

## ORDER SUMMARY – Case Number: C-09-024

**Name(s):** Capital Home Loans Inc  
Vaughn G. Marston

**Order Number:** C-09-024-11-CO01

**Effective Date:** May 25, 2011

**License Number:** DFI: 19113 [NMLS: 93280] -Capital Home  
DFI: 21393 [NMLS: 93799] -Marston

**Or NMLS Identifier [U/L]** (Revoked, suspended, stayed, application denied or withdrawn)  
 If applicable, you must specifically note the ending dates of terms.

**License Effect:** Surrendered -Department accepts voluntary surrender of MB.  
Revocation of LO license stayed for 12 months.

**Not Apply Until:** May 26, 2015 -Marston

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

**Prohibition/Ban Until:** Permanently banned - Capital Home Loans Inc

<b>Investigation Costs</b>	\$2,500	Due	Paid <input type="checkbox"/> Y <input checked="" type="checkbox"/> N	Date
<b>Fine</b>	\$35,000	Due	Paid <input type="checkbox"/> Y <input checked="" type="checkbox"/> N	Date
<b>Assessment(s)</b>	\$	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
<b>Restitution</b>	\$15,336.75	Due	Paid <input type="checkbox"/> Y <input checked="" type="checkbox"/> N	Date must pay w/in 1 yr
<b>Judgment</b>	\$35,000	Due	Paid <input type="checkbox"/> Y <input checked="" type="checkbox"/> N	Date
<b>Satisfaction of Judgment Filed?</b>		<input type="checkbox"/> Y <input checked="" type="checkbox"/> N		
No. of Victims:				

**Comments:** Marston may not work as or apply for Designated Broker for one year.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

RECEIVED  
RECEPTION

MAY 24 2011

1 DEPT. OF FINANCIAL INSTITUTIONS STATE OF WASHINGTON  
2 OLYMPIA, WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS  
DIVISION OF CONSUMER SERVICES

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

No.: C-09-024-11-CO01

CONSENT ORDER

5 CAPITAL HOME LOANS, INC.,  
6 d/b/a VERSATA HOME SOLUTIONS, and  
7 VAUGHN G. MARSTON, President, Owner, and  
Designated Broker,  
Respondents.

8 COMES NOW the Director of the Department of Financial Institutions (Director), through his  
9 designee Deborah Bortner, Division Director, Division of Consumer Services, and Capital Home  
10 Loans, Inc. (Respondent Capital Home Loans) and Vaughn G. Marston, President, Owner, and  
11 Designated Broker (Respondent Marston), and finding that the issues raised in the above-captioned  
12 matter may be economically and efficiently settled, agree to the entry of this Consent Order. This  
13 Consent Order is entered pursuant to chapter 19.146 of the Revised Code of Washington (RCW), and  
14 RCW 34.05.060 of the Administrative Procedure Act, based on the following:

15 **AGREEMENT AND ORDER**

16 The Department of Financial Institutions, Division of Consumer Services (Department) and  
17 Respondents have agreed upon a basis for resolution of the matters alleged in Statement of Charges  
18 No. C-09-024-09-SC01 (Statement of Charges), entered May 12, 2009, (copy attached hereto).  
19 Pursuant to chapter 19.146 RCW, the Mortgage Broker Practices Act (Act), and RCW 34.05.060 of  
20 the Administrative Procedure Act, Respondents hereby agree to the Department's entry of this  
21 Consent Order and further agree that the issues raised in the above-captioned matter may be  
22 economically and efficiently settled by entry of this Consent Order. The parties intend this Consent  
23

24 CONSENT ORDER  
C-09-024-11-CO01  
Capital Home Loans, Inc.  
Vaughn G. Marston

1

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Division of Consumer Services  
150 Israel Rd SW  
PO Box 41200  
Olympia, WA 98504-1200  
(360) 902.8703

1 Order to fully resolve the Statement of Charges. Respondents are agreeing not to contest the  
2 Statement of Charges in consideration of the terms of this Consent Order.

3 Based upon the foregoing:

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

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

11 **C. No Admission of Liability.** It is AGREED that Respondents do not admit to any  
12 wrongdoing by entry of this Consent Order.

13 **D. Mortgage Broker License Surrender.** It is AGREED that the Department will accept  
14 the voluntary surrender of Respondents' license to conduct business as a mortgage broker.

15 **E. Prohibition from Industry.** It is AGREED that Respondent Capital Home Loans is  
16 permanently prohibited from participating in the conduct of the affairs of any mortgage broker or  
17 consumer loan company licensed by the Department or subject to licensure or regulation by the  
18 Department, in any capacity.

19 **F. Application for License.** It is AGREED that, for a period of five years from the date of  
20 entry of this Consent Order, Respondent Marston shall not apply to the Department for a license to  
21 conduct business as a mortgage broker or consumer loan company under any name. It is further  
22 AGREED that, should Respondent Marston apply to the Department for any license under any name  
23

1 at any time later than five years from the date of entry of this Consent Order, Respondent Marston  
2 shall be required to meet any and all application requirements in effect at that time.

3 **G. Stayed Revocation of Loan Originator License.** It is AGREED that Respondent Marston  
4 is subject to the revocation of his loan originator license. The license revocation is stayed on the  
5 condition that Respondent Marston complies with all of the restitution provisions set forth in paragraph  
6 K of this Consent Order.

7 **H. Lifting of Stay and Imposing Revocation.** It is AGREED that:

- 8 1. If the Department determines that Respondent Marston has not complied with the  
9 restitution provisions set forth in paragraph K of this Consent Order, and the  
10 Department accordingly seeks to lift the stay and impose the revocation set forth in  
11 paragraph G of this Consent Order, the Department first will notify Respondent  
12 Marston in writing of its determination.
- 13 2. Respondent Marston will be afforded ten business days from the date of receipt of  
14 the Department's notification to request in writing an administrative hearing to be  
15 held before an Administrative Law Judge (ALJ) from the Office of Administrative  
16 Hearings (OAH).
- 17 3. Respondent Marston's request for hearing must be sent to the Department and  
18 received by the Department within ten business days of the date of the receipt of  
19 the Department's notice.
- 20 4. Respondent Marston, in addition to his request for hearing, may provide a written  
21 response to include any information pertaining to the alleged noncompliance.
- 22 5. The administrative hearing shall be expedited and follow the timing and processes  
23 described in this Consent Order.
- 24 6. If Respondent Marston does not request the hearing within the stated time, the  
Department immediately will revoke Respondent Marston's loan originator license  
and pursue whatever action it deems necessary to enforce the revocation.
7. If requested, the hearing will be held within 15 business days (or as soon as the  
schedule of the ALJ permits) from the due date for Respondent Marston's request  
for hearing or from the date of receipt of Respondent Marston's timely request for  
hearing, whichever is sooner. The parties will accommodate the prompt scheduling  
of the hearing.

1 8. The scope and issues of the hearing are limited solely to whether or not  
2 Respondent Marston is in violation of the restitution provisions of paragraph K of  
3 this Consent Order.

4 9. At the conclusion of the hearing, the ALJ will issue an initial decision. Either  
5 party may file a Petition for Review with the Director of the Department.

6 10. The Department's notification will include:

- 7 a) A description of the alleged noncompliance;
- 8 b) A statement that because of the noncompliance, the Department seeks  
9 to lift the stay and impose the revocation;
- 10 c) The opportunity for Respondent Marston to contest the Department's  
11 determination of noncompliance in an administrative hearing before an  
12 ALJ of OAH; and
- 13 d) A copy of this Consent Order. The notification and hearing process  
14 provided in this Consent Order applies only to this Consent Order. It is  
15 solely provided in the event Respondent Marston chooses to contest the  
16 Department's determination of noncompliance.

17 **I. Restriction of Activities.** It is AGREED that for a period of one year from the date of this  
18 Consent Order, Respondent Marston shall not act as a designated broker for any mortgage broker  
19 licensed by the Department or subject to licensure or regulation by the Department. It is further  
20 AGREED that for the period of one year from the date of this Consent Order, Respondent Marston  
21 may perform the duties of a branch manager of a consumer loan company licensed by the Department  
22 so long as those duties do not include responsibility for compliance or quality control.

23 **J. Confession of Judgment for Fine.** It is AGREED that Respondents shall pay a fine in the  
24 amount of \$35,000 in the form of a Confession of Judgment. A copy of this Confession of Judgment  
is attached and incorporated into this Consent Order by this reference. Consistent with Chapter 4.60 of  
the Revised Code of Washington, the Department may immediately seek entry of the judgment.  
Respondent shall, upon the Department's request, fully and promptly cooperate with the Department in

1 its efforts to get the judgment entered by the superior court. It is further AGREED that the judgment will  
2 bear interest at the rate of 12% per annum.

3 **K. Restitution.** It is AGREED that Respondents shall pay restitution totaling \$15,336.75 to  
4 the borrowers set forth in Appendix A of this Consent Order as follows:

- 5 1. Respondent Marston will deposit into the trust account of John Long Law PLLC  
6 (hereafter JLL) \$800 per month or more commencing August 5, 2011, and by the  
7 5<sup>th</sup> day of each month thereafter for 11 consecutive monthly payments. The entire  
8 unpaid balance of restitution shall become due and payable on or before the 12<sup>th</sup>  
9 payment date.
- 10 2. Any monthly payments in excess of \$800 will be a credit toward the next monthly  
11 due payment to encourage Respondent Marston to build up a reserve or to pay off  
12 the restitution early. JLL will hold the funds until a sufficient amount has  
13 accumulated to pay a borrower the required restitution in full. Upon accumulating  
14 sufficient funds, JLL shall disburse to the borrower without further authorization  
15 of Respondent Marston. Respondent Marston will complete any authorizations,  
16 releases, or waivers necessary to permit JLL to provide any and all information  
17 about Respondent Marston's trust account activities.
- 18 3. Respondent Marston shall send the Department written proof of each payment to  
19 the trust account of JLL within two business days of making such payment. A  
20 copy of the specific instrument of payment shall be sufficient proof of payment.  
21 Upon completion of a restitution payment to any borrower as outlined herein,  
22 Respondent Marston shall provide the Department proof of such restitution  
23 payments.
- 24 4. In the event that a borrower cannot be found or restitution checks are not cashed,  
Respondent Marston will instruct JLL to submit the relevant funds to the  
Department of Revenue as unclaimed property. Respondents will bear the cost of  
all related expenses such as JLL's fees, costs of mailing, and stopping payment on  
outstanding checks that are not returned or cashed, separately from the funds  
deposited into the escrow company's trust account. Respondent Marston will  
provide the Department with a copy of any checks to the Department of Revenue  
and a copy of any unclaimed property forms submitted to the Department of  
Revenue within 30 days of submission.

22 **L. Investigation Fee.** It is AGREED that Respondent Marston shall pay to the Department  
23 an investigation fee of \$2,500, in the form of a cashier's check made payable to the "Washington  
24 State Treasurer" upon entry of this Consent Order.

1           **M. Records Retention.** It is AGREED that Respondents shall maintain records in  
2 compliance with the Act, and will provide the Director with any change in the location of the books,  
3 records, and other information relating to Respondents' mortgage broker business, and the name,  
4 address, and telephone number of the individual responsible for maintenance of such records in  
5 compliance with the Act within 5 business days of said change.

6           **N. Authority to Execute Order.** It is AGREED that the undersigned have represented and  
7 warranted that they have the full power and right to execute this Consent Order on behalf of the  
8 parties represented.

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

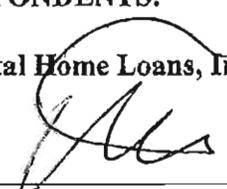
13           **P. Voluntarily Entered.** It is AGREED that the undersigned Respondents have voluntarily  
14 entered into this Consent Order, which is effective when signed by the Director's designee.

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

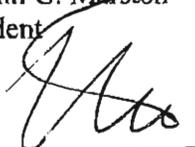
17 **RESPONDENTS:**

18 **Capital Home Loans, Inc.**

19 By:

20   
\_\_\_\_\_  
21 Vaughn G. Marston  
22 President

20 5/23/11  
\_\_\_\_\_  
Date

22   
\_\_\_\_\_  
23 Vaught G. Marston  
24 Individually

22 5/23/11  
\_\_\_\_\_  
Date

24 CONSENT ORDER  
C-09-024-11-CO01  
Capital Home Loans, Inc.  
Vaughn G. Marston

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

John A. Long  
John A. Long, WSBA #15119  
Attorney at Law  
Attorney for Respondents

5/19/2011  
Date

DO NOT WRITE BELOW THIS LINE

THIS ORDER ENTERED THIS 25<sup>th</sup> DAY OF May, 2011



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

Presented by:

Steven C. Sherman  
STEVEN C. SHERMAN  
Financial Legal Examiner

Approved by:

James R. Brusselback  
JAMES R. BRUSSELBACK  
Enforcement Chief

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**RESTITUTION**

<b>Borrower</b>	<b>Loan Number<sup>1</sup></b>	<b>Amount</b>
T.C.	0307C2703	\$2,760.00
M.D.	EW82005	\$2,436.00
R.K.	EW82003	\$1,234.24
S.P.	0308V3189	\$2,699.50
R.S.	EW84138	\$1,476.82
D.S.	0082308834	\$1,103.81
J.S.	0308V3073	\$1,431.36
R.T.	0308F3500	\$1,257.52
L.Y.	0308C3332	\$ 937.50
	<b>TOTAL</b>	<b>\$15,336.75</b>

<sup>1</sup> Loan Numbers are from the Final HUD-1.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**STATE OF WASHINGTON  
KING COUNTY SUPERIOR COURT**

STATE OF WASHINGTON, DEPARTMENT  
OF FINANCIAL INSTITUTIONS,

Plaintiff,

vs.

CAPITAL HOME LOANS, INC., and  
VAUGHN G. MARSTON,

Defendants.

NO.

CONFESSION OF JUDGMENT

[Clerk's Action Required]

**Judgment Summary**

Judgment Creditor:	State of Washington, Department of Financial Institutions
Attorneys for Department of Financial Institutions:	Robert M. McKenna, Washington Attorney General Charles E. Clark, Assistant Attorney General
Judgment Debtors:	Capital Home Loans, Inc. and Vaughn G. Marston (Jointly and Severally)
Principal Judgment Amount:	\$35,000.00
Total Judgment Amount:	\$35,000.00
Post-Judgment Interest (per annum):	12%

1 Pursuant to Chapter 4.60 of the Revised Code of Washington, Judgment by Confession,  
2 defendants Capital Home Loans, Inc. and Vaughn G. Marston hereby authorize entry of a  
3 judgment under the following terms:

4 **Factual Basis for Judgment**

5 The State of Washington, Department of Financial Institutions, Capital Home Loans,  
6 Inc. and Vaughn G. Marston have agreed upon a basis for resolution of the matters alleged in  
7 Statement of Charges No. C-09-024-09-SC01 (Statement of Charges), entered May 12, 2009.  
8 Capital Home Loans, Inc. and Vaughn G. Marston have agreed to enter into a Confession of  
9 Judgment, pursuant to chapter 4.60 RCW, in the amount of \$35,000.00, of which they shall be  
10 jointly and severally liable for paying the entire \$35,000.00. The entire \$35,000.00 amount is  
11 composed entirely of a fine.

12 **Authorization for Entry of Judgment**

13 I, Vaughn G. Marston, being duly sworn upon oath, acknowledge my debt of  
14 \$35,000.00 to the State of Washington, Department of Financial Institutions, and I authorize  
15 entry of judgment against me for the amount set forth in the judgment summary above.

16 //

17 //

18 //

19 //

20 //

21 //

22 //

23 //

24 //

25 //

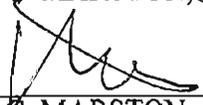
26

1 As the authorized representative of Capital Home Loans, Inc., I also acknowledge this same  
2 joint and several debt of \$35,000.00 to the State of Washington, Department of Financial  
3 Institutions on behalf of Capital Home Loans, Inc. and authorize entry of judgment against  
4 Capital Home Loans, Inc. for the amount set forth in the judgment summary above.

5 DATED this 23<sup>RD</sup> day of MAY, 2011.



7 VAUGHN G. MARSTON, Individually

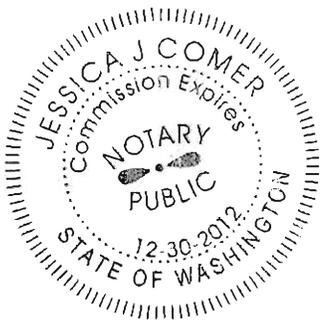


9 VAUGHN G. MARSTON,  
10 President and Owner,  
Capital Home Loans, Inc.

11 SUBSCRIBED AND SWORN TO before me in Lacey, Washington this  
12 23<sup>rd</sup> day of May, 2011.



14 Jessica J. Comer  
15 Notary Public in and for the State of  
16 Washington, residing at Olympia,  
17 Washington.  
18 My Commission expires: 12/30/12



18 //  
19 //  
20 //  
21 //  
22 //  
23 //  
24 //  
25 //  
26 //

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

Order for Entry

The above Confession of Judgment having been presented to this Court for entry in accordance with RCW 4.60.070, the Court having found said Confession of Judgment to be sufficient, now, therefore, it is hereby

ORDERED that the Clerk of this Court shall forthwith enter Judgment against Capital Home Loans, Inc. and Vaughn G. Marston, in accordance with the terms of the Confession of Judgment.

DONE IN OPEN COURT this \_\_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_  
JUDGE/COURT COMMISSIONER

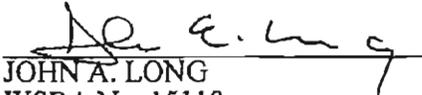
Presented by:

ROBERT M. MCKENNA  
Attorney General

\_\_\_\_\_  
CHARLES E. CLARK  
Assistant Attorney General  
WSBA No. 28918  
Attorneys for State of Washington  
Department of Financial Institutions

Approved as to form; notice of presentation waived:

JOHN LONG LAW, PLLC

  
\_\_\_\_\_  
JOHN A. LONG  
WSBA No. 15119  
Attorney for Capital Home Loans, Inc. and  
Vaughn G. Marston

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**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-09-024-09-SC01

CAPITAL HOME LOANS, INC.,  
dba VERSATA HOME SOLUTIONS, and  
VAUGHN G. MARSTON, President, Owner,  
and Designated Broker,

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

Respondents.

**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)<sup>1</sup>. After having conducted an investigation pursuant to RCW 19.146.235, and based upon the facts available as of the date of these charges, the Director, through his designee, Division of Consumer Services Director Deborah Bortner, institutes this proceeding and finds as follows:

**I. FACTUAL ALLEGATIONS**

**1.1 Respondents.**

**A. Capital Home Loans, Inc., dba Versata Home Solutions (Capital Home Loans)**  
was licensed by the Department of Financial Institutions of the State of Washington (Department) to conduct business as a mortgage broker on March 4, 1996, and has continued to be licensed to date. Respondent Capital Home Loans is licensed to conduct the business of a mortgage broker at two locations:

<sup>1</sup> RCW 19.146 (1994) OR (2006) OR both

1 Main Office: 4405 7<sup>th</sup> Avenue SE, Suite 100, Lacey, Washington

2 Branch Office: 331 W. Wishkah Street, Aberdeen, Washington

3 **B. Vaughn G. Marston (Marston)** is President, Owner, and Designated Broker of  
4 Respondent Capital Home Loans. Respondent Marston was named Designated Broker of Respondent  
5 Capital Home Loans on March 4, 1996, and has continued as Designated Broker to date. Respondent  
6 Marston was issued a loan originator license on November 11, 2006, and has continued to be licensed to  
7 date.

8  
9 **1.2 Examination.** From November 24 through 26, 2008, the Department examined Respondents'  
10 business practices for the period of August 1, 2006, through September 30, 2008. The Department's  
11 examiners reviewed sixty-six residential mortgage loan files.

12 **1.3 Failure to Display Loan Originator License Number.** In thirty-one loans, eight of  
13 Respondents' loan originators did not display their loan originator license number following the loan  
14 originator's name on the borrower's application.

15 **1.4 Failure to Properly Disclose Fees Paid to Mortgage Broker.** In forty loans, Respondents  
16 did not properly disclose mortgage broker fees, processing fees, or administrative fees that would be  
17 paid to Respondents through the loan process.

18 **1.5 Failure to Provide Complete and Accurate Truth-In-Lending Disclosures.** In thirty-five  
19 loans, the Truth-in-Lending disclosures provided by Respondents did not disclose whether there was a  
20 prepayment penalty, whether the loan was assumable, or whether the borrower was giving a security  
21 interest as part of the loan. In three of those loans, Respondents did not accurately disclose the annual  
22 percentage rate.

23  
24 **1.6 Failure to Properly Disclose the Yield Spread Premium.** In forty-two loans, Respondents  
25 did not properly disclose the Yield Spread Premium they received. In thirty-eight of those loans, the

1 Yield Spread Premium was described in a manner other than “Yield Spread Premium” and was  
2 improperly disclosed as a percentage range. In thirty-seven of those loans, the Yield Spread Premium  
3 was disclosed in a place other than the 800 section of the Good Faith Estimate disclosure. In three of  
4 those loans, Respondents did not disclose the Yield Spread Premium at all.

5 **1.7 Failure to Provide Accurate Rate Lock Agreements.** In twenty-three loans, Respondents  
6 did not provide accurate Rate Lock Agreements. In thirteen of those loans, the Rate Lock Agreement  
7 was not properly completed. In the other ten loans, no Rate Lock Agreement was provided, even  
8 though the rate was locked.

9  
10 **1.8 Charging Unlawful Loan Discount Fees.** In twelve loans, Respondents charged loan  
11 discount fees totaling \$20,920.34 when Respondents were not the lender and had no ability to discount  
12 the interest rate.

13 **1.9 Failure to Disclose Change in Terms.** In seven loans, Respondents did not provide a written  
14 notice to the borrowers, prior to closing, that their interest rate had increased.

15 **1.10 Failure to Provide Written Explanation of Increased Fees.** In eight loans, Respondents did  
16 not provide a written explanation for an increase in fees paid to the Respondents when the borrowers  
17 closing costs on the final settlement statement exceeded the closing costs on the most recent Good  
18 Faith Estimate disclosure.

19  
20 **1.11 Failure to Properly Complete Good Faith Estimate Disclosures.** In eighteen loans,  
21 Respondents used lines 801 or 802 of the Good Faith Estimate disclosure to list fees to be paid to  
22 Respondents.

23 **1.12 On-Going Investigation.** The Department’s investigation into the alleged violations of the  
24 Act by Respondents continues to date.

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

2 **2.1 Responsibility for Independent Contractor’s Violations.** Pursuant to RCW 19.146.245 and  
3 WAC 208-660-155(3), a licensed mortgage broker is liable for any conduct violating this chapter by  
4 the designated broker, a loan originator, or other licensed mortgage broker while employed or engaged  
5 by the licensed mortgage broker. Pursuant to RCW 19.146.200(4)(b), the designated broker, principal,  
6 or owner who has supervisory control over the licensed mortgage broker is responsible for a  
7 licensee’s, employee’s, or independent contractor’s violations of the Act if the designated broker,  
8 principal, or owner who has supervisory control over the licensed mortgage broker knows or by the  
9 exercise of reasonable care and inquiry should have known of the conduct, at a time when its  
10 consequences can be avoided or mitigated and fails to take reasonable remedial action.

11  
12 **2.2 Requirement to Display Loan Originator License Number.** Based on the Factual  
13 Allegations set forth in Section I above, Respondents are in apparent violation of RCW  
14 19.146.0201(2) and WAC 208-660-350(27) for failing to display loan originator license numbers  
15 following the loan originator’s name on borrower applications.

16 **2.3 Requirement to Properly Disclose Fees Paid to Mortgage Broker.** Based on the Factual  
17 Allegations set forth in Section I above, Respondents are in apparent violation of RCW  
18 19.146.0201(2), (3), (6), (13), and (15), and RCW 19.146.030(1) for failing to provide a written  
19 disclosure within three business days of application specifying the mortgage broker fees, processing  
20 fees, and administrative fees which would be paid to Respondents through the loan process.

21  
22 **2.4 Requirement to Provide Complete and Accurate Truth-In-Lending Disclosures.** Based on  
23 the Factual Allegations set forth in Section I above, Respondents are in apparent violation of RCW  
24 19.146.0201(2), (6), (7), (11), and (15), RCW 19.146.030(2)(a), and the Truth-in-Lending Act,  
25 Regulation Z, 12 CFR § 226.18(k), (m), and (q), for failing to disclose whether a loan had a

1 prepayment penalty, whether the loan was assumable, and whether the borrower was giving a security  
2 interest as part of the loan, and for not accurately disclosing the annual percentage rate.

3 **2.5 Requirement to Properly Disclose the Yield Spread Premium.** Based on the Factual  
4 Allegations set forth in Section I above, Respondents are in apparent violation of RCW  
5 19.146.0201(2) and (3) and WAC 208-660-430(5)(a) and (b) for failing to describe the Yield Spread  
6 Premium as “Yield Spread Premium,” disclosing the Yield Spread Premium as a percentage range,  
7 disclosing the Yield Spread Premium in a place on the Good Faith Estimate disclosure other than the  
8 800 section, and for failing to disclose the Yield Spread Premium at all.

9 **2.6 Requirement to Provide Accurate Rate Lock Agreements.** Based on the Factual  
10 Allegations set forth in Section I above, Respondents are in apparent violation of RCW  
11 19.146.0201(2), (6), (7), and (15), and RCW 19.146.030(2)(c) for failing to provide accurate Rate  
12 Lock Agreements.

13 **2.7 Charging Unlawful Loan Discount Fees.** Based on the Factual Allegations set forth in  
14 Section I above, Respondents are in apparent violation of RCW 19.146.0201(2) and (3) and WAC  
15 208-660-500(3)(e)(i) for charging loan discount fees when Respondents were not the lender and had  
16 no ability to discount the interest rate.

17 **2.8 Requirement to Disclose Change in Terms.** Based on the Factual Allegations set forth in  
18 Section I above, Respondents are in apparent violation of RCW 19.146.0201(2) and WAC 208-660-  
19 430(18) for failing to provide a written notice to borrowers, prior to closing, that their interest rate had  
20 increased.

21 **2.9 Requirement to Provide Written Explanation of Fee Increase.** Based on the Factual  
22 Allegations set forth in Section I above, Respondents are in apparent violation of RCW  
23 19.146.0201(2), (3), (6), (13), and (15), and RCW 19.146.030(4) for failing to provide a written  
24  
25

1 explanation for an increase in fees paid to the Respondents when the borrowers' closing costs on the  
2 final settlement statement exceeded the closing costs on the most recent Good Faith Estimate  
3 disclosure.

4 **2.10 Requirement to Properly Complete Good Faith Estimate Disclosures.** Based on the  
5 Factual Allegations set forth in Section I above, Respondents are in apparent violation of RCW  
6 19.146.0201(2) and (7), WAC 208-660-430(4), and the Real Estate Settlement Procedures Act,  
7 Regulation X, 24 CFR §3500, Appendix A for using lines 801 and 802 of the Good Faith Estimate  
8 disclosure to list fees to be paid to Respondents.  
9

### 10 III. AUTHORITY TO IMPOSE SANCTIONS

11 **3.1 Authority to Revoke or Suspend License.** Pursuant to RCW 19.146.220(2)(e), the Director  
12 may revoke or suspend a license for any violation of the Act.

13 **3.2 Authority to Prohibit from the Industry.** Pursuant to RCW 19.146.220(5)(a), the Director  
14 may issue orders removing from office or prohibiting from participation in the conduct of the affairs of  
15 a licensed mortgage broker, or both, any officer, principal, employee, or loan originator of any  
16 licensed mortgage broker or any person subject to licensing under the Act for any violation of RCW  
17 19.146.0201(1) through (9) or (13), RCW 19.146.030, or RCW 19.146.200.

18 **3.3 Authority to Impose Fine.** Pursuant to RCW 19.146.220(2)(e), the Director may impose fines  
19 against a licensee or other person subject to the Act for any violations of the Act.  
20

21 **3.4 Authority to Order Restitution.** Pursuant to RCW 19.146.220(e), the Director may issue orders  
22 directing a licensee or other person subject to the Act to pay restitution for any violation of the Act.

23 **3.5 Authority to Collect Investigation Fee.** Pursuant to RCW 19.146.228(2) and WAC 208-660-  
24 550(5)(a), the Department may collect an investigation fee to cover the costs of any investigation of the  
25

1 books and records of a licensee or other person subject to the Act. The investigation fee will be  
2 calculated at the rate of \$48 per hour that each examiner devoted to the investigation.

#### 3 **IV. NOTICE OF INTENTION TO ENTER ORDER**

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

- 8
- 9 **4.1** Respondent Capital Home Loans, Inc.'s license to conduct the business of a mortgage broker be  
revoked or suspended;
  - 10 **4.2** Respondent Vaughn G. Marston's license to conduct the business of a loan originator be  
11 revoked or suspended;
  - 12 **4.3** Respondent Capital Home Loans, Inc., be prohibited from participation in the conduct of the  
13 affairs of any mortgage broker subject to licensure by the Director, in any manner, for a period of  
five years;
  - 14 **4.4** Respondent Vaughn G. Marston be prohibited from participation in the conduct of the affairs of  
15 any mortgage broker subject to licensure by the Director, in any manner, for a period of five  
years;
  - 16 **4.5** Respondents Capital Home Loans, Inc., and Vaughn G. Marston jointly and severally pay a fine  
17 which as of the date of these charges totals \$50,000;
  - 18 **4.6** Respondents Capital Home Loans, Inc., and Vaughn G. Marston jointly and severally pay  
19 restitution, which as of the date of these charges totals \$79,714.64, to the borrowers identified in  
Appendix A, incorporated herein by reference;
  - 20 **4.7** Respondents Capital Home Loans, Inc., and Vaughn G. Marston jointly and severally pay an  
21 investigation fee which as of the date of these charges totals \$1,776, calculated at \$48 per hour for  
the thirty-seven examiner hours devoted to the investigation; and
  - 22 **4.8** Respondents maintain records in compliance with the Act and provide the Department with the  
23 location of the books, records and other information relating to Respondents' mortgage broker  
24 business, and the name, address and telephone number of the individual responsible for  
25 maintenance of such records in compliance with the Act.

1 **V. AUTHORITY AND PROCEDURE**

2 This Statement of Charges and Notice of Intention to Enter an Order to Revoke or Suspend  
3 Licenses, Prohibit from Industry, Impose Fine, Order Restitution, and Collect Investigation Fee  
4 (Statement of Charges) is entered pursuant to the provisions of RCW 19.146.220, RCW 19.146.221,  
5 RCW 19.146.223, and RCW 19.146.230, and is subject to the provisions of chapter 34.05 RCW (The  
6 Administrative Procedure Act). Respondents may make a written request for a hearing as set forth in  
7 the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING  
8 accompanying this Statement of Charges.  
9

10 Dated this 12<sup>th</sup> day of May, 2009.  
11

12 

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

17 Presented by:

18 

19 STEVEN C. SHERMAN  
20 Financial Legal Examiner



21 Approved by:

22 

23 JAMES R. BRUSSELBACK  
24 Enforcement Chief  
25

1 **RESTITUTION**

2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

<b>Borrower</b>	<b>Loan Number<sup>1</sup></b>	<b>Amount</b>
M.A.	0082458449	\$1,272.80
S.B.	5818030048	\$6,440.00
M.B.	0082268905	\$ 304.87
T.C.	0307C2703	\$5,815.00
M.C.	227-377141	\$4,848.75
M.D.	EW82005	\$2,894.00
C.E.	0082304254	\$ 687.00
H.G.	0082184250	\$ 295.00
A.G.	0307C2818	\$9,984.00
G.G.	0308F3493	\$ 449.22
C.H.	0177113842	\$ 295.00
K.H.	0082593450	\$1,427.59
J.J.	227-977181	\$ 495.00
J.J.	EW84106	\$ 595.00
R.K.	EW82003	\$ 834.52
W.L.	0308C3199	\$ 515.00
O.M.	0308F3509	\$1,212.00
J.M.	0308C3089	\$ 495.00
J.O.	0308C3247	\$2,145.00

<sup>1</sup> Loan Numbers are from the Final HUD-1.

1	S.P.	0308V3189	\$4,801.00
2	D.R.	0306C2339	\$2,065.00
3	C.R.	227-829751	\$ 462.00
4	R.R.	5818040049	\$ 495.00
5	R.S.	EW84138	\$3,426.82
6	C.S.	0082400649	\$1,957.11
7	D.S.	0082308834	\$3,048.81
8	M.S.	EW82130	\$1,210.04
9	J.S.	0308V3073	\$2,048.86
10	R.T.	0308F3500	\$1,749.41
11	R.T.	0308F3362	\$2,327.00
12	S.U.	0308F3403	\$3,567.00
13	C.V.	0308C3497	\$4,805.00
14	J.W.	0308F3299	\$4,764.38
15	L.Y.	0308C3332	\$1,982.50
16			
17		TOTAL	\$79,714.64

18  
19  
20  
21  
22  
23  
24  
25