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JUN 16 2011

DEPT. OF FINANCIAL INSTITUTIONS
OLYMPIA, WASHINGTON

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:

PUGET SOUND MORTGAGE INCORPORATED,
d/b/a EDMONDS MORTGAGE,
DAVID BYRON PAGE, President,
BOBBIE JO PAGE, Vice President, and
VICKIE L. MCKENNEY, Designated Broker,

Respondents.

NO. C-09-495-11-CO01

CONSENT ORDER AS TO
PUGET SOUND MORTGAGE,
INCORPORATED, d/b/a EDMONDS
MORTGAGE, and DAVID B. PAGE

COMES NOW the Director of the Department of Financial Institutions (Director), through his designee Deborah Bortner, Division Director, Division of Consumer Services, and Puget Sound Mortgage, Inc. (Respondent Puget Sound), and David B. Page, President (Respondent Page), by and through their attorney, John A. Long, and finding that the issues raised in the above-captioned matter as they relate to Respondent Puget Sound and Respondent Page (Respondents) may be economically and efficiently settled, agree to the entry of this Consent Order. This Consent Order is entered pursuant to chapter 19.146 of the Revised Code of Washington (RCW), and RCW 34.05.060 of the Administrative Procedure Act, based on the following:

AGREEMENT AND ORDER

The Department of Financial Institutions, Division of Consumer Services (Department) and Respondents have agreed upon a basis for resolution of the matters as related to Respondents alleged in Statement of Charges No. C-09-495-10-SC01 (Statement of Charges), entered May 14, 2010, incorporated herein by reference and attached hereto. Respondents hereby agree to the Department's entry of this Consent Order as related to Respondents. By entry of this Consent Order Respondents are agreeing not to contest the Statement of Charges. The parties intend this Consent Order to fully resolve the Statement of Charges as it relates to Respondents.

1 Based upon the foregoing:

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

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

9 **C. Admissions.** With the following exceptions, Respondents neither admit nor deny the
10 Factual Allegations of the Statement of Charges. Respondent Puget Sound admits that:

- 11 1. On or about October 1, 2008, Respondent Puget Sound entered into a referral fee
12 agreement with Pilchuck Mortgage, Inc. Pursuant to that agreement, Respondent
13 Puget Sound received residential mortgage loan referrals from and paid
14 compensation to Pilchuck Mortgage, Inc. from the proceeds of federally-related
15 mortgage loans originated by Respondent Puget Sound. Respondent Puget Sound
16 further admits that Respondent Puget Sound did not disclose the referral fee
17 payments on either the Good Faith Estimate or the HUD-1 Settlement Statement
18 provided to the borrowers.
- 19 2. During 2007, and again in 2009, Respondent Puget Sound entered into referral fee
20 agreements with the independent contractors of an affiliated business, Edmonds
21 Realty. Pursuant to those agreements, Respondent Puget Sound received residential
22 mortgage loan referrals from and paid compensation to independent contractors of
23 Edmonds Realty from the proceeds of federally-related mortgage loans originated
24 by Respondent Puget Sound. Respondent Puget Sound further admits that
Respondent Puget Sound did not disclose the referral fee payments on either the
Good Faith Estimate or the HUD-1 Settlement Statement provided to the borrowers.
3. Respondent Puget Sound did not provide required disclosures or provided
incomplete disclosures to some borrowers, including disclosures related to
borrower-paid services, rate locks, and yield spread premiums.
4. Respondent Puget Sound did not provide the Department with notification of
significant developments relating to Designated Brokers.
5. Respondent Puget Sound received funds at closing for payment of third-party
services and did not deposit those funds into a statutorily-required trust account.

1 **D. License Revocation.** It is AGREED that Respondent Puget Sound's mortgage broker
2 license is revoked.

3 **E. Prohibition from Industry.** It is AGREED that, for a period of ten years from the date
4 of entry of this Consent Order, Respondents are prohibited from participating in the conduct of the
5 affairs of any mortgage broker or consumer loan company licensed by the Department or subject to
6 licensure or regulation by the Department, in any capacity, including but not limited to: (1) any
7 financial capacity whether active or passive; or (2) as an officer, director, principal, partner, LLC
8 member, designated broker, employee, or loan originator; or (3) any management, control, oversight
9 or maintenance of any trust account(s) in any way related to any residential transaction; or (4)
10 receiving, disbursing, managing or controlling in any way, consumer trust funds in any way related
11 to any residential mortgage transaction.

12 **F. Restitution.** It is AGREED that Respondents shall pay restitution totaling \$10,413.08
13 to those consumers and in those amount specifically set forth in Appendix A. Prior to the entry of
14 this Consent Order, the total restitution amount shall be deposited into a third-party trust account for
15 distribution to the specified consumers, and Respondents shall provide the Department with proof
16 that the restitution funds have been deposited to trust. Once deposited, Respondents shall not be
17 permitted to receive any portion of the restitution funds. Respondents will instruct the third party to
18 mail restitution checks to the specified consumers within 15 days after entry of this Consent Order.
19 The restitution checks will be accompanied by a cover letter printed on Edmonds Mortgage
20 letterhead as set forth in Appendix B. In the event that any consumer(s) cannot be located or
21 restitution checks are not cashed within 60 days of issuance, Respondents will instruct the third
22 party to submit those funds to the Washington State Department of Revenue (Department of
23 Revenue) within 120 days of entry of this Consent Order as unclaimed property on behalf of the
24 specified consumers, subject to the rules and regulations of the Unclaimed Property Section of the

1 Department of Revenue. Respondents will bear the cost of all related expenses such as mailing, stop
2 payment fees, and submitting funds to the Department of Revenue. Within 130 days after entry of
3 this Consent Order, Respondents will provide the Department with written proof of all restitution
4 payments in the form of copies of the front and back of each cancelled check, a copy of all
5 unclaimed property reports submitted to the Department of Revenue, and written confirmation from
6 the third party that all restitution funds have been distributed as agreed.

7 **G. Rights of Consumers.** It is AGREED that this Consent Order shall not release, waive,
8 or in any way affect any legal rights that any consumers may have concerning Respondents.

9 **H. Fine.** It is AGREED that Respondents acknowledge liability for a fine of \$250,000, and
10 shall pay a fine to the Department in the amount of \$115,000, in the form of a cashier's check made
11 payable to the "Washington State Treasurer," upon entry of this Consent Order.

12 **I. Investigation Fee.** It is AGREED that Respondents shall pay to the Department an
13 investigation fee of \$23,989.92, in the form of a cashier's check made payable to the "Washington
14 State Treasurer," upon entry of this Consent Order. The Fine and Investigation Fee may be paid
15 together in one \$138,989.92 cashier's check made payable to the "Washington State Treasurer."

16 **J. Closure Report and Records Retention.** It is AGREED that within 20 days of the entry
17 of this Consent Order, Respondent Page will complete the "NMLS Surrender Checklist," including
18 completing and filing a 2011 Mortgage Broker Closure Report form with the Department. It is
19 further AGREED that Respondents shall maintain books and records in compliance with the Act;
20 shall update Records Custodian and records location information on Respondent Puget Sound's
21 Form MU1 with the name, address and telephone number of the Records Custodian. Respondent
22 Page shall notify the Department in writing of any changes to location of the records, or to the
23 Records Custodian's mailing address or telephone number, within fifteen days of any such change.

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1 **K. Authority to Execute Order.** It is AGREED that the undersigned have represented and
2 warranted that they have the full power and right to execute this Consent Order on behalf of the
3 parties represented.

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

8 **M. Voluntarily Entered.** It is AGREED that the undersigned Respondents have voluntarily
9 entered into this Consent Order, which is effective when signed by the Director's designee.

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

12 RESPONDENTS:

13 Puget Sound Mortgage, Inc.

14 By: 

15 David B. Page, President

6/14/2011
Date

16 David B. Page

17 

6/14/2011
Date

19 APPROVED AS TO FORM

20 John Long Law, PLLC



21 John A. Long, WSBA No. 15119
22 Attorneys for Respondents

6/15/2011
Date

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DO NOT WRITE BELOW THIS LINE

THIS ORDER ENTERED THIS 16th DAY OF JUNE, 2011



[Redacted signature]

DEBORAH BORTNER
Director
Division of Consumer Services
Department of Financial Institutions

Presented by:

[Redacted signature]

ANTHONY W. CARTER
Senior Enforcement Attorney

Approved by:

[Redacted signature]

JAMES R. BRUSSELBACK
Enforcement Chief

**APPENDIX A -
RESTITUTION LIST**

Borrower	PSM Refund
JF	\$1,834.32
LW	\$1,781.25
SM	\$2,223.74
KF	\$1,949.79
CG	\$1,423.98
CM	\$100.00
WO	\$100.00
DK	\$500.00
KB	\$500.00
TOTAL:	\$10,413.08

APPENDIX B

TO BE SENT ON EDMONDS MORTGAGE LETTERHEAD

DATE

Borrower's Name
Address Line 1
Address Line 2
CSZ

Re: Refund of Loan Fees on Loan Number #INSERT

Dear Mr./Ms. Borrower:

It has been determined that you are entitled to a refund of \$INSERT in connection with the above referenced loan. A refund check in that amount is enclosed.

The enclosed check **must be** deposited or cashed within sixty (60) days of its issuance. Otherwise, a stop payment will be issued and the refund amount will be provided to the Washington State Department of Revenue as unclaimed property.

Sincerely,

David B. Page, President
Edmonds Mortgage