

# Terms Completed

## ORDER SUMMARY – Case Number: C-07-405

**Name(s):** Paramount Equity Mortgage Inc;  
Hayden D. “Hayes” Barnard  
Matthew J. “Matt” Dawson  
John J. “Jason” Walker

**Order Number:** C-07-405-09-CO01

**Effective Date:** May 11, 2009

**License Number:** DFI: 26516 (Paramount); Branch 48472 (Granite Bay, CA); Branch 26517 (Lake Oswego, OR); Branch 29860 (Bellevue, WA); and Mr. Dawson’s LO/DB license 26682.

**Or NMLS Identifier [U/L]** [NMLS: 30336] –Paramount  
[NMLS: MLO-30041] –Dawson  
(Revoked, suspended, stayed, application denied or withdrawn)  
 If applicable, you must specifically note the ending dates of terms.

**License Effect:** None

**Not Apply Until:** n/a

**Not Eligible Until:** \_\_\_\_\_

**Prohibition/Ban Until:** none

<b>Investigation Costs</b>	\$25,000	Due	Paid <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date
<b>Fine</b>	\$225,000	Due	Paid <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date
<b>Assessment(s)</b>	\$	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
<b>Restitution</b>	\$139,075	Due	Paid <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date
<b>Judgment</b>	\$	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
<b>Satisfaction of Judgment Filed?</b>	<input type="checkbox"/> Y <input type="checkbox"/> N			
No. of Victims:				

Comments: Exam Fees: \$3,366.51 -paid

**Other: Admissions** Paramount admits that during the relevant time period, they did not maintain books and records in violation of RCW 19.146.060(2) and WAC 208-660-450(1)(a)(ii), (iii), and (vii); processed 56 loans originated by unlicensed loan originators in violation of RCW 19.146.200(1); and, in some aspects of its advertising, were in violation of RCW 19.146.0201(2), (7), (10), and (11).

## Terms Completed

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### **Other: Rights of Consumers**

Paramount agrees that this Consent Order shall not release, waive, or in any way affect any legal rights that any consumers may have concerning Respondents.

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### **Other: Injunctions**

Respondents, their officers, directors, control persons, agents, employees, independent contractors, and loan originators, shall each cease and desist from violating the Mortgage Broker Practices Act, including but not limited to RCW 19.146.0201(2), (3), (6), (7), (10), (11), (13), and (15); RCW 19.146.030; RCW 19.146.200(1); and 19.146.060(2); and the specific practices set forth in Attachment A, incorporated herein by reference.

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### **Other: Injunctions**

The parties agree that should Respondents apply to the Department in the future for a Consumer Loan Company license, or any other license, under any name, Respondents shall be required to meet any and all application requirements in effect at that time, and that the admissions, conduct, and allegations serving as the basis for the issuance of the Statement of Charges and Consent Order in this matter will not be used in the assessment of any future applications.

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### **Other: Injunctions**

If Respondents should become licensed under the Consumer Loan Act under any name, each officer, director, control person, agent, employee, independent contractor, and loan originator shall each comply with all the statutory provisions and rules promulgated under the Consumer Loan Act, now existing and as hereafter amended, including but not limited to RCW 31.04.027, as set forth in Attachment B, incorporated herein by reference.

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### **Other: Injunctions**

If Respondents should become licensed under the Consumer Loan Act under any name, each officer, director, control person, agent, employee, independent contractor, and loan originator shall each comply with all the statutory provisions and rules promulgated under the Consumer Loan Act, including but not limited to RCW 31.04.102, as set forth in Attachment C, incorporated herein by reference.

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### **Other: Injunctions**

If Respondents should become licensed under the Consumer Loan Act under any name, each officer, director, control person, agent, employee, independent contractor, and loan originator shall each comply with all the statutory provisions and rules promulgated under the Consumer Loan Act, including RCW 31.04.135, which provides that no licensee may advertise, print, display, publish, distribute, or broadcast or cause or permit to be advertised, printed, displayed, published, distributed, or broadcast, in any manner whatsoever, any statement or representation with regard to the rates, terms, or conditions for the lending of money that is false, misleading, or deceptive.

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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-07-405-09-CO01

PARAMOUNT EQUITY MORTGAGE, INC.,  
HAYDEN D. "HAYES" BARNARD,  
MATTHEW J. "MATT" DAWSON, and  
JOHN J. "JASON" WALKER,

CONSENT ORDER

Respondents.

COMES NOW the Director of the Department of Financial Institutions (Director), through his designee Deborah Bortner, Division Director, Division of Consumer Services, and Paramount Equity Mortgage, Inc. (Respondent Paramount), Hayden D. "Hayes" Barnard, individually and as President and Co-Founder of Paramount (Respondent Barnard), Matthew J. "Matt" Dawson, individually and as Secretary, Treasurer, Vice President of Strategic Initiatives, and Co-Founder of Paramount, (Respondent Dawson), and John J. "Jason" Walker, individually and as Chief Financial Officer, Vice President of Strategic Initiatives and Co-Founder of Paramount, (Respondent Walker), by and through their attorney Douglas L. Davies, and finding that the issues raised in the above-captioned matter may be economically and efficiently settled, agree to the entry of this Consent Order. This Consent Order is entered pursuant RCW 19.146, the Mortgage Broker Practices Act (the Act), RCW 31.04, the Consumer Loan Act, and RCW 34.05.060 of the Administrative Procedure Act.

AGREEMENT AND ORDER

On July 21, 2008, the Department of Financial Institutions, Division of Consumer Services (Department) entered Statement of Charges No. C-07-405-08-SC01 against Respondents Paramount, Barnard, Dawson, and Walker (Respondents). The Statement of Charges, a copy of which is attached as Attachment A, made certain Factual Allegations that are hereby incorporated into this Consent Order.

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CONSENT ORDER  
C-07-405-09-CO01  
Paramount Equity Mortgage, Inc. *et al.*

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DEPARTMENT OF FINANCIAL INSTITUTIONS  
Division of Consumer Services  
PO Box 41200  
Olympia, WA 98504-1200  
(360) 902-8703

1 Based upon the foregoing:

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

4 **B. Waiver of Hearing.** It is AGREED that Respondents have been informed of the right to a hearing before  
5 an administrative law judge, and that they have waived their right to a hearing and any and all administrative and  
6 judicial review of the issues raised in this matter, or of the resolution reached herein. Accordingly, Respondents  
7 agree to withdraw their appeal and to inform the Office of Administrative Hearings in writing of their withdrawal.  
8 Further, Respondents have entered into a release which is incorporated herein by reference.

9 **C. Efforts Exerted by Respondents.** The parties agree that the Respondents have undertaken significant  
10 efforts to investigate, address and correct the compliance issues that lead to the Statement of Charges. Those  
11 efforts have resulted in the expenditure of significant resources of time and money by Respondents and have  
12 resulted in improved compliance systems.

13 **D. Compliance with the Law.** It is AGREED that Respondents shall comply with the Mortgage Broker  
14 Practices Act and the rules adopted thereunder, now existing and as hereafter amended, when engaged in any  
15 activities subject to that statute and rules.

16 **E. Admissions.** It is AGREED that Respondents have cooperated with the Department's investigation into  
17 this matter and acknowledge the Department's jurisdiction and authority to enter this Consent Order. Respondent  
18 Paramount admits that during the relevant time period, Paramount did not maintain books and records in violation  
19 of RCW 19.146.060(2) and WAC 208-660-450(1)(a)(ii), (iii), and (vii); processed 56 loans originated by  
20 unlicensed loan originators in violation of RCW 19.146.200(1); and, in some aspects of its advertising, were in  
21 violation of RCW 19.146.0201(2), (7), (10), and (11).

22 With these exceptions, Respondents neither admit nor deny the Factual Allegations of the Statement of Charges.  
23 The parties intend this Consent Order to fully resolve the Statement of Charges.

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1       **F. Fine.** It is AGREED and ORDERED that Respondent Paramount shall pay to the Department a fine of  
2 \$225,000 in the form of cashier's checks made payable to the "Washington State Treasurer" as follows:

- 3           1. Upon entry of this Consent Order, Respondent Paramount shall pay \$175,000 to the Department.  
4           2. Within 120 days of the entry of this Consent Order, Respondent Paramount shall pay the remaining  
           \$50,000 to the Department.

5       **G. Restitution.** It is AGREED and ORDERED that Respondent Paramount shall pay \$139,075.00 in  
6 restitution to 52 consumers. If restitution cannot be made to any particular consumer, Respondents shall take the  
7 necessary steps to escheat such funds to the State of Washington as unclaimed property in the name of the  
8 consumer. Within 120 days of the entry of this Consent Order, Respondents shall provide the Department with an  
9 affidavit signed by Respondent Dawson attesting to the payment of restitution and providing written proof that the  
10 entire restitution amount has either been received by consumers or escheated to the state. The "written proof" at a  
11 minimum must consist of copies of the front and back of cancelled checks.

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

14       **I. Investigation Fee.** It is AGREED and ORDERED that upon entry of this Consent Order, Respondent  
15 Paramount shall pay to the Department an investigation fee of \$25,000 in the form of a cashier's check made  
16 payable to the "Washington State Treasurer."

17       **J. Examination Fee.** It is AGREED and ORDERED that upon entry of this Consent Order, Respondent  
18 Paramount shall pay to the Department an examination fee of \$3,366.51 in the form of a cashier's check made  
19 payable to the "Washington State Treasurer."

20       **K. Injunctive Relief: The Mortgage Broker Practices Act.** It is AGREED and ORDERED that  
21 Respondents, their officers, directors, control persons, agents, employees, independent contractors, and loan  
22 originators, shall each cease and desist from violating the Mortgage Broker Practices Act, including but not  
23 limited to RCW 19.146.0201(2), (3), (6), (7), (10), (11), (13), and (15); RCW 19.146.030; RCW 19.146.200(1);  
24 and 19.146.060(2); and the specific practices set forth in Attachment A, incorporated herein by reference.

1       **L. Future Applications for License.** It is AGREED that should Respondents apply to the Department in  
2 the future for a Consumer Loan Company license, or any other license, under any name, Respondents shall be  
3 required to meet any and all application requirements in effect at that time. The admissions, conduct, and  
4 allegations serving as the basis for the issuance of the Statement of Charges and Consent Order in this matter will  
5 not be used in the assessment of any future applications.

6       **M. Injunctive Relief: The Consumer Loan Act.** It is AGREED and ORDERED that if Respondents should  
7 become licensed under the Consumer Loan Act under any name, each officer, director, control person, agent,  
8 employee, independent contractor, and loan originator shall each comply with all the statutory provisions and rules  
9 promulgated under the Consumer Loan Act, now existing and as hereafter amended, including but not limited to  
10 RCW 31.04.027, as set forth in Attachment B, incorporated herein by reference. It is FURTHER AGREED and  
11 ORDERED that if Respondents should become licensed under the Consumer Loan Act under any name, each  
12 officer, director, control person, agent, employee, independent contractor, and loan originator shall each comply  
13 with all the statutory provisions and rules promulgated under the Consumer Loan Act, including but not limited to  
14 RCW 31.04.102, as set forth in Attachment C, incorporated herein by reference. It is FURTHER AGREED and  
15 ORDERED that if Respondents should become licensed under the Consumer Loan Act under any name, each  
16 officer, director, control person, agent, employee, independent contractor, and loan originator shall each comply  
17 with all the statutory provisions and rules promulgated under the Consumer Loan Act, including RCW 31.04.135,  
18 which provides that no licensee may advertise, print, display, publish, distribute, or broadcast or cause or  
19 permit to be advertised, printed, displayed, published, distributed, or broadcast, in any manner whatsoever, any  
20 statement or representation with regard to the rates, terms, or conditions for the lending of money that is false,  
21 misleading, or deceptive.

22       **N. Authority to Execute Order.** It is AGREED that the undersigned Respondents have represented and  
23 warranted that they have the full power and right to execute this Consent Order on behalf of the parties  
24 represented. This Consent Order may be executed in counter-parts.

1       **O. Non-Compliance with Order.** It is AGREED that Respondents understand that failure to abide by the  
2 terms and conditions of this Consent Order may result in further legal action by the Director.

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

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

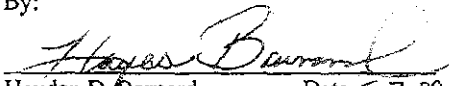
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8 RESPONDENTS:

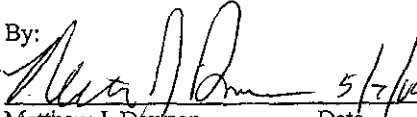
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PARAMOUNT EQUITY MORTGAGE, INC.

10 By:

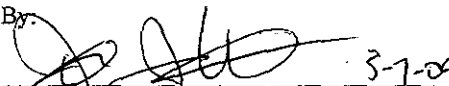
11   
12 Hayden D. Barnard                      Date 5-7-09  
13 President

By:

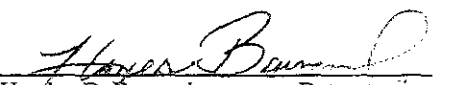
 5/7/09  
Matthew J. Dawson                      Date  
Secretary, Treasurer, Vice President


13

14 By:


15  5-7-09  
16 John Jason Walker                      Date  
17 Chief Financial Officer and Vice President

17

18   
19 Hayden D. Barnard                      Date 5-7-09  
20 Individually

 5/7/09  
Matthew J. Dawson                      Date  
Individually

20

21  5-7-09  
22 John Jason Walker                      Date  
23 Individually

23 //

24 //

25

1 Approved as to form:  
2 Foster Pepper, PLLC

3  
4 Douglas L. Davies, WSBA #16750  
Attorneys for Respondents

5/7/09  
Date

DO NOT WRITE BELOW THIS LINE

THIS ORDER ENTERED THIS 11<sup>th</sup> DAY OF May, 2009.



Deborah Bortner  
DEBORAH BORTNER  
Director, Division of Consumer Services  
Department of Financial Institutions

25  
CONSENT ORDER  
C-07-405-09-CO01  
Paramount Equity Mortgage, Inc. *et al.*

6

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Division of Consumer Services  
PO Box 41200  
Olympia, WA 98504-1200  
(360) 902-8703



**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:**

**PARAMOUNT EQUITY MORTGAGE, INC.,  
HAYDEN D. "HAYES" BARNARD, President,  
MATTHEW J. "MATT" DAWSON, Secretary  
and Treasurer, and JOHN J. "JASON" WALKER,  
Chief Financial Officer,**

**Respondents.**

**NO. C-07-405-08-SC01**

**STATEMENT OF CHARGES and NOTICE OF  
INTENT TO ENTER AN ORDER TO REVOKE  
LICENSES, ORDER RESTITUTION, IMPOSE  
FINES, PROHIBIT FROM INDUSTRY, AND  
COLLECT EXAMINATION AND  
INVESTIGATION FEES**

**INTRODUCTION**

Pursuant to RCW 19.146.220 and RCW 19.146.223, the Director of the Department of Financial Institutions of the State of Washington (Director) is responsible for the administration of chapter 19.146 RCW, the Mortgage Broker Practices Act (the Act). After having conducted an examination and investigation pursuant to RCW 19.146.235, 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 Deborah Bortner, institutes this proceeding and finds as follows:

**I. FACTUAL ALLEGATIONS**

**A. Respondents**

**1.1 Respondent Paramount Equity Mortgage, Inc. (Paramount)** is an active for-profit corporation organized in California in June 2004. The firm's main office location is in Roseville, California. Paramount is registered with the Washington State Secretary of State's Corporations Division and with the Washington State Department of Revenue. Paramount was licensed by the Department of Financial Institutions of the State of Washington (Department) to conduct business as a mortgage broker, license number 510-MB-26516, on July 19, 2004, and has been continuously licensed to date. Paramount has three branch offices licensed in Washington: one in Granite Bay, California, license number 48472; one in Lake Oswego, Oregon, license number 26517; and one in Bellevue, Washington, license number 29860. The Bellevue branch was licensed by the Department to conduct business on April 28, 2006, and has been continuously licensed to date.

STATEMENT OF CHARGES  
No. C-07-405-08-SC01  
Paramount Equity Mortgage, Inc., *et al.*

1

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Division of Consumer Services  
P.O. Box 41200  
Olympia, WA 98504-1200  
(360) 902-8703

1.2 Paramount offers consumers residential mortgage loans both as a mortgage broker originating and brokering loans funded by wholesale lenders, and as a mortgage banker originating, underwriting, and funding loans from lines of credit with Countrywide Warehouse Lending and First Collateral Services. In 2007, Paramount closed approximately 1,750 loans in Washington, 30% brokered and 70% funded. Paramount uses Ticor Title for closing services on almost all Washington residential mortgage loans.

1.3 Respondent Hayden D. "Hayes" Barnard (Barnard) is the President, co-founder, and a one-third owner of Paramount. Barnard is not licensed by the Department in any capacity.

1.4 Respondent Matthew J. "Matt" Dawson (Dawson) is the Secretary, Treasurer, co-founder, and a one-third owner of Paramount, and is the Vice President of Strategic Initiatives. Dawson is also the Designated Broker for Paramount, and was licensed by the Department as a loan originator, license number 26682, effective January 1, 2007.

1.5 Respondent John Jason "Jason" Walker (Walker) is a co-founder and one-third owner of Paramount, and is the Chief Financial Officer and Vice President of Risk Management.

#### B. False, Deceptive, and Misleading Advertising

1.6 Between January 2 and September 30, 2007, Respondents Paramount, Barnard, Dawson, and Walker (Respondents) aired approximately 19 different radio spots in Western Washington, using 18 different AM and FM radio stations. Between September 10 and December 30, 2007, Paramount aired approximately 6 different radio spots in Eastern Washington, using 11 different AM and FM radio stations. Paramount's radio advertising campaign has continued into 2008.

1.7 **Mortgage Bank:** From January 1, 2007 through the date of this Statement of Charges (the relevant time period) Paramount has represented that interest rate savings could be realized by using Paramount's "bank," "in-house bank," or "mortgage bank." As an example, their "Facelift" spot aired from January 23, 2007 through February 1, 2007, and February 5, 2007, through March 5, 2007. An excerpt follows:

I'm Hayes Barnard, owner of Paramount Equity, and the recent launch of our mortgage bank is allowing us to offer rates lower than ever before.

//

1 Paramount began funding residential mortgage loans in late 2005. In January 2006, Paramount was approved by the  
2 U.S. Department of Housing and Urban Development (HUD) as a non-supervised mortgagee authorized to originate  
3 single family residential mortgages insured by HUD and the Federal Housing Authority (FHA). Upon receipt of  
4 that approval, Paramount was permitted under state law to use the specific terms "mortgage banker" or "mortgage  
5 banking" in the conduct of its business. Paramount is not a bank, and Respondents are not permitted to use the  
6 terms "bank," "in-house bank," or "mortgage bank" in connection with their business.

7 **1.8 Truth-in-Lending Act Violations:** In a radio advertisement that aired in April 2008, Paramount represented  
8 they were one of the only mortgage banks in the country that could deliver mortgage rates of 5.5% with an annual  
9 percentage rate (APR) of 5.6%. Paramount represented that the advertised rates were available on a "30-year loan  
10 fixed for seven." Respondents misrepresented the availability of the interest rate and APR quoted, as those rates  
11 were available from mortgage brokers throughout Washington; misrepresented that the interest rate was fixed when  
12 it was adjustable; did not clearly and conspicuously disclose the APR; did not disclose that the interest rate may  
13 increase after consummation; and did not disclose the terms of repayment.

14 **1.9 "Free" Appraisals:** Paramount represented that Respondents would pay to have applicants' homes  
15 appraised. In addition to brokerage fees, loan origination fees, and yield spread premiums, Respondents charged  
16 borrowers processing, administrative, and underwriting fees totaling more than \$1,700. Respondents represented  
17 that the appraisal was being offered for free when the cost was being recovered through other charges.

18 **1.10 Guarantee:** Paramount represented that they would "guarantee to beat any written fee and rate structure."  
19 The guarantee is described as a "Best Rate and Fee Guarantee," where Paramount promises to either beat  
20 competitors' rates and fees by \$50, or pay the applicant \$500. To collect on the guarantee, applicants must  
21 complete a credit application and get Paramount's Good Faith Estimate (GFE) noting the loan program, interest  
22 rate, and fees; provide Paramount with a GFE from a competitor dated the same date; and ensure that the terms and  
23 conditions for the two loans are identical. If the competitor's GFE provides for both a lower APR and lower fees,  
24 and the loan programs are identical, at their option, Paramount will either beat the competitor's fees by \$50 or pay  
25 the applicant \$500. To collect the \$500, the applicant must close the loan with the competitor and provide

1 Paramount with a copy of the loan note and final HUD-1 Settlement Statement. In June 2006, the Department  
2 advised Respondents to make appropriate disclosures in future advertisements. Respondents did not disclose the  
3 nature, limitations, and conditions of the guarantee in their advertising.

4 **1.11 Best Rates and Fees:** Paramount's Internet website ([www.ParamountEquity.com](http://www.ParamountEquity.com)) discloses that the  
5 guarantee referenced above is a "Best Rate and Fee Guarantee." The website claims that Paramount guarantees to  
6 provide the lowest APR and fees. Because such claims cannot be substantiated, Respondents are prohibited from  
7 advertising rates or fees as the "lowest" or "best."

8 **1.12 Internet Advertising:** In addition to the "Best Rate and Fee Guarantee" representation on Paramount's  
9 Internet website, Paramount advertises using Google's™ AdWords, an online program that uses contextual targeting  
10 to direct shoppers to relevant websites. Executing a search for mortgage refinancing on Google™ may result in a  
11 small advertisement for Paramount appearing next to the search results. Respondents' advertisements, which  
12 provide a link to their website, have promoted their guarantee and free appraisals, and represented that four out of  
13 five homeowners are approved for refinancing. The advertisements do not disclose Paramount's full licensed name,  
14 license status, or disclose the nature, limitations, and conditions of the guarantee.

15 **1.13 Historical Rate Claims:** Paramount represented that interest rates had reached historic lows, sometimes due  
16 to economic conditions. Respondents did not maintain adequate books and records required to substantiate the low  
17 rate claims. In June 2006, the Department advised Respondents that when they advertise historical market  
18 descriptions, they should ensure they did not make misleading or inaccurate statements. Respondents were not able  
19 to substantiate the allegedly low rates were available during the entire time the advertisements aired.

#### 20 **C. Deceptive Fee Disclosures**

21 **1.14 Deceptive GFE Disclosures:** Within three business days following receipt of a mortgage loan application,  
22 Paramount is required to provide applicants with a written disclosure itemizing all fees and costs that a borrower  
23 must pay in connection with getting a loan. The disclosure must specify, on lines 808 through 811 of the GFE,  
24 those fees which inure to the benefit of Paramount. During the relevant time period, Respondents disclosed part of  
25 its mortgage broker fees on lines 801 and 802 of the GFE, misidentifying them as fees payable to the lender.

1 **1.15 Deceptive HUD-1/1A Settlement Statement Disclosures:** Either before or at closing, Paramount's  
2 settlement agent is required to provide borrowers with a written disclosure itemizing the final fees and costs the  
3 borrower must pay in connection with getting a loan. Paramount is required to instruct its settlement agent to  
4 disclose, on lines 808 through 811 of the HUD-1/1A Settlement Statement (HUD-1), those fees which inure to the  
5 benefit of Paramount. During the relevant time period, through Paramount's primary settlement agent, Ticor Title,  
6 Respondents disclosed those fees which inured to the benefit of Paramount on page three of the HUD-1, using  
7 added lines numbered 815 and up. Only the subtotal of the page three disclosures are transferred to page two, where  
8 the 800-series of lines, including lines 808 through 811, appear. As a result, a significant portion of the closing  
9 costs paid to Respondents, including brokerage fees, loan origination fees, yield spread premiums, loan discount  
10 fees, plus underwriting, administration, processing, and application fees are hidden from borrowers.

11 **D. Collection of Unearned Fees**

12 **1.16 Unearned 801 Loan Origination Fees:** During the relevant time period, Paramount initially disclosed on  
13 line 801 of the GFE that Paramount, as lender, would charge a loan origination fee. In those transactions where  
14 Paramount decided not to be the lender, and instead brokered the loan, Respondents retained the unearned 801 loan  
15 origination fee as part of its mortgage broker fee.

16 **1.17 Unearned 802 Discount Points:** During the relevant time period, Paramount initially disclosed on line 802  
17 of the GFE that Paramount, as lender, would charge the borrower discount points to buy down the interest rate. In  
18 those transactions where Paramount decided not to be the lender, and instead brokered the loan, Respondents  
19 retained the unearned 802 discount points as part of its mortgage broker fee.

20 **1.18 Unearned 811 Underwriting Fees:** During the relevant time period, Paramount initially disclosed on line  
21 811 of the GFE that Paramount, as lender, would be collecting underwriting fees. In those transactions where  
22 Paramount decided not to be the lender, and instead brokered the loan, Respondents retained the unearned 811  
23 underwriting fees as part of its mortgage broker fee.

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**E. False Discounts Points**

**1.19 False Discounts Points:** During the relevant time period, in transactions where Respondents retained unearned discount points, the points paid by the borrowers did not result in a decrease in the interest rate.

**F. Improper Disclosures**

**1.20** In November 2007, the Department conducted an on-site examination of Paramount's loan portfolio and business practices. The Department reviewed 43 Washington residential mortgage loans originated during 2007, including 23 transactions where Paramount acted as a mortgage broker and 20 transactions where Paramount acted as a mortgage banker. The examination revealed that Respondents were making various improper disclosures.

**1.21 Loan Origination Fee Disclosure:** On the initial GFE provided to borrowers, Paramount disclosed that borrowers would be charged a loan origination fee on line 801. In 19 transactions where Paramount decided not to be the lender, and instead brokered the loan, Respondents did not provide a revised GFE to the borrowers prior to closing that disclosed the loan origination fee inured to the benefit of Paramount.

**1.22 Loan Discount Points Disclosure:** On the initial GFE provided to borrowers, Paramount disclosed that borrowers would be charged discount points on line 802. In 3 transactions where Paramount decided not to be the lender, and instead brokered the loan, Respondents did not provide a revised GFE to the borrowers prior to closing that disclosed the discount points inured to the benefit of Paramount.

**1.23 Underwriting Fees:** On the initial GFE provided to borrowers, Paramount disclosed that borrowers would be charged an underwriting fee. In 33 transactions where Paramount decided not to be the lender, and instead brokered the loan, Respondents did not provide a revised GFE to the borrowers prior to closing that disclosed the underwriting fee inured to the benefit of Paramount.

**1.24 Processing Fees:** On the initial GFE provided to borrowers, Paramount disclosed that borrowers would be charged a processing fee. In 41 transactions, Respondents did not disclose that the processing fee would inure to the benefit of Paramount.

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1 **1.25 Administrative Fees:** On the initial GFE provided to borrowers, Paramount disclosed that borrowers would  
2 be charged an administrative fee. In 39 transactions, Respondents did not disclose that the administrative fee would  
3 inure to the benefit of Paramount.

4 **1.26 Loan Originator Disclosures:** In 30 of the 43 transactions reviewed, Paramount did not include the loan  
5 originator's license number on residential mortgage applications.

6 **1.27 Rate Lock-in Agreements:** In 22 of the 43 transactions reviewed, Paramount, after entering into interest rate  
7 lock-in agreements with borrowers, did not timely provide borrowers with a required disclosure describing the cost,  
8 terms, duration, and conditions of the lock-in agreement.

9 **1.28 Variable Rate Disclosures:** In 11 of 43 transactions reviewed, Paramount did not timely provide borrowers  
10 with a required disclosure relating to variable interest rate mortgage loans.

11 **1.29 Borrower-Paid Services:** In 21 of the 43 transactions reviewed, Paramount did not provide borrowers with a  
12 required disclosure relating to the availability of copies of borrower-paid appraisals, title reports, and credit reports  
13 when the borrower is denied a loan.

14 **1.30 Trust Account Disclosures:** In 21 of the 43 transactions reviewed, Paramount did not timely provide  
15 borrowers with a required disclosure affirming that fees paid by borrowers for third-party provider services would  
16 be held in a trust account, and that any monies remaining after payment to those providers would be refunded.

17 **G. Unlicensed Activity**

18 **1.31 Unlicensed Loan Originators:** Between January 5, 2007 and November 20, 2007, at least 16 persons, none  
19 of whom were licensed by the Department as loan originators, originated at least 52 Washington residential  
20 mortgage loans for Respondents.

21 **H. On-Going Investigation**

22 **1.32** The Department's investigation into the alleged violations of the Act by Respondents is continuing.

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## II. GROUNDS FOR ENTRY OF ORDER

**2.1 Unfair or Deceptive Practices.** Based on the Factual Allegations set forth in Section I above, Respondents are in violation of RCW 19.146.0201(2) by engaging in unfair or deceptive practices toward any person including the use of false, deceptive, or misleading advertising; making deceptive fee disclosures; collecting unearned fees; charging and collecting unearned discount points; failing to identify Paramount by its full licensed name on Internet advertising; and failing to comply with RCW 30.04.020, which regulates the use of the word "bank."

**2.2 Obtaining Property by Fraud or Misrepresentation.** Based on the Factual Allegations set forth in Section I above, Respondents are in violation of RCW 19.146.0201(3) by obtaining property by fraud or misrepresentation, which includes charging and collecting unearned fees and discount points.

**2.3 Failure to Disclose:** Based on the Factual Allegations set forth in Section I above, Respondents are in violation of RCW 19.146.0201(6) by failing to make disclosures to loan applicants as required by the Act, and as required by the Real Estate Settlement Procedures Act, 12 U.S.C. §2601 and Regulation X, 24 C.F.R. §3500, which includes failing to disclose the fees which inured to the benefit of Respondents on the GFE and HUD-1.

**2.4 False or Deceptive Representation of Loan Terms.** Based on the Factual Allegations set forth in Section I above, Respondents are in violation of RCW 19.146.0201(7) by making false or deceptive statements concerning the financing terms and conditions for residential mortgage loans, which includes advertising or offering the "lowest" or "best" rates and fees, and charging borrowers discount points that did not result in a decrease in the interest rate.

**2.5 Deceptive APR Disclosure.** Based on the Factual Allegations set forth in Section I above, Respondents are in violation of RCW 19.146.0201(10) by advertising a rate of interest without clearly and conspicuously disclosing the APR.

**2.6 Compliance with Truth in Lending Act.** Based on the Factual Allegations set forth in Section I above, Respondents are in violation of RCW 19.146.0201(11) by failing to comply with the disclosure requirements of the Truth in Lending Act, 15 U.S.C. § 1664(d) and Regulation Z, 12 C.F.R. §226.24(b) and (c), which includes failing to clearly and conspicuously disclose the APR; failing to disclose that advertised APRs may increase after



1 consummation; and failing to disclose the terms of repayment on advertisements containing certain disclosure  
2 triggering terms.

3 **2.7 Compliance with Real Estate Settlement Procedures Act.** Based on the Factual Allegations set forth in  
4 Section I above, Respondents are in violation of RCW 19.146.0201(11) by failing to comply with the Real Estate  
5 Settlement Procedures Act, 12 U.S.C. §2601 and Regulation X, 24 C.F.R. §3500, which includes failing to disclose  
6 to borrowers the fees which inured to the benefit of Respondents on the HUD-1, and collecting unearned loan  
7 origination fees, underwriting fees, and discount points.

8 **2.8 Compliance with Federal Trade Commission Act.** Based on the Factual Allegations set forth in Section I  
9 above, Respondents are in violation of RCW 19.146.0201(11) by failing to comply with the Federal Trade  
10 Commission Act, 15 U.S.C. §§41-58, *as amended*, by engaging in unfair or deceptive acts or practices.

11 **2.9 Charging and Collecting Prohibited Fees:** Based on the Factual Allegations set forth in Section I above,  
12 Respondents are in violation of RCW 19.146.0201(13) by charging and collecting fees prohibited by  
13 RCW 19.146.030(4), which includes charging and collecting unearned loan origination fees, underwriting fees, and  
14 discount points that were not disclosed on an initial or any subsequent GFE.

15 **2.10 Disclosure Violations.** Based on the Factual Allegations set forth in Section I above, Respondents are in  
16 violation of RCW 19.146.0201(15) for failing to make disclosures required by RCW 19.146.030, including initial  
17 disclosures required by RCW 19.146.030(1); revised GFEs required by RCW 19.146.030(4); rate lock disclosures  
18 required by RCW 19.146.030(2)(c), (e), and .030(3); variable rate disclosures required by RCW 19.146.030(2)(a);  
19 borrower-paid services disclosure required by RCW 19.146.030(2)(d); and trust account disclosures required by  
20 RCW 19.146.030(2)(f).

21 **2.11 Unlicensed Activity.** Based on the Factual Allegations set forth in Section I above, Respondents are in  
22 violation of RCW 19.146.200(1) for the unlicensed loan originator activity.

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### III. AUTHORITY TO IMPOSE SANCTIONS

**3.1 Authority to Revoke Licenses.** Pursuant to RCW 19.146.220(2)(e), the Director may revoke licenses for any violation of the Act.

**3.2 Authority to Order Restitution:** Pursuant to RCW 19.146.220(2)(e), the Director may order restitution against licensees or other persons subject to the Act for any violation of the Act.

**3.3 Authority to Impose Fines.** Pursuant to RCW 19.146.220(2)(e) and (3(a), the Director may impose fines against licensees or other persons subject to the Act for any violation of the Act.

**3.4 Authority to Prohibit from Industry:** Pursuant to RCW 19.146.220(5), the Director may issue an order removing from office and prohibiting from participation in the affairs of a licensed mortgage broker any officer or principal of any licensed mortgage broker for any violation of RCW 19.146.0201(1) through (9), RCW 19.146.030, or RCW 19.146.200.

**3.5 Authority to Collect Examination Fee.** Pursuant to RCW 19.146.235(8), WAC 208-660-510(9), and WAC 208-660-550(5)(a), the Department collects certain costs for examinations of out-of-state licensees, specifically costs associated with transportation, meals, and lodging.

**3.6 Authority to Collect Investigation Fee.** Pursuant to RCW 19.146.228(2), WAC 208-660-520, and WAC 208-660-550(5)(a), the Department is entitled to collect the costs of any investigation of alleged violations of the Act. The investigation charge will be calculated at the rate of forty-eight dollars per hour that each staff person devoted to the investigation.

### IV. NOTICE OF INTENT TO ENTER ORDER

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

**4.1** The mortgage broker licenses, including the three branch office licenses, held by Respondent Paramount Equity Mortgage, Inc. be revoked.

**4.2** The loan originator license held by Respondent Matthew J. "Matt" Dawson be revoked.

1 4.3 Respondents Paramount Equity Mortgage, Inc., Hayden D. "Hayes" Barnard, Matthew J. "Matt" Dawson, and  
2 John J. "Jason" Walker jointly and severally identify and pay restitution to any applicant or borrower for violations of  
3 the Act by Respondents during the relevant time period.

4 4.4 Respondents Paramount Equity Mortgage, Inc., Hayden D. "Hayes" Barnard, Matthew J. "Matt" Dawson, and  
5 John J. "Jason" Walker jointly and severally pay a fine which, as of the date of this Statement of Charges, totals at least  
6 \$500,000.

7 4.5 Respondents Hayden D. "Hayes" Barnard, Matthew J. "Matt" Dawson, and John J. "Jason" Walker be prohibited  
8 from participation in the conduct of the affairs of any Washington licensed mortgage broker, in any manner, for a period  
9 of five (5) years.

10 4.6 Respondents Paramount Equity Mortgage, Inc., Hayden D. "Hayes" Barnard, Matthew J. "Matt" Dawson, and  
11 John J. "Jason" Walker jointly and severally pay the costs of the examination conducted in November 2007, which total  
12 \$3,366.51.

13 4.7 Respondents Paramount Equity Mortgage, Inc., Hayden D. "Hayes" Barnard, Matthew J. "Matt" Dawson, and  
14 John J. "Jason" Walker jointly and severally pay an investigation fee which, as of the date of this Statement of Charges,  
15 totals at least \$6,200.

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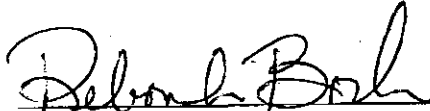
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V. AUTHORITY AND PROCEDURE

This Statement of Charges and Notice of Intent to Enter an Order to Revoke Licenses, Order Restitution, Impose Fines, Prohibit from Industry, and Collect Examination and Investigation Fees (Statement of Charges) is entered pursuant to the provisions of RCW 19.146.220, RCW 19.146.221, RCW 19.146.223 and RCW 19.146.230, and is subject to the provisions of chapter 34.05 RCW (the Administrative Procedure Act). Respondents may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Statement of Charges.

Dated this 21<sup>st</sup> day of July, 2008.

  
DEBORAH BORTNER  
Director, Division of Consumer Services  
Department of Financial Institutions

Presented by:

  
ANTHONY W. CARTER  
Enforcement Attorney



Approved by:

  
JAMES R. BRUSSELBACK  
Enforcement Chief

## Attachment B

If Respondents should become licensed under the Consumer Loan Act under any name, each officer, director, control person, agent, employee, independent contractor, and loan originator shall each comply with all the statutory provisions and rules promulgated under the Consumer Loan Act, including but not limited to RCW 31.04.027 and refrain from participating in any of the items as set forth below:

1. Directly or indirectly employ any scheme, device, or artifice to defraud or mislead any borrower, to defraud or mislead any lender, or to defraud or mislead any person;
  2. Directly or indirectly engage in any unfair or deceptive practice toward any person;
  3. Directly or indirectly obtain property by fraud or misrepresentation;
  4. Solicit or enter into a contract with a borrower that provides in substance that the consumer loan company may earn a fee or commission through the consumer loan company's best efforts to obtain a loan even though no loan is actually obtained for the borrower;
  5. Solicit, advertise, or enter into a contract for specific interest rates, points, or other financing terms unless the terms are actually available at the time of soliciting, advertising, or contracting;
  6. Fail to make disclosures to loan applicants as required by RCW 31.04.102 and any other applicable state or federal law;
  7. Make, in any manner, any false or deceptive statement or representation with regard to the rates, points, or other financing terms or conditions for a residential mortgage loan or engage in bait and switch advertising;
  8. Negligently make any false statement or knowingly and willfully make any omission of material fact in connection with any reports filed with the department by a licensee or in connection with any investigation conducted by the department;
  9. Make any payment, directly or indirectly, to any appraiser of a property, for the purposes of influencing the independent judgment of the appraiser with respect to the value of the property; or
  10. Advertise any rate of interest without conspicuously disclosing the annual percentage rate implied by that rate of interest or otherwise fail to comply with any requirement of the truth in lending act, 15 U.S.C. Sec. 1601 and regulation Z, 12 C.F.R. Sec. 226, the real estate settlement procedures act, 12 U.S.C. Sec. 2601 and regulation X, 24 C.F.R. Sec. 3500, or the equal credit opportunity act, 15 U.S.C. Sec. 1691 and regulation B, Sec. 202.9, 202.11, and 202.12, or any other applicable federal statute, as now or hereafter amended, in any advertising of residential mortgage loans or any other consumer loan company activity.
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#### Attachment C

If Respondents should become licensed under the Consumer Loan Act under any name, each officer, director, control person, agent, employee, independent contractor, and loan originator shall each comply with all the statutory provisions and rules promulgated under the Consumer Loan Act, including but not limited to RCW 31.04.102, as set forth below:

1. For all loans made by a licensee that are not secured by a lien on real property, the licensee must make disclosures in compliance with the truth in lending act, 15 U.S.C. Sec. 1601 and regulation Z, 12 C.F.R. Sec. [Part] 226, and all other applicable federal laws and regulations.
2. For all loans made by a licensee that are secured by a lien on real property, the licensee shall provide to each borrower within three business days following receipt of a loan application a written disclosure containing an itemized estimation and explanation of all fees and costs that the borrower is required to pay in connection with obtaining a loan from the licensee. A good faith estimate of a fee or cost shall be provided if the exact amount of the fee or cost is not available when the disclosure is provided. Disclosure in a form which complies with the requirements of the truth in lending act, 15 U.S.C. Sec. 1601 and regulation Z, 12 C.F.R. Sec. [Part] 226, the real estate settlement procedures act and regulation X, 24 C.F.R. Sec. 3500, and all other applicable federal laws and regulations, as now or hereafter amended, shall be deemed to constitute compliance with this disclosure requirement. Each licensee shall comply with all other applicable federal and state laws and regulations.
3. In addition, for all loans made by the licensee that are secured by a lien on real property, the licensee must provide to the borrower an estimate of the annual percentage rate on the loan and a disclosure of whether or not the loan contains a prepayment penalty within three days of receipt of a loan application. The annual percentage rate must be calculated in compliance with the truth in lending act, 15 U.S.C. Sec. 1601 and regulation Z, 12 C.F.R. Sec. [Part] 226. If a licensee provides the borrower with a disclosure in compliance with the requirements of the truth in lending act within three business days of receipt of a loan application, then the licensee has complied with this subsection. If the director determines that the federal government has required a disclosure that substantially meets the objectives of this subsection, then the director may make a determination by rule that compliance with this federal disclosure requirement constitutes compliance with this subsection.