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2 **STATE OF WASHINGTON**  
3 **DEPARTMENT OF FINANCIAL INSTITUTIONS**  
4 **DIVISION OF CONSUMER SERVICES**

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

NO. C-09-202-10-CO01

8 **PREMIER NORTHWEST MORTGAGE AND**  
9 **FINANCE CORPORATION d/b/a PREMIER**  
10 **MORTGAGE NORTHWEST, and PATRICK**  
11 **EUGENE MCDERMOTT, Designated**  
12 **Broker/Owner, and ELROY C. MCDERMOTT,**  
13 **President/Owner,**

CONSENT ORDER

Respondents.

14 **COMES NOW** the Director of the Department of Financial Institutions (Director), through his designee  
15 Deborah Bortner, Division Director, Division of Consumer Services, and Premier Northwest Mortgage and  
16 Finance Corporation d/b/a Premier Mortgage Northwest. (Respondent Premier Mortgage Northwest), Patrick  
17 Eugene McDermott, Designated Broker and Owner (Respondent McDermott), and Elroy C. McDermott,  
18 President/Owner (Respondent Elroy McDermott), and finding that the issues raised in the above-captioned matter  
19 may be economically and efficiently settled, agree to the entry of this Consent Order. This Consent Order is  
20 entered pursuant to chapter 19.146 of Revised Code of Washington (RCW), and RCW 34.05.060 of the  
21 Administrative Procedure Act, based on the following:

22 **AGREEMENT AND ORDER**

23 **The Department of Financial Institutions, Division of Consumer Services (Department) and Respondents**  
24 **have agreed upon a basis for resolution of the matters alleged in Statement of Charges No. C-09-202-09-SC01**  
25 **(Statement of Charges), entered November 24, 2009, (copy attached hereto). Pursuant to chapter 19.146 RCW,**  
26 **the Mortgage Broker Practices Act (Act) and RCW 34.05.060 of the Administrative Procedure Act, Respondents**  
27 **hereby agree to the Department's entry of this Consent Order and further agree that the issues raised in the above-**

CONSENT ORDER  
C-09-202-10-CO01  
Premier Northwest Mortgage and Finance  
Corporation d/b/a Premier Mortgage Northwest,

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

1 captioned matter may be economically and efficiently settled by entry of this Consent Order. The parties intend  
2 this Consent Order to fully resolve the Statement of Charges.

3 Based upon the foregoing:

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

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

10 **C. License Revocations.** It is AGREED that Respondent Premier Northwest Mortgage, Respondent  
11 McDermott, and Respondent Elroy McDermott's main and branch office licenses to conduct the business of a  
12 mortgage broker is revoked; and Respondent McDermott's license to conduct the business of a loan originator is  
13 revoked.

14 **D. Fine.** It is AGREED that Respondents shall pay to the Department a fine of \$3,000, in the form of a  
15 cashier's check made payable to the "Washington State Treasurer," upon entry of this Consent Order.

16 **E. Prohibition from Industry.** It is AGREED that Respondent Premier Northwest Mortgage is  
17 prohibited from participating in the conduct of the affairs of any mortgage broker licensed by the Department or  
18 any person subject to licensure or regulation by the Department for five years from the date of entry of this  
19 Consent Order in any capacity, including but not limited to: (1) any financial capacity whether active or passive or  
20 (2) as an officer, director, principal, designated broker, employee, or loan originator or (3) any management,  
21 control, oversight or maintenance of any trust account(s) in any way related to any residential mortgage  
22 transaction or (4) receiving, disbursing, managing or controlling in any way, consumer trust funds in any way  
23 related to any residential mortgage transaction.

1 F. **Investigation Fee.** It is AGREED that Respondents shall pay to the Department an investigation fee  
2 of \$2,416.80, in the form of a cashier's check made payable to the "Washington State Treasurer," upon entry of  
3 this Consent Order. The Fine and Investigation Fee may be paid together in one \$5,416.80 cashier's check made  
4 payable to the "Washington State Treasurer."

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

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

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

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

15 **RESPONDENTS:**

16 Premier Northwest Mortgage and Finance Corporation d/b/a Premier Mortgage Northwest

17 By:

18 Patrick Eugene McDermott Elroy C. McDermott 11/4/10  
19 Patrick Eugene McDermott Date 11-4-10 Elroy C. McDermott Date  
20 Designated Broker/Owner President/Owner

21 Patrick Eugene McDermott 11-4-10 Elroy C. McDermott 11/4/10  
22 Patrick Eugene McDermott Date Individually Elroy C. McDermott Date  
23 Individually Individually

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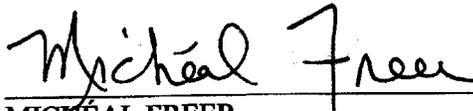
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THIS ORDER ENTERED THIS 8<sup>th</sup> DAY OF November, 2010.

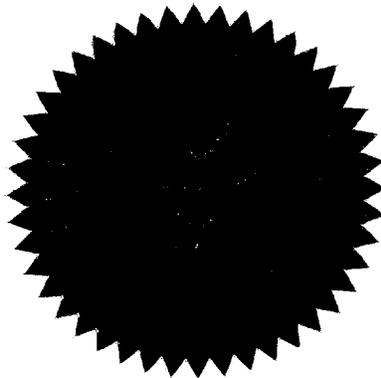


DEBORAH BORTNER  
Director  
Division of Consumer Services  
Department of Financial Institutions

Presented by:



MICHAEL FREER  
Financial Examiner



Approved by:



JAMES R. BRUSELBACK  
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-09-202-09-SC01

PREMIER NORTHWEST MORTGAGE AND  
FINANCE CORPORATION d/b/a PREMIER  
MORTGAGE NORTHWEST, and PATRICK  
EUGENE MCDERMOTT, Designated  
Broker/Owner, and ELROY C. MCDERMOTT,  
President/Owner,

STATEMENT OF CHARGES and  
NOTICE OF INTENTION TO ENTER  
AN ORDER TO REVOKE LICENSE, PROHIBIT  
FROM INDUSTRY, ORDER RESTITUTION, IMPOSE  
FINE, COLLECT INVESTIGATION FEE, MONITOR  
TRUST ACCOUNT, AND MAINTAIN RECORDS

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). After having conducted an 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**

**1.1 Respondents.**

**A. Premier Northwest Mortgage and Finance Corporation d/b/a Premier Mortgage**

**Northwest** (Respondent Premier Mortgage Northwest) was licensed by the Department of Financial Institutions of the State of Washington (Department) to engage in the business of a mortgage broker on or about August 28, 1998, and continued to be licensed through December 31, 2008, when its license expired. Respondent Premier Mortgage Northwest was licensed to engage in the business of a mortgage broker at the following main office location: 140 South Arthur Street, Suite 660, Spokane, Washington 99202. Respondent Premier Mortgage Northwest was also licensed to engage in the business of a mortgage broker at one branch location in Washington State

1 located at Suite 214, Orange Flag Building 104 South Freya, Spokane, Washington, between the dates of July  
2 12, 2000, and January 8, 2003.

3 **B. Patrick Eugene McDermott** (Respondent McDermott) is sixty percent (60%) owner and has  
4 acted as the Designated Broker of Respondent Premier Mortgage Northwest since obtaining licensure as the  
5 Designated Broker of Respondent Premier Mortgage Northwest on or about August 20, 1998.

6 **C. Elroy C. McDermott** (Respondent Elroy McDermott) is forty percent (40%) owner and has  
7 acted as the President of Respondent Premier Mortgage Northwest since on or about July 28, 1998.

8 **1.2 Failure to Maintain Surety Bond.** On or about September 23, 2008, the Department received notice  
9 from Travelers Casualty and Surety Company of America that Respondent Premier Mortgage Northwest's  
10 surety bond would be cancelled, effective on or about October 22, 2008. To date, Respondents have not  
11 provided the required surety bond reinstatement or an approved alternative.

12 **1.3 Unauthorized Activity Subsequent to Surety Bond Cancellation.**

13 **A. Respondent Premier Mortgage Northwest, Respondent McDermott, and Respondent**  
14 **Elroy McDermott** engaged in unauthorized mortgage broker activity by engaging in mortgage broker  
15 transactions without having a valid surety bond or approved alternative in force between October 22, 2008, and  
16 December 31, 2008.

17 **B. Respondent McDermott** engaged in unauthorized loan origination activity by acting as a loan  
18 originator for Respondent Premier Mortgage Northwest while Respondent Premier Northwest did not have a  
19 valid surety bond in force between October 22, 2008, and December 31, 2008.

20 **C. Unauthorized Transactions** occurred starting on or around October 22, 2008, through  
21 December 31, 2008. Respondents assisted at least one borrower in applying to obtain a residential mortgage  
22 loan on property located in the State of Washington from the main office location identified in paragraph 1.1 A.  
23 without having a valid surety bond or approved alternative in force. Respondents assisted this borrower in  
24 obtaining a residential mortgage loan.

25

1 **1.4 Unlicensed Locations.** Respondents are known to have engaged in the business of a mortgage broker  
2 by offering services and products from the main branch office location discussed in paragraph 1.1.A., from at  
3 least January 1, 2009, through April 17, 2009.

4 **1.5 Unlicensed Activity.** From at least January 1, 2009, through on or around April 17, 2009, Respondents  
5 engaged in activity that would require licensure as a mortgage broker under the Act. In or around January 2009,  
6 Respondent McDermott was notified that the 2009 mortgage broker license renewal for Respondent Premier  
7 Mortgage Northwest would be placed on "hold" pending delivery of a valid surety bond reinstatement or  
8 approved alternative and that Respondent Premier Mortgage Northwest could not engage in the business of a  
9 mortgage broker until the Department received this item. Respondent McDermott contacted the Department  
10 and made statements to staff that he was in the process of obtaining the surety bond reinstatement or an  
11 approved alternative. Respondent McDermott requested several extensions to the deadline set by the  
12 Department. On or about September 2, 2009, the Department received office closure documents, including the  
13 mortgage broker closure assessment report covering activities from January 1, 2009, through April 17, 2009,  
14 showing six Washington State transactions. Respondent McDermott completed and signed the office closure  
15 document in the presence of a notary, on or about August 31, 2009. This document stated April 17, 2009, as the  
16 effective date of closure of Respondent Premier Mortgage Northwest's Washington State main office location.

17 **A. Respondent McDermott.** From at least from January 1, 2009, through on or around April 17,  
18 2009, Respondent McDermott engaged in unlicensed loan originator activity, without being associated with a  
19 licensed mortgage broker, and acted as the Designated Broker for Respondent Premier Mortgage Northwest  
20 after Respondent Premier Mortgage Northwest's mortgage broker license expired on December 31, 2008.

21 **B. Unlicensed Transactions.** From at least January 1, 2009, through on or around April 17, 2009,  
22 Respondents assisted at least six borrowers in applying to obtain residential mortgage loans on property located  
23 in the State of Washington from the unlicensed location discussed in paragraph 1.4. Respondents assisted at  
24 least six of these borrowers in obtaining residential mortgage loans.

25

1 **1.6 Accounting for Funds Held in Trust.** Respondent McDermott notified the Department in writing on  
2 or around September 2, 2009, that the Respondents are holding funds in trust that were collected as part of  
3 unlicensed transactions that occurred and that at that time were pending disbursement to third-party providers, trust  
4 account number [REDACTED]

5 **1.7 Failure to Respond Timely to Directives.** On September 29, 2008, and November 19, 2008, the  
6 Department issued directives to Respondents requiring that a replacement surety bond or valid alternative be  
7 submitted, or to provide office closure documents. The Department did not receive a response to these  
8 directives from Respondents. On July 15, 2009, the Department issued another directive to the Respondents. A  
9 response to this directive was due to the Department on or before July 30, 2009. Additionally, on or around  
10 April 28, 2009, and April 29, 2009, the Department also sent correspondence to Respondent McDermott by  
11 email. These correspondence and directives variously required the Respondents to provide a surety bond  
12 reinstatement or approved alternative, office closure documents, declarations of activity, annual reports, lists of  
13 transactions that occurred after the bond cancellation and mortgage broker license expiration dates, and, a  
14 response to the unlicensed mortgage broker and loan originator packets. To date, the Department has not  
15 received a complete response to the unlicensed mortgage broker and loan originator packets. Moreover,  
16 Respondent McDermott willfully misled the Department over many months by making statements that  
17 Respondents would imminently provide requested items, but then not doing so by each response due date.

18 **1.8 On-Going Investigation.** The Department's investigation into the alleged violations of the Act by  
19 Respondents continues to date.

## 20 II. GROUNDS FOR ENTRY OF ORDER

21 **2.1 Definition of Mortgage Broker.** Pursuant to RCW 19.146.010(12) and WAC 208-660-006,  
22 "Mortgage Broker" means any person who, for compensation or gain, or in the expectation of compensation or  
23 gain (a) makes a residential mortgage loan or assists a person in obtaining or applying to obtain a residential  
24 mortgage loan or (b) holds himself or herself out as being able to make a residential mortgage loan or assist a  
25 person in obtaining or applying to obtain a residential mortgage loan.

1 **2.2 Definition of Loan Originator.** Pursuant to RCW 19.146.010(10) and WAC 208-660-006, "Loan  
2 originator" means a natural person who (a) takes a residential mortgage loan application for a mortgage broker,  
3 or (b) offers or negotiates terms of a mortgage loan, for direct or indirect compensation or gain, or in the  
4 expectation of direct or indirect compensation or gain. "Loan originator" also includes a person who holds  
5 themselves out to the public as able to perform any of these activities.

6 **2.3 Prohibited Acts.** Based on the Factual Allegations set forth in Section I above, Respondents are in  
7 apparent violation of RCW 19.146.0201(1), (2), (3), and (8), for directly or indirectly employing a scheme,  
8 device or artifice to defraud or mislead borrowers or lenders or any person, engaging in an unfair or deceptive  
9 practice toward any person, negligently making a false statement or knowingly and willfully making an  
10 omission of material fact in connection with any reports filed by a mortgage broker or in connection with an  
11 investigation conducted by the Department.

12 **2.4 Requirement to Obtain and Maintain Mortgage Broker and Loan Originator Licenses.** Based on  
13 the Factual Allegations set forth in Section I above, Respondents are in apparent violation of RCW 19.146.200  
14 for engaging in the business of a mortgage broker and loan originator without first obtaining and maintaining  
15 licenses under the Act.

16 **2.5 Requirement to Maintain Surety Bond.** Based on the Factual Allegations set forth in Section I  
17 above, Respondents are in apparent violation of RCW 19.146.205(4)(a) and WAC 208-660-175(1)(a) and (6)  
18 for failing to file and maintain a surety bond or approved alternative at all times with the Department.

### 19 III. AUTHORITY TO IMPOSE SANCTIONS

20 **3.1 Authority to Revoke License.** Pursuant to RCW 19.146.220(2), the Director may revoke a license for  
21 violations of orders, false statements or omission of material information, failure to comply with any directive  
22 or order of the Director, and for any violation of this chapter.

23 **3.2 Authority to Prohibit from the Industry.** Pursuant to RCW 19.146.220(5), the Director may issue  
24 orders removing from office or prohibiting from participation in the conduct of the affairs of a licensed  
25 mortgage broker, or both, any officer, principal, employee, or loan originator of any licensed mortgage broker

1 or any person subject to licensing under the Act for any violation of RCW 19.146.0201(1) through (9), RCW  
2 19.146.030 through RCW 19.146.080, RCW 19.146.200, RCW 19.146.205(4), or RCW 19.146.265, for failure  
3 to comply with a directive or order of the Director, for directly or indirectly employing any scheme, device, or  
4 artifice to defraud or mislead borrowers or lenders or to defraud any person, for obtaining property by fraud or  
5 misrepresentation, for negligently making any false statement or knowingly and willfully make an omission of  
6 material fact in connection with any reports filed by a mortgage broker or in connection with any investigation,  
7 for unauthorized handling of funds held in trust, for engaging in the business of a mortgage broker or loan  
8 originator without a license, for failure to maintain the surety bond, and for failure to license locations offering  
9 mortgage broker services.

10 **3.3 Authority to Impose Fine.** Pursuant to RCW 19.146.220(2)(3), the Director may impose fines on a  
11 licensee, employee or loan originator of the licensee, or other person subject to the Act for any violations of  
12 RCW 19.146.0201(1) through (9) or (13), RCW 19.146.030 through RCW 19.146.080, RCW 19.146.200, RCW  
13 19.146.205(4), or RCW 19.146.265, or failure to comply with any directive or order of the Director.

14 **3.4 Authority to Collect Investigation Fee.** Pursuant to RCW 19.146.228(2) and WAC 208-660-520(9),  
15 upon completion of any investigation of the books and records of a licensee or other person subject to the Act, the  
16 Department will furnish to the licensee or other person subject to the Act a billing to cover the cost of the  
17 investigation. The investigation charge will be calculated at the rate of forty-eight dollars (\$48) per hour that each  
18 staff person devoted to the investigation.

19 **3.5 Authority to Monitor Trust Account.** Pursuant to RCW 19.146.050, WAC 208-660-410, WAC 208-660-  
20 450(c), the Director may require Respondents to give a full accounting of trust account activity and to provide  
21 reports to the Department documenting trust account activity.

#### 22 IV. NOTICE OF INTENTION TO ENTER ORDER

23 Respondents' violations of the provisions of chapter 19.146 RCW and chapter 208-660 WAC, as set forth  
24 in the above Factual Allegations, Grounds for Entry of Order, and Authority to Impose Sanctions, constitute a basis  
25

1 for the entry of an Order under RCW 19.146.220, RCW 19.146.221 and RCW 19.146.223. Therefore, it is the  
2 Director's intention to ORDER that:

3 **4.1** Respondent Premier Northwest Mortgage and Finance Corporation d/b/a Premier Mortgage Northwest,  
4 Respondent Patrick Eugene McDermott, and Respondent Elroy C. McDermott's main and branch office  
licenses to conduct the business of a mortgage broker be revoked; and

5 **4.2** Respondent Patrick Eugene McDermott's license to conduct the business of a loan originator be  
6 revoked; and

7 **4.3** Respondent Premier Northwest Mortgage and Finance Corporation d/b/a Premier Mortgage Northwest,  
8 Respondent Patrick Eugene McDermott, and Respondent Elroy C. McDermott be prohibited from  
participation in the conduct of the affairs of any mortgage broker subject to licensure by the Director, in  
any manner, for a period of five (5) years; and

9 **4.4** Respondent Premier Northwest Mortgage and Finance Corporation d/b/a Premier Mortgage Northwest,  
10 Respondent Patrick Eugene McDermott, and Respondent Elroy C. McDermott jointly and severally pay a  
fine, which as of the date of these charges is, \$20,000;

11 **4.5** Respondent Premier Northwest Mortgage and Finance Corporation d/b/a Premier Mortgage Northwest,  
12 Respondent Patrick Eugene McDermott, and Respondent Elroy C. McDermott jointly and severally pay an  
investigation fee which as of the date of these charges totals \$2,416.80 calculated at \$48 per hour for the  
fifty and thirty-five tenths (50.35) staff hours devoted to the investigation; and

13 **4.6** Respondent Premier Northwest Mortgage and Finance Corporation d/b/a Premier Mortgage Northwest,  
14 Respondent Patrick Eugene McDermott, and Respondent Elroy C. McDermott are to provide the  
Department with trust account records, including reconciliation records and supporting documents, in  
15 accordance with WAC 208-660-410, until such time as the trust account balance reaches zero dollars.

16 **4.7** Respondent Premier Northwest Mortgage and Finance Corporation d/b/a Premier Mortgage Northwest,  
17 Respondent Patrick Eugene McDermott, and Respondent Elroy C. McDermott maintain records in  
compliance with the Act and provide the Department with the location of the books, records and other  
18 information relating to Respondent Premier Mortgage Northwest's mortgage broker business, and the  
name, address and telephone number of the individual responsible for maintenance of such records in  
compliance with the Act.

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1 **V. AUTHORITY AND PROCEDURE**

2 This Statement of Charges is entered pursuant to the provisions of RCW 19.146.220, RCW 19.146.221,  
3 RCW 19.146.223 and RCW 19.146.230, and is subject to the provisions of chapter 34.05 RCW (The  
4 Administrative Procedure Act). Respondents may make a written request for a hearing as set forth in the  
5 NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this  
6 Statement of Charges.

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8 Dated this 24<sup>th</sup> day of November, 2009.



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DEBORAH BORTNER  
Director  
Division of Consumer Services  
Department of Financial Institutions

21 Presented by:

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MICHAEL FREER, CAMS  
Financial Examiner

Approved by:

JAMES R. BRUSSELBACK  
Enforcement Chief