

Terms Completed

ORDER SUMMARY – Case Number: C-09-513

Name(s): Emily Faye Cady

Order Number: C-09-513-11-CO01

Effective Date: February 22, 2011

License Number: DFI: 38601 [NMLS: MLO-113975]
(Revoked, suspended, stayed, application denied or withdrawn)
 If applicable, you must specifically note the ending dates of terms.

Or NMLS Identifier [U/L]

License Effect: MLO license revocation stayed through 1/25/2014 subject to provisions set forth in CO.

Not Apply Until: n/a

Not Eligible Until: _____

Prohibition/Ban Until: Five-year prohibition stayed through 1/25/2014 subject to provisions set forth in CO.

Investigation Costs	\$300	Due	Paid <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date 2/11/11
Fine	\$1,000	Due	Paid <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date 2/11/11
Assessment(s)	\$	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
Restitution	\$	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
Judgment	\$	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
Satisfaction of Judgment Filed?		<input type="checkbox"/> Y <input type="checkbox"/> N		
No. of Victims:				

Comments: Ms. Cady agreed to complete cooperation with the Department in its prosecution of case against Washington Financial Group et al.

Ms. Cady further agreed to attend, at her own expense, a certified ethics course of at least 2 hours duration, provided by one of the Department-approved training companies.

RECEIVED

FEB 11 2011

ENFORCEMENT UNIT
DIVISION OF CONSUMER SERVICES
DEPT OF FINANCIAL INSTITUTIONS

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-09-513-11-CO01

WASHINGTON FINANCIAL GROUP, INC., d/b/a
GUARANTY MORTGAGE GROUP, LLC,
KEVIN A. KEADLE, 50% Owner, President, and
Designated Broker, and CHRIS A. KEADLE, 50%
Owner and Vice-President, CHRIS STUDIOSO,
Loan Originator, BRIAN SODORFF, Loan
Originator, EMILY CADY, Loan Originator, and
DAN GORMAN, Loan Originator,

CONSENT ORDER FOR EMILY CADY

Respondents.

COMES NOW the Director of the Department of Financial Institutions (Director), through his designee Deborah Bortner, Division Director, Division of Consumer Services, and Emily Cady (Respondent), by and through her attorney Seth Rosenberg, and finding that the issues as they relate to the Respondent 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 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 Respondent have agreed upon a basis for resolution of the matters as they relate to the Respondent alleged in Statement of Charges No. C-09-513-10-SC01 (Statement of Charges), entered October 7, 2010, (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, Respondent hereby agrees to the Department's entry of this Consent Order and further agrees that the issues raised in the above-captioned matter as they relate to the Respondent may be economically and efficiently settled by entry of this Consent Order. The parties intend this Consent Order to fully

CONSENT ORDER
C-09-513-11-CO01
EMILY CADY

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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 resolve the Statement of Charges as it relates to the Respondent. Respondent is 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 of the
5 activities discussed herein.

6 B. **Waiver of Hearing.** It is AGREED that Respondent has been informed of the right to a hearing
7 before an administrative law judge, and hereby waives her 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, Respondent,
9 by her signature and the signature of her representative below, withdraws her appeal to the Office of
10 Administrative Hearings.

11 C. **License Revocation (Stayed).** It is AGREED that Respondent consents to a revocation of her
12 mortgage loan originator (MLO) license by the Department. HOWEVER, it is further AGREED that the
13 revocation of Respondent's MLO license is stayed (not revoked) through January 25, 2014, subject to the
14 Department's authority to lift the stay and revoke Respondent's MLO license discussed in paragraph E of this
15 Consent Order. It is further AGREED that if at 12:01 a.m. on January 26, 2014, the stay has not been previously
16 lifted, and Respondent's MLO license has not been previously revoked, and if a notification to lift the stay or a
17 proceeding to lift the stay is not then pending by the Department to revoke Respondent's MLO license, then, in
18 such events, the Department will consider this paragraph of this Consent Order fully performed and Respondent's
19 MLO license will not be revoked in connection with this Consent Order. HOWEVER, if at 12:01 a.m. on January
20 26, 2014, a notification to lift the stay or a proceeding to lift the stay is pending by the Department to revoke
21 Respondent's MLO license, then those proceedings will continue according to the terms discussed in paragraph E
22 of this Consent Order.

23 D. **Prohibition from Participation in the Industry (Stayed).** It is AGREED that Respondent consents
24 to a prohibition from participation in the conduct of the affairs of any mortgage broker or consumer lender

25

1 licensed by the Department or subject to licensure or regulation by the Department under the MBPA or chapter
2 31.04 RCW, the Consumer Loan Act (CLA), in any manner, for a period of five years (five-year prohibition).
3 HOWEVER, it is further AGREED that this five-year prohibition is stayed (not imposed) through January 25,
4 2014, subject to the Department's authority to lift the stay and impose the five-year prohibition discussed in
5 paragraph E of this Consent Order. It is further AGREED that if at 12:01 a.m. on January 26, 2014, the stay has
6 not been previously lifted, and the five-year prohibition has not been previously imposed, and if a notification to
7 lift the stay or a proceeding to lift the stay is not then pending by the Department to impose the five-year
8 prohibition, then, in such events, the Department will consider this paragraph of this Consent Order fully
9 performed and the five-year prohibition will not be imposed on Respondent in connection with this Consent
10 Order. HOWEVER, if at 12:01 a.m. on January 26, 2014, a notification to lift the stay or a proceeding to lift the
11 stay is pending by the Department to impose the five-year prohibition, then those proceedings will continue
12 according to the terms discussed in paragraph E of this Consent Order.

13 **E. Lifting of Stay.** It is AGREED that:

- 14 1. If, on or before January 25, 2014, the Department determines that Respondent has violated RCW
15 19.146.0201(1), (2), or (3), or RCW 31.04.027(1), (2), or (3), and the Department accordingly
16 seeks to lift the stay and revoke Respondent's MLO license, impose the five-year prohibition, the
17 Department will serve Respondent with:
- 18 a. Notice of Intention to Lift Stay (Notice).
 - 19 b. Notice of the opportunity for Respondent to contest the Department's determination of
20 Respondent's violations in an adjudicative hearing before an Administrative Law Judge
(ALJ) from the Office of the Administrative Hearings.
 - 21 c. Application for adjudicative hearing form.
- 22 2. The Notice will include:
- 23 a. A description of Respondent's alleged violation(s) of RCW 19.146.0201(1), (2), or (3), or
24 RCW 31.04.027(1), (2), or (3).

- 1 b. A statement that, because of the alleged violation(s), the Department seeks to lift the stay and
2 revoke Respondent's MLO license and impose the five-year prohibition.
- 3 c. A copy of this Consent Order.
- 4 3. If Respondent desires an adjudicative hearing, Respondent must complete and return the
5 application for adjudicative hearing form so that it is received by the Department within ten
6 business days from the date the Notice is served on Respondent. Service on Respondent is
7 defined as posting in the U.S. Mail, postage prepaid, to Respondent's current residence as
8 provided by Respondent in the Nationwide Mortgage Licensing System and Registry.
- 9 4. In addition to her application for adjudicative hearing form, Respondent may provide a written
10 response to include any information pertaining to the Department's determination that
11 Respondent has violated RCW 19.146.0201(1), (2), or (3), or RCW 31.04.027(1), (2), or (3).
- 12 5. Respondent's failure to complete and return the application for adjudicative hearing form so that
13 it is received by the Department within ten business days from the date the Notice is served on
14 Respondent will constitute a waiver of Respondent's right to an adjudicative hearing, and the
15 Department will find that Respondent does not contest the Notice. Upon such a finding, the
16 Department will enter a Final Order revoking Respondent's MLO license and imposing the five-
17 year prohibition.
- 18 6. If requested, the adjudicative hearing will be expedited and will follow the timing and processes
19 described in this Consent Order. The adjudicative hearing will be held as soon as the schedule of
20 the ALJ permits. The parties will accommodate the prompt scheduling of the hearing. The scope
21 and issues of the adjudicative hearing will be limited solely to whether or not Respondent has
22 violated RCW 19.146.0201(1), (2), or (3), or RCW 31.04.027(1), (2), or (3).
- 23 7. Following the adjudicative hearing, the ALJ will issue an Initial Order. Either party may file a
24 Petition for Review of the Initial Order with the Director.
- 25

1 8. The notification and hearing process described in this Consent Order applies only in the event:
2 the Department determines Respondent has violated RCW 19.146.0201(1), (2), or (3), or RCW
3 31.04.027(1), (2), or (3); and, the Department chooses to proceed to lift the stay and impose the
4 stayed sanctions described in this Consent Order under the terms of this Consent Order; and,
5 Respondent chooses to contest the Department's action to lift the stay and impose the stayed
6 sanctions described in this Consent Order under the terms of this Consent Order.

7 **F. Fine.** It is AGREED that Respondent shall pay to the Department a fine of \$1,000, in the form of a
8 cashier's check made payable to the "Washington State Treasurer," upon entry of this Consent Order.

9 **G. Investigation Fee.** It is AGREED that Respondent shall pay to the Department an investigation fee
10 of \$300, in the form of a cashier's check made payable to the "Washington State Treasurer," upon entry of this
11 Consent Order. The Fine and Investigation Fee may be paid together in one \$1,300 cashier's check made payable
12 to the "Washington State Treasurer."

13 **H. Complete Cooperation with the Department and the Office of the Attorney General.** It is
14 AGREED that Respondent Cady shall provide the Department with a truthful and complete sworn statement
15 outlining her knowledge of and activities with respect to Respondent Washington Financial Group, Inc. d/b/a
16 Guaranty Mortgage Group, LLC and any and all persons involved or in any way associated with Respondent
17 Washington Financial Group, Inc. d/b/a Guaranty Mortgage Group, LLC. The "sworn statements" may take the
18 form of affidavits, declarations, or deposition testimony at the Department's and the Office of the Attorney
19 General's discretion. It is further AGREED that Respondent Cady shall testify fully, truthfully, and completely at
20 any proceeding related to the Department's investigation and enforcement action related to this matter, including,
21 but not limited to, Respondents Respondent Washington Financial Group, Inc. d/b/a Guaranty Mortgage Group,
22 LLC, Kevin A. Keadle and Chris A. Keadle.

23 **I. Continuing Education Training.** It is AGREED the Respondent shall attend, at her own expense, a
24 certified ethics course, at least 2 hours in duration, from one of the approved training companies found on the
25

1 Department's website. This training shall be in addition to the continuing education requirements that the
2 Respondent must satisfy to maintain her loan originator license with the Department. The Respondent must
3 provide proof of satisfactorily completing the ethics training by December 1, 2011.

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

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

10 L. Voluntarily Entered. It is AGREED that the undersigned Respondent has voluntarily entered into
11 this Consent Order, which is effective when signed by the Director's designee.

12 M. Completely Read, Understood, and Agreed. It is AGREED that Respondent has read this Consent
13 Order in its entirety and fully understands and agrees to all of the same.

14 **RESPONDENT:**

15 **Emily Cady**

16 By: Emily Cady
17 Emily Cady
18 Loan Originator, Individually

01/26/2011
Date

19 John A. Long
20 ~~Seth Rosenberg~~, WSBA No. 41660
21 Attorney at Law, Law Offices of John Long
22 Attorney for Respondent

2/7/2011
Date

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DO NOT WRITE BELOW THIS LINE

THIS ORDER ENTERED THIS 27th DAY OF February, 2011.



Deborah Bortner

DEBORAH BORTNER
Director
Division of Consumer Services
Department of Financial Institutions

Presented by:

Anthony W. Carter

ANTHONY W. CARTER in lieu of
WILLIAM HALSTEAD
Financial Legal Examiner

Approved by:

James R. Brusselback

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:

WASHINGTON FINANCIAL GROUP, INC., d/b/a
GUARANTY MORTGAGE GROUP, LLC, KEVIN
A. KEADLE, 50% Owner, President, and Designated
Broker, and CHRIS A. KEADLE, 50% Owner and
Vice-President, CHRIS STUDIOSO, Loan Originator,
BRIAN SODORFF, Loan Originator, EMILY CADY,
Loan Originator, and DAN GORMAN, Loan
Originator,

Respondents.

NO. C-09-513-10-SC01

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

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 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. **Washington Financial Group, Inc. d/b/a Guaranty Mortgage Group, LLC, (Respondent Washington Financial)** was licensed by the Department of Financial Institutions of the State of Washington
(Department) to conduct business as a mortgage broker on or about January 7, 2003, and has continued to be
licensed to date. Respondent Washington Financial is licensed to conduct the business of a mortgage broker at
1000 Dexter Ave. N., Suite 210, Seattle, Washington.

¹ RCW 19.146 (2006)

1 **B. Kevin A. Keadle (Respondent K. Keadle)** is an owner, President and Designated Broker of
2 Respondent Washington Financial. Respondent K. Keadle was named Designated Broker of Respondent
3 Washington Financial on or about January 7, 2003, and has continued as Designated Broker to date. The
4 Department issued Respondent Keadle a loan originator license on or about November 15, 2006, which he
5 continues to maintain.

6 **C. Chris A. Keadle (Respondent C. Keadle)** is an owner and Vice-President of Respondent
7 Washington Financial. The Department issued Respondent C. Keadle a loan originator license on or about
8 February 2, 2007, which he continues to maintain.

9 **D. Chris Studioso (Respondent Studioso)** worked for Respondent Washington Financial at all
10 times relevant to this Statement of Charges. The Department issued Respondent Studioso a loan originator
11 license on or about April 11, 2007, which he continues to maintain.

12 **E. Brian Sodorff (Respondent Sodorff)** worked for Respondent Washington Financial at all
13 times relevant to this Statement of Charges. The Department issued Respondent Sodorff a loan originator
14 license on or about July 16, 2007, which he continues to maintain.

15 **F. Emily Cady (Respondent Cady)** worked for Respondent Washington Financial at all times
16 relevant to this Statement of Charges. The Department issued Respondent Cady a loan originator license on or
17 about June 5, 2007, which she continues to maintain.

18 **G. Dan Gorman (Respondent Gorman)** worked for Respondent Washington Financial at all
19 times relevant to this Statement of Charges. The Department issued Respondent Gorman a loan originator
20 license on or about June 5, 2007, which he continues to maintain.

21 **1.2 Examination.** On or about November 2, 2009, the Department conducted an examination of the
22 records of Respondent Washington Financial. The Department's examination covered a time frame from
23 September 1, 2007, through September 31, 2009, and included the review of at least 134 loan files that were
24 taken from a sample of customer files that were representative of Respondent Washington Financial's portfolio.
25 As a result of the examination, the Department discovered violations of the Act as outlined below.

1 **1.3 Failure to Display Loan Originator's License Number.** Respondent Washington Financial did not
2 include the loan originator's license number on at least 25 residential mortgage applications.

3 **1.4 Failure to Specify Fees Benefiting the Company.** Respondent Washington Financial did not specify
4 on the Good Faith Estimate (GFE) to at least 40 borrowers that Respondent Washington Financial was charging
5 a processing fee, document preparation fee, loan origination fee, underwriting fee or administration fee.

6 **1.5 Failure to Deliver Variable Rate Program Disclosures.** Respondent Washington Financial did not
7 provide a loan program disclosure identifying the terms of a variable rate mortgage to at least 10 borrowers.
8 The required disclosure must contain the circumstances under which the rate may increase, any limitations on
9 the increase, the effects of the increase, and an example of payment terms resulting from an increase as well as
10 the specific index used for the interest rate.

11 **1.6 Failure to Deliver Rate Lock Disclosures.** Respondent Washington Financial did not deliver a rate-
12 lock disclosure within three-business days of receiving an application from at least 3 borrowers. The rate-lock
13 disclosure indicates whether or not the borrower has chosen to lock the interest rate. In the event the loan is not
14 locked, the disclosure also informs the borrower that the disclosed interest rates and terms are subject to change.

15 **1.7 Failure to Correctly Disclose the Yield Spread Premium (YSP).** Respondent Washington Financial
16 did not correctly disclose the YSP to at least 40 borrowers on GFEs when it did not describe the fee as "yield
17 spread premium," did not list the YSP in the 800 series of lines on the GFE, and did not disclose the YSP as a
18 dollar amount or dollar range. This is a repeat violation from an examination conducted by the Department in
19 August 2007 of Respondent Washington Financial and was cited in the Report of Examination issued January
20 31, 2008.

21 **1.8 Charging Unearned Fees.** In at least 21 transactions, the Respondent Washington Financial charged
22 both a mortgage broker fee and a loan origination fee (LOF) on the same transaction for the same borrower.
23 The company cannot charge both a LOF and a mortgage broker fee in the same transaction. In addition,
24 Regulation X, 24 CFR, Part 3500, Appendix A, Real Estate Settlement Procedures Act (RESPA), states that line
25 801 of the HUD-1 is used to record the fees charged by the lender for processing or originating the loan. The

1 following is a list of borrowers that were charged a mortgage broker fee and a loan origination fee on the same
 2 transaction:

Borrower	Application Date	Settlement Date	Loan Origination Fee	Mortgage Broker Fee	Broker Credit	Refund
K.B.	02/29/08	03/31/08	\$3,050.00	\$3,095.75	\$143.35	\$ 2,906.65
B.B.	01/02/08	02/25/09	\$3,270.00	\$3,327.22		\$ 3,270.00
V.C.	07/20/07	10/22/07	\$2,475.00	\$1,287.06		\$ 1,287.06
J.P.C	03/18/08	05/02/08	\$1,576.01	\$1,599.65	\$400.00	\$ 1,176.01
R.D.	02/12/09	05/27/09	\$2,056.66	\$3,348.23		\$ 2,056.66
L.G.	09/04/08	09/30/08	\$3,040.00	\$1,539.00		\$ 1,539.00
M.J.	05/22/08	07/24/08	\$2,493.75	\$1,265.58	\$230.00	\$ 1,035.58
T.K.	02/20/08	03/17/08	\$3,570.00	\$1,811.78		\$ 1,811.78
J.L.	06/11/08	08/21/08	\$5,577.00	\$ 975.00		\$ 975.00
M.L.	04/24/08	07/23/08	\$2,308.00	\$1,171.31		\$ 1,171.31
S.M.	11/28/08	01/23/09	\$ 807.50	\$1,643.26		\$ 807.50
L.M.	10/27/08	12/30/08	\$1,450.00	\$1,475.37		\$ 1,450.00
G.M.	11/06/07	02/27/08	\$3,620.00	\$2,475.90		\$ 2,475.90
M.M.	10/29/08	11/21/08	\$2,232.50	\$2,232.50		\$ 2,232.50
Y.P.	03/03/08	01/21/09	\$3,627.90	\$3,627.90		\$ 3,627.90
D.S.	05/21/08	07/28/08	\$3,420.00	\$3,471.30		\$ 3,420.00
J.S.	01/29/08	03/27/09	\$1,752.00	\$1,782.66		\$ 1,752.00
M.T-S	11/05/08	12/15/08	\$3,430.00	\$3,205.89		\$ 3,205.89
A.V.D.	12/05/08	03/20/09	\$1,254.00	\$1,275.94		\$ 1,254.00
C.W.	06/06/08	08/11/08	\$2,137.50	\$1,193.26		\$ 1,193.26
K.W.	11/19/08	12/31/08	\$3,136.50	\$3191.38		\$ 3,136.50
Total						\$41,784.50

17 **1.9 Failure to Provide an Accurate Truth-In-Lending Disclosure.** Respondent Washington Financial
 18 delivered incomplete and inaccurate TIL disclosures to at least 6 borrowers when they did not mark the boxes
 19 identifying a variable rate feature or did not complete the bottom section of the TIL disclosure identifying the
 20 existence of a prepayment penalty, security interest, assumption policy, and late payment fee.

21 **1.10 Failure to Provide Written Explanation for an Increase in Fees.** Respondent Washington Financial
 22 did not provide a written explanation for an increase in its fees to at least the borrower listed below. Although
 23 the company provided a subsequent GFE disclosing the fee increase, the Act requires a clear written
 24 explanation stating the reason why fees benefiting the company increased. Both the subsequent GFE and
 25 written explanation are required no less than three business days prior to the signing of the loan closing

1 documents. The following borrower did not receive a written explanation for an increase in the company's fees
2 within 3-days prior to the signing of closing documents:

Borrower	Fees Initial GFE	Fees Final GFE/HUD	Reason For Increase	Refund Due
K.B.	\$ 495.00	\$27,069.12	Mortgage Broker Fee not disclosed on initial GFE	\$26,574.12

5
6 **1.11 Failure to Deliver the One-Page Disclosure Summary.** Respondent Washington Financial did not
7 demonstrate that at least 3 borrowers received the mandatory one-page disclosure summary identifying certain
8 material aspects of residential mortgage loans within three business days following the receipt of a loan
9 application.

10 **1.12 Failure to Deposit Third-Party Fees into a Trust Account.** Respondent Washington Financial
11 received checks from escrow that included at least 3 borrowers' payments for third-party Flood Certification
12 fees and subsequently deposited the funds into its general account. Respondent Washington Financial does not
13 maintain or operate a trust account. Although the company paid the fee to the third party, the Act states that all
14 funds received by the company for payments of third-party provider services are considered trust funds and thus
15 must be deposited into a trust account.

16 **1.13 Failure to Include License Name or Number with a Trade Name.** On all disclosures given to at
17 least 11 borrowers, Respondent Washington Financial identified itself under one of its trade names (Guaranty
18 Mortgage Group, LLC), but did not identify it was connected with the company Washington Financial Group,
19 Inc.

20 **1.14 Occupancy Fraud.** Respondent Washington Financial, and the loan originators named below,
21 employed a scheme to mislead or defraud mortgage lenders by simultaneously completing a refinance and a
22 purchase transaction on different properties while identifying both properties as owner-occupied. The scheme
23 also involved simultaneously completing two refinance transactions while identifying both properties as owner-
24 occupied. The purchase and refinance transactions involved these characteristics: Separate mortgage lenders on
25 the refinance and purchase transactions, residential loan applications (1003) for the purchase transactions signed
by the borrowers before the refinances' settlement date, refinanced property shown as a rental on the purchase

1 1003, all loans closed as owner-occupied. The scheme was discovered by examiners who compared mortgage
 2 applications, purchase and sale agreements, appraisals, and other documentation. The scheme was employed on
 3 at least the following five borrowers:

4 **A. Borrower: N.C.**

5 Program Type: Cash-Out Refinance
 6 Property Address: 2412 Lynnwood, WA 98036
 7 Lender: Washington Financial Group d/b/a Guaranty Mortgage Group LLC
 8 Occupancy: Owner Occupied

9 Refinance

Originator	Lien	Cash-Out Amount	Application Date	Settlement Date
Studioso, Chris	1 st	\$79,254.85	07/30/08	09/02/08

10 Program Type: Purchase
 11 Property Address: 6442 Lynnwood, WA 98037
 12 Lender: Metlife Home Loans
 13 Occupancy: Owner Occupied

14 Purchase

Originator	Lien	Down Payment	Application Date	Settlement Date
Studioso, Chris	1 st	\$81,216.94	07/30/08	09/17/08

14 **B. Borrower: S.B.**

15 Program Type: Cash-Out Refinance
 16 Property Address: 22905 Edmonds, Washington 98026
 17 Lender: Flagstar Bank
 18 Occupancy: Owner Occupied

19 Refinance

Originator	Lien	Cash-Out Amount	Application Date	Settlement Date
Sodorff, Brian	1 st	\$125,849.23	03/19/08	4/18/08

20 Program Type: Purchase
 21 Property Address: 2341 Brier, Washington 98036
 22 Lender: Citi Mortgage Inc.
 23 Occupancy: Owner Occupied

24 Purchase

Originator	Lien	Down Payment	Application Date	Settlement Date
Sodorff, Brian	1 st	\$116,498.56	03/19/08	05/27/08

1 **C. Borrower: J.C.**

2 Program Type: Cash-Out Refinance
3 Property Address: 12430 Kent, WA 98030
4 Lender: Network Mortgage Services, Inc
5 Occupancy: Owner Occupied

6 Refinance

Originator	Lien	Cash-Out Amount	Application Date	Settlement Date
Dallum, Irene ¹	1 st	\$25,280.90	03/10/08	04/01/08

7 Program Type: Purchase
8 Property Address: 913 Tacoma, WA 98405
9 Lender: MSB Mortgage Company
10 Occupancy: Owner Occupied

11 Purchase

Originator	Lien	Down Payment	Application Date	Settlement Date
Dallum, Irene	1 st	\$12,663.83	03/11/08	05/02/08

12 **D. Borrower: M.R.**

13 Program Type: Cash-Out Refinance
14 Property Address: 1309 Renton, WA 98056
15 Lender: US Bank
16 Occupancy: Owner Occupied

17 Refinance

Originator	Lien	Cash-Out Amount	Application Date	Settlement Date
Cady, Emily	1 st	\$228,701.01	03/14/08	04/28/08

18 Program Type: Purchase
19 Property Address: 440 Issaquah, WA 98027
20 Lender: ING Bank
21 Occupancy: Owner Occupied

22 Purchase

Originator	Lien	Down Payment	Application Date	Settlement Date
Cady, Emily	1 st	\$138,941.96	03/14/08	05/02/08

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24 //

25 ¹ Statement of Charges C-08-159-10-SC02 has been issued against Irene Dallum for this conduct.

1 **E. Borrower: D.W.**

2 Program Type: Cash-Out Refinance
3 Property Address: 4034 Seattle, WA 98199
4 Lender: CitiMortgage, Inc
5 Occupancy: Owner Occupied

6 **Refinance**

Originator	Lien	Cash-Out Amount	Application Date	Settlement Date
Gorman, Dan	1 st	\$182,603.00	05/28/08	07/08/08

7 Program Type: Purchase
8 Property Address: 803 Tacoma, WA 98405
9 Lender: HSBC Mortgage Corp
10 Occupancy: Owner Occupied

11 **Purchase**

Originator	Lien	Down Payment	Application Date	Settlement Date
Gorman, Dan	1 st	\$67,100.00	05/29/08	07/18/08

12 **1.15 Income Misrepresentation.** Respondents Washington Financial and Studioso engaged in a scheme of
13 inflating a borrower’s income in order to obtain a loan commitment from a lender. The scheme involved these
14 characteristics:

- Two loans completed on two different properties: A cash-out refinance and a purchase
- Refinance completed as a “fully documented loan”
- Purchase completed as a “stated income” loan
- Both loans originated simultaneously
- Borrowers could not qualify for purchase with actual income

15 The examiners discovered the scheme from the borrower’s fully documented refinance, which contained the
16 borrower’s W2s and paystubs. Respondents Washington Financial and Studioso inflated income on at least the
17 following borrower:

Borrower	Originator	Actual Monthly Income from Pay Stub	Monthly Income Listed on Purchase
N.B.	Studioso, Chris	\$ 6,666.67	\$ 8,300.00

18 **1.16 Failure to Conspicuously Disclose Required Information in an Advertisement.** Respondents
19 Washington Financial, K. Keadle, and C. Keadle produced at least 3 print advertisements using borrower’s
20 current loan information. Respondents Washington Financial, K. Keadle, and C. Keadle disclosed the source of
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1 the information but did not do so in the same size and type of font in the remainder of the advertisement. They
2 also disclosed that it is not affiliated with the borrower's lender but not in the same size and type of fonts in the
3 remainder of the advertisement.

4 **1.17 Advertising Variable Interest Rates.** Respondents Washington Financial, K. Keadle, and C. Keadle
5 produced print advertisements for adjustable rate mortgages that did not clearly state that the rate is subject to
6 change after consummation and the limited term to which the initial rates apply. Although the advertisements
7 contain the phrase "5/1 ARM", this phrase neither indicates that the rate could change nor gives a clear
8 indication of the limited term as required by Regulation Z.

9 **1.18 Disclosing Additional Credit Terms in Advertisements.** Respondents Washington Financial, K.
10 Keadle, and C. Keadle did not disclose the terms of repayment and down payment amounts in print
11 advertisements. The advertisements disclosed a payment amount but did not disclose the terms of repayment or
12 down payment amount.

13 **1.19 Suggesting Association with Government Agencies.** Respondents Washington Financial, K. Keadle,
14 and C. Keadle produced print advertisements that represents it was affiliated with the government. In the
15 advertisement it states: "Ask For a Government Loan Advisor." The statement represents and implies that
16 Respondent Washington Financial has a government loan advisor working for it. The Act strictly prohibits
17 advertisements that suggest affiliations with state or federal agencies when no such affiliations exist.

18 **1.20 Prohibited Advertising.** Respondents Washington Financial, K. Keadle, and C. Keadle produced print
19 advertisements, which stated: "Your Credit Status Does not Matter as Long as Your Mortgage Payments Have
20 Been Made on Time." At least one borrower who received this advertisement applied for a loan and was denied
21 due to the applicant's low credit score per the lender's underwriting guidelines.

22 **1.21 Failure to Disclose the Yield Spread Premium on the GFE.** Respondent Washington Financial did
23 not disclose the YSP on the GFE as required by Regulation X, part 3500, Appendix B, Illustrations of
24 Requirements of RESPA, fact situation 13. Further, RESPA, section 3500.7(c) requires disclosure of all
25

1 charges that a borrower can expect to pay upon settlement. At least the following borrower received a GFE that
2 did not disclose the YSP:

Borrower	Application Date	Settlement Date	YSP Amount
J.P.C.	03/18/08	05/02/08	\$ 2,888.96

3
4
5 **1.22 Failure to Provide Home Equity Line of Credit Disclosure.** Respondent Washington Financial did
6 not provide evidence that a borrower received the initial home equity line of credit disclosure as required by
7 Regulation Z, 12 CFR, Section 226.5b at the time of application.

8 **1.23 On-Going Investigation.** The Department's investigation into the alleged violations of the Act by
9 Respondents continues to date.

10 II. GROUNDS FOR ENTRY OF ORDER

11 **2.1 Prohibited Acts.** Based on the Factual Allegations set forth in Section I above, Respondents are in
12 apparent violation of RCW 19.146.0201(1), (2), (3), (6), (7), (12), and (15) and Regulation Z, 12 C.F.R.,
13 Section 226.18(f)(2)(i), (k), (l), (m), and (q) for directly or indirectly employing a scheme, device or artifice to
14 defraud or mislead borrowers or lenders or any person, engaging in an unfair or deceptive practice toward any
15 person, obtaining property by fraud or misrepresentation, failing to make disclosures to loan applicants and
16 noninstitutional investors as required by RCW 19.146.030 and any other applicable state or federal law,
17 making, in any manner, any false or deceptive statement or representation with regard to the rates, points, or
18 other financing terms or conditions for a residential mortgage loan or engaging in bait and switch advertising,
19 collecting, charging, attempting to collect or charge or using or proposing any agreement purporting to collect
20 or charge any fee prohibited by RCW 19.146.030 or RCW 19.146.070, failing to comply with any provision of
21 RCW 19.146.030 through 19.146.080 or any rule adopted under those sections, and for failing to disclose a
22 variable rate, prepayment penalty, late penalty, security interest or assumption policy.

23 **2.2 Requirement to Display Loan Originator's License.** Based on the Factual Allegations set forth in
24 Section I above, Respondents are in apparent violation of WAC 208-660-350(26) for failing to include the loan
25

1 originator's license number immediately following the loan originator's name on solicitations, including
2 business cards and residential mortgage loans.

3 **2.3 Requirement to Disclose Residential Mortgage Loan Fees.** Based on the Factual Allegations set
4 forth in Section I above, Respondents are in apparent violation of RCW 19.146.030(1) for failing to provide
5 borrowers with full written disclosures, containing an itemization and explanation of all fees and costs that the
6 borrowers were required to pay in connection with obtaining a residential mortgage loan, within three days
7 following receipt of a loan application or any moneys from the borrowers.

8 **2.4 Requirement to Deliver Variable Rate Program Disclosure.** Based on the Factual Allegations set
9 forth in Section I above, Respondents are in apparent violation of RCW 19.146.030(2)(a) for failing to provide
10 borrowers with disclosures identifying the terms of a variable rate mortgage, including but not limited to, the
11 annual percentage rate, finance charge, amount financed, the circumstances under which the rate may increase.

12 **2.5 Requirement to Deliver Rate Lock Disclosure.** Based on the Factual Allegations set forth in Section
13 I above, Respondents are in apparent violation of RCW 19.146.030(2)(c) and WAC 208-660-430(6) for failing
14 to provide borrowers with written disclosures containing the cost, term, duration, and condition of a lock-in
15 agreement and whether a lock-in agreement has been entered, and whether the lock-in agreement is guaranteed
16 by the mortgage broker or lender, and if a lock-in agreement has not been entered, disclosure in a form
17 acceptable to the director that the disclosed interest rate and terms are subject to change.

18 **2.6 Requirement to Disclose the Yield Spread Premium.** Based on the Factual Allegations set forth in
19 Section I above, Respondents are in apparent violation of Regulation X, part 3500, Appendix B, fact situation
20 13 and WAC 208-660-430(5) for failing to properly disclose the Yield Spread Premium on the Good Faith
21 Estimate.

22 **2.7 Requirement to Provide a One-Page Disclosure Summary.** Based on the Factual Allegations set
23 forth in Section I above, Respondents are in apparent violation of RCW 19.144.020(1) and (2) for failing to
24 provide borrowers with a disclosure summary of all material loan terms on a separate sheet of paper as required
25 by the Department, within three business days following receipt of a loan application.

1 **2.8 Prohibited Fees.** Based on the Factual Allegations set forth in Section I above, Respondents are in
2 apparent violation of RCW 19.146.030(4) for charging fees inuring to the benefit of a mortgage broker in
3 excess of the fees disclosed on the initial written disclosures where the fees were reasonably foreseeable by the
4 mortgage broker at the time the initial written disclosures were provided to borrowers, and/or where the
5 mortgage broker failed to provide the borrowers, no less than three business days prior to the signing of the loan
6 closing documents, a clear written explanation of the fees and the reason for charging fees exceeding those
7 which were previously disclosed.

8 **2.9 Requirement to Maintain Funds From Borrower for Payment of Third-Party Providers in Trust.**

9 Based on the Factual Allegations set forth in Section I above, Respondents are in apparent violation of RCW
10 19.146.050(1) and WAC 208-660-410(3) for failing to deposit funds received from a borrower or on behalf of a
11 borrower for payment of third-party provider services in a trust account of a federally insured financial
12 institution located in this state, prior to the end of the third business day following receipt of such monies, and
13 for commingling operating funds with trust account funds.

14 **2.10 Requirement to Conspicuously Disclose Required Information in Advertisements.** Based on the

15 Factual Allegations set forth in Section I above, Respondents are in apparent violation of WAC 208-660-
16 440(10) for failing to disclose the name of the source of the information contained in the advertisement, a
17 statement that Respondent is not affiliated with the borrower's lender, and disclosing the information in the
18 same size type font as the rest of the information in the advertisement.

19 **2.11 Requirement to Include License Name or License Number with a Trade Name.** Based on the

20 Factual Allegations set forth in Section I above, Respondents are in apparent violation of WAC 208-660-
21 195(14) for failing to identify a branch office trade name with the Respondent's licensed name or failing to use
22 the branch office trade name with the branch license number.

23 **2.12 Suggested Association with Government Agencies.** Based on the Factual Allegations set forth in

24 Section I above, Respondents are in apparent violation of WAC 208-660-440(9) for soliciting or using
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1 advertising that suggests or represents they are affiliated with a state or federal agency, municipality, federally
2 insured financial institution, trust company, or a building or loan association when they are not.

3 III. AUTHORITY TO IMPOSE SANCTIONS

4 **3.1 Authority to Revoke License.** Pursuant to RCW 19.146.220(2), the Director may revoke a license for
5 false statements or omission of material information on the application that, if known, would have allowed the
6 director to deny the application for the original license, failure to pay a fee required by the Director or maintain
7 the required bond, failure to comply with any directive or order of the Director, any violation of the Act.

8 **3.2 Authority to Prohibit from the Industry.** Pursuant to RCW 19.146.220(5), the Director may issue
9 orders removing from office or prohibiting from participation in the conduct of the affairs of a licensed
10 mortgage broker, or both, any officer, principal, employee, or loan originator of any licensed mortgage broker
11 or any person subject to licensing under the Act for any violation of RCW 19.146.0201(1) through (9) or (13),
12 RCW 19.146.030 through RCW 19.146.080, RCW 19.146.200, RCW 19.146.205(4), or RCW 19.146.265, false
13 statements or omission of material information on the application that, if known, would have allowed the
14 Director to deny the application for the original license, conviction of a gross misdemeanor involving
15 dishonesty or financial misconduct or a felony after obtaining a license, or failure to comply with a directive or
16 order of the Director.

17 **3.3 Authority to Impose Fine.** Pursuant to RCW 19.146.220(2), the Director may impose fines on a
18 licensee, employee or loan originator of the licensee, or other person subject to the Act for any violations of
19 RCW 19.146.0201(1) through (9) or (13), RCW 19.146.030 through RCW 19.146.080, RCW 19.146.200, RCW
20 19.146.205(4), or RCW 19.146.265, or failure to comply with a directive or order of the Director.

21 **3.4 Authority to Order Restitution.** Pursuant to RCW 19.146.220(2), the Director may issue orders directing
22 a licensee, its employee or loan originator, or other person subject to the Act to pay restitution for any violation of
23 the Act.

24 **3.5 Authority to Collect Examination and Investigation Fees.** Pursuant to RCW 19.146.228(2), .235, and
25 WAC 208-660-550, upon completion of any investigation of the books and records of a licensee or other person

1 subject to the Act, the Department will furnish to the licensee or other person subject to the Act a billing to cover
2 the cost of the investigation. The investigation charge will be calculated at the rate of \$48 per hour that each staff
3 person devoted to the investigation.

4 5 **IV. NOTICE OF INTENTION TO ENTER ORDER**

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

- 10 **4.1** Respondent Washington Financial Group, Inc's license to conduct the business of a mortgage broker be
11 revoked;
- 12 **4.2** Respondent Washington Financial Group, Inc. be prohibited from participation in the conduct of the affairs of
13 of any mortgage broker subject to licensure by the Director, in any manner, for a period of 5 years;
- 14 **4.3** Respondent Kevin A. Keadle be prohibited from participation in the conduct of the affairs of any mortgage
15 broker subject to licensure by the Director, in any manner, for a period of 5 years;
- 16 **4.4** Respondent Chris A. Keadle be prohibited from participation in the conduct of the affairs of any mortgage
17 broker subject to licensure by the Director, in any manner, for a period of 5 years;
- 18 **4.5** Respondents Washington Financial Group, Inc, Kevin A. Keadle, and Chris A. Keadle jointly and severally
19 pay a fine, which as of the date of these charges is \$36,500;
- 20 **4.6** Respondent Chris Studioso's license to conduct the business of a loan originator be revoked;
- 21 **4.7** Respondent Chris Studioso be prohibited from participation in the conduct of the affairs of any mortgage
22 broker subject to licensure by the Director, in any manner, for a period of 5 years;
- 23 **4.8** Respondent Chris Studioso pay a fine, which as of the date of these charges is \$1,000;
- 24 **4.9** Respondent Brian Sodorff's license to conduct the business of a loan originator be revoked;
- 25 **4.10** Respondent Brian Sodorff 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 5 years;
- 4.11** Respondent Brian Sodorff pay a fine, which as of the date of these charges is \$1,000;
- 4.12** Respondent Emily Cady's license to conduct the business of a loan originator be revoked;

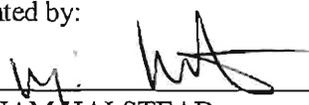
- 1 **4.13** Respondent Emily Cady be prohibited from participation in the conduct of the affairs of any mortgage broker subject to licensure by the Director, in any manner, for a period of 5 years;
- 2
- 3 **4.14** Respondent Emily Cady pay a fine, which as of the date of these charges is \$1,000;
- 4
- 5 **4.15** Respondent Dan Gorman's license to conduct the business of a loan originator be revoked;
- 6
- 7 **4.16** Respondent Dan Gorman 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 5 years;
- 8
- 9 **4.17** Respondent Dan Gorman pay a fine, which as of the date of these charges is \$1,000;
- 10
- 11 **4.18** Respondents Washington Financial Group, Inc, Kevin A. Keadle, and Chris A. Keadle jointly and severally pay restitution in at least the amount of \$71,247.58, to the borrowers outlined in Paragraphs 1.8, 1.10, and 1.21, and any additional restitution that may be determined at hearing;
- 12
- 13 **4.19** Respondents Washington Financial Group, Inc, Kevin A. Keadle, and Chris A. Keadle jointly and severally pay an examination fee in the amount of \$4,821.40, plus accrued interest;
- 14
- 15 **4.20** Respondents Washington Financial Group, Inc, Kevin A. Keadle, and Chris A. Keadle jointly and severally pay an investigation fee, which as of the date of these charges is \$2,160 calculated at \$48 per hour for the 45 staff hours devoted to the investigation;
- 16
- 17 **4.21** Respondents Washington Financial Group, Inc, Kevin A. Keadle, and Chris A. Keadle maintain records in compliance with the Act and provide the Department with the location of the books, records and other information relating to Respondent Washington Financial Group, Inc'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 and Notice of Intention to Enter an Order to Revoke License, Prohibit from
3 Industry, Impose Fine, Order Restitution, Collect Examination Fee, and Collect Investigation fee (Statement of
4 Charges) is 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 Act).
6 Respondents may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO
7 DEFEND AND OPPORTUNITY FOR HEARING accompanying this Statement of Charges.

8 Dated this 7th day of October, 2010.

9 
10 DEBORAH BORTNER
11 Director, Division of Consumer Services
12 Department of Financial Institutions

11 Presented by:
12 
13 WILLIAM HALSTEAD
14 Financial Legal Examiner

14 Approved by:
15 
16 JAMES R. BRUSSELBACK
17 Enforcement Chief

