

TERMS COMPLETE

FINAL ORDER SUMMARY – Case Number: C-07-550

Name(s) Stephen Kent Brombach

Order Number C-07-550-08-FO01

Effective Date November 19, 2008

License Number DFI: 510-LO-38861

License Effect LO license application denied.

Not Apply until December 29, 2014

Prohibition/Ban until December 29, 2014

Investigation Costs	\$0	Due:0	Paid: N/A	Date: N/A
			Y N	

Assessment(s)	\$0	Due:0	Paid: N/A	Date: N/A
			Y N	

Monetary Penalty	\$0	Due:0	Paid: N/A	Date: N/A
			Y N	

Other

Special Instructions

1  
2  
3  
4  
5  
6  
7

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

IN THE MATTER OF INVESTIGATING  
the Loan Originator License Application under the  
Mortgage Broker Practices Act of Washington by:

NO. C-07-550-08-FO01

FINAL ORDER

STEPHEN KENT BROMBACH,  
Respondent.

8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

I. DIRECTOR'S CONSIDERATION

A. Default. This matter has come before the Director of the Department of Financial Institutions of the State of Washington (Director), through his designee, Consumer Services Division Director Deborah Bortner, pursuant to RCW 34.05.440(1). On December 18, 2007, the Director, through Consumer Services Division Director Deborah Bortner, entered a Statement of Charges and Notice of Intent to Enter an Order to Deny License Application and Prohibit from Industry (Statement of Charges). A copy of the Statement of Charges is attached and incorporated into this order by this reference. The Statement of Charges was accompanied by a cover letter dated December 19, 2007, a Notice of Opportunity to Defend and Opportunity for Hearing, and a blank Application for Adjudicative Hearing. The Department served the Statement of Charges, cover letter dated December 19, 2007, Notice of Opportunity to Defend and Opportunity for Hearing, and blank Application for Adjudicative Hearing on Respondent on December 19, 2007, by first class mail, and sent a second set of the documents to the Respondent via Federal Express overnight delivery.

On December 21, 2007, the documents sent via Federal Express overnight delivery were signed for by Respondent. The documents sent via first class mail were not returned to the Department by the United States Postal Service. Respondent did not request an adjudicative hearing within twenty calendar days after the Department served him as provided for in WAC 208-08-050(2).

B. Record Presented. The record presented to the Director's designee for her review and for entry of a final decision included the Statement of Charges, cover letter dated December 19, 2007, Notice of Opportunity to

//

1 Defend and Opportunity for Hearing, and blank Application for Adjudicative Hearing, with documentation of  
2 service.

3 C. Factual Findings and Grounds For Order. Pursuant to RCW 34.05.440(1), the Director's designee hereby  
4 adopts the Statement of Charges, which is attached hereto.

5  
6 II. FINAL ORDER

7 Based upon the foregoing, and the Director's designee having considered the record and being  
8 otherwise fully advised, NOW, THEREFORE:

9 A. IT IS HEREBY ORDERED that:

- 10 1. Respondent Stephen Kent Brombach's application for a loan originator license is denied; and  
11 2. Respondent Stephen Kent Brombach is prohibited from participating in the conduct of the affairs of any  
12 mortgage broker subject to licensure by the Director, in any manner, through December 29, 2014.

13 B. Reconsideration. Pursuant to RCW 34.05.470, Respondent has the right to file a Petition for  
14 Reconsideration stating the specific grounds upon which relief is requested. The Petition must be filed in the  
15 Office of the Director of the Department of Financial Institutions by courier at 150 Israel Road SW, Tumwater,  
16 Washington 98501, or by U.S. Mail at P.O. Box 41200, Olympia, Washington 98504-1200, within ten (10) days  
17 of service of the Final Order upon Respondent. The Petition for Reconsideration shall not stay the effectiveness  
18 of this order nor is a Petition for Reconsideration a prerequisite for seeking judicial review in this matter.

19 A timely Petition for Reconsideration is deemed denied if, within twenty (20) days from the date the petition  
20 is filed, the agency does not (a) dispose of the petition or (b) serve the parties with a written notice specifying the  
21 date by which it will act on a petition.

22 C. Stay of Order. The Director's designee has determined not to consider a Petition to Stay the effectiveness  
23 of this order. Any such requests should be made in connection with a Petition for Judicial Review made under  
24 chapter 34.05 RCW and RCW 34.05.550.

25 //

1 D. Judicial Review. Respondent has the right to petition the superior court for judicial review of this agency  
2 action under the provisions of chapter 34.05 RCW. For the requirements for filing a Petition for Judicial Review,  
3 see RCW 34.05.510 and sections following.

4 E. Service. For purposes of filing a Petition for Reconsideration or a Petition for Judicial Review, service is  
5 effective upon deposit of this order in the U.S. mail, declaration of service attached hereto.

6 DATED this 10th day of November, 2008.

7 [Redacted signature]

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



11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1  
2  
3  
4  
5  
6

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

IN THE MATTER OF INVESTIGATING  
the Loan Originator License Application under the  
Mortgage Broker Practices Act of Washington by:

STEPHEN KENT BROMBACH,

Respondent.

NO. C-07-550-07-SC01

STATEMENT OF CHARGES and NOTICE OF  
INTENT TO ENTER AN ORDER TO DENY  
LICENSE APPLICATION AND PROHIBIT  
FROM INDUSTRY

7  
8  
9  
10  
11  
12  
13  
14

**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 (Act)<sup>1</sup>. After having conducted an investigation pursuant to RCW 19.146.310, 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:

15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**I. FACTUAL ALLEGATIONS**

**1.1 Respondent Stephen Kent Brombach (Respondent Brombach)** submitted an application to the Department of Financial Institutions of the State of Washington (Department) for a loan originator license under America One Finance, a mortgage broker licensed under the Act. The on-line application was received by the Department on or about December 29, 2006. At the time of his application, Respondent Brombach was licensed with the Office of the Insurance Commissioner (OIC) to sell insurance, and registered with the National Association of Securities Dealers (NASD) to sell mutual funds and variable annuities.

**1.2 Background.** Beginning in January 2004, Respondent Brombach operated Integrity Group Insurance & Financial Services (Integrity Group), a sole proprietorship offering and selling insurance and securities. The securities were offered through Hornor, Townsend & Kent, Inc. (HTK), a securities brokerage registered

---

<sup>1</sup> RCW 19.146 (Amended 2006; Effective January 1, 2007)

1 with, regulated by, and member of the NASD<sup>2</sup>. The insurance products were offered through Penn Mutual  
2 Life Insurance Company (Penn Mutual), the parent of HTK.

3 **1.3 Offer and Sale of Unregistered Securities.** On or about January 1, 2000, Respondent Brombach  
4 began offering consumers an investment opportunity in what he claimed was a Real Estate Investment Trust  
5 (REIT). Respondent Brombach described the REIT as a relatively liquid, low-risk investment pool used to  
6 finance bridge loans on real estate projects. Based on Respondent Brombach's recommendation, Washington  
7 consumers invested more than \$650,000 in the REIT.

8 Respondent Brombach repeatedly assured investors their investments were safe. However, Respondent  
9 Brombach never made a distribution of REIT profits, never provided tax statements, and only provided  
10 account statements after repeated demands by consumers.

11 On or about June 1, 2005, an Integrity Group client requested the withdrawal of \$90,000 he had  
12 invested in the REIT. Respondent Brombach took more than a year to provide the funds. While waiting for  
13 his funds, the client requested the balance of his funds and to close out his account. Respondent Brombach  
14 never responded.

15 On or about August 13, 2006, the client filed a complaint with HTK. On August 25, 2006, HTK and  
16 Penn Mutual conducted a surprise examination of Respondent Brombach's office in Marysville. After initial  
17 denials, Respondent Brombach admitted to selling unregistered securities and creating false account  
18 statements on Integrity Group letterhead. Respondent Brombach admitted that the client's money had never  
19 been invested; that he had embezzled and converted the money for his own use; that there was no offering  
20 documents concerning the REIT; and that the client was unaware his money had not been invested in the  
21 REIT. Respondent Brombach falsely claimed that no other HTK or Penn Mutual clients had invested, and  
22 that he had not created any other false account statements.

23 **1.4 Termination by HTK and Penn Mutual.** On September 7, 2006, HTK terminated Brombach for  
24 selling securities not approved by HTK and creating his own customer account statements. On the same date,

25 <sup>2</sup> The NASD is a non-governmental self-regulatory organization granted regulatory authority and overseen by the U.S. Securities and Exchange Commission. The NASD is the front line regulator of most U.S.-based stockbrokers and brokerage firms, creating and enforcing industry regulations and standards based on the federal securities laws.

1 Penn Mutual terminated Brombach for misrepresentation. Notices of the terminations were delivered to the  
2 NASD and the OIC.

3 **1.5 NASD 2006 Investigation.** In response to the notice of termination, NASD opened an inquiry. On or  
4 about October 17, 2006, October 25, 2006, November 17, 2006, and December 11, 2006, the NASD sent  
5 letters to Respondent Brombach advising him of their inquiry into his termination by HTK and requesting  
6 documents relating to his activities. Two of the letters, sent certified mail, were returned unclaimed.  
7 However, two others, sent by regular mail, were not returned. While Respondent Brombach responded by  
8 phone, he failed to appear for a scheduled meeting, and never produced the requested documents.

9 **1.6 OIC 2006 Investigation.** On or about November 7, 2006, other clients of Respondent Brombach filed  
10 a complaint with OIC. The couple had invested \$35,000 in the REIT in March 2006. In July 2006 the clients  
11 requested that Mr. Brombach return their money. He failed to do so. On or about November 7, 2006, the  
12 clients filed a complaint with the OIC. On or about November 9, 2006, an investigator for the OIC sent a  
13 letter to Respondent Brombach asking him to respond to questions about the investment. Respondent  
14 Brombach never responded.

15 On or about December 18, 2006, another client of Respondent Brombach filed a complaint with OIC.  
16 Widowed in September 2006, the client had contacted Respondent Brombach for return of a \$100,000  
17 investment in the REIT. After repeated delays, Respondent Brombach admitted that he could not return her  
18 funds. On December 26, 2006, an investigator for the OIC mailed Respondent Brombach a letter requesting  
19 he answer questions concerning the investment. Respondent Brombach never responded.

20 **1.7 Response to Application Questions.** The "Regulatory Action Disclosure" section of the loan  
21 originator license application consists of nine questions, and includes the following instruction:

22 "If the answer to any of the following is "YES", provide complete details of all events or proceedings"

23 Respondent Brombach answered "no" to the following question:

- 24 • 9. Are you now the subject of any regulatory proceeding that could result in a "yes" answer to any part  
25 of (1 to 7) or 8?

1 Questions 1 to 7 ask:

2 (a) Has any State or federal regulatory agency or foreign financial regulatory agency ever:

- 3 1. Found you to have made a false statement or omission or been dishonest, unfair, or unethical?
- 4 2. Found you to have been involved in a violation of a financial services-related regulation(s) or
- 5 statute(s)?
- 6 3. Found you to have been a cause of financial services-related business having its authorization to
- 7 do business denied, suspended, revoked, or restricted?
- 8 4. Entered an order against you in connection with a financial services-related activity?
- 9 5. Denied, suspended, or revoked your registration or license, disciplined you, or otherwise by
- 10 order, prevented you from associating with a financial services-related business or restricted your
- 11 activities?
- 12 6. Barred you from association with an entity regulated by such commission, authority, agency, or
- 13 officer, or from engaging in a financial services-related business?
- 14 7. Issued charges or an order based on violations of any law or regulations that prohibit fraudulent,
- 15 manipulative, or deceptive conduct?

16 Respondent Brombach was obligated by statute to answer questions on the loan originator license

17 application truthfully and to provide the Department with complete details of all events or proceedings.

18 Respondent Brombach failed to disclose that he was the subject of a regulatory proceeding that could result in

19 a "yes" answer to questions 1 to 7.

20 **1.8 Subsequent Regulatory Actions: OIC.** On April 22, 2007, the OIC revoked Respondent Brombach's

21 insurance license for violating RCW 48.17.475 by failing to respond to repeated inquiries regarding

22 complaints, and for violating RCW 48.17.530(1)(h) "by having shown himself to be, and is so deemed by the

23 Commissioner, incompetent, untrustworthy, and a source of injury and loss to the public..."

24 **1.9 Subsequent Regulatory Actions: DFI.** On August 9, 2007, the Securities Division of the Department

25 of Financial Institutions entered a Summary Order to Cease and Desist and Notice of Intent to Enter an Order

to Bar Registrations, Impose Fines, and Charge Costs (the Order). The Order was entered based on an

investigation conducted entirely in 2007. Respondent Brombach failed to respond to the Order, and on



1 September 20, 2007, the Department issued a final order in the matter (Final Order). The Final Order made  
2 certain conclusions of law, including but not limited to conclusions that Respondent Brombach:

- 3 • Violated RCW 21.20.140 by offering and selling unregistered securities;
- 4 • Violated RCW 21.20.040 by offering and selling said securities while not registered to do so;
- 5 • Violated RCW 21.20.010 by making misstatements of material fact or omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
- 6 • Willfully engaged in dishonest and unethical conduct by:
  - 7 ○ Effecting securities transactions not recorded on the books and records of HTK; and
  - 8 ○ Effecting transactions in, or inducing the purchase of any security by means of any manipulative, deceptive or fraudulent device, practice, plan, program, design, or contrivance.

9 **1.10 Subsequent Regulatory Actions: NASD.** On September 6, 2007, the NASD accepted a Letter of  
10 Acceptance, Waiver and Consent from Respondent Brombach, who agreed to be barred from association with  
11 any NASD member in any capacity. Without admitting or denying the findings, Respondent Brombach  
12 consented to the entry of findings that:

- 13 • He engaged in private securities transactions without prior notice to, and approval from, HTK;
- 14 • He had received client funds for investment in a REIT but did not direct the funds to the REIT as intended, thereby making improper use of client funds;
- 15 • He issued account statements that falsely represented investor funds had been placed in a REIT;
- 16 • He issued account statements that falsely represented the REIT as being offered through or held by HTK; and
- 17 • He failed to respond to NASD requests for information.

## 18 II. GROUNDS FOR ENTRY OF ORDER

19 **2.1 Prohibited Practices.** Based on the Factual Allegations set forth in Section I above, Respondent  
20 Brombach is in apparent violation of RCW 19.146.0201(8) and WAC 208-660-500(3)(i) for negligently  
21 making any false statement or willfully making any omission of material fact in connection with any  
22 application or any information filed by a licensee in connection with any application, examination or  
23 investigation conducted by the Department.

24 **2.2 Requirement to Demonstrate Character and General Fitness.** Based on the Factual Allegations set  
25 forth in Section I above, Respondent Brombach fails to meet the requirements of RCW 19.146.310(1)(g) and

1 WAC 208-660-350(2)(a) by failing to demonstrate character and general fitness such as to command the  
2 confidence of the community and to warrant a belief that the business will be operated honestly and fairly  
3 within the purposes of the Act.

### 4 III. AUTHORITY TO IMPOSE SANCTIONS

5 **3.1 Authority to Deny Application for Loan Originator License.** Pursuant to RCW 19.146.220(1), the  
6 Director may deny licenses to loan originators. Pursuant to RCW 19.146.310(2) and WAC 208-660-350(7),  
7 the Director shall not issue a loan originator license if the conditions of RCW 19.146.310(1) have not been  
8 met by the applicant, and shall notify the loan originator applicant and any mortgage brokers listed on the  
9 application of the denial.

10 **3.2 Authority to Prohibit from Industry.** Pursuant to RCW 19.146.220(5)(a), the Director may issue  
11 orders removing from office or prohibiting from participation in the conduct of the affairs of a licensed  
12 mortgage broker, or both, any officer, principal, employee, or loan originator of any licensed mortgage broker  
13 or any person subject to licensing under the Act for any violation of RCW 19.146.0201(1) through (9).

### 14 IV. NOTICE OF INTENT TO ENTER ORDER

15 Respondent's violations of the provisions of chapter 19.146 RCW and chapter 208-660 WAC, as set forth  
16 in the above Factual Allegations, Grounds for Entry of Order, and Authority to Impose Sanctions, constitute a  
17 basis for the entry of an Order under RCW 19.146.220, RCW 19.146.221, RCW 19.146.223 and RCW  
18 19.146.310. Therefore, it is the Director's intent to ORDER that:

19 **4.1** Respondent Stephen Kent Brombach's application for a loan originator license be denied.

20 **4.2** Respondent Stephen Kent Brombach be prohibited from participation in the conduct of the affairs of any  
21 mortgage broker subject to licensure by the Director, in any manner, through December 29, 2014.

### 22 V. AUTHORITY AND PROCEDURE

23 This Statement of Charges and Notice of Intent to Enter an Order to Deny License Application and  
24 Prohibit from Industry (Statement of Charges) is entered pursuant to the provisions of RCW 19.146.220,  
25 RCW 19.146.221, RCW 19.146.223 and RCW 19.146.230, and is subject to the provisions of chapter 34.05

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

4  
5 Dated this 18<sup>th</sup> day of December 2007.

6 [Redacted Signature]

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

9 Presented by:

10 [Redacted Signature]

11 ANTHONY W. CARTER  
12 Enforcement Attorney

13 Approved by:

14 [Redacted Signature]

15  
16 FATIMA BATIE  
17 Financial Legal Examiner Supervisor



25