

ORDER SUMMARY – Case Number: C-17-2181

Names: Riverside Mortgage Group, LLC
Loren M. Pember
David M. Sefton

Order Number: Consent Order No. C-17-2181-18-CO01

Effective Date: September 21, 2018

NMLS Identifiers: NMLS Numbers 113779, 116693, and 116689

License Effect: Stayed

Not Apply Until: NA

Not Eligible Until: NA

Prohibition/Ban Until: Stayed

Investigation Fee:	\$2,174.40	Due: Upon entry of the Consent Order	Paid <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date: 9/19/2018
Fine:	\$5,250.00	Due: Upon entry of the Consent Order	Paid <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date: 9/19/2018

Comments: In addition to the financial obligations, Respondents must comply with the MBPA and the associated regulations found in chapter 208-660 WAC and submit to a compliance examination to be scheduled based upon the Department's availability between twelve and eighteen months from the date of the entry of this Consent Order.

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

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

No.: C-17-2181-18-CO01

CONSENT ORDER

8 RIVERSIDE MORTGAGE GROUP, LLC,
9 NMLS #113779;
LOREN M. PEMBER, Designated Broker, Co-
Owner, Control Person, and Mortgage Loan
Originator, NMLS #116693; and
DAVID M. SEFTON, Co-Owner, Control Person,
and Mortgage Loan Originator, NMLS #116689,
Respondents.

10 COMES NOW the Director of the Department of Financial Institutions (Director), through
11 her designee Charles E. Clark, Division Director, Division of Consumer Services, and Riverside
12 Mortgage Group, LLC (Respondent Riverside Mortgage Group), Loren M. Pember, Designated
13 Broker, Co-Owner, Control Person, and Mortgage Loan Originator (Respondent Pember), and David
14 M. Sefton, Co-Owner, Control Person, and Mortgage Loan Originator (Respondent Sefton)
15 (collectively Respondents), and finding that the issues raised in the above-captioned matter may be
16 economically and efficiently settled, agree to the entry of this Consent Order. This Consent Order is
17 entered pursuant to chapter 19.146 of the Revised Code of Washington (RCW) and RCW 34.05.060
18 of the Administrative Procedure Act, based upon the following:

19 **AGREEMENT AND ORDER**

20 The Department of Financial Institutions, Division of Consumer Services, (Department) and
21 Respondents have agreed upon a basis for resolution of the matters alleged in Statement of Charges
22 No. C-17-2181-18-SC01 (Statement of Charges), entered June 27, 2018, (copy attached hereto).
23 Pursuant to chapter 19.146 RCW, the Mortgage Broker Practices Act (Act), and RCW 34.05.060 of
24 the Administrative Procedure Act, Respondents hereby agree to the Department's entry of this

1 Consent Order and intend this Consent Order to fully resolve the Statement of Charges. Respondents
2 are agreeing to not contest the Statement of Charges in consideration of the terms of this Consent
3 Order.

4 Based upon the foregoing:

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

7 B. **Waiver of Hearing.** It is AGREED that Respondents have been informed of the right to a
8 hearing before an administrative law judge, and hereby waive their right to a hearing and any and all
9 administrative and judicial review of the issues raised in this matter, or of the resolution reached
10 herein. Accordingly, Respondents, by the signatures of their representatives below, withdraw their
11 appeals to the Office of Administrative Hearings.

12 C. **Cease and Desist and Compliance with the Act.** It is AGREED that Respondents shall
13 cease and desist violating the Act, including, but not limited to, violating RCW 19.146.0201(2) and
14 (16), RCW 19.146.030(2)(c), RCW 19.146.060(2) and (4), WAC 208-660-180(11), WAC 208-660-
15 300(4), WAC 208-660-430(3), WAC 208-660-446(1), (3), and (4), and WAC 208-660-450(1) and
16 (3). It is FURTHER AGREED AND ORDERED that Respondents shall henceforth comply with the
17 Act and the associated regulations found in chapter 208-660 WAC.

18 D. **License Revocation.** It is AGREED that Respondents' license to conduct business in
19 Washington as mortgage brokers and that Respondent Pember's and Respondent Sefton's licenses to
20 conduct business in Washington as mortgage loan originators are subject to revocation by the
21 Department. It is FURTHER AGREED that the revocation of Respondents' mortgage broker license
22 and Respondent Pember's and Respondent Sefton's mortgage loan originator licenses are STAYED
23

1 (Stayed Revocations) contingent upon Respondents' compliance with the terms of this Consent Order
2 for a period of two years from the date of entry of the Consent Order.

3 **E. Industry Ban.** It is AGREED that Respondents' participation in the conduct of the
4 affairs of mortgage brokers in Washington pursuant to licensure by the Director is subject to
5 prohibition by the Department. It is FURTHER AGREED that the prohibition of Respondents'
6 participation in the conduct of the affairs of mortgage brokers is STAYED (Stayed Bans) contingent
7 upon Respondents' compliance with the terms of this Consent Order for a period of two years from
8 the date of entry of the Consent Order.

9 **F. Fine.** It is AGREED AND ORDERED that Respondents shall jointly and severally pay
10 the Department a Fine in the amount of \$10,500, with \$5,250 due in the form of a cashier's check
11 made payable to the "Washington State Treasurer" upon entry of the Consent Order. The \$5,250
12 balance of the Fine shall be STAYED (Stayed Fine) contingent upon Respondents' compliance with
13 the terms of this Consent Order for a period of two years from the date of entry of the Consent Order.

14 **G. Investigation Fee.** It is AGREED AND ORDERED that Respondents shall jointly and
15 severally pay to the Department an Investigation Fee in the amount \$2,174.40, in the form of a
16 cashier's check made payable to the "Washington State Treasurer", upon entry of the Consent Order.
17 The Fine and Investigation Fee may be paid together in one \$7,424.40 cashier's check made payable
18 to the "Washington State Treasurer."

19 **H. Compliance Examination.** It is AGREED that:

- 20 1. Respondents shall be subject to at least one full scope examination by the Department
21 to determine compliance with this Consent Order. Such examination shall be
22 scheduled based upon the Department's availability between twelve and eighteen
23 months from the date of entry of this Consent Order.
- 24 2. If, within two years from the date of entry of this Consent Order, the Department
 elects to conduct an examination of Respondents for any reason other than to
 determine compliance with this Consent Order, the Department may elect to combine

1 such an examination with an examination to determine compliance with this Consent
2 Order.

- 3 3. Respondents shall pay all costs of the examinations authorized by WAC 208-660-
4 510(8).

4 **I. Lifting of the Stays.** It is AGREED that:

- 5 1. If the Department determines Respondents have not complied with this Consent
6 Order and seeks to lift the Stays (Stayed Revocations, Bans, and Fine) and impose
7 the Stayed sanctions, the Department will first serve Respondents with a written
8 notice of noncompliance.

- 9 2. The notice of noncompliance will include:

10 a. A description of the alleged noncompliance;

11 b. A statement that the Department seeks to lift the Stays and revoke
12 Respondents' mortgage broker license and Respondent Pember's and
13 Respondent Sefton's mortgage loan originator licenses and impose the
14 Stayed Ban and Stayed Fine;

15 c. Notice that Respondents can contest the allegations of noncompliance by
16 either requesting an adjudicative hearing in writing or by submitting a
17 written response to the allegations of noncompliance; and

18 d. Notice that the process for lifting the Stays applies only to this Consent
19 Order.

- 20 3. Respondents will be afforded twenty business days from the date of service of the
21 notice of noncompliance to submit to the Department a written request for an
22 adjudicative hearing.

- 23 4. The scope and issues of the adjudicative hearing are limited solely to whether or not
24 Respondents failed to comply with the terms of this Consent Order.

- 5 At the conclusion of the adjudicative hearing, the Administrative Law Judge will
6 issue an initial decision. Either party may subsequently file a Petition for Review
7 with the Director of the Department.

- 8 In lieu of requesting an adjudicative hearing, within twenty business days from the
9 date of service of the notice of noncompliance, Respondents may submit to the
10 Department's a written response to the allegations of noncompliance for
11 consideration by the Department. The response must include a waiver of the right
12 to an adjudicative hearing, may address the allegations of noncompliance, and may
13 seek an alternative resolution to lifting the Stays and imposing the Stayed sanctions.

1 7. **Default.** If Respondents do not timely request an adjudicative hearing or submit a
2 written response to the notice of noncompliance, the Department may lift the Stays
3 and impose the Stayed sanctions without further notice.

4 **J. Authority to Execute Order.** It is AGREED that the undersigned have represented and
5 warranted that they have the full power and right to execute this Consent Order on behalf of the
6 parties represented.

7 **K. Non-Compliance with Order.** It is AGREED that Respondents understand that failure to
8 abide by the terms and conditions of this Consent Order may result in further legal action by the
9 Director. In the event of such legal action, Respondents may be responsible to reimburse the Director
10 for the cost incurred in pursuing such action, including, but not limited to, attorney fees.

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

13 **M. Completely Read, Understood, and Agreed.** It is AGREED that Respondents have read
14 this Consent Order in its entirety and fully understand and agree to all of the same.

15 **N. Counterparts.** This Consent Order may be executed by the Respondents in any number
16 of counterparts, including by facsimile or e-mail of a .pdf or similar file, each of which shall be
17 deemed to be an original, but all of which, taken together, shall constitute one and the same Consent
18 Order.

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RESPONDENTS:

Riverside Mortgage Group, LLC

By:

/s/
Loren M. Pember
Designated Broker, Co-Owner, and Control Person

9/18/18
Date

/s/
David M. Pember
Co-Owner and Control Person

9/18/2018
Date

/s/
Loren M. Pember
Individually

9/18/18
Date

/s/
David M. Sefton
Individually

9/18/2018
Date

DO NOT WRITE BELOW THIS LINE

THIS ORDER ENTERED THIS 21st DAY OF September, 2018.

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

Presented by:

Approved by:

/s/
BARBARA PENTTILA
Financial 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
Mortgage Broker Practices Act of Washington by:

5 RIVERSIDE MORTGAGE GROUP, LLC,
NMLS #113779;
6 LOREN M. PEMBER, Designated Broker, Co-
Owner, Control Person, and Mortgage Loan
7 Originator, NMLS #116693; and
8 DAVID M. SEFTON, Co-Owner, Control Person,
and Mortgage Loan Originator, NMLS #116689,
Respondents.

No. C-17-2181-18-SC01

STATEMENT OF CHARGES and
NOTICE OF INTENT TO ENTER AN
ORDER TO CEASE AND DESIST, REVOKE
LICENSE, PROHIBIT FROM INDUSTRY,
IMPOSE FINE, COLLECT INVESTIGATION
FEE, and RECOVER COSTS AND
EXPENSES

9 **INTRODUCTION**

10 Pursuant to RCW 19.146.220 and RCW 19.146.223, the Director of the Department of
11 Financial Institutions of the State of Washington (Director) is responsible for the administration of
12 chapter 19.146 RCW, the Mortgage Broker Practices Act (Act). After having conducted an
13 investigation pursuant to RCW 19.146.235, and based upon the facts available as of the date of this
14 Statement of Charges, the Director, through her designee, Division of Consumer Services Director
15 Charles E. Clark, institutes this proceeding and finds as follows:

16 **I. FACTUAL ALLEGATIONS**

17 **1.1 Respondents.**

18 A. **Riverside Mortgage Group, LLC (Respondent Riverside Mortgage Group)** was
19 licensed by the Department of Financial Institutions of the State of Washington (Department) to
20 conduct business as a mortgage broker on or about December 11, 2002, and continues to be licensed
21 to date.

22 B. **Loren M. Pember (Respondent Pember)** is the Designated Broker, Co-Owner (50%
23 share), and Control Person of Respondent Riverside Mortgage Group. Respondent Pember was
24

1 named Designated Broker of Respondent Riverside Mortgage Group on or about December 11, 2002,
2 and continues to be the Designated Broker to date. Respondent Pember was licensed by the
3 Department to conduct business as a mortgage loan originator on or about December 22, 2009, and
4 continues to be licensed to date.

5 **C. David M. Sefton (Respondent Sefton)** is the Co-Owner (50% share) and Control
6 Person of Respondent Riverside Mortgage Group. Respondent Sefton was licensed by the
7 Department to conduct business as a mortgage loan originator on or about February 4, 2008, and
8 continues to be licensed to date.

9 **1.2 2017 Examination.** From March 21, 2017, through March 22, 2017, the Department
10 conducted an examination of Respondents' business practices for the period of December 1, 2014,
11 through January 31, 2017 (Relevant Period). The Department reviewed loan files from the Relevant
12 Period and found violations of the Act, including, but not limited to, the violations set forth below.

13 **1.3 Failed to Include the Required Language in Advertisements.** During the Relevant Period,
14 Respondents failed to display the Mortgage Loan Originator License Number for Respondent Sefton
15 in at least two advertisements. Respondents also failed to provide a link to the NMLS Consumer
16 Access Page and failed to include the company's main license number (NMLS unique identifier) in at
17 least two advertisements. This is a repeat violation from Respondents' 2012 examination, of which
18 they were previously notified.

19 **1.4 Unlicensed Location.** During the Relevant Period, Respondent Pember stated he did not
20 routinely work from Respondents' Portland, Oregon, main company licensed location as identified in
21 NMLS. Respondent Pember admitted he worked from his residence and closed at least six loans in
22 Washington during the Relevant Period. Respondents did not hold a license for a branch office to
23 conduct the business of a mortgage broker or loan originator from Respondent Pember's residence or
24 from any other locale.

1 **1.5 Failed to Provide Accurate and Complete Rate Lock Agreements.** During the Relevant
2 Period, Respondents failed to provide accurate and complete Rate Lock Agreements after locking the
3 borrowers' interest rates for at least three consumers by failing to identify the name of the rate lock
4 guarantors and number of days in the rate lock period.

5 **1.6 Provided Inapplicable Disclosures to the Borrowers.** During the Relevant Period,
6 Respondents provided inapplicable disclosures to at least three borrowers, including, but not limited
7 to, a RESPA Servicing Disclosure, a Required Provider List, and a California State fair lender
8 disclosure entitled the "Housing Financial Discrimination Act of 1977 Fair Lending Notice." This is
9 a repeat violation from Respondents' 2012 examination, of which they were previously notified.

10 **1.7 Failed to Properly Maintain Records.** During the Relevant Period, Respondents did not
11 maintain records for the required period, including the email proof of the delivery of HUD Settlement
12 Booklets for at least two borrowers. Respondent Pember admitted to the Department's staff he only
13 keeps emails for a few months and then deletes the emails.

14 **1.8 On-Going Investigation.** The Department's investigation into the alleged violations of the
15 Act by Respondents continues to date.

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

17 **2.1 Requirement to Refrain from Unfair and Deceptive Advertising.** Based on the Factual
18 Allegations set forth in Section I above, Respondents are in apparent violation of RCW
19 19.146.0201(2) and WAC 208-660-446(1), (3), and (4) for failing to include the required language in
20 their advertisements.

21 **2.2 Responsibility for Conduct of Loan Originators.** Pursuant to RCW 19.146.245, a licensed
22 mortgage broker is liable for any conduct violating the Act by the designated broker or a loan
23 originator while employed or engaged by the licensed mortgage broker.

1 **2.3 Responsibility of Designated Broker.** Pursuant to RCW 19.146.200(3), every licensed
2 mortgage broker must at all times have a designated broker responsible for all activities of the
3 mortgage broker in conducting the business of a mortgage broker. A designated broker or owner who
4 has supervisory authority over a mortgage broker is responsible for a licensee's, employee's, or
5 independent contractor's violations of the Act if the designated broker or owner: (a) directs or
6 instructs the conduct or, with knowledge of the specific conduct, approves or allows the conduct; or
7 (b) has supervisory authority over the licensed mortgage broker and knows or by the exercise of
8 reasonable care and inquiry should have known of the conduct, at a time when its consequences can
9 be avoided or mitigated and fails to take reasonable remedial action.

10 **2.4 Licensed Mortgage Broker or Licensed Loan Originator Operating From Unlicensed**
11 **Location.** Based on the Factual Allegations set forth in Section I above, Respondents are in apparent
12 violation of RCW 19.146.0201(2) and (16), 208-660-180(11), and WAC 208-660-300(4) for
13 engaging in the business of a mortgage broker from a location not licensed by the Department or for
14 conducting business as a loan originator from an unlicensed location.

15 **2.5 Requirement to Provide Accurate and Complete Rate Lock Agreements.** Based on the
16 Factual Allegations set forth in Section I above, Respondents are in apparent violation of RCW
17 19.146.030(2)(c), RCW 19.146.0201(2), and WAC 208-660-430(3) for failing to provide accurate
18 and complete Rate Lock Agreements to borrowers.

19 **2.6 Inapplicable Disclosures.** Based on the Factual Allegations set forth in Section I above,
20 Respondents are in apparent violation of RCW 19.146.0201(2) for directly or indirectly engaging in
21 any unfair or deceptive practice toward any person by notifying borrowers they may have certain
22 rights under RESPA and California State law.

23 **2.7 Requirement to Maintain Accurate and Current Books and Records.** Based on the
24 Factual Allegations set forth in Section I above, Respondents are in apparent violation of RCW

1 19.146.060(2) and (4), RCW 19.146.0201(2), and WAC 208-660-450(1) and (3) for failing to keep
2 all books and records in a location that is on file with and readily available to the Department until at
3 least three years have elapsed following the effective period to which the books and records relate.

4 **III. AUTHORITY TO IMPOSE SANCTIONS**

5 **3.1 Authority to Issue an Order to Cease and Desist or Take Affirmative Action.** Pursuant to
6 RCW 19.146.220(3), the Director may issue orders directing a licensee, its employee, loan originator,
7 independent contractor, agent, or other person subject to the Act to cease and desist from conducting
8 business or take such other affirmative action as is necessary to comply with the Act.

9 **3.2 Authority to Suspend or Revoke Licenses.** Pursuant to RCW 19.146.220(2), the Director
10 may suspend or revoke licenses for any violation of the Act.

11 **3.3 Authority to Prohibit from Industry.** Pursuant to RCW 19.146.220(4), the Director may
12 issue orders removing from office or prohibiting from participation in the conduct of the affairs of a
13 licensed mortgage broker, or both, any officer, principal, employee, or loan originator of any licensed
14 mortgage broker or any person subject to licensing under the Act for any violation of the Act.

15 **3.4 Authority to Impose Fines.** Pursuant to RCW 19.146.220(2) and (6) and WAC 208-660-
16 530(6), the Director may impose fines of up to one hundred dollars per day, per violation, against a
17 licensee or loan originator for any violation of the Act.

18 **3.5 Authority to Collect an Investigation Fee.** Pursuant to RCW 19.146.228(2), WAC 208-
19 660-520(9) & (11), and WAC 208-660-550(4)(a), the Department will charge forty-eight dollars per
20 hour for an examiner's time devoted to an investigation.

21 **3.6 Authority to Recover Costs and Expenses.** Pursuant to RCW 19.146.221(2), the Director
22 may recover the state's costs and expenses for prosecuting violations of the Act.

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

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

6 **4.1** Respondents Riverside Mortgage Group, LLC, Loren M. Pember, and David M.
7 Sefton cease and desist conducting business as mortgage brokers and loan originators.

8 **4.2** Respondents Riverside Mortgage Group, LLC's and Loren M. Pember's license to
9 conduct the business of a mortgage broker be revoked.

10 **4.3** Respondents Loren M. Pember's and David M. Sefton's licenses to conduct the
11 business of a mortgage loan originator be revoked.

12 **4.4** Respondents Riverside Mortgage Group, LLC, Loren M. Pember, and David M.
13 Sefton be prohibited from participation in the conduct of the affairs of any mortgage
14 broker subject to licensure by the Director, in any manner, for a period of five years.

15 **4.5** Respondents Riverside Mortgage Group, LLC, Loren M. Pember, and David M.
16 Sefton jointly and severally pay a fine. As of the date of this Statement of Charges,
17 the fine totals \$21,000.

18 **4.6** Respondents Riverside Mortgage Group, LLC, Loren M. Pember, and David M.
19 Sefton jointly and severally pay an investigation fee. As of the date of this Statement
20 of Charges, the investigation fee totals \$2,174.40.

21 **4.7** Respondents Riverside Mortgage Group, LLC, Loren M. Pember, and David M.
22 Sefton pay the Department's costs and expenses for prosecuting violations of the Act
23 in an amount to be determined at hearing or by declaration with supporting
24 documentation in event of default by Respondents.

4.8 Respondents Riverside Mortgage Group, LLC, Loren M. Pember, and David M.
Sefton maintain records in compliance with the Act and provide the Department with
the location of the books, records and other information relating to Respondents'
mortgage broker business, and the name, address and telephone number of the
individual responsible for maintenance of such records in compliance with the Act.

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1 **V. AUTHORITY AND PROCEDURE**

2 This Statement of Charges is entered pursuant to the provisions of RCW 19.146.220, RCW
3 19.146.221, RCW 19.146.223, and RCW 19.146.230, and is subject to the provisions of chapter
4 34.05 RCW (the Administrative Procedure Act). Respondents may make a written request for a
5 hearing as set forth in the NOTICE OF OPPORTUNITY FOR ADJUDICATIVE HEARING AND
6 TO DEFEND accompanying this Statement of Charges.

7
8 Dated this 27th day of June, 2018.

9
10 /s/ _____
11 CHARLES E. CLARK
12 Director
13 Division of Consumer Services
14 Department of Financial Institutions

15 Presented by:

16 /s/ _____
17 BARBARA PENTTILA
18 Financial Legal Examiner

19 Approved by:

20 /s/ _____
21 STEVEN C. SHERMAN
22 Enforcement Chief