 19.146.0201(6), calculated at \$100.00 per day for 30 days
18 for a total of \$18,000.00 for failing to provide all of the required disclosures in the Thompson
19 transaction.

20 2. One violation of RCW 19.146.0201(1), calculated at \$100.00 per day for 30 days
21 for a total \$3,000.00 for directly or indirectly employing a scheme, device, or artifice to defraud or
22 mislead in the Thompson transaction.

23 3. One violation of RCW 19.146.0201(2), calculated at \$100.00 per day for 30 days
24 for a total \$3,000.00 for engaging in an unfair or deceptive practice in the Thompson transaction.
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2 4. One violation of RCW 19.146.0201(3), calculated at \$100.00 per day for 30 days
3 for a total \$3,000.00 for obtaining property by fraud or misrepresentation in the Thompson
4 transaction.

5 5. Six violations of RCW 19.146.235, for failing to comply with the Director's
6 directives and/or subpoenas for a total of \$23,000.00 calculated as follows for the following
7 complaints:

8 (a) Brown: One violation, calculated at \$100.00 per day for 45 days for a
9 total of \$4,500.00.

10 (b) Matteson: One violation, calculated at \$100.00 per day for 45 days for a
11 total of \$4,500.00.

12 (c) Moreland: One violation calculated at \$100.00 per day for 45 days for a
13 total of \$4,500.00.

14 (d) U.S. Flood Research: One violation calculated at \$100.00 per day for 40
15 days for a total of \$4,000.00.

16 (e) Mercer & Associates, Inc.: One violation calculated at \$100.00 per day
17 for 45 days for a total of \$4,500.00.

18 (f) Thompson: One violation calculated at \$100.00 per day for 10 days for a
19 total of \$1,000.00.

20 D. That Robert Warnock and Allstate Financial Services, Inc. will immediately resolve to
21 the Department's satisfaction the Brown, Matteson and Mercer & Associates, Inc. complaints listed
22 in the attached Exhibits of this Statement of Charges by:

- 23 1. Paying restitution in the form of a reimbursement to Brown a total of \$3,921.00.
24 2. Paying restitution in the form of a reimbursement to the Mattesons a total of
25 \$175.00.
26 3. Paying restitution to Mercer & Associates, Inc. a total of \$50.00.

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2 4. Paying restitution in the form of a reimbursement to Thompson a total of
3 \$1,575.00.

4 5. Ceasing to attempt to collect any fees from the Morelands.

5 E. That Allstate and/or Warnock shall pay investigation/examination fees of \$3,267.00
6 calculated at \$45.00 per hour for 72.6 hours of investigation/examination.

7 F. That Allstate maintain all books and records in compliance with RCW 19.146.060.

8 **V. AUTHORITY AND PROCEDURE**

9 This Statement of Charges and Notice of Intention to Enter an Order to Revoke a License
10 and to Prohibit from Participation in the Mortgage Broker Industry is entered pursuant to the
11 provisions of RCW 19.146.220, RCW 19.146.230 and chapter 34.05 RCW. The Respondents may
12 make a written request for a hearing as set forth in the Notice of Opportunity to Defend and
13 Opportunity for Hearing accompanying the Statement of Charges and Notice of Intent to Enter an
14 Order.

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17 ///

18 DATED this 16th day of March, 2001.

19 /S/

20 MARK THOMSON
21 Director
22 Division of Consumer Services and Administration
23 Department of Financial Institutions

24
25 Presented by:

Reviewed by:



1

2 /s/

3 Vivian Lee
4 Financial Examiner Senior
5 Investigation/Enforcement

6 Chuck Cross
7 Supervisor
8 Investigation/Enforcement

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STATEMENT OF CHARGES AND
INTENT TO ORDER - 20

DEPARTMENT OF FINANCIAL INSTITUTIONS

Division of Consumer Services

318 GA Bldg, P.O. 41200

Olympia, WA 98504-1200

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