

ORDER SUMMARY – Case Number: C-16-2037

Name:	Karen Aragdon Reyes
Order Number:	C-16-2037-18-CO03
Effective Date:	January 12, 2018
License Number:	NMLS No. 239804
License Effect:	MLO license voluntarily and permanently surrendered in lieu of revocation.
Prohibition from Industry:	Five (5) years from participating, in any capacity, in the conduct of the affairs of any consumer loan or mortgage broker company licensed by the Department or subject to licensure or regulation by the Department.

Investigation Costs	\$ 0	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
Fine	\$ 0	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date

Comments: In lieu of license revocation, Ms. Reyes agreed to voluntarily and permanently surrender her MLO license. Ms. Reyes must surrender her MLO license on NMLS within one week (7) days of the entry of the Consent Order by the Department. Ms. Reyes must also advise the Department of her current mailing address and phone number within one week (7) days of the entry of the Consent Order by the Department, and must advise the Department within one week (7) days of any change to her contact information for the full five (5) years the Consent Order is in effect.

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
5 Consumer Loan Act of Washington by:

No. C-16-2037-18-CO03

6 **CONSENT ORDER AS TO**
7 **KAREN ARAGDON REYES**

8 CENTRALBANC MORTGAGE CORPORATION, a
Washington Consumer Loan Company, NMLS No. 55244;
9 JOHN W. DELANEY, President and Chief Executive
Officer, NMLS No. 102468;
10 JOHN C. DOLAN, Executive Vice President and Mortgage
Loan Originator, NMLS No. 102966;
11 KAREN A. REYES, Production Manager and Mortgage
Loan Originator, NMLS No. 239804; and
12 BRETT T. GREEN, Mortgage Loan Originator,
NMLS No. 114787.

13 Respondents.

14 COME NOW the Director of the Department of Financial Institutions (Director), through her designee
15 Charles E. Clark, Division Director, Division of Consumer Services, and Karen Aragdon Reyes (Respondent), by
16 and through her attorney, Christopher A. Campbell, and finding that the issues raised in the above-captioned
17 matter may be economically and efficiently settled, agree to the entry of this Consent Order solely as to
18 Respondent. This Consent Order is entered pursuant to chapter 31.04 of the Revised Code of Washington (RCW),
19 and RCW 34.05.060 of the Administrative Procedure Act, based on the following:

20 **AGREEMENT AND ORDER**

21 The Department of Financial Institutions, Division of Consumer Services (Department) and Respondent
22 have agreed upon a basis for resolution of the matters alleged in the attached Statement of Charges No. C-16-
23 2037-17-SC01 (Statement of Charges), entered March 31, 2017. Pursuant to chapter 31.04 RCW, the Consumer
24 Loan Act (Act) and RCW 34.05.060 of the Administrative Procedure Act, Respondent hereby agrees to the
25 Department's entry of this Consent Order. The parties intend this Consent Order to fully resolve the Statement of
Charges as to Respondent, and agree that Respondent does not admit any wrongdoing by its entry. In
consideration of the terms of this Consent Order, Respondent agrees not to contest the Statement of Charges.

1 **Based upon the foregoing:**

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

4 **B. Waiver of Hearing.** It is AGREED that Respondent has been informed of the right to a hearing before
5 an administrative law judge, and hereby waives her right to a hearing and any and all administrative and judicial
6 review of the issues raised in this matter, or of the resolution reached herein. Accordingly, Respondent, by her
7 signature below, withdraws her appeal to the Office of Administrative Hearings.

8 **C. License Surrender.** It is AGREED that in lieu of the license revocation sought in the Statement of
9 Charges, the Department will accept Respondent's voluntary and permanent surrender of her mortgage loan
10 originator license. It is FURTHER AGREED and ORDERED the Respondent's mortgage loan originator license
11 shall be surrendered electronically via NMLS within one week (7 days) of entry of this Consent Order.

12 **D. Prohibition from Industry.** It is AGREED and ORDERED that, for a period of five years from the
13 date of entry of this Consent Order, Respondent is prohibited from participating, in any capacity, in the conduct of
14 the affairs of any consumer loan or mortgage brokerage company licensed by the Department or subject to licensure
15 or regulation by the Department.

16 **E. Update NMLS Disclosures.** It is AGREED that Respondent shall update her NMLS account - No.
17 239804 - to reflect all outstanding events that require disclosure and associated explanations if necessary. It is
18 further AGREED and ORDERED that Respondent shall update her NMLS account within one week (7 days) of
19 entry of this Consent Order.

20 **F. Fine.** It is AGREED that the Department will not fine Respondent pursuant to the Statement of
21 Charges.

22 **G. Change of Address.** It is AGREED that for the duration of the period this Consent Order is in effect,
23 unless otherwise agreed to in writing by the Department, Respondent shall provide the Department with a mailing
24 address and telephone number at which Respondent can be contacted and Respondent shall notify the Department
25 in writing of any change to her mailing address or telephone number within 15 days of any such change. It is

1 further AGREED and ORDERED that Respondent shall provide the Department with her current mailing address
2 and telephone number at which Respondent can be contacted within one week (7 days) of entry of this Consent
3 Order.

4 **H. Non-Compliance with Order.** It is AGREED that Respondent understands that failure to abide by the
5 terms and conditions of this Consent Order may result in further legal action by the Director. In the event of such
6 legal action, Respondent may be responsible to reimburse the Director for the state's costs and expenses in
7 pursuing such action, including attorney fees, and for prosecuting violations of the Act.

8 **I. Voluntarily Entered.** It is AGREED that Respondent has voluntarily entered into this Consent Order,
9 which is effective when signed by the Director's designee.

10 **J. Completely Read, Understood, and Agreed.** It is AGREED that Respondent has completely read this
11 Consent Order in its entirety and fully understands and agrees to all of the same.

12 **RESPONDENT:**

13 /s/ _____ 1/9/18 _____
14 Karen Aragdon Reyes Date

15
16 Approved for Entry:

17 /s/ _____ 1/9/2018 _____
18 Christopher A. Campbell, Esq. WSBA No. 50959 Date
19 The Rosenberg Law Group, PLLC
Attorneys for Respondent Karen Aragdon Reyes

20 **DO NOT WRITE BELOW THIS LINE**

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1 THIS ORDER ENTERED THIS 12th DAY OF JANUARY, 2018.

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3 _____
4 CHARLES E. CLARK
5 Director, Division of Consumer Services
6 Department of Financial Institutions
7

8 Presented by:

Approved by:

9 _____
10 ANTHONY W. CARTER
11 Senior Legal Examiner
12 Consumer Services Enforcement Unit
13 Department of Financial Institutions
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STEVEN C. SHERMAN
Enforcement Chief
Consumer Services Enforcement Unit
Department of Financial Institutions

1 **C. Respondent John Carroll Dolan** (Respondent Dolan), the Executive Vice President of Respondent
2 CentralBanc, was licensed by the Department to conduct business as a MLO for Respondent CentralBanc on or
3 about September 13, 2010, and has been continuously licensed to date.

4 **D. Respondent Karen Aragdon Reyes** (Respondent Reyes), the Production Manager for Respondent
5 CentralBanc, was licensed by the Department to conduct business as a MLO for Respondent CentralBanc on or
6 about January 11, 2013, and was continuously licensed by the Department through December 31, 2016, when the
7 Department declined to renew her MLO license for 2017.

8 **E. Respondent Brett Todd Green** (Respondent Green), was licensed by the Department to conduct
9 business as a MLO for Respondent CentralBanc on or about May 15, 2015, and was continuously sponsored by
10 Respondent CentralBanc through November 3, 2016, when Respondent CentralBanc removed its sponsorship.

11 **1.2 False Statements and Omissions of Material Facts.** On or about May 31, 2016, the Department notified
12 Respondent Delaney the Department had selected Respondent CentralBanc for an examination of its business
13 practices and that the Department would utilize a secure cloud server, Box.com, to retrieve all examination-related
14 documents. On or about July 21, 2016, the Department identified 25 residential mortgage loan files the Department
15 intended to review during the examination. The Department further requested that by close of business on August
16 4, 2016, Respondent Delaney upload complete copies of each requested loan file to an account on Box.com.

17 Between July 21, 2016, and August 4, 2016, in apprehension of the Department's examination, Respondent
18 Reyes, acting on behalf of Respondent CentralBanc, forged and altered more than 100 loan disclosure documents
19 that were either incomplete or completely missing from the requested loan files. Respondent Reyes subsequently
20 added the forged and altered loan disclosure documents to the loan files and uploaded the loan files to the Box.com
21 account created by the Department for Respondent CentralBanc's use. Respondent Reyes omitted to inform the
22 Department that she had added forged and altered loan disclosure documents to the requested loan files.

23 On November 14, 2016, the Department took the testimony of Respondent Reyes pursuant to an
24 investigation of Respondent CentralBanc. During Respondent Reyes' testimony she admitted to forging and
25 altering loan disclosure documents; placing those forged and altered loan disclosure documents in the loan files the

1 Department had requested and intended to review; and uploaded the loan files containing the forged and altered
2 loan disclosure documents to the Box.com account created by the Department for Respondent CentralBanc's use.

3 **1.3 2016 Examination.** From August 8, 2016, through August 12, 2016, the Department conducted an on-site
4 compliance examination of Respondent CentralBanc at its office in Bellevue, Washington. During the examination
5 the Department reviewed the requested loan files and identified the loan disclosure documents Respondent Reyes
6 had forged and altered and added to the loan files.

7 **1.4 Incomplete and Inaccurate Disclosures.** Respondent CentralBanc failed to provide borrowers with
8 complete and accurate Rate Lock Agreements; provided borrowers with loan disclosures containing blanks; failed
9 to provide borrowers with a complete and accurate privacy policy disclosure; and failed to provide complete
10 disclosures to borrowers whose loan applications had been denied.

11 **1.5 Failure to Preserve Records.** Respondent Delaney and Respondent CentralBanc failed to preserve all
12 records, documents, files, and other relevant information required to be maintained under the Act.

13 **1.6 Unlicensed Activity.** While Respondent Green was sponsored by Respondent CentralBanc as a MLO,
14 Respondent Green resided on the Kitsap Peninsula some 40 miles across Puget Sound from Respondent
15 CentralBanc's office in Bellevue. Respondent Green originated more than 20 residential mortgage loans for
16 Respondent CentralBanc from his home, an unlicensed location.

17 **1.7 Aiding and Abetting Unlicensed Activity.** Respondent Delaney, Respondent CentralBanc, and Respondent
18 Dolan aided and abetted Respondent Green's unlicensed activity by permitting Respondent Green to originate
19 residential mortgage loans from an unlicensed location, and by making loans to the borrowers contacted by
20 Respondent Green from the unlicensed location.

21 **1.8 Failure to Properly Supervise.** Respondent Delaney and/or Respondent Dolan failed to properly supervise
22 Respondent Reyes and Respondent Green.

23 **1.9 On-Going Investigation.** The Department's investigation into the alleged violations of the Act by
24 Respondents continues to date.

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

2 **2.1 Definitions.**

3 **A. Borrower.** Pursuant to RCW 31.04.015(3) and WAC 208-620-010, a “borrower” means in part any
4 person who retains a licensee in an effort to obtain a loan, regardless of whether that person actually obtains a loan.

5 **B. Making a Loan.** Pursuant to RCW 31.04.015(15) and WAC 208-620-010, "making a loan" means
6 advancing, offering to advance, or making a commitment to advance funds to a borrower for a loan.

7 **C. Mortgage Loan Originator.** Pursuant to RCW 31.04.015(17) and WAC 208-620-010, "mortgage loan
8 originator" means in part an individual who for compensation or gain (i) takes a residential mortgage loan
9 application, or (ii) offers or negotiates terms of a residential mortgage loan.

10 **D. Residential Mortgage Loan.** Pursuant to RCW 31.04.015(25) and WAC 208-620-010, "residential
11 mortgage loan" means in part any loan primarily for personal, family, or household use that is secured by a
12 mortgage, deed of trust, or other equivalent consensual security interest on a dwelling or residential real estate
13 upon which is constructed or intended to be constructed a dwelling.

14 **2.2 Responsibility and Liability for Violations.** Pursuant to WAC 208-620-378, Respondent Delaney,
15 Respondent CentralBanc, and Respondent Dolan are responsible for ensuring their MLOs have sufficient
16 knowledge and understanding of the Act and related rules, and pursuant to WAC 208-620-372 are liable for any
17 violations of the Act and related rules by their MLOs.

18 **2.3 False Statements and Omissions of Material Facts.** Based on the Factual Allegations set forth in Section I
19 above, Respondent CentralBanc and Respondent Reyes are in apparent violation of RCW 31.04.027(1), (2), (1),
20 (8), and WAC 208-620-550(6) for negligently making any false statement, or knowingly and willfully making any
21 omission of material fact, in connection with an examination conducted by the Department.

22 **2.4 Failure to Make Required Disclosures.** Based on the Factual Allegations set forth in Section I above,
23 Respondent CentralBanc is in apparent violation of RCW 31.04.027(6), WAC 208-620-550(8), and WAC 208-
24 620-550(16), for failing to make disclosures to borrowers as required by RCW 31.04.102 and any other applicable
25 state or federal law.

1 **2.5 Failure to Preserve Records.** Based on the Factual Allegations set forth in Section I above, Respondent
2 Delaney, Respondent CentralBanc, and Respondent Dolan are in apparent violation of RCW 31.04.155 and
3 WAC 208-620-520(1), for failing to preserve all records, papers, documents, files, and other information relevant
4 to loans required to be maintained under the Act.

5 **2.6 Unlicensed Location.** Based on the Factual Allegations set forth in Section I above, Respondent
6 CentralBanc and Respondent Green are in apparent violation of RCW 31.04.027(14), RCW 31.04.035, and
7 RCW 31.04.075 for originating and making residential mortgage loans from an unlicensed branch without first
8 obtaining and maintaining the required branch license. Additionally, Respondent CentralBanc and Respondent
9 Dolan are in apparent violation of RCW 31.04.175 for aiding and abetting Respondent Green's unlicensed activity.

10 **2.7 Failure to Properly Supervise.** Based on the Factual Allegations set forth in Section I above, Respondent
11 Delany and/or Respondent Dolan are in apparent violation of RCW 31.04.027(2) for failing to properly supervise
12 Respondent Green and Respondent Reyes.

13 III. AUTHORITY TO IMPOSE SANCTIONS

14 **3.1 Authority to Revoke Licenses.** Pursuant to RCW 31.04.093(3), the Director may revoke licenses issued
15 under the Act for any knowing or negligent violation of any provision of the Act or the rules adopted thereunder.

16 **3.2 Authority to Prohibit from the Industry.** Pursuant to RCW 31.04.093(6), the Director may issue an order
17 prohibiting from participation in the affairs of any licensee, any officer, principal, employee, or MLO of a licensee
18 for a violation of RCW 31.04.027, RCW 31.04.102, or RCW 31.04.155.

19 **3.3 Authority to Impose Fines.** Pursuant to RCW 31.04.093(4), the Director may impose fines of up to one
20 hundred dollars per day, per violation, upon licensees, employees, and MLOs for any violation of the Act.

21 **3.4 Authority to Charge and Collect Investigation Fees.** Pursuant to RCW 31.04.145(3) and WAC 208-620-
22 590, every licensee investigated by the Director or the Director's designee shall pay for the cost of the
23 investigation calculated at the rate of \$69.01 per staff hour devoted to the investigation.

24 **3.5 Authority to Recover Costs and Expenses.** Pursuant to RCW 31.04.205(2), the Director may recover the
25 state's costs and expenses for prosecuting violations of the Act.

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

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

- 6 **4.1** Respondent CentralBanc Mortgage Corporation's license to conduct the business of a
7 consumer loan company under the Act be revoked.
- 8 **4.2** Respondent John C. Dolan's license to conduct the business of a mortgage loan originator
9 under the Act be revoked.
- 10 **4.3** Respondent Karen A. Reyes' license to conduct the business of a mortgage loan originator
11 under the Act be revoked.
- 12 **4.4** Respondent Brett T. Green's license to conduct the business of a mortgage loan originator
13 under the Act be revoked.
- 14 **4.5** Respondent John W. Delaney be prohibited from participation in the conduct of the affairs
15 of any consumer loan company licensed by, or subject to licensure by, the Director, in any
16 manner, for a period of five (5) years.
- 17 **4.6** Respondent John C. Dolan be prohibited from participation in the conduct of the affairs of
18 any consumer loan company licensed by, or subject to licensure by, the Director, in any
19 manner, for a period of five (5) years.
- 20 **4.7** Respondent Karen A. Reyes be prohibited from participation in the conduct of the affairs of
21 any consumer loan company licensed by, or subject to licensure by, the Director, in any
22 manner, for a period of ten (10) years.
- 23 **4.8** Respondent Brett T. Green be prohibited from participation in the conduct of the affairs of
24 any consumer loan company licensed by, or subject to licensure by, the Director, in any
25 manner, for a period of five (5) years.
- 4.9** Respondent John W. Delaney, Respondent CentralBanc Mortgage Corporation, and
Respondent John C. Dolan jointly and severally pay a fine. As of the date of this Statement
of Charges the fine totals \$350,000.
- 4.10** Respondent Karen A. Reyes pay a fine of \$50,000.
- 4.11** Respondent Brett T. Green pay a fine of \$30,000.
- 4.12** Respondent John W. Delaney, Respondent CentralBanc Mortgage Corporation, and
Respondent John C. Dolan jointly and severally pay an investigation fee. As of the date of
this Statement of Charges the investigation fee totals \$4,600.

