

RECEIVED

MAY 12 2011

STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
DIVISION OF CONSUMER SERVICES

ENFORCEMENT UNIT  
DIVISION OF CONSUMER SERVICES  
DEPT OF FINANCIAL INSTITUTIONS

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

No. C-09-513-11-CO03

WASHINGTON FINANCIAL GROUP, INC., d/b/a  
GUARANTY MORTGAGE GROUP, LLC,  
KEVIN A. KEADLE, CHRIS A. KEADLE,  
CHRIS STUDIOSO, BRIAN SODORFF,  
EMILY CADY, and DAN GORMAN,

CONSENT ORDER AS TO  
RESPONDENT WASHINGTON  
FINANCIAL GROUP, INC.

Respondents.

COMES NOW the Director of the Department of Financial Institutions (Director), through his designee Deborah Bortner, Division Director, Division of Consumer Services, and Washington Financial Group, Inc. (Respondent) by and through its attorney, John Bley, and finding that the issues raised in the above-captioned matter as related to Respondent 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 Respondent have agreed upon a basis for resolution of the matters as related to Respondent alleged in Statement of Charges No. C-09-513-10-SC01 (Statement of Charges), entered October 7, 2010, incorporated herein by reference and attached hereto. Pursuant to chapter 19.146 RCW, the Mortgage Broker Practices Act (Act) and RCW 34.05.060 of the Administrative Procedure Act, Respondent hereby agrees to the Department's entry of this Consent Order as related to Respondent.

//

//

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 Respondent has been informed of the right to a  
5 hearing before an administrative law judge, and that it hereby waives their right to a hearing and to  
6 any and all administrative and judicial review of the issues raised in this matter, or of the resolution  
7 reached herein. Accordingly, Respondent, by the signature of its representatives below withdraws  
8 its appeal of the Statement of Charges to the Office of Administrative Hearings.

9 **C. No Admission of Liability.** It is AGREED that the parties intend this Consent Order to  
10 fully resolve the Statement of Charges as related to Respondent. Furthermore, Respondent neither  
11 admits nor denies the Factual Allegations of the Statement of Charges as related to Respondent.

12 **D. License Surrender.** It is AGREED that the Department will accept the voluntary  
13 surrender of Respondent's mortgage broker and consumer loan licenses.

14 **E. Agreement Not To Apply.** It is AGREED that Respondent shall not apply to the  
15 Department for a license to conduct business as a mortgage broker or consumer loan company, under  
16 any name or on behalf of any person or entity, for a period of five years from the date of entry of this  
17 Consent Order.

18 **F. Future Applications for Licensure.** It is AGREED that should Respondent apply to the  
19 Department in the future for a mortgage broker or consumer loan company license, or any other  
20 license issued by the Department, under any name, Respondent shall be required to meet any and all  
21 application and licensure requirements in effect at that time. It is further AGREED that Respondent  
22 shall comply with all of the statutory provisions and rules promulgated under the Act or Consumer  
23 Loan Act then existing and as amended. The conduct and allegations serving as the basis for the

24 //

1 issuance of the Statement of Charges and Consent Order in this matter will not be used in the  
2 assessment of any future applications.

3 **G. Restitution.** It is AGREED that Respondent shall pay restitution totaling \$44,673.46 to  
4 those consumers and in those amounts specifically set forth in Appendix A. Prior to the entry of this  
5 Consent Order, the total restitution amount shall be deposited into the trust account of an escrow  
6 company licensed by the Department for distribution to the specified consumers. Respondent will  
7 provide the Department with the identity of the escrow company and will provide proof to the  
8 Department that the funds have been deposited, both prior to entry of this Consent Order. Such  
9 proof shall consist of a copy of a cashier's check in the amount of \$44,673.46 made payable to the  
10 escrow company's trust account and a written confirmation from the Designated Escrow Officer that  
11 the funds have been deposited. Following deposit of these funds, Respondent or any of its officers  
12 or owners will not be permitted to receive any portion of the funds. Respondent will instruct the  
13 escrow company to mail restitution checks to the specified consumers within 15 days after entry of  
14 this Consent Order. In the event that any consumer(s) cannot be located or restitution checks are not  
15 cashed within 60 days of issuance, Respondent will instruct the escrow company to submit those  
16 funds to the Washington State Department of Revenue (Department of Revenue) within 120 days of  
17 entry of this Consent Order as unclaimed property on behalf of the specified consumers, subject to  
18 the rules and regulations of the Unclaimed Property Section of the Department of Revenue.  
19 Respondent will bear the cost of all related expenses such as escrow company fees, costs of mailing,  
20 and stop payment fees on outstanding checks that are not returned or cashed. Within 130 days after  
21 entry of this Consent Order, Respondent will provide the Department with written proof of all  
22 payments in the form of copies of the front and back of each cancelled check, a copy of all  
23 unclaimed property reports submitted to the Department of Revenue, and confirmation from the

24 //

1 escrow company that all funds have been distributed as instructed and that the escrow account  
2 balance is zero.

3 **H. Rights of Consumers.** It is AGREED that this Consent Order shall not release, waive, or  
4 in any way affect any legal rights that any consumers may have concerning Respondent.

5 **I. Fine.** It is AGREED that Respondent shall pay to the Department a fine of \$38,500 in  
6 the form of a cashier's check payable to the "Washington State Treasurer" upon entry of this  
7 Consent Order.

8 **J. Investigation Fees.** It is AGREED that Respondent shall pay to the Department an  
9 investigation fee of \$18,000 in the form of a cashier's check payable to the "Washington State  
10 Treasurer" upon entry of this Consent Order. The Fine and Investigation Fee may be paid together  
11 in one \$56,500 cashier's check payable to the "Washington State Treasurer."

12 **K. Records Retention.** It is AGREED that Respondent shall maintain records in  
13 compliance with the Act and within 130 days of entry of this Consent Order provide the Director  
14 with the location of the books, records and other information relating to Respondent's mortgage  
15 broker business, and the name, address and telephone number of the individual responsible for  
16 maintenance of such records in compliance with the Act.

17 **L. Authority to Execute Order.** It is AGREED that the undersigned have represented and  
18 warranted that they have the full power and right to execute this Consent Order on behalf of  
19 Respondent.

20 **M. Non-Compliance with Order.** It is AGREED that Respondent understands that failure  
21 to abide by the terms and conditions of this Consent Order may result in further legal action by the  
22 Director. In the event of such legal action, Respondent may be responsible to reimburse the Director  
23 for the cost incurred in pursuing such action, including but not limited to, attorney fees.

24 //

1 N. Voluntarily Entered. It is AGREED that the Respondent has voluntarily entered into  
2 this Consent Order, which is effective when signed by the Director's designee.

3 O. Completely Read, Understood, and Agreed. It is AGREED that Respondent has read  
4 this Consent Order in its entirety and fully understands and agrees to all of the same.

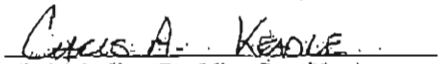
5 **RESPONDENT:**

6 Washington Financial Group, Inc.

7 By:

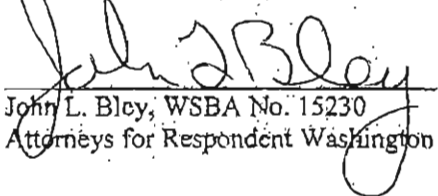
8   
9 Kevin A. Keadle, President

5.11.11  
Date

10   
11 Chris A. Keadle, Vice President

5.11.11  
Date

12 APPROVED AS TO FORM  
13 Foster Pepper, PLLC

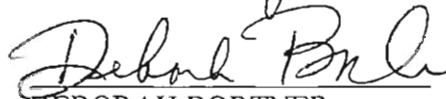
14   
15 John L. Bley, WSBA No. 15230  
16 Attorneys for Respondent Washington Financial Group, Inc.

5/16/11  
Date

17 **DO NOT WRITE BELOW THIS LINE**

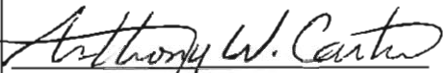
18 //  
19 //  
20 //  
21 //  
22 //  
23 //  
24 //

1 THIS ORDER ENTERED THIS 18<sup>th</sup> DAY OF May, 2011.

2 

3 DEBORAH BORTNER  
4 Director  
5 Division of Consumer Services  
6 Department of Financial Institutions

6 Presented by:

7 

8 ANTHONY W. CARTER  
9 Senior Enforcement Attorney



10 Approved by:

11 

12 JAMES R. BRUSSELBACK  
13 Enforcement Chief

**APPENDIX A -  
RESTITUTION LIST**

<b>Borrower</b>	<b>Refund</b>
KB	<b>\$2,906.65</b>
BB	<b>\$3,270.00</b>
VC	<b>\$1,287.06</b>
JC	<b>\$4,064.97</b>
RD	<b>\$2,056.66</b>
LG	<b>\$1,539.00</b>
MJ	<b>\$1,035.58</b>
TK	<b>\$1,811.78</b>
JL	<b>\$975.00</b>
ML	<b>\$1,171.31</b>
SM	<b>\$807.50</b>
LM	<b>\$1,450.00</b>
GM	<b>\$2,475.90</b>
MM	<b>\$2,232.50</b>
YP	<b>\$3,627.90</b>
DS	<b>\$3,420.00</b>
JS	<b>\$1,752.00</b>
MT-S	<b>\$3,205.89</b>
AVD	<b>\$1,254.00</b>
CW	<b>\$1,193.26</b>
KW	<b>\$3,136.50</b>
<b>TOTAL:</b>	<b>\$44,673.46</b>

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**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:

WASHINGTON FINANCIAL GROUP, INC., d/b/a  
GUARANTY MORTGAGE GROUP, LLC, KEVIN  
A. KEADLE, 50% Owner, President, and Designated  
Broker, and CHRIS A. KEADLE, 50% Owner and  
Vice-President, CHRIS STUDIOSO, Loan Originator,  
BRIAN SODORFF, Loan Originator, EMILY CADY,  
Loan Originator, and DAN GORMAN, Loan  
Originator,

Respondents.

NO. C-09-513-10-SC01

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

**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 19.146.235, and  
based upon the facts available as 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. **Washington Financial Group, Inc. d/b/a Guaranty Mortgage Group, LLC, (Respondent  
Washington Financial)** was licensed by the Department of Financial Institutions of the State of Washington  
(Department) to conduct business as a mortgage broker on or about January 7, 2003, and has continued to be  
licensed to date. Respondent Washington Financial is licensed to conduct the business of a mortgage broker at  
1000 Dexter Ave. N., Suite 210, Seattle, Washington.

---

<sup>1</sup> RCW 19.146 (2006)



1           **B. Kevin A. Keadle (Respondent K. Keadle)** is an owner, President and Designated Broker of  
2 Respondent Washington Financial. Respondent K. Keadle was named Designated Broker of Respondent  
3 Washington Financial on or about January 7, 2003, and has continued as Designated Broker to date. The  
4 Department issued Respondent Keadle a loan originator license on or about November 15, 2006, which he  
5 continues to maintain.

6           **C. Chris A. Keadle (Respondent C. Keadle)** is an owner and Vice-President of Respondent  
7 Washington Financial. The Department issued Respondent C. Keadle a loan originator license on or about  
8 February 2, 2007, which he continues to maintain.

9           **D. Chris Studioso (Respondent Studioso)** worked for Respondent Washington Financial at all  
10 times relevant to this Statement of Charges. The Department issued Respondent Studioso a loan originator  
11 license on or about April 11, 2007, which he continues to maintain.

12           **E. Brian Sodorff (Respondent Sodorff)** worked for Respondent Washington Financial at all  
13 times relevant to this Statement of Charges. The Department issued Respondent Sodorff a loan originator  
14 license on or about July 16, 2007, which he continues to maintain.

15           **F. Emily Cady (Respondent Cady)** worked for Respondent Washington Financial at all times  
16 relevant to this Statement of Charges. The Department issued Respondent Cady a loan originator license on or  
17 about June 5, 2007, which she continues to maintain.

18           **G. Dan Gorman (Respondent Gorman)** worked for Respondent Washington Financial at all  
19 times relevant to this Statement of Charges. The Department issued Respondent Gorman a loan originator  
20 license on or about June 5, 2007, which he continues to maintain.

21 **1.2 Examination.** On or about November 2, 2009, the Department conducted an examination of the  
22 records of Respondent Washington Financial. The Department's examination covered a time frame from  
23 September 1, 2007, through September 31, 2009, and included the review of at least 134 loan files that were  
24 taken from a sample of customer files that were representative of Respondent Washington Financial's portfolio.  
25 As a result of the examination, the Department discovered violations of the Act as outlined below.

1 **1.3 Failure to Display Loan Originator's License Number.** Respondent Washington Financial did not  
2 include the loan originator's license number on at least 25 residential mortgage applications.

3 **1.4 Failure to Specify Fees Benefiting the Company.** Respondent Washington Financial did not specify  
4 on the Good Faith Estimate (GFE) to at least 40 borrowers that Respondent Washington Financial was charging  
5 a processing fee, document preparation fee, loan origination fee, underwriting fee or administration fee.

6 **1.5 Failure to Deliver Variable Rate Program Disclosures.** Respondent Washington Financial did not  
7 provide a loan program disclosure identifying the terms of a variable rate mortgage to at least 10 borrowers.  
8 The required disclosure must contain the circumstances under which the rate may increase, any limitations on  
9 the increase, the effects of the increase, and an example of payment terms resulting from an increase as well as  
10 the specific index used for the interest rate.

11 **1.6 Failure to Deliver Rate Lock Disclosures.** Respondent Washington Financial did not deliver a rate-  
12 lock disclosure within three-business days of receiving an application from at least 3 borrowers. The rate-lock  
13 disclosure indicates whether or not the borrower has chosen to lock the interest rate. In the event the loan is not  
14 locked, the disclosure also informs the borrower that the disclosed interest rates and terms are subject to change.

15 **1.7 Failure to Correctly Disclose the Yield Spread Premium (YSP).** Respondent Washington Financial  
16 did not correctly disclose the YSP to at least 40 borrowers on GFEs when it did not describe the fee as "yield  
17 spread premium," did not list the YSP in the 800 series of lines on the GFE, and did not disclose the YSP as a  
18 dollar amount or dollar range. This is a repeat violation from an examination conducted by the Department in  
19 August 2007 of Respondent Washington Financial and was cited in the Report of Examination issued January  
20 31, 2008.

21 **1.8 Charging Unearned Fees.** In at least 21 transactions, the Respondent Washington Financial charged  
22 both a mortgage broker fee and a loan origination fee (LOF) on the same transaction for the same borrower.  
23 The company cannot charge both a LOF and a mortgage broker fee in the same transaction. In addition,  
24 Regulation X, 24 CFR, Part 3500, Appendix A, Real Estate Settlement Procedures Act (RESPA), states that line  
25 801 of the HUD-1 is used to record the fees charged by the lender for processing or originating the loan. The

1 following is a list of borrowers that were charged a mortgage broker fee and a loan origination fee on the same  
 2 transaction:

Borrower	Application Date	Settlement Date	Loan Origination Fee	Mortgage Broker Fee	Broker Credit	Refund
K.B.	02/29/08	03/31/08	\$3,050.00	\$3,095.75	\$143.35	\$ 2,906.65
B.B.	01/02/08	02/25/09	\$3,270.00	\$3,327.22		\$ 3,270.00
V.C.	07/20/07	10/22/07	\$2,475.00	\$1,287.06		\$ 1,287.06
J.P.C	03/18/08	05/02/08	\$1,576.01	\$1,599.65	\$400.00	\$ 1,176.01
R.D.	02/12/09	05/27/09	\$2,056.66	\$3,348.23		\$ 2,056.66
L.G.	09/04/08	09/30/08	\$3,040.00	\$1,539.00		\$ 1,539.00
M.J.	05/22/08	07/24/08	\$2,493.75	\$1,265.58	\$230.00	\$ 1,035.58
T.K.	02/20/08	03/17/08	\$3,570.00	\$1,811.78		\$ 1,811.78
J.L.	06/11/08	08/21/08	\$5,577.00	\$ 975.00		\$ 975.00
M.L.	04/24/08	07/23/08	\$2,308.00	\$1,171.31		\$ 1,171.31
S.M.	11/28/08	01/23/09	\$ 807.50	\$1,643.26		\$ 807.50
L.M.	10/27/08	12/30/08	\$1,450.00	\$1,475.37		\$ 1,450.00
G.M.	11/06/07	02/27/08	\$3,620.00	\$2,475.90		\$ 2,475.90
M.M.	10/29/08	11/21/08	\$2,232.50	\$2,232.50		\$ 2,232.50
Y.P.	03/03/08	01/21/09	\$3,627.90	\$3,627.90		\$ 3,627.90
D.S.	05/21/08	07/28/08	\$3,420.00	\$3,471.30		\$ 3,420.00
J.S.	01/29/08	03/27/09	\$1,752.00	\$1,782.66		\$ 1,752.00
M.T-S	11/05/08	12/15/08	\$3,430.00	\$3,205.89		\$ 3,205.89
A.V.D.	12/05/08	03/20/09	\$1,254.00	\$1,275.94		\$ 1,254.00
C.W.	06/06/08	08/11/08	\$2,137.50	\$1,193.26		\$ 1,193.26
K.W.	11/19/08	12/31/08	\$3,136.50	\$3191.38		\$ 3,136.50
Total						<b>\$41,784.50</b>

17 **1.9 Failure to Provide an Accurate Truth-In-Lending Disclosure.** Respondent Washington Financial  
 18 delivered incomplete and inaccurate TIL disclosures to at least 6 borrowers when they did not mark the boxes  
 19 identifying a variable rate feature or did not complete the bottom section of the TIL disclosure identifying the  
 20 existence of a prepayment penalty, security interest, assumption policy, and late payment fee.

21 **1.10 Failure to Provide Written Explanation for an Increase in Fees.** Respondent Washington Financial  
 22 did not provide a written explanation for an increase in its fees to at least the borrower listed below. Although  
 23 the company provided a subsequent GFE disclosing the fee increase, the Act requires a clear written  
 24 explanation stating the reason why fees benefiting the company increased. Both the subsequent GFE and  
 25 written explanation are required no less than three business days prior to the signing of the loan closing

1 documents. The following borrower did not receive a written explanation for an increase in the company's fees  
2 within 3-days prior to the signing of closing documents:

Borrower	Fees Initial GFE	Fees Final GFE/HUD	Reason For Increase	Refund Due
K.B.	\$ 495.00	\$27,069.12	Mortgage Broker Fee not disclosed on initial GFE	\$26,574.12

5  
6 **1.11 Failure to Deliver the One-Page Disclosure Summary.** Respondent Washington Financial did not  
7 demonstrate that at least 3 borrowers received the mandatory one-page disclosure summary identifying certain  
8 material aspects of residential mortgage loans within three business days following the receipt of a loan  
9 application.

10 **1.12 Failure to Deposit Third-Party Fees into a Trust Account.** Respondent Washington Financial  
11 received checks from escrow that included at least 3 borrowers' payments for third-party Flood Certification  
12 fees and subsequently deposited the funds into its general account. Respondent Washington Financial does not  
13 maintain or operate a trust account. Although the company paid the fee to the third party, the Act states that all  
14 funds received by the company for payments of third-party provider services are considered trust funds and thus  
15 must be deposited into a trust account.

16 **1.13 Failure to Include License Name or Number with a Trade Name.** On all disclosures given to at  
17 least 11 borrowers, Respondent Washington Financial identified itself under one of its trade names (Guaranty  
18 Mortgage Group, LLC), but did not identify it was connected with the company Washington Financial Group,  
19 Inc.

20 **1.14 Occupancy Fraud.** Respondent Washington Financial, and the loan originators named below,  
21 employed a scheme to mislead or defraud mortgage lenders by simultaneously completing a refinance and a  
22 purchase transaction on different properties while identifying both properties as owner-occupied. The scheme  
23 also involved simultaneously completing two refinance transactions while identifying both properties as owner-  
24 occupied. The purchase and refinance transactions involved these characteristics: Separate mortgage lenders on  
25 the refinance and purchase transactions, residential loan applications (1003) for the purchase transactions signed  
by the borrowers before the refinances' settlement date, refinanced property shown as a rental on the purchase

1 1003, all loans closed as owner-occupied. The scheme was discovered by examiners who compared mortgage  
 2 applications, purchase and sale agreements, appraisals, and other documentation. The scheme was employed on  
 3 at least the following five borrowers:

4 **A. Borrower: N.C.**

5 Program Type: Cash-Out Refinance  
 6 Property Address: 2412 Lynnwood, WA 98036  
 7 Lender: Washington Financial Group d/b/a Guaranty Mortgage Group LLC  
 8 Occupancy: Owner Occupied

9 Refinance

Originator	Lien	Cash-Out Amount	Application Date	Settlement Date
Studioso, Chris	1 <sup>st</sup>	\$79,254.85	07/30/08	09/02/08

10 Program Type: Purchase  
 11 Property Address: 6442 Lynnwood, WA 98037  
 12 Lender: Metlife Home Loans  
 13 Occupancy: Owner Occupied

14 Purchase

Originator	Lien	Down Payment	Application Date	Settlement Date
Studioso, Chris	1 <sup>st</sup>	\$81,216.94	07/30/08	09/17/08

15 **B. Borrower: S.B.**

16 Program Type: Cash-Out Refinance  
 17 Property Address: 22905 Edmonds, Washington 98026  
 18 Lender: Flagstar Bank  
 19 Occupancy: Owner Occupied

20 Refinance

Originator	Lien	Cash-Out Amount	Application Date	Settlement Date
Sodorff, Brian	1 <sup>st</sup>	\$125,849.23	03/19/08	4/18/08

21 Program Type: Purchase  
 22 Property Address: 2341 Brier, Washington 98036  
 23 Lender: Citi Mortgage Inc.  
 24 Occupancy: Owner Occupied

25 Purchase

Originator	Lien	Down Payment	Application Date	Settlement Date
Sodorff, Brian	1 <sup>st</sup>	\$116,498.56	03/19/08	05/27/08

1 **C. Borrower: J.C.**

2 Program Type: Cash-Out Refinance  
3 Property Address: 12430 Kent, WA 98030  
4 Lender: Network Mortgage Services, Inc  
5 Occupancy: Owner Occupied

6 Refinance

Originator	Lien	Cash-Out Amount	Application Date	Settlement Date
Dallum, Irene <sup>1</sup>	1 <sup>st</sup>	\$25,280.90	03/10/08	04/01/08

7 Program Type: Purchase  
8 Property Address: 913 Tacoma, WA 98405  
9 Lender: MSB Mortgage Company  
10 Occupancy: Owner Occupied

11 Purchase

Originator	Lien	Down Payment	Application Date	Settlement Date
Dallum, Irene	1 <sup>st</sup>	\$12,663.83	03/11/08	05/02/08

12 **D. Borrower: M.R.**

13 Program Type: Cash-Out Refinance  
14 Property Address: 1309 Renton, WA 98056  
15 Lender: US Bank  
16 Occupancy: Owner Occupied

17 Refinance

Originator	Lien	Cash-Out Amount	Application Date	Settlement Date
Cady, Emily	1 <sup>st</sup>	\$228,701.01	03/14/08	04/28/08

18 Program Type: Purchase  
19 Property Address: 440 Issaquah, WA 98027  
20 Lender: ING Bank  
21 Occupancy: Owner Occupied

22 Purchase

Originator	Lien	Down Payment	Application Date	Settlement Date
Cady, Emily	1 <sup>st</sup>	\$138,941.96	03/14/08	05/02/08

23 //

24 //

25 <sup>1</sup> Statement of Charges C-08-159-10-SC02 has been issued against Irene Dallum for this conduct.

1 **E. Borrower: D.W.**

2 Program Type: Cash-Out Refinance  
3 Property Address: 4034 Seattle, WA 98199  
4 Lender: CitiMortgage, Inc  
5 Occupancy: Owner Occupied

6 **Refinance**

Originator	Lien	Cash-Out Amount	Application Date	Settlement Date
Gorman, Dan	1 <sup>st</sup>	\$182,603.00	05/28/08	07/08/08

7 Program Type: Purchase  
8 Property Address: 803 Tacoma, WA 98405  
9 Lender: HSBC Mortgage Corp  
10 Occupancy: Owner Occupied

11 **Purchase**

Originator	Lien	Down Payment	Application Date	Settlement Date
Gorman, Dan	1 <sup>st</sup>	\$67,100.00	05/29/08	07/18/08

12 **1.15 Income Misrepresentation.** Respondents Washington Financial and Studioso engaged in a scheme of  
13 inflating a borrower’s income in order to obtain a loan commitment from a lender. The scheme involved these  
14 characteristics:

- Two loans completed on two different properties: A cash-out refinance and a purchase
- Refinance completed as a “fully documented loan”
- Purchase completed as a “stated income” loan
- Both loans originated simultaneously
- Borrowers could not qualify for purchase with actual income

15 The examiners discovered the scheme from the borrower’s fully documented refinance, which contained the  
16 borrower’s W2s and paystubs. Respondents Washington Financial and Studioso inflated income on at least the  
17 following borrower:

Borrower	Originator	Actual Monthly Income from Pay Stub	Monthly Income Listed on Purchase
N.B.	Studioso, Chris	\$ 6,666.67	\$ 8,300.00

18 **1.16 Failure to Conspicuously Disclose Required Information in an Advertisement.** Respondents  
19 Washington Financial, K. Keadle, and C. Keadle produced at least 3 print advertisements using borrower’s  
20 current loan information. Respondents Washington Financial, K. Keadle, and C. Keadle disclosed the source of  
21  
22  
23  
24  
25

1 the information but did not do so in the same size and type of font in the remainder of the advertisement. They  
2 also disclosed that it is not affiliated with the borrower's lender but not in the same size and type of fonts in the  
3 remainder of the advertisement.

4 **1.17 Advertising Variable Interest Rates.** Respondents Washington Financial, K. Keadle, and C. Keadle  
5 produced print advertisements for adjustable rate mortgages that did not clearly state that the rate is subject to  
6 change after consummation and the limited term to which the initial rates apply. Although the advertisements  
7 contain the phrase "5/1 ARM", this phrase neither indicates that the rate could change nor gives a clear  
8 indication of the limited term as required by Regulation Z.

9 **1.18 Disclosing Additional Credit Terms in Advertisements.** Respondents Washington Financial, K.  
10 Keadle, and C. Keadle did not disclose the terms of repayment and down payment amounts in print  
11 advertisements. The advertisements disclosed a payment amount but did not disclose the terms of repayment or  
12 down payment amount.

13 **1.19 Suggesting Association with Government Agencies.** Respondents Washington Financial, K. Keadle,  
14 and C. Keadle produced print advertisements that represents it was affiliated with the government. In the  
15 advertisement it states: "Ask For a Government Loan Advisor." The statement represents and implies that  
16 Respondent Washington Financial has a government loan advisor working for it. The Act strictly prohibits  
17 advertisements that suggest affiliations with state or federal agencies when no such affiliations exist.

18 **1.20 Prohibited Advertising.** Respondents Washington Financial, K. Keadle, and C. Keadle produced print  
19 advertisements, which stated: "Your Credit Status Does not Matter as Long as Your Mortgage Payments Have  
20 Been Made on Time." At least one borrower who received this advertisement applied for a loan and was denied  
21 due to the applicant's low credit score per the lender's underwriting guidelines.

22 **1.21 Failure to Disclose the Yield Spread Premium on the GFE.** Respondent Washington Financial did  
23 not disclose the YSP on the GFE as required by Regulation X, part 3500, Appendix B, Illustrations of  
24 Requirements of RESPA, fact situation 13. Further, RESPA, section 3500.7(c) requires disclosure of all  
25



1 charges that a borrower can expect to pay upon settlement. At least the following borrower received a GFE that  
2 did not disclose the YSP:

Borrower	Application Date	Settlement Date	YSP Amount
J.P.C.	03/18/08	05/02/08	\$ 2,888.96

3  
4  
5 **1.22 Failure to Provide Home Equity Line of Credit Disclosure.** Respondent Washington Financial did  
6 not provide evidence that a borrower received the initial home equity line of credit disclosure as required by  
7 Regulation Z, 12 CFR, Section 226.5b at the time of application.

8 **1.23 On-Going Investigation.** The Department's investigation into the alleged violations of the Act by  
9 Respondents continues to date.

## 10 II. GROUNDS FOR ENTRY OF ORDER

11 **2.1 Prohibited Acts.** Based on the Factual Allegations set forth in Section I above, Respondents are in  
12 apparent violation of RCW 19.146.0201(1), (2), (3), (6), (7), (12), and (15) and Regulation Z, 12 C.F.R.,  
13 Section 226.18(f)(2)(i), (k), (l), (m), and (q) for directly or indirectly employing a scheme, device or artifice to  
14 defraud or mislead borrowers or lenders or any person, engaging in an unfair or deceptive practice toward any  
15 person, obtaining property by fraud or misrepresentation, failing to make disclosures to loan applicants and  
16 noninstitutional investors as required by RCW 19.146.030 and any other applicable state or federal law,  
17 making, in any manner, any false or deceptive statement or representation with regard to the rates, points, or  
18 other financing terms or conditions for a residential mortgage loan or engaging in bait and switch advertising,  
19 collecting, charging, attempting to collect or charge or using or proposing any agreement purporting to collect  
20 or charge any fee prohibited by RCW 19.146.030 or RCW 19.146.070, failing to comply with any provision of  
21 RCW 19.146.030 through 19.146.080 or any rule adopted under those sections, and for failing to disclose a  
22 variable rate, prepayment penalty, late penalty, security interest or assumption policy.

23 **2.2 Requirement to Display Loan Originator's License.** Based on the Factual Allegations set forth in  
24 Section I above, Respondents are in apparent violation of WAC 208-660-350(26) for failing to include the loan  
25

1 originator's license number immediately following the loan originator's name on solicitations, including  
2 business cards and residential mortgage loans.

3 **2.3 Requirement to Disclose Residential Mortgage Loan Fees.** Based on the Factual Allegations set  
4 forth in Section I above, Respondents are in apparent violation of RCW 19.146.030(1) for failing to provide  
5 borrowers with full written disclosures, containing an itemization and explanation of all fees and costs that the  
6 borrowers were required to pay in connection with obtaining a residential mortgage loan, within three days  
7 following receipt of a loan application or any moneys from the borrowers.

8 **2.4 Requirement to Deliver Variable Rate Program Disclosure.** Based on the Factual Allegations set  
9 forth in Section I above, Respondents are in apparent violation of RCW 19.146.030(2)(a) for failing to provide  
10 borrowers with disclosures identifying the terms of a variable rate mortgage, including but not limited to, the  
11 annual percentage rate, finance charge, amount financed, the circumstances under which the rate may increase.

12 **2.5 Requirement to Deliver Rate Lock Disclosure.** Based on the Factual Allegations set forth in Section  
13 I above, Respondents are in apparent violation of RCW 19.146.030(2)(c) and WAC 208-660-430(6) for failing  
14 to provide borrowers with written disclosures containing the cost, term, duration, and condition of a lock-in  
15 agreement and whether a lock-in agreement has been entered, and whether the lock-in agreement is guaranteed  
16 by the mortgage broker or lender, and if a lock-in agreement has not been entered, disclosure in a form  
17 acceptable to the director that the disclosed interest rate and terms are subject to change.

18 **2.6 Requirement to Disclose the Yield Spread Premium.** Based on the Factual Allegations set forth in  
19 Section I above, Respondents are in apparent violation of Regulation X, part 3500, Appendix B, fact situation  
20 13 and WAC 208-660-430(5) for failing to properly disclose the Yield Spread Premium on the Good Faith  
21 Estimate.

22 **2.7 Requirement to Provide a One-Page Disclosure Summary.** Based on the Factual Allegations set  
23 forth in Section I above, Respondents are in apparent violation of RCW 19.144.020(1) and (2) for failing to  
24 provide borrowers with a disclosure summary of all material loan terms on a separate sheet of paper as required  
25 by the Department, within three business days following receipt of a loan application.

1 **2.8 Prohibited Fees.** Based on the Factual Allegations set forth in Section I above, Respondents are in  
2 apparent violation of RCW 19.146.030(4) for charging fees inuring to the benefit of a mortgage broker in  
3 excess of the fees disclosed on the initial written disclosures where the fees were reasonably foreseeable by the  
4 mortgage broker at the time the initial written disclosures were provided to borrowers, and/or where the  
5 mortgage broker failed to provide the borrowers, no less than three business days prior to the signing of the loan  
6 closing documents, a clear written explanation of the fees and the reason for charging fees exceeding those  
7 which were previously disclosed.

8 **2.9 Requirement to Maintain Funds From Borrower for Payment of Third-Party Providers in Trust.**

9 Based on the Factual Allegations set forth in Section I above, Respondents are in apparent violation of RCW  
10 19.146.050(1) and WAC 208-660-410(3) for failing to deposit funds received from a borrower or on behalf of a  
11 borrower for payment of third-party provider services in a trust account of a federally insured financial  
12 institution located in this state, prior to the end of the third business day following receipt of such monies, and  
13 for commingling operating funds with trust account funds.

14 **2.10 Requirement to Conspicuously Disclose Required Information in Advertisements.** Based on the

15 Factual Allegations set forth in Section I above, Respondents are in apparent violation of WAC 208-660-  
16 440(10) for failing to disclose the name of the source of the information contained in the advertisement, a  
17 statement that Respondent is not affiliated with the borrower's lender, and disclosing the information in the  
18 same size type font as the rest of the information in the advertisement.

19 **2.11 Requirement to Include License Name or License Number with a Trade Name.** Based on the

20 Factual Allegations set forth in Section I above, Respondents are in apparent violation of WAC 208-660-  
21 195(14) for failing to identify a branch office trade name with the Respondent's licensed name or failing to use  
22 the branch office trade name with the branch license number.

23 **2.12 Suggested Association with Government Agencies.** Based on the Factual Allegations set forth in

24 Section I above, Respondents are in apparent violation of WAC 208-660-440(9) for soliciting or using  
25

1 advertising that suggests or represents they are affiliated with a state or federal agency, municipality, federally  
2 insured financial institution, trust company, or a building or loan association when they are not.

### 3 III. AUTHORITY TO IMPOSE SANCTIONS

4 **3.1 Authority to Revoke License.** Pursuant to RCW 19.146.220(2), the Director may revoke a license for  
5 false statements or omission of material information on the application that, if known, would have allowed the  
6 director to deny the application for the original license, failure to pay a fee required by the Director or maintain  
7 the required bond, failure to comply with any directive or order of the Director, any violation of the Act.

8 **3.2 Authority to Prohibit from the Industry.** Pursuant to RCW 19.146.220(5), the Director may issue  
9 orders removing from office or prohibiting from participation in the conduct of the affairs of a licensed  
10 mortgage broker, or both, any officer, principal, employee, or loan originator of any licensed mortgage broker  
11 or any person subject to licensing under the Act for any violation of RCW 19.146.0201(1) through (9) or (13),  
12 RCW 19.146.030 through RCW 19.146.080, RCW 19.146.200, RCW 19.146.205(4), or RCW 19.146.265, false  
13 statements or omission of material information on the application that, if known, would have allowed the  
14 Director to deny the application for the original license, conviction of a gross misdemeanor involving  
15 dishonesty or financial misconduct or a felony after obtaining a license, or failure to comply with a directive or  
16 order of the Director.

17 **3.3 Authority to Impose Fine.** Pursuant to RCW 19.146.220(2), the Director may impose fines on a  
18 licensee, employee or loan originator of the licensee, or other person subject to the Act for any violations of  
19 RCW 19.146.0201(1) through (9) or (13), RCW 19.146.030 through RCW 19.146.080, RCW 19.146.200, RCW  
20 19.146.205(4), or RCW 19.146.265, or failure to comply with a directive or order of the Director.

21 **3.4 Authority to Order Restitution.** Pursuant to RCW 19.146.220(2), the Director may issue orders directing  
22 a licensee, its employee or loan originator, or other person subject to the Act to pay restitution for any violation of  
23 the Act.

24 **3.5 Authority to Collect Examination and Investigation Fees.** Pursuant to RCW 19.146.228(2), .235, and  
25 WAC 208-660-550, upon completion of any investigation of the books and records of a licensee or other person

1 subject to the Act, the Department will furnish to the licensee or other person subject to the Act a billing to cover  
2 the cost of the investigation. The investigation charge will be calculated at the rate of \$48 per hour that each staff  
3 person devoted to the investigation.

#### 4 5 **IV. NOTICE OF INTENTION TO ENTER ORDER**

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

- 10 **4.1** Respondent Washington Financial Group, Inc's license to conduct the business of a mortgage broker be  
11 revoked;
- 12 **4.2** Respondent Washington Financial Group, Inc. be prohibited from participation in the conduct of the affairs  
13 of any mortgage broker subject to licensure by the Director, in any manner, for a period of 5 years;
- 14 **4.3** Respondent Kevin A. Keadle be prohibited from participation in the conduct of the affairs of any mortgage  
15 broker subject to licensure by the Director, in any manner, for a period of 5 years;
- 16 **4.4** Respondent Chris A. Keadle be prohibited from participation in the conduct of the affairs of any mortgage  
17 broker subject to licensure by the Director, in any manner, for a period of 5 years;
- 18 **4.5** Respondents Washington Financial Group, Inc, Kevin A. Keadle, and Chris A. Keadle jointly and severally  
19 pay a fine, which as of the date of these charges is \$36,500;
- 20 **4.6** Respondent Chris Studioso's license to conduct the business of a loan originator be revoked;
- 21 **4.7** Respondent Chris Studioso be prohibited from participation in the conduct of the affairs of any mortgage  
22 broker subject to licensure by the Director, in any manner, for a period of 5 years;
- 23 **4.8** Respondent Chris Studioso pay a fine, which as of the date of these charges is \$1,000;
- 24 **4.9** Respondent Brian Sodorff's license to conduct the business of a loan originator be revoked;
- 25 **4.10** Respondent Brian Sodorff 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 5 years;
- 4.11** Respondent Brian Sodorff pay a fine, which as of the date of these charges is \$1,000;
- 4.12** Respondent Emily Cady's license to conduct the business of a loan originator be revoked;

- 1 **4.13** Respondent Emily Cady 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 5 years;
- 2
- 3 **4.14** Respondent Emily Cady pay a fine, which as of the date of these charges is \$1,000;
- 4
- 5 **4.15** Respondent Dan Gorman's license to conduct the business of a loan originator be revoked;
- 6
- 7 **4.16** Respondent Dan Gorman 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 5 years;
- 8
- 9 **4.17** Respondent Dan Gorman pay a fine, which as of the date of these charges is \$1,000;
- 10
- 11 **4.18** Respondents Washington Financial Group, Inc, Kevin A. Keadle, and Chris A. Keadle jointly and severally pay restitution in at least the amount of \$71,247.58, to the borrowers outlined in Paragraphs 1.8, 1.10, and 1.21, and any additional restitution that may be determined at hearing;
- 12
- 13 **4.19** Respondents Washington Financial Group, Inc, Kevin A. Keadle, and Chris A. Keadle jointly and severally pay an examination fee in the amount of \$4,821.40, plus accrued interest;
- 14
- 15 **4.20** Respondents Washington Financial Group, Inc, Kevin A. Keadle, and Chris A. Keadle jointly and severally pay an investigation fee, which as of the date of these charges is \$2,160 calculated at \$48 per hour for the 45 staff hours devoted to the investigation;
- 16
- 17 **4.21** Respondents Washington Financial Group, Inc, Kevin A. Keadle, and Chris A. Keadle maintain records in compliance with the Act and provide the Department with the location of the books, records and other information relating to Respondent Washington Financial Group, Inc's mortgage broker business, and the name, address and telephone number of the individual responsible for maintenance of such records in compliance with the Act.
- 18
- 19 //
- 20 //
- 21 //
- 22 //
- 23 //
- 24 //
- 25 //

V. AUTHORITY AND PROCEDURE

This Statement of Charges and Notice of Intention to Enter an Order to Revoke License, Prohibit from Industry, Impose Fine, Order Restitution, Collect Examination Fee, and Collect Investigation fee (Statement of Charges) is entered pursuant to the provisions of RCW 19.146.220, RCW 19.146.221, RCW 19.146.223 and RCW 19.146.230, and is subject to the provisions of chapter 34.05 RCW (The Administrative Procedure Act). Respondents may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Statement of Charges.

Dated this 7<sup>th</sup> day of October, 2010.

*Deborah Bortner*  
DEBORAH BORTNER  
Director, Division of Consumer Services  
Department of Financial Institutions

Presented by:  
*William Halstead*  
WILLIAM HALSTEAD  
Financial Legal Examiner

Approved by:  
*James R. Brusselback*  
JAMES R. BRUSSELBACK  
Enforcement Chief



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25