

TERMS COMPLETE

CONSENT ORDER SUMMARY - Case Number: C-08-015

Name(s) Bridgeport Lending, Inc.
Brenan Palmersheim

Order Number C-08-015-09-CO01

Effective Date July 30, 2009

License Number DFI: 23631 NMLS ID: 3239 (Bridgeport Lending)
DFI: 23802 NMLS ID: 80957 (Palmersheim)

License Effect Department accepts voluntary surrender of 23631
Respondent Palmersheim to retain 23802

Not Apply until July 30, 2014

Prohibition/Ban until July 30, 2014

Investigation Costs	\$2,160	Due:	Paid Y	Date: 7/29/2009
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Assessment(s)	\$	Due	Paid Y N	Date
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Monetary Penalty	\$5,000	Due :	Paid Y	Date: 7/29/2009
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Other

Special Instructions

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

RECEIVED
RESPONDENT

JUL 28 2009

ENFORCEMENT UNIT
DIVISION OF CONSUMER SERVICES
DEPT. OF FINANCIAL INSTITUTIONS

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

NO. C-08-015-09-CO01

CONSENT ORDER

BRIDGEPORT LENDING, INC, and
BRENN PALMERSHEIM, President,
Owner, and Designated Broker,

Respondents.

COMES NOW the Director of the Department of Financial Institutions (Director), through his
designee Deborah Bortner, Division Director, Division of Consumer Services, and Bridgeport Lending,
Inc., (hereinafter Respondent Bridgeport Lending), and Brenan Palmersheim, President, Owner, and
Designated Broker (hereinafter Respondent Palmersheim), and finding that the issues raised in the
captioned matter 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 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 alleged in Statement of Charges No.
C-08-015-08-SC01 (Statement of Charges), entered December 18, 2008, (copy attached hereto).

Pursuant to chapter 19.146 RCW, the Mortgage Broker Practices Act (Act), and RCW 34.05.060 of the
Administrative Procedure Act, Respondents hereby agree to the Department's entry of this Consent Order

CONSENT ORDER
C-08-015-09-CO01
Bridgeport Lending, Inc., and
Brenan Palmersheim

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

1 and further agree that the issues raised in the above captioned matter may be economically and efficiently
2 settled by entry of this Consent Order. The parties intend this Consent Order to fully resolve the
3 Statement of Charges.

4 Based upon the foregoing:

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

7 **B. Waiver of Hearing.** It is AGREED that Respondents have been informed of the right to a
8 hearing before an administrative law judge, and that they have waived their right to a hearing and any and
9 all administrative and judicial review of the issues raised in this matter, or of the resolution reached
10 herein. Accordingly, Respondents agree to withdraw their appeal and to inform the Office of
11 Administrative Hearings in writing of their withdrawal.
12

13 **C. License Surrender.** It is AGREED that the Department shall accept Respondent's surrender
14 of their Mortgage Broker License. Said license shall be surrendered within five business days of the entry
15 of this Consent Order. It is further AGREED that Respondent Palmersheim shall be permitted to retain
16 his license to do business as a loan originator, subject to all loan originator license requirements under the
17 Act.

18 **D. Agreement not to Apply.** It is AGREED that Respondent Palmersheim shall not apply for a
19 mortgage broker license or a consumer loan license or to become a designated broker for five years from
20 the date of this Consent Order.
21

22 **E. Fine.** It is AGREED that Respondents shall pay to the Department a fine of \$5,000, in the
23 form of a cashier's check made payable to the "Washington State Treasurer," upon entry of this Consent
24 Order.
25

1 F. **Investigation Fee.** It is AGREED that Respondents shall pay to the Department an
2 investigation fee of \$2,160, in the form of a cashier's check made payable to the "Washington State
3 Treasurer," upon entry of this Consent Order. Respondents may pay both the fine and the investigation
4 fee in the form of a single cashier's check made payable to the "Washington State Treasurer."

5 G. **Authority to Execute Order.** It is AGREED that the undersigned Respondent Palmersheim
6 has represented and warranted that he has the full power and right to execute this Consent Order on
7 behalf of the parties.

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

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

14 J. **Completely Read, Understood, and Agreed.** It is AGREED that Respondents have read
15 this Consent Order in its entirety and fully understand and agree to all of the same. It is further AGREED
16 that Respondents understand that this Consent Order shall not be entered until the fine and investigation
17 fee are paid in full.
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19 **RESPONDENTS:**

20 **Bridgeport Lending, Inc.**

21 By:

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23 Brenan Palmersheim
24 President, Owner, and Designated Broker

7/2/09
Date

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[Redacted signature]

Brenan Palmersheim
Individually

7/21/09
Date

DO NOT WRITE BELOW THIS LINE

THIS ORDER ENTERED THIS 30th DAY OF July, 2009.

[Redacted signature]

DEBORAH BORTNER
Director
Division of Consumer Services
Department of Financial Institutions

Presented by:

[Redacted signature]

STEVEN C. SHERMAN
Financial Legal Examiner



Approved by:

[Redacted signature]

JAMES R. BRUSSELBACK
Enforcement Chief

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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-08-015-08-SC01

BRIDGEPORT LENDING, INC, and
BRENEN PALMERSHEIM, President,
Owner, and Designated Broker,

Respondents.

STATEMENT OF CHARGES and
NOTICE OF INTENTION TO ENTER
AN ORDER TO REVOKE LICENSES,
PROHIBIT FROM INDUSTRY, IMPOSE
FINE, ORDER RESTITUTION, AND
COLLECT INVESTIGATION FEE

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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 (Act)¹. After having conducted an investigation pursuant to RCW 19.146.235, and based upon the facts available as of the date of the Statement of Charges, the Director, through his designee, Division of Consumer Services Director Deborah Bortner, institutes this proceeding and finds as follows:

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I. FACTUAL ALLEGATIONS

1.1 Respondents.

A. Bridgeport Lending, Inc. (Respondent Bridgeport Lending), was licensed by the Department of Financial Institutions of the State of Washington (Department) to conduct business as a mortgage broker on September 20, 2002, and has continued to be licensed to date. Respondent Bridgeport Lending is licensed to conduct the business of a mortgage broker from one location at 1706 D Street, Suite A, Vancouver, Washington.

¹ RCW 19.146 incorporating all amendments

1 **B. Brenen Palmersheim (Respondent Palmersheim)** is known to be the President,
2 Owner, and Designated Broker for Respondent Bridgeport Lending. Respondent Palmersheim was
3 licensed as Designated Broker on September 20, 2002, and has continued to be licensed to date.

4 **1.2 Examination.** From September 10 - 12, 2007, the Department conducted an examination of
5 Respondents' business practices for the twenty-five month period ending August 31, 2007. The
6 Department's examiners reviewed nineteen residential loan files, eight originated in 2006 and ten
7 originated in 2007, and identified the following apparent violations of the Act:

8 **A. Failure to Deliver or Properly Complete Rate Lock Disclosures to Borrowers.** In
9 six loans, Respondents did not provide a rate lock-in agreement to the borrowers. In nine additional
10 loans, Respondents did not properly complete the cost, terms, and duration of the lock-in agreement.

11 **B. Failure to Properly Complete Truth-in-Lending (TIL) Disclosures.** In six loans,
12 Respondents did not properly disclose the payment stream, or did not complete the appropriate check
13 boxes on the lower portion of the TIL to denote a demand feature, variable rate, prepayment penalty,
14 or late payment penalty.

15 **C. Failure to Include Loan Originator Licenses Numbers on Applications.** In three of
16 the 2007 loans, Respondents did not include the loan originator's license number on the application.
17 In two additional 2007 loans, the loan originator license number on the application was not the license
18 number for the named loan originator.

19 **D. Failure to Timely Provide Variable Rate Loan Disclosures.** In four loans,
20 Respondents did not provide variable rate loan program disclosures within three business days of
21 application.

22 **E. Failure to Properly Disclose the Yield Spread Premium (YSP).** In one loan,
23 Respondents did not disclose the YSP on a Good Faith Estimate (GFE) disclosure before closing. In
24
25

1 four of the 2007 loans, Respondents used the abbreviation "YSP" and did not spell out the words
2 "Yield Spread Premium."

3 **F. Failure to Properly Disclose Mortgage Broker Fees on GFE Disclosures.** In nine
4 loans, Respondents did not specify on the initial GFE all fees which inured to the benefit of the
5 mortgage broker. In six loans, fees payable to the Respondents were listed on line 801 of the GFE. In
6 one loan, Respondents did not re-disclose an increase in the mortgage broker fee at least three days
7 before closing and did not provide a written explanation for the increased fee.

8 **G. Failure to Provide Consumer Handbook on Adjustable Rate Mortgages.** In three
9 loans, Respondents did not provide the Consumer Handbook on Adjustable Rate Mortgages to
10 borrowers receiving Adjustable Rate Mortgages.

11
12 **1.3 Providing False Information on Residential Mortgage Loan Applications.** On January 16,
13 2006, Respondents' loan originator Aaron Lane prepared an application for borrower K.B. to purchase
14 a residence at 17014 NE 13th Avenue, Ridgefield, Washington, as a primary residence. The
15 application stated the borrower's present address was 3306 Weigel Avenue, Vancouver, Washington.
16 Also on January 16, 2006, Respondents' loan originator Aaron Lane prepared an application for
17 borrower K.B. to purchase a residence at 17202 NE 13th Avenue, Ridgefield, Washington, as a
18 primary residence. This application stated the borrower's present address was 9408 NE 67th Street,
19 Vancouver, Washington. The two applications were subsequently submitted to two different lenders,
20 and both loans closed on February 1, 2006.²

21
22 **1.4 Operating from an Unlicensed Branch Location.** Between May 1, 2005, and June 30, 2005,
23 Respondents originated at least two residential mortgage loans from an unlicensed location at 15524
24 SE Mill Plain Blvd, Vancouver, Washington.

25 ² These loans were discovered during the September 2007 examination, but are not part of the eighteen loans reviewed.

1 **1.5 On-Going Investigation.** The Department's investigation into the alleged violations of the
2 Act by Respondents continues to date.

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

4 **2.1 Requirement to Deliver or Properly Complete Rate Lock Disclosures to Borrowers.**

5 Based on the Factual Allegations set forth in Section I above, Respondents are in apparent violation of
6 RCW 19.146.030(2)(c) and (e) and WAC 208-660-430(6) for failing to deliver or properly complete
7 rate lock disclosures.

8 **2.2 Requirement to Properly Complete TIL Disclosures.** Based on the Factual Allegations set
9 forth in Section I above, Respondents are in apparent violation of RCW 19.146.0201(2), (6), (7), and
10 (11) and the Truth-in-Lending Act, Regulation Z, 12 CFR §226, for failing to properly complete TIL
11 disclosures.

12 **2.3 Requirement to Include Loan Originator Licenses Numbers on Applications.** Based on
13 the Factual Allegations set forth in Section I above, Respondents are in apparent violation of RCW
14 19.146.0201(15) and WAC 208-660-350(26) for failing to include loan originator license numbers on
15 loan applications.

16 **2.4 Requirement to Timely Provide Variable Rate Loan Disclosures.** Based on the Factual
17 Allegations set forth in Section I above, Respondents are in apparent violation of RCW
18 19.146.030(2)(a) for failing to timely provide variable rate loan disclosures.

19 **2.5 Requirement to Properly Disclose the YSP.** Based on the Factual Allegations set forth in
20 Section I above, Respondents are in apparent violation of RCW 19.146.0201 (2), (6), and (11) and the
21 Real Estate Settlement Procedures Act (RESPA), Regulation X, §3500, Appendix B for failing to
22 properly disclose the YSP.
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1 **2.6 Requirement to Properly Disclose Mortgage Broker Fees on the GFE Disclosure.** Based
2 on the Factual Allegations set forth in Section I above, Respondents are in apparent violation of RCW
3 19.146.0201(2), (3), (6), (11), (13), and (15), RCW 19.146.030(1) and (4), and RESPA Regulation X,
4 §3500, Appendix A for failing to properly disclose mortgage broker fees on the GFE.

5 **2.7 Requirement to Deliver Consumer Handbook on Adjustable Rate Mortgages.** Based on
6 the Factual Allegations set forth in Section I above, Respondents are in apparent violation of RCW
7 19.146.0201(2), (6), and (11) and the Truth-in-Lending Act, Regulation Z, 12 CFR §226, for failing to
8 provide the Consumer Handbook on Adjustable Rate Mortgages to borrowers receiving Adjustable
9 Rate Mortgages.
10

11 **2.8 Requirement to Provide Accurate and Truthful Information on Residential Mortgage**
12 **Loan Applications.** Based on the Factual Allegations set forth in Section I above, Respondents are in
13 apparent violation of RCW 19.146.0201(1) and (2) for providing false information on residential loan
14 applications.

15 **2.9 Requirement to License Branch Locations before Originating Loans.** Based on the
16 Factual Allegations set forth in Section I above, Respondents are in apparent violation of RCW
17 19.146.200(1) and RCW 19.165.265 for originating residential mortgage loans from an unlicensed
18 branch location.
19

20 **III. AUTHORITY TO IMPOSE SANCTIONS**

21 **3.1 Responsibility for Conduct of Loan Originators.** Pursuant to RCW 19.146.245 and WAC
22 208-660-155(3), a licensed mortgage broker is liable for any conduct violating the Act by the
23 designated broker or a loan originator employed or engaged by the licensed mortgage broker.
24 Pursuant to RCW 19.146.200(4)(a) and (b), a designated broker or principal of a licensed mortgage
25 broker is liable for an employee's violations of the Act committed after January 1, 2007, if the

1 designated broker or principal directs or instructs the conduct, or with knowledge of the specific
2 conduct approves or allows the conduct, or knows or by the exercise of reasonable care and inquiry
3 should have known of the conduct at a time when its consequences can be avoided or mitigated and
4 fails to take reasonable remedial action.

5 **3.2 Authority to Revoke License.** Pursuant to former RCW 19.146.220(2)(b)(i), (ii), (iii) and
6 (iv), and former WAC 208-660-160, the Director may revoke a license for any violation of RCW
7 19.146.0201(1) through (9), RCW 10.146.200, or RCW 19.146.265. Pursuant to RCW
8 19.146.220(2)(e), the Director may revoke a license for any violation of the Act committed on or after
9 January 1, 2007.

10
11 **3.3 Authority to Prohibit from the Industry.** Pursuant to former RCW 19.146.220(2)(e)(i), (ii),
12 (iii), and (iv), the Director may issue orders removing from office or prohibiting from participation in
13 the conduct of the affairs of a licensed mortgage broker, or both, any officer, principal, employee, or
14 loan originator of any licensed mortgage broker or any person subject to licensing under the Act for
15 any violation of RCW 19.146.0201(1) through (9), RCW 19.146.030 through RCW 19.146.080, RCW
16 19.146.200, or RCW 19.146.265. Pursuant to RCW 19.146.220(5), the Director may issue orders
17 removing from office or prohibiting from participation in the conduct of the affairs of a licensed
18 mortgage broker, or both, any officer, principal, employee, or loan originator of any licensed mortgage
19 broker or any person subject to licensing under the Act for any violation of RCW 19.146.0201(1)
20 through (9) or (13), RCW 19.146.030 through RCW 19.146.080, RCW 19.146.200, or RCW
21 19.146.265 committed on or after January 1, 2007.

22
23 **3.4 Authority to Impose Fine.** Pursuant to former RCW 19.146.220(2)(c)(i) and (ii) and former
24 WAC 208-660-165, the Director may impose fines on a licensee, employee or loan originator of the
25 licensee, or other person subject to the Act for any violations of RCW 19.146.0201(1) through (9) or

1 (12), RCW 19.146.030 through RCW 19.146.080, RCW 19.146.200, or RCW 19.146.265. Pursuant to
2 RCW 19.146.220(2)(e), the Director may impose a fine for any violation of the Act committed on or after
3 January 1, 2007.

4 **3.5 Authority to Order Restitution.** Pursuant to former RCW 19.146.220(d)(ii), the Director may
5 issue orders directing a licensee, its employee or loan originator, or other person subject to the Act to pay
6 restitution to an injured borrower. Pursuant to RCW 19.146.220(e), the Director may issue orders
7 directing a licensee or other person subject to the Act to pay restitution for any violation of the Act
8 committed on or after January 1, 2007.

9
10 **3.6 Authority to Collect Investigation Fee.** Pursuant to RCW 19.146.228(2) and WAC 208-660-
11 550, the Department may collect the costs of investigation. The investigation charge will be calculated at
12 the rate of forty-eight dollars per hour that each staff person devoted to the investigation.

13 **IV. NOTICE OF INTENTION TO ENTER ORDER**

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

- 18
- 19 **4.1** Respondents Bridgeport Lending, Inc., and Brenan Palmersheim's license to conduct
business as a mortgage broker be revoked; and
 - 20 **4.2** Respondent Brenan Palmersheim's license to conduct business as a Designated Broker be
21 revoked; and
 - 22 **4.3** Respondents Bridgeport Lending, Inc., and Brenan Palmersheim be prohibited from
23 participation in the conduct of the affairs of any mortgage broker subject to the Act, in any
manner, for a period of five years; and
 - 24 **4.4** Respondents Bridgeport Lending, Inc., and Brenan Palmersheim jointly and severally
25 pay a fine which as of the date of these charges totals \$50,000; and

1 **V. AUTHORITY AND PROCEDURE**

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

9 Dated this 18th day of December, 2008.

11 [Redacted Signature]

12 DEBORAH BORTNER
13 Director
14 Division of Consumer Services
15 Department of Financial Institutions

16 Presented by:

17 [Redacted Signature]

18 STEVEN C. SHERMAN
19 Financial Legal Examiner



20 Approved by:

21 [Redacted Signature]

22 JAMES R. BRUSSELBACK
23 Enforcement Chief
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1 **RESTITUTION**

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Borrower

Loan Number(s)¹

Amount

T.B.

\$11,497.50

A.U.

\$ 4,795.00

S.B.

\$ 2,217.50

A.K.

\$ 785.00

M.M.

\$ 3,000.00

D.S.

\$ 595.00

E.S.

\$ 2,930.00

L.C.

\$ 3,695.00

J.B.

\$ 3,180.00

¹ From Final HUD-1 Settlement Statement(s)

A-1

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