

ORDER SUMMARY – Case Number: C-20-2963

Name(s): Carolene Jean Vlahos

Order Number: C-20-2963-20-FO01

Effective Date: 9/9/20

License Number: 784939
Or NMLS Identifier [U/L] _____

License Effect:

Not Apply Until: N/A

Not Eligible Until: N/A

Prohibition/Ban Until: 5 years from date of entry

Investigation Costs	\$ 979.94	Due	Paid <input type="checkbox"/> Y <input checked="" type="checkbox"/> N	Date
Fine	\$ 12,000	Due	Paid <input type="checkbox"/> Y <input checked="" type="checkbox"/> N	Date
Assessment(s)	\$ TBD	Due	Paid <input type="checkbox"/> Y <input checked="" type="checkbox"/> N	Date
Restitution	\$N/A	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
Financial Literacy and Education	\$N/A	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
Cost of Prosecution	\$N/A	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
	No. of Victims:			

Comments: _____

All fines, costs, assessments, etc. joint and several w/ other Respondents who have requested a hearing.

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

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

No.: C-20-2963-20-FO01

LIBERTY MORTGAGE COMPANY, INC.,
NMLS # 212679,
KAREN SUE RICHMOND, Direct Owner,
Executive Officer, and President,
NMLS # 212574,
CAROLENE JEAN VLAHOS, Direct Owner,
Executive Officer, and Shareholder,
NMLS # 784939, and
MONICA J. SMITH, Executive Officer, and
Corporate Secretary, NMLS # 498007,

FINAL ORDER RE:

CAROLENE JEAN VLAHOS

Respondents.

I. DIRECTOR'S CONSIDERATION

A. Default. This matter has come before the Director of the Department of Financial Institutions of the State of Washington (Director), through his designee, Consumer Services Division Director Lucinda Fazio (Director's designee), pursuant to RCW 34.05.440(1). On July 30, 2020, the Director, through the Director's designee, issued a Statement of Charges and Notice of Intention to Enter an Order to Revoke License, Prohibit from Industry, File Annual Reports, Collect Annual Assessment, Assess Late Penalties, Impose Fine, Collect Investigation Fee, and Recover Costs and Expenses (Statement of Charges) against Carolene Jean Vlahos (Respondent Vlahos). A copy of the Statement of Charges is attached and incorporated into this order by this reference. The Statement of Charges was accompanied by a cover letter dated August 3, 2020, a Notice of Opportunity to Defend and Opportunity for Hearing, and a blank Application for Adjudicative Hearing for Respondent Vlahos (collectively, accompanying documents).

1 On August 3, 2020, the Department served Respondent Vlahos with the Statement of Charges
2 and accompanying documents by First-Class mail and FedEx overnight delivery. On August 4, 2020,
3 the documents sent by FedEx overnight delivery were delivered. The documents sent by First-Class
4 mail were not returned to the Department by the United States Postal Service.

5 Respondent Vlahos did not request an adjudicative hearing within twenty calendar days after
6 the Department served the Notice of Opportunity to Defend and Opportunity for Hearing, as provided
7 for in WAC 208-08-050(2).

8 B. Record Presented. The record presented to the Director's designee for her review and
9 for entry of a final decision included the following:

- 10 1. Statement of Charges, cover letter dated August 3, 2020, Notice of Opportunity to
11 Defend and Opportunity for Hearing, and blank Application for Adjudicative
Hearing for Respondent Vlahos, with documentation for service.
- 12 2. FedEx proof of delivery dated August 4, 2020.

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

15 II. FINAL ORDER

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

18 A. IT IS HEREBY ORDERED, That:

- 19 1. Respondent Carolene Jean Vlahos is prohibited from participation, in any manner,
20 in the conduct of the affairs of any consumer loan company subject to licensure by
the Director, in any manner, for a period of five (5) years.
- 21 2. Respondent Carolene Jean Vlahos provide the Department with a complete CAR
22 and AAR for 2019, including all required supporting documentation. This
23 requirement shall be joint and several with any other Respondent or Respondents
against whom an order to complete the 2019 CAR and AAR is entered.

- 1 3. Respondent Carolene Jean Vlahos pay an annual assessment for 2019, as
2 calculated in accordance with the instructions for the AAR, plus all accrued
3 interest, jointly and severally with any other Respondent or Respondents against
4 whom an order to pay an annual assessment is entered.
- 5 4. Respondent Carolene Jean Vlahos pay a penalty of \$5,000.00 for failing to timely
6 file a CAR and AAR for 2019, jointly and severally with any other Respondent or
7 Respondents against whom an order to pay a penalty is entered.
- 8 5. Respondent Carolene Jean Vlahos pay a fine of \$12,000.00 jointly and severally
9 with any other Respondent or Respondents against whom an order to pay a fine is
10 entered.
- 11 6. Respondent Carolene Jean Vlahos pay an investigation fee of \$979.94 jointly and
12 severally with any other Respondent or Respondents against whom an order to pay
13 an investigation fee is entered.

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

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

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

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

4 E. Non-compliance with Order. If Respondent Vlahos does not comply with the terms of
5 this order, **including payment of any amounts owed within 30 days of receipt of this order**, the
6 Department may seek its enforcement by the Office of the Attorney General to include the collection
7 of the fines, assessments, late penalties, fees, and costs imposed herein. The Department also may
8 assign the amounts owed to a collection agency for collection.

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

12 DATED this 9th day of September, 2020.

13 STATE OF WASHINGTON
14 DEPARTMENT OF FINANCIAL INSTITUTIONS

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16 /s/
17 Lucinda Fazio, Director
18 Division of Consumer Services

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

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

LIBERTY MORTGAGE COMPANY, INC.,
NMLS # 212679,
KAREN SUE RICHMOND, Direct Owner,
Executive Officer, and President,
NMLS # 212574,
CAROLENE JEAN VLAHOS, Direct Owner,
Executive Officer, and Shareholder,
NMLS # 784939, and
MONICA J. SMITH, Executive Officer, and
Corporate Secretary, NMLS # 498007,

Respondents.

No. C-20-2963-20-SC01

STATEMENT OF CHARGES and
NOTICE OF INTENT TO ENTER AN
ORDER TO REVOKE LICENSE, PROHIBIT
FROM INDUSTRY, FILE ANNUAL
REPORTS, COLLECT ANNUAL
ASSESSMENT, ASSESS LATE PENALTIES,
IMPOSE FINE, COLLECT INVESTIGATION
FEE, and RECOVER COSTS AND
EXPENSES

INTRODUCTION

Pursuant to RCW 31.04.093 and RCW 31.04.165, the Director of the Department of Financial Institutions of the State of Washington (Director) is responsible for the administration of chapter 31.04 RCW, the Consumer Loan Act (Act). After having conducted an investigation pursuant to RCW 31.04.145, and based upon the facts available as of the date of this Statement of Charges, the Director, through his designee, Division of Consumer Services Director Lucinda Fazio, institutes this proceeding and finds as follows:

I. FACTUAL ALLEGATIONS

1.1 Respondents.

A. **Respondent Liberty Mortgage Company, Inc.** was licensed by the Department of Financial Institutions of the State of Washington (Department) to conduct business as a consumer loan company on or about June 30, 2016, until its license expired on or about April 20, 2020.

1 **B. Respondent Karen Sue Richmond (Richmond)** is known to be a Direct Owner,
2 Executive Officer, President, and Primary Company and Regulatory Contact of Liberty Mortgage
3 Company, Inc.

4 **C. Respondent Carolene Jean Vlahos** is known to be a Direct Owner, Executive
5 Officer, and Shareholder of Liberty Mortgage Company, Inc.

6 **D. Respondent Monica J. Smith** is known to be an Executive Officer, and Corporate
7 Secretary of Liberty Mortgage Company, Inc.

8 **1.2 Failure to File Annual Reports.** Respondents' Consolidated Annual Report (CAR) and
9 Annual Assessment Report (AAR) concerning Respondents' business and operations in 2019 were
10 due to the Department on or before March 1, 2020, or within thirty (30) days of closure. Respondents
11 did not file Respondents' CAR and AAR for 2019 on or before March 1, 2020.

12 **1.3 Failure to Pay Annual Assessment.** Respondents' payment of an annual assessment fee for
13 2019, as calculated in the AAR, was due to the Department on or before March 1, 2020, or within
14 thirty (30) days of closure. Respondents did not pay the annual assessment fee for 2019 on or before
15 March 1, 2020.

16 **1.4 Failure to Comply with Department's Directive.** On or about March 13, 2020, the
17 Department's Examinations Unit delivered a late notice to Respondents via e-mail, and via First-
18 Class and Certified Mail to Respondents' last known business address listed in the Nationwide
19 Mortgage Licensing System (NMLS). On or about March 23, 2020, the notice was returned to the
20 Department.

21 On or about April 3, 2020, the Department's Examinations Unit delivered a license expiration
22 notice to Respondents via e-mail, and via First-Class and Certified Mail to Respondent Richmond's
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1 last known mailing address listed in NMLS. On or about April 16, 2020, the notice was returned to
2 the Department.

3 On or about June 2, 2020, the Department's Enforcement Unit delivered a Directive, via e-
4 mail, and via First-Class Mail and FedEx to Respondent Richmond's last known mailing address
5 listed in NMLS, and Respondent Richmond's residence. The Department gave Respondents until
6 June 17, 2020, to file Respondents' CAR and AAR for 2019, and pay Respondents' annual
7 assessment fee and any applicable late fee for 2019.

8 Respondent Richmond contacted the Department via e-mail on or about June 17, 2020.
9 Respondent Richmond stated Respondents ceased doing business on or about February 8, 2019. As
10 of the date of this Statement of Charges, Respondents have not filed Respondents' CAR and AAR for
11 2019, or paid the annual assessment fee and any applicable late fee for 2019.

12 **1.5 Failure to Notify Department of Significant Developments.**

13 A. On or about April 3, 2019, the California Department of Business Oversight revoked
14 Respondents' Finance Lenders Law License. On or about December 19, 2019, the Indiana
15 Department of Financial Institutions revoked Respondents' Mortgage Lending License. As of the
16 date of this Statement of Charges, Respondents have not updated Respondents' NMLS record to
17 reflect either revocation.

18 B. Respondent Richmond contacted the Department on or about June 17, 2020.
19 Respondent Richmond stated Respondents ceased doing business on or about February 8, 2019. As
20 of the date of this Statement of Charges, Respondents have not updated Respondents' NMLS record
21 to reflect Respondents' closure.

22 C. Respondent Richmond contacted the Department on or about June 17, 2020.
23 Respondent Richmond stated future correspondence for Respondents should be sent to P.O. Box 918,

1 Powell, OH, 43065. As of the date of this Statement of Charges, Respondents have not updated
2 Respondents' NMLS record to reflect Respondents' current mailing address.

3 **1.6 On-Going Investigation.** The Department's investigation into the alleged violations of the
4 Act by Respondents continues to date.

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

6 **2.1 Requirement to File Reports.** Based upon the Factual Allegations set forth in Section I
7 above, Respondents are in apparent violation of RCW 31.04.155, WAC 208-620-430(1), WAC 208-
8 620-460(1), and WAC 208-620-499(2) for failing to file Respondents' CAR and an AAR for 2019 on
9 or before March 1, 2020, or within thirty (30) days of closure.

10 **2.2 Requirement to Pay Annual Assessment.** Based upon the Factual Allegations set forth in
11 Section I above, Respondents are in apparent violation of RCW 31.04.085, WAC 208-620-430(1),
12 WAC 208-620-460(1), and WAC 208-620-499(2) for failing to pay Respondents' annual assessment
13 for 2019, as calculated in the AAR, to the Director on or before March 1, 2020, or within thirty (30)
14 days of closure.

15 **2.3 Requirement to Comply with Department's Directive.** Based upon the Factual Allegations
16 set forth in Section I above, Respondents are in apparent violation of RCW 31.04.145 for failing to
17 comply with the Department's June 2, 2020, Directive.

18 **2.4 Requirement to Report Significant Developments.** Based upon the Factual Allegations set
19 forth in Section I above, Respondents are in apparent violation of RCW 31.04.027(1) and WAC 208-
20 620-490(4)(a) for failing to notify the Department in NMLS within twenty (20) days of receipt of
21 notification of license revocation procedures against Respondents' license in any state, and RCW
22 31.04.027(1) and WAC 208-620-490(2)(c) for failing to notify the Department in NMLS within ten
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1 (10) days of Respondents' change in mailing address, and for failing to notify the Department in
2 NMLS within ten (10) days of Respondents' closure.

3 **2.5 Requirement to Comply with State and Federal Laws.** Based upon the Factual Allegations
4 set forth in Section I above, Respondents are in apparent violation of RCW 31.04.027(m) for violating
5 any state or federal law relating to the activities governed by this chapter.

6 **III. AUTHORITY TO IMPOSE SANCTIONS**

7 **3.1 Authority to Revoke License.** Pursuant to RCW 31.04.093(3), the Director may revoke a
8 license for failure to pay any fee due to the state of Washington, failure to maintain the required
9 surety bond, failure to comply with any specific order or demand, or failure to comply with any
10 directive, order, or subpoena issued by the Director under the Act.

11 **3.2 Authority to Prohibit from the Industry.** Pursuant to RCW 31.04.093(6), the Director may
12 issue an order prohibiting from participation in the affairs of any licensee, any officer, principal,
13 employee, mortgage loan originator, or any other person subject to the Act for (c) Suspension or
14 revocation of a license to engage in lending or residential mortgage loan servicing, or perform a
15 settlement service related to lending or residential mortgage loan servicing in this state or another
16 state; or (e) a violation of RCW 31.04.027 or RCW 31.04.155.

17 **3.3 Authority to Order Affirmative Action.** Pursuant to RCW 31.04.093(5)(b), the Director
18 may issue an order directing a licensee, its employee, loan originator, or other person subject to the
19 Act to take such affirmative action as is necessary to comply with the Act.

20 **3.4 Authority to Collect Annual Assessment.** Pursuant to RCW 31.04.085 and WAC 208-620-
21 430, every licensee shall pay to the Director, on or before the first day of each March or within thirty
22 (30) days of ceasing Washington operations, an annual assessment for the previous calendar year if
23 the licensee had a license for any time during the preceding calendar year. Pursuant to RCW

1 43.17.240, interest at the rate of one percent per month, or fraction thereof, shall accrue on debts owed to
2 the state, starting on the date the debts become past due.

3 **3.5 Authority to Assess Late Report Penalties.** Pursuant to RCW 31.04.155 and WAC 208-620-
4 430(2), a licensee that fails to file a report that is required to be filed by the Act, within the time frame
5 required under the Act, is subject to a penalty of \$50.00 per item for each day of delay. The maximum
6 late penalty that will be assessed is \$5,000.00 per year.

7 **3.6 Authority to Impose Fine.** Pursuant to RCW 31.04.093(4), the Director may impose fines of
8 up to \$100.00 per day, per violation, upon the licensee, its employee or loan originator, or any other
9 person subject to the Act for any violation of the Act or failure to comply with any order or subpoena
10 issued by the Director under the Act.

11 **3.7 Authority to Charge Investigation Fee.** Pursuant to RCW 31.04.145(3) and WAC 208-620-
12 610(7), every licensee investigated by the Director or the Director's designee shall pay for the cost of
13 the investigation, calculated at the rate of \$69.01 per staff hour spent on the investigation.

14 **3.8 Authority to Recover Costs and Expenses.** Pursuant to RCW 31.04.205(2), the Director
15 may recover the state's costs and expenses for prosecuting violations of the Act.

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

17 Respondents' violations of the provisions of chapter 31.04 RCW and chapter 208-620 WAC,
18 as set forth in the above Factual Allegations, Grounds for Entry of Order, and Authority to Impose
19 Sanctions, constitute a basis for the entry of an Order under RCW 31.04.093, RCW 31.04.165, RCW
20 34.04.202, and RCW 31.04.205. Therefore, it is the Director's intent to ORDER that:

21 **4.1** Respondents Liberty Mortgage Company, Inc., Karen Sue Richmond, Carolene Jean
22 Vlahos, and Monica J. Smith's license to conduct the business of a consumer loan
company be revoked.

23 **4.2** Respondents Liberty Mortgage Company, Inc., Karen Sue Richmond, Carolene Jean

Vlahos, and Monica J. Smith be prohibited from participation in the conduct of the affairs of any consumer loan company subject to licensure by the Director, in any manner, for a period of five (5) years.

4.3 Respondents Liberty Mortgage Company, Inc., Karen Sue Richmond, Carolene Jean Vlahos, and Monica J. Smith provide the Department with a complete CAR and AAR for 2019, including all required supporting documentation.

4.4 Respondents Liberty Mortgage Company, Inc., Karen Sue Richmond, Carolene Jean Vlahos, and Monica J. Smith jointly and severally pay an annual assessment for 2019, as calculated in accordance with the instructions for the AAR, plus all accrued interest, or in an amount to be determined by declaration with supporting documentation in the event of default by Respondents.

4.5 Respondents Liberty Mortgage Company, Inc., Karen Sue Richmond, Carolene Jean Vlahos, and Monica J. Smith jointly and severally pay a \$5,000.00 penalty for failing to timely file Respondents' CAR and AAR for 2019.

4.6 Respondents Liberty Mortgage Company, Inc., Karen Sue Richmond, Carolene Jean Vlahos, and Monica J. Smith jointly and severally pay a fine, which as of the date of this Statement of Charges totals \$12,000.00.

4.7 Respondents Liberty Mortgage Company, Inc., Karen Sue Richmond, Carolene Jean Vlahos, and Monica J. Smith jointly and severally pay an investigation fee, which as of the date of this Statement of Charges totals \$979.94.

4.8 Respondents Liberty Mortgage Company, Inc., Karen Sue Richmond, Carolene Jean Vlahos, and Monica J. Smith 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 by declaration with supporting documentation in event of default by Respondents.

4.9 Respondents Liberty Mortgage Company, Inc., Karen Sue Richmond, Carolene Jean Vlahos, and Monica J. Smith maintain records in compliance with the Act and provide the Department with the location of the books, records and other information relating to Respondents' consumer loan 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 and Notice of Intent to Enter an Order to Revoke License, Prohibit
3 from Industry, File Annual Reports, Collect Annual Assessment, Assess Late Penalties, Impose Fine,
4 Collect Investigation Fee, and Recover Costs and Expenses (Statement of Charges) is entered
5 pursuant to the provisions of RCW 31.04.093, RCW 31.04.165, RCW 31.04.202, and RCW
6 31.04.205, and is subject to the provisions of chapter 34.05 RCW (The Administrative Procedure
7 Act). Respondents may make a written request for a hearing as set forth in the NOTICE OF
8 OPPORTUNITY FOR ADJUDICATIVE HEARING AND TO DEFEND accompanying this
9 Statement of Charges.

10 Dated this 30 day of July, 2020.

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13 /s/ _____
14 LUCINDA FAZIO, Director
15 Division of Consumer Services
16 Department of Financial Institutions

17 Presented by:

18 /s/ _____
19 AMANDA B. STARNES
20 Financial Legal Examiner

21 Approved by:

22 /s/ _____
23 STEVEN C. SHERMAN
24 Enforcement Chief