

Terms Complete
ORDER SUMMARY – Case Number: C-20-2927

Name: Hometown Financial Group, LLC d/b/a K Loans

Order Number: C-20-2927-20-CO01

Effective Date: August 25, 2020

License Number: NMLS No. 1028232

License Effect: None

Not Apply Until: N/A

Not Eligible Until: N/A

Prohibition/Ban Until: N/A

Investigation Costs	\$ 500	Due: Upon delivery	Paid: <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date: 8/4/2020
Fines	\$ 15,000	Due: Upon delivery	Paid: <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date: 8/4/2020
Financial Literacy and Ed.	\$ 10,000	Due: Upon delivery	Paid: <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date: 8/4/2020

Comments: This is a follow-up enforcement action. In 2019, the Department entered into a Consent Order with Respondent Hometown resolving violations of the Mortgage Broker Protection Act (MBPA). The 2019 Consent Order imposed certain sanctions, stayed certain sanctions contingent upon Respondent’s future compliance, and required another compliance examination of Respondent Hometown within 18 months to determine compliance with the Act and the 2019 Consent Order. In early December 2019, the Department conducted the required compliance examination and found repeat advertising and disclosure violations of the MBPA and the 2019 Consent Order.

Respondent Hometown violated the Act and the 2019 Consent Order, including by:

- A.** Engaging in unfair or deceptive advertising practices in violation of RCW 19.146.0201(2);
- B.** Making false or deceptive statements regarding financing terms in violation of RCW 19.146.0202(7);
- C.** Failing to comply with applicable federal laws, including TILA, in violation of RCW 19.146.0201(11); and
- D.** Failing to make required disclosures in violation of RCW 19.146.0201(6).

Pursuant to the 2020 Consent Order, subject to the Department’s availability and at Respondent Hometown’s cost, Respondent Hometown is subject to another compliance examination within 18 months.

**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:

No. C-20-2927-20-CO01

CONSENT ORDER

HOMETOWN FINANCIAL GROUP, LLC,
d/b/a K Loans, NMLS No. 1028232,

Respondent.

COMES NOW the Director of the Department of Financial Institutions (Director), through his designee Lucinda Fazio, Division of Consumer Services Director, and Hometown Financial Group, LLC; (Respondent Hometown), by and through its counsel, Nelson A. Locke of Locke Law US, LLC, and finding that the issues raised in this matter may be economically and efficiently settled, agree to the entry of this Consent Order pursuant to Revised Code of Washington (RCW) 19.146, the Mortgage Broker Practices Act (Act), and RCW 34.05.060 of the Administrative Procedure Act (APA), based on the following:

I. FINDINGS OF FACT

1.1 Respondent Hometown Financial Group, LLC. The Washington State Department of Financial Institutions (Department) licensed Respondent Hometown to conduct business as a mortgage broker on or about February 13, 2013, and it continues to be licensed by the Department to date.

1.2 2015 Complaint Investigation. In early 2015, the Department investigated a complaint alleging Respondent Hometown was violating the Real Estate Settlement Procedures Act (RESPA) by making referral fee payments to an affiliated company in exchange for residential mortgage loan referrals. During the investigation the company provided the Department with information substantiating violations of RESPA and the Act.

1.3 2015 For-Cause Examination. Based on the complaint findings, the Department's Examination Unit conducted an on-site for-cause examination of the books and records of Respondent. The Report of Examination (ROE) determined that Respondent Hometown had violated the Act by:

A. Violating the referral fee prohibition contained in RESPA;

- B. Failing to provide borrowers with the required Affiliated Business Arrangement Disclosure Statement disclosing the business relationship between Respondent Hometown and the company it was paying to make the residential mortgage loan referrals;
- C. Failing to disclose to borrowers the referral fees paid by Respondent Hometown to the company making the residential mortgage loan referrals;
- D. Failing, in some loans, to disclose Respondent Hometown's Privacy Policy, and/or to make timely rate-lock disclosures;
- E. Falsely advertising that Respondent Hometown provided borrowers with the "best rate and fee structure," an express claim they could not substantiate;
- F. Failing to disclose, in some advertisements, Respondent Hometown's NMLS license number and/or license name on file with the Department;
- G. Failing, in some Internet advertisements, to provide a link to the NMLS Consumer Access page; and
- H. Failing, in some advertisements containing credit disclosure triggering terms, to make the additional credit disclosures required by the Truth in Lending Act (TILA).

1.4 2016 Statement of Charges. In August 2016, the Department charged Respondent Hometown with violations of the Act, including for:

- A. Directly or indirectly employing a scheme, device or artifice to defraud or mislead borrowers, lenders, or any person in violation of RCW 19.146.0201(1);
- B. Engaging in an unfair or deceptive practice toward any person in violation of RCW 19.146.0201(2);
- C. Obtaining property by fraud or misrepresentation in violation of RCW 19.146.0201(3);
- D. Failing to make required disclosures in violation of RCW 19.146.0201(6);
- E. Failing to disclosing Respondent Hometown's privacy policy to borrowers as required by WAC 208-660-470;
- F. Failing to timely make rate lock disclosures to loan applicants as required by RCW 19.146.030;
- G. Failing to comply with applicable Federal Law in violation of RCW 19.146.0201(11) by giving referral fees for residential mortgage loan referrals, and by failing to disclose the affiliated business arrangement between Respondent Hometown and the company it was paying referral fees in violation of RESPA, 12 U.S.C. §2601; and
- H. Failing to comply with applicable Federal Law in violation of RCW 19.146.0201(11) by failing to make the additional credit disclosures required by TILA, 12 U.S.C. §1601.

1.5 2019 Consent Order. In 2019, the Department entered into a Consent Order with Respondent Hometown resolving the violations of the Act. The 2019 Consent Order imposed certain sanctions, stayed certain sanctions contingent upon Respondent's future compliance, and required another compliance of Respondent Hometown within 18 months to determine compliance with the Act and the 2019 Consent Order.

1.6 2019 Examination. In early December 2019, the Department conducted the required compliance examination of Respondent Hometown. The Report of Examination (ROE) found repeat advertising and disclosure violations of the 2019 Consent Order.

1 **II. CONCLUSIONS OF LAW**

2 **2.1** Based on the above Findings of Fact, Respondent Hometown violated the Act and the 2019 Consent Order,
3 including by:

- 4 **A.** Engaging in unfair or deceptive advertising practices in violation of RCW 19.146.0201(2);
- 5 **B.** Making false or deceptive statements regarding financing terms in violation of RCW
19.146.0202(7);
- 6 **C.** Failing to comply with applicable federal laws, including TILA, in violation of RCW
19.146.0201(11); and
- 7 **D.** Failing to make required disclosures in violation of RCW 19.146.0201(6).

8 **III. AGREEMENT AND ORDER**

9 **3.1** The Department and Respondent Hometown have agreed upon a basis for resolution of the Findings of Fact
10 and Conclusions of Law identified in this Consent Order (Order). Pursuant to the Act and RCW 34.05.060 of the
11 APA, Respondent Hometown hereby agrees to the entry of this Order. The parties intend this Order to fully and
12 completely resolve all violations of the 2019 Consent Order, all findings in the 2019 ROE, and all matters of which
13 the Department has knowledge or notice as of the date of this Order. Based upon the foregoing:

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

16 **B. Waiver of Hearing.** It is AGREED that an authorized agent of Respondent Hometown has been
17 informed of the right to a hearing before an administrative law judge, and hereby waives its right to a hearing and
18 any and all administrative and judicial review of the issues raised in this matter, or of the resolution reached herein.

19 **C. Future Compliance.** It is AGREED and ORDERED that Respondent Hometown shall henceforth
20 comply with the Act when engaged in any mortgage broker activities subject to the Act.

21 **D. Examination.** It is AGREED and ORDERED that, within 18 months of the entry of this Order,
22 subject to the Department's availability and at Respondent Hometown's cost, Respondent Hometown shall be
23 subject to an examination by the Department to determine compliance with the Act and this Order. Failure to
24 cooperate fully with the examination, or to timely pay the examination invoice, is a violation of this Order and may
25 result in further administrative action by the Department.

1 **E. Fine.** It is AGREED and ORDERED that Respondents shall pay a \$15,000 fine to the Department
2 pursuant to Paragraph H.

3 **F. Financial Literacy Payment.** Pursuant to RCW 31.04.093(7), the Director may accept payments to
4 the Department for purposes of financial literacy and education programs authorized under RCW 43.320.150.
5 Accordingly, it is AGREED that Respondent Hometown shall pay \$10,000 to the Department for purposes of
6 financial literacy and education programs (the “Financial Literacy Payment”) pursuant to Paragraph H. It is
7 FURTHER AGREED and ORDERED that pursuant to the Act Respondent Hometown shall not advertise the
8 Financial Literacy Payment.

9 **G. Investigation Fees.** It is AGREED and ORDERED that Respondents shall pay an investigation fee of
10 \$500 to the Department pursuant to Paragraph H.

11 **H. Payment.** The \$15,000 fine, \$10,000 Financial Literacy Payment, and \$500 investigative fee shall be
12 paid in the form of one \$25,500 cashier’s check made payable to the “Washington State Treasurer.” Payment is
13 due upon delivery of this properly signed and dated Order to the Department.

14 **I. Authority to Execute Order.** It is AGREED that the undersigned authorized representative of
15 Respondent Hometown has represented and warranted that he has the full power and right to execute this Consent
16 Order on behalf of Respondent Hometown.

17 **J. Voluntarily Entered.** It is AGREED that the undersigned authorized representative of Respondent
18 Hometown has voluntarily entered into this Order, which is effective when signed by the Director’s designee.

19 **K. Completely Read, Understood, and Agreed.** It is AGREED that the undersigned authorized
20 representative of Respondent Hometown has read this Order in its entirety and fully understands and agrees to all
21 of the same.

22 **L. Counterparts.** This Order may be executed by the authorized agent of and attorneys for Respondent
23 Hometown in any number of counterparts, including by facsimile or e-mail of a .pdf or similar file, each of which
24 shall be deemed to be an original, but all of which, taken together, shall constitute one and the same Order.
25

1 **RESPONDENT**

2 **Hometown Financial Group, LLC**
3 **By:**

4 /s/ _____ 7/28/2020
5 Luisito Flores III Date

6 Broker of Record
7 Title

8 Approved for Entry:

9 /s/ _____ 7-29-2020
10 Nelson A. Locke, Esq. Date
11 Locke Law US, LLC
12 Attorneys for Respondents,(not personally)

13 **DO NOT WRITE BELOW THIS LINE**

14 THIS ORDER ENTERED THIS 25th DAY OF AUGUST 2020.

15
16 /s/ _____
17 LUCINDA FAZIO
18 Director, Division of Consumer Services
19 Department of Financial Institutions
20

21
22 Presented by:

23 Approved by:

24 /s/ _____
25 ANTHONY W. CARTER
Senior Legal Examiner

/s/ _____
STEVEN C. SHERMAN
Enforcement Chief