

Terms Completed

**CONSENT ORDER SUMMARY**  
**DFI Case Number C-16-1927**

<b>Respondent(s):</b>	Global Equity Finance, Inc., and Cornell M. Hough, President and CEO			
<b>Consent Order No.:</b>	C-16-1927-17-CO01			
<b>Effective Date:</b>	February 22, 2017			
<b>NMLS Number(s):</b>	Global Equity: 13116; Mr. Hough: 13294			
<b>License Effect:</b>	None.			
<b>Investigation Costs</b>	\$ 5,000.00	Due: On entry of CO	Paid: <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date: 2/14/2017
<b>Fine – PAID</b>	\$ 60,000.00	Due: ½ (\$30,000) due on entry of CO	Paid: <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date: 2/14/2017
		½ (\$30,000) due in five equal monthly installments of \$6,000 beginning 4/30/17 on the last business day of the month.		
<b>Fine - STAYED</b>	\$ 40,000.00	Stayed for 1 year contingent on compliance with Act and CO.		

**Comments:** Without admitting any wrongdoing, Respondents represented and warranted to the Department that they ceased and desisted from engaging in unfair or deceptive acts or practices, and that they will henceforth comply with RCW 19.146, the Consumer Loan Act of Washington. Respondents agreed to a limited-scope compliance examination at their expense within one year of entry of the Consent Order.

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1           **B. Waiver of Hearing.** It is AGREED that Respondents have been informed of the right to a hearing  
2 before an administrative law judge, and hereby waive their right to a hearing and any and all administrative and  
3 judicial review of the issues raised in this matter, or of the resolution reached herein. Accordingly, Respondents  
4 withdraw their appeal of the Statement of Charges to the Office of Administrative Hearings.

5           **C. Cease and Desist.** It is AGREED that Respondents have represented and warranted to the Department  
6 that Respondents have ceased and desisted from engaging in unfair or deceptive acts or practices, and shall  
7 henceforth comply with the Act. It is further AGREED that the terms of this Consent Order represent a  
8 compromise in settlement of this matter.

9           **D. Fine.** It is AGREED and ORDERED that Respondents are liable to the Department for a fine in the  
10 amount of \$200,000. In consideration of this settlement, it is further AGREED and ORDERED that Respondents  
11 shall pay \$100,000 in fines, with \$60,000 of that amount (the Paid Fine) paid pursuant to Paragraph H.

12           The \$40,000 balance (the Stayed Fine) shall be stayed for a period of one year from the date of entry of  
13 this Consent Order contingent on Respondents' future compliance with the Act, this Consent Order, a satisfactory  
14 examination as detailed in Paragraph E, and is subject to being lifted pursuant to Paragraph F. Absent an action by  
15 the Department to lift the stay, the obligation to pay the Stayed Fine shall expire one year from the date of entry of  
16 this Consent Order without further notice by the Department.

17           **E. Compliance Examination.** It is AGREED and ORDERED that within one year of the entry of this  
18 Consent Order, at Respondent's cost, the Department will conduct a limited-scope in-office compliance  
19 examination of Respondent Global's 2017 advertising practices, policies, and procedures. It is further AGREED  
20 and ORDERED that an examination rating of 3, 4, or 5 may result in the lifting of the Stayed Fine.

21           **F. Lifting of Stay.** It is AGREED and ORDERED that:

- 22           1. If during the one-year stay the Department determines Respondents have not complied with the  
23 Act, this Consent Order, or if Respondent Global receives an examination rating of 3, 4, or 5,  
24 and the Department seeks to lift the stay and impose the Stayed Fine, the Department will first  
25 serve Respondents with a written notice of alleged noncompliance.

- 1           2. The notice will include:
- 2           a. A description of the alleged noncompliance;
- 3           b. A statement that the Department seeks to lift the stay and impose the \$40,000 Stayed Fine;
- 4           c. Notice that Respondents can contest the notice of alleged noncompliance by either
- 5           requesting an adjudicative hearing before an Administrative Law Judge (ALJ) from the
- 6           Office of Administrative Hearings (OAH) or by submitting a written response to the
- 7           Department contesting the alleged noncompliance; and
- 8           d. Notice that the process for lifting the stay applies only to this Consent Order.
- 9           3. Respondents have twenty (20) days from the date of service of the notice of alleged
- 10           noncompliance to submit a written request to the Department for an adjudicative hearing or, in
- 11           lieu thereof, a written response contesting the alleged noncompliance.
- 12           4. The scope and issues of the adjudicative hearing are limited solely to whether or not
- 13           Respondents are in violation of the terms of the Act, this Consent Order, or that Respondent
- 14           Global received an examination rating of 3, 4, or 5.
- 15           5. At the conclusion of the adjudicative hearing the ALJ will issue an initial decision. Either party
- 16           may file a Petition for Review of that initial decision with the Director of the Department.
- 17           6. In lieu of requesting an adjudicative hearing, within twenty (20) days from the date of service
- 18           of the notice of alleged noncompliance, Respondents may submit a written response for
- 19           consideration by the Department contesting the alleged noncompliance. The response must
- 20           include each Respondent's waiver of the right to an adjudicative hearing, may address the
- 21           alleged noncompliance, and may seek an alternative resolution to lifting the stay.
- 22           7. **Default.** If Respondents do not timely request an adjudicative hearing or submit a written
- 23           response contesting the notice of alleged noncompliance the Department may lift the stay and
- 24           impose the Stayed Fine without further notice.

18           **G. Investigation Fee.** It is AGREED and ORDERED that upon entry of this Consent Order Respondents

19 shall pay to the Department an investigation fee of \$5,000.

20           **H. Payments.** It is AGREED and ORDERED that upon entry of this Consent Order Respondents shall

21 make an initial payment of \$30,000 of the \$60,000 Paid Fine to the Department. This initial payment, plus the

22 \$5,000 Investigation Fee, shall be paid together in one \$35,000 corporate or cashier's check made payable to the

23 "Washington State Treasurer." It is further AGREED and ORDERED that by the last business day of the month

24 following entry of this Consent Order, and continuing monthly until paid in full, Respondents shall pay the \$30,000

25 unpaid balance of the Paid Fine in five equal payments of \$6,000. Payments shall be made via corporate or

1 cashier's check made payable to the "Washington State Treasure," and shall be delivered to the Department so that  
2 it is received no later than the last business days of each succeeding month.

3 **I. Authority to Execute Order.** It is AGREED that Respondent Hough has represented and warranted that he  
4 has the authority, right, and full power to execute this Consent Order on behalf of Respondent Global.

5 **J. Non-Compliance with Order.** It is AGREED that Respondents understand that failure to abide by the terms  
6 and conditions of this Consent Order may result in further legal action by the Department, including but not limited  
7 to the lifting of the stay. In the event of such legal action Respondents may be found liable to reimburse the  
8 Department for its investigation fees, costs, and expenses for investigating and prosecuting violations of this  
9 Consent Order and/or Act.

10 **K. Voluntarily Entered.** It is AGREED that Respondents have voluntarily entered into this Consent Order,  
11 which is effective when signed by the Director's designee.

12 **L. Completely Read, Understood, and Agreed.** It is AGREED that Respondent Hough individually and on  
13 behalf of Respondent Global has read this Consent Order in its entirety and fully understands and agrees to all of  
14 the same.

15  
16 **RESPONDENTS:**

17 Global Equity Finance, Inc.  
18 By:

19 /s/ \_\_\_\_\_  
20 Cornell M. Hough  
21 Owner, President, and CEO

2/13/2017 \_\_\_\_\_  
Date

22 /s/ \_\_\_\_\_  
23 Cornell M. Hough  
24 Individually

2/13/2017 \_\_\_\_\_  
Date

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THIS ORDER ENTERED THIS 22<sup>nd</sup> DAY OF FEBRUARY, 2017.

/s/ \_\_\_\_\_  
CHARLES E. CLARK  
Director, Division of Consumer Services  
Department of Financial Institutions

Presented by:

Approved by:

/s/ \_\_\_\_\_  
ANTHONY W. CARTER  
Senior Legal Examiner

/s/ \_\_\_\_\_  
STEVEN C. SHERMAN  
Enforcement Chief

1 **STATE OF WASHINGTON**  
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**  
3 **DIVISION OF CONSUMER SERVICES**

4 IN THE MATTER OF DETERMINING  
Whether there has been a violation of the  
Consumer Loan Act of Washington by:

5 GLOBAL EQUITY FINANCE, INC.,  
NMLS No. 13116, and  
6 CORNELL M. HOUGH, Owner, President, CEO,  
and Mortgage Loan Originator, NMLS 13294,

7 Respondents.

No. C-16-1927-16-SC01

STATEMENT OF CHARGES and NOTICE OF  
INTENT TO ENTER AN ORDER TO CEASE  
AND DESIST, TAKE AFFIRMATIVE ACTION,  
IMPOSE FINE, COLLECT INVESTIGATION  
FEES, and RECOVER COSTS AND  
EXPENSES OF PROSECUTION

8  
9 **INTRODUCTION**

10 Pursuant to RCW 31.04.093 and RCW 31.04.165, the Director of the Washington State Department of  
11 Financial Institutions (Director) is responsible for the administration of chapter 31.04 RCW, the Consumer Loan  
12 Act (Act). Having conducted an investigation pursuant to RCW 31.04.145, and based upon the facts available as of  
13 the date of this Statement of Charges, the Director, through his designee, Division of Consumer Services Director  
14 Charles E. Clark, institutes this proceeding and finds as follows:

15 **I. FACTUAL ALLEGATIONS**

16 **1.1 Respondent Global Equity Finance, Inc.** (Respondent Global Equity) was licensed by the Washington  
17 State Department of Financial Institutions (Department) to conduct business in Washington as a consumer loan  
18 company on or about December 6, 2010, and continues to be licensed to date. Respondent Global Equity became a  
19 participating lender with the U.S. Department of Veterans Affairs (VA) on or about December 11, 2008, lender  
20 ID number 901599-00-00, and continues to be an approved VA lender to date.

21 **1.2 Respondent Cornell M. Hough** (Respondent Hough) has been the Owner, President, and CEO of  
22 Respondent Global Equity since about March 2006. Respondent Hough was licensed by the Department as a  
23 mortgage loan originator sponsored by Respondent Global Equity on or about February 28, 2011, and continues to  
24 be licensed to date. During all times relevant to this matter Respondent Hough, as Owner, President, and CEO of  
25 Respondent Global Equity, was responsible for marketing and compliance for Respondent Global Equity.

1 **1.3 Unfair, Deceptive, and Misleading Advertising.**

2 **A. Direct Mail Solicitations.** On or around January 1, 2011, Respondent Global Equity and Respondent  
3 Hough (hereinafter Respondents) began distributing direct mail solicitations in Washington offering consumers  
4 residential mortgage refinance loans. The Department received a complaint relating to the solicitation, and  
5 determined the solicitation violated the CLA by:

- 6 1. Offering “low wholesale interest rates” to recipients;
- 7 2. Advertising “no Cost or Obligation” for recipients to obtain the advertised loan;
- 8 3. Advertising Respondent Global Equity had the “absolute lowest minimum payment” available;
- 9 4. Failing to disclose whether the advertised mortgage payment included amounts for taxes, insurance, or  
10 other products;
- 11 5. Advertising a rate of interest without conspicuously disclosing the annual percentage rate (APR);
- 12 6. Advertising credit disclosure triggering terms without making the required additional disclosures;
- 13 7. Failing to disclose, with adjustable rate mortgages (ARMs), that the advertised rate may increase; and
- 14 8. Offering the “best refinance deal available,” supported by a \$1,000 30-day guarantee subject to  
15 undisclosed conditions.

16 On or about April 5, 2012, Respondents were advised of the Department’s determinations and advised to  
17 implement a system of controls designed to prevent future violations.

18 **B. VA Solicitations.** On or around January 5, 2015, Respondents began distributing direct mail  
19 solicitations in Washington offering servicemembers, veterans, and eligible family members the VA’s Interest Rate  
20 Reduction Refinance Loan (IRRRL). The solicitations:

- 21 1. Featured an official-looking emblem resembling the logo of the City of Olympia, Washington;
- 22 2. Advertised that Respondent Global Equity had interest rates that were “the lowest” in the industry;
- 23 3. Advertised that Respondent Global Equity had “the quickest turn time” to get a loan funded;
- 24 4. Represented Respondent Global Equity was licensed by, rather than approved by, the VA; and
- 25 5. Advertising credit disclosure triggering terms without clearly and conspicuously making the required  
additional disclosures.

Between on or around January 1 and April 1, 2016, Respondents used the official Seal of the Department of  
Veterans Affairs in their direct mail solicitations. In addition, the solicitations advertised that Respondent Global  
Equity could close the recipient’s loan “in half the time” of its competitors; could “immediately” reduce the  
recipient’s mortgage payment; again offered its “Best Loan Guarantee” subject to undisclosed conditions; and  
failed to clearly and conspicuously disclose either the APR or the terms of repayment for the advertised loan.

1 **1.4 Unfair, Deceptive, and Misleading Internet Advertising.** Beginning on or around January 1, 2011, and  
2 continuing as of the date of this Statement of Charges, Respondents advertised on the Internet that Respondent  
3 Global Equity could provide consumers with the lowest rates in the industry; the best rates available; and used  
4 consumer testimonials to make “lowest rate” and “lowest cost” representations.

5 Respondent Global Equity’s Internet website advertises its Best Loan Guarantee and its No-Risk Appraisal  
6 Guarantee, and provides in footnotes fine-print disclosures of additional restrictions to those Guarantees:

7 **\$1,000 Best Loan Guarantee**

8 For 30-days after your loan closes with Global Equity Finance, if you provide us with a  
9 legitimate lender approval showing a comparable program and terms at lower fees and lower  
10 payments, we’ll write you a check for \$1,000 — no questions asked.<sup>1</sup>

11 <sup>1</sup> Best Loan Guarantee Terms: Lender approval must be a firm approval with commitment to lend. Lender  
12 approval must not be given prior to accurate verification of all qualifying information and documentation  
13 including but not limited to income, employment, mortgage balances, lien types and amounts, etc. Lender  
14 approval must include stipulations required to fund. All terms must be comparable including but not  
15 limited to loan type, term, interest rate, APR, payoffs, lender/broker fees, etc.

16 **NO-RISK  
17 Appraisal Guarantee**

18 If your loan does not close for any reason other than the following exceptions, we will  
19 reimburse you for your appraisal payment – guaranteed.<sup>2</sup>

20 **EXCEPTIONS:**

- 21
  - 22 1. You cancel your loan with Global Equity Finance
  - 23 2. The appraised value comes in lower than estimated

24 <sup>2</sup> No-Risk Appraisal Guarantee: Reimbursement of appraisal payment will not be honored if the company  
25 finds that there is insufficient equity in the property to satisfy approvable loan requirements of [sic] if  
information obtained at time of application is inaccurate or cannot be verified.

18 **1.5 Failure to Comply with Investigative Authority.** On or about January 29, 2015, and again on or about  
19 February 11, 2016, the Department issued Directives to Respondent Global Equity seeking written explanations  
20 and documents relating to complaints received by the Department. Respondents failed to comply.

21 **II. GROUNDS FOR ENTRY OF ORDER**

22 **2.1 Legislative Findings.** Pursuant to the Act, the Legislature has found that the activities of mortgage lenders  
23 and MLOs have a direct, valuable, and immediate impact upon Washington's consumers, economy, and real estate  
24 industry. The Legislature therefore declared that the Act is necessary to encourage responsible lending, to protect  
25 borrowers, and to preserve access to credit in the residential real estate lending market.

1 **2.2 Unfair or Deceptive Practices.** Based on the Factual Allegations set forth in Section I above, Respondents  
2 are in apparent violation of RCW 31.04.027(2) for directly or indirectly engaging in any unfair or deceptive  
3 practice toward any person, and by being in apparent violation of WAC 208-620-550(5); WAC 208-620-610(5);  
4 WAC 208-620-630(1) and (1)(b); WAC 208-620-630(2) and (6); and WAC 208-620-640.

5 **2.3 False or Deceptive Statements or Representations.** Based on the Factual Allegations set forth in Section I  
6 above, Respondents are in apparent violation of RCW 31.04.027(7) for making, in any manner, any false or  
7 deceptive statement or representation with regard to the rates, points, or other financing terms for a residential  
8 mortgage loan, and by being in apparent violation of WAC 208-620-550(5) and WAC 208-620-640.

9 **2.4 False, Misleading, or Deceptive Advertisements or Promotions.** Based on the Factual Allegations set  
10 forth in Section I above, Respondents are in apparent violation of RCW 31.04.135 for advertising, in any manner  
11 whatsoever, any statement or representation with regard to the rates, terms, or conditions for the lending of money  
12 that is false, misleading, or deceptive, and by being in apparent violation of WAC 208-620-550(5).

13 **2.5 Failure to Clearly and Conspicuously Disclose the APR.** Based on the Factual Allegations set forth in  
14 Section I above, Respondents are in apparent violation of RCW 31.04.027(12) for advertising any rate of interest  
15 without conspicuously disclosing the annual percentage rate implied by that rate of interest, and by being in  
16 apparent violation of WAC 208-620-630(2).

17 **2.6 Violation of Applicable Federal Law.** Based on the Factual Allegations set forth in Section I above,  
18 Respondents are in apparent violation of RCW 31.04.027(13) for violating any applicable federal laws relating to  
19 the activities governed by the Act, including the advertising prohibitions contained in the Federal Trade  
20 Commission Act, 15 U.S.C. §§ 41-58; the Truth in Lending Act, 15 U.S.C. § 1601 and Regulation Z, 12 C.F.R. §  
21 1026; and the Mortgage Acts and Practices – Advertising (MAP) rule, Regulation N, 12 C.F.R. § 1014.

22 **2.7 Requirement to Comply with Investigation Authority.** Based on the Factual Allegations set forth in  
23 Section I above, Respondents are in apparent violation of RCW 31.04.145 for failing to comply with the  
24 Department’s investigation authority and by being in apparent violation of WAC 208-620-550(6).

1 **III. AUTHORITY TO IMPOSE SANCTIONS**

2 **3.1 Authority to Issue an Order to Cease and Desist.** Pursuant to RCW 31.04.093(5)(a), the Director may  
3 issue an order directing licensees to cease and desist from conducting business in a manner that is injurious to the  
4 public or violates any provision of the Act.

5 **3.2 Authority to Order Affirmative Action.** Pursuant to RCW 31.04.093(5)(b), the Director may issue an  
6 order directing licensees to take such affirmative action as is necessary to comply with the Act.

7 **3.3 Authority to Impose Fine.** Pursuant to RCW 31.04.093(4), the Director may impose fines of up to one  
8 hundred dollars per day, per violation, upon licensees for any violation of the Act.

9 **3.4 Authority to Charge and Collect Investigation Fees.** Pursuant to RCW 31.04.145(3) and WAC 208-620-  
10 590, every licensee investigated by the Director shall pay for the cost of the investigation, calculated at the rate of  
11 \$69.01 per staff hour devoted to the investigation.

12 **3.5 Authority to Recover Costs and Expenses.** Pursuant to RCW 31.04.205(2), the Director may recover the  
13 Department's costs and expenses for prosecuting violations of the Act.

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

15 Respondents' violations of the provisions of chapter 31.04 RCW and chapter 208-620 WAC, as set forth in the  
16 above Factual Allegations, Grounds for Entry of Order, and Authority to Impose Sanctions, constitute a basis for  
17 the entry of an Order under RCW 31.04.093, RCW 31.04.165, and RCW 31.04.205. Therefore, it is the Director's  
18 intent to ORDER that:

19 **4.1** Respondent Global Equity Finance, Inc. and Respondent Cornell M. Hough cease and desist  
20 directly or indirectly engaging in any unfair or deceptive practice toward any person;  
21 advertising on the Internet and elsewhere that it offers "the lowest rates in the industry" or  
22 words to that effect; failing to comply with the Department's investigative authority; and  
23 distributing in Washington any advertising offering residential mortgage loans until such time  
as it is able to demonstrate, to the Department's satisfaction, that it has in place compliance  
policies, procedures, and testing systems reasonably designed to detect and prevent the  
distribution of false, deceptive, or misleading advertising.

24 **4.2** Respondent Global Equity Finance, Inc. and Respondent Cornell M. Hough take affirmative  
25 action as is necessary to comply with the Act, including:

- a. Within 30 days of the entry of a Final Order in this matter, review Respondent Global Equity’s advertising compliance policies and procedures and make necessary changes to ensure the advertising compliance systems are reasonably designed to detect and prevent the distribution of false, deceptive, or misleading advertising in Washington;
- b. Within 60 days of the entry of a Final Order in this matter, provide the Department with a copy of Respondent Global Equity’s revised advertising compliance policies and procedures, along with a report of any changes made to those advertising compliance policies and procedures.

- 4.3 Respondent Global Equity Loans, Inc. and Respondent Cornell M. Hough jointly and severally pay a fine. As of the date of this Statement of Charges the fine totals \$200,000.
- 4.4 Respondent Global Equity Loans, Inc. and Respondent Cornell M. Hough jointly and severally pay the Department’s costs of the investigation. As of the date of this Statement of Charges the investigation fee totals \$3,105.45.
- 4.5 Respondent Global Equity Loans, Inc. and Respondent Cornell M. Hough jointly and severally pay the Department’s costs and expenses for prosecuting violations of the Act in an amount to be determined at hearing, or, in event of default by Respondents, by declaration with supporting documentation.

**V. AUTHORITY AND PROCEDURE**

This Statement of Charges is entered pursuant to the provisions of RCW 31.04.093, RCW 31.04.165, RCW 31.04.202, and RCW 31.04.205, and is subject to the provisions of chapter 34.05 RCW, the Administrative Procedure Act. Respondents may each 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 13<sup>th</sup> day of October, 2016.

/s/ \_\_\_\_\_  
**CHARLES E. CLARK**  
 Director, Division of Consumer Services  
 Department of Financial Institutions

Presented by:

Approved by:

\_\_\_\_\_  
 /s/ \_\_\_\_\_  
**ANTHONY W. CARTER**  
 Senior Legal Examiner

\_\_\_\_\_  
 /s/ \_\_\_\_\_  
**STEVEN C. SHERMAN**  
 Enforcement Chief

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