

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF CONSUMER SERVICES

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IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Consumer Loan Act of Washington by:

No.: C-10-336-11-CO01 ENFORCEMENT UNIT
DIVISION OF CONSUMER SERVICES
DEPT OF FINANCIAL INSTITUTIONS

CONSENT ORDER

NORTHSTAR ALLIANCE INC., d/b/a
NORTHSTAR MORTGAGE ALLIANCE, INC.,
Respondent.

COMES NOW the Director of the Department of Financial Institutions (Director), through his designee Deborah Bortner, Division Director, Division of Consumer Services, and NorthStar Alliance Inc., d/b/a Northstar Mortgage Alliance, Inc. (Respondent), and finding that the issues raised in the above-captioned matter may be economically and efficiently settled, agree to the entry of this Consent Order. This Consent Order is entered pursuant to chapter 31.04 of the 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 alleged in Statement of Charges No. C-10-336-10-SC01 (Statement of Charges), entered December 21, 2010, (copy attached hereto). Pursuant to chapter 31.04 RCW, the Consumer Loan 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 may be economically and efficiently settled by entry of this Consent Order. The parties intend this Consent Order to fully resolve the Statement of Charges.

Based upon the foregoing:

CONSENT ORDER
C-10-336-11-CO01
NorthStar Alliance Inc., d/b/a Northstar Mortgage Alliance, Inc.

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

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

3 B. **Waiver of Hearing.** It is AGREED that Respondent has been informed of the right to a
4 hearing before an administrative law judge, and hereby waives its right to a hearing and any and all
5 administrative and judicial review of the issues raised in this matter, or of the resolution reached
6 herein. Accordingly, Respondent, by the signature of its authorized representative below, withdraws
7 its appeal to the Office of Administrative Hearings.

8 C. **Consumer Loan Company License.** It is AGREED that Respondent's consumer loan
9 company license is surrendered.

10 D. **Application for License.** It is AGREED that, for a period of five years from the date of
11 entry of this Consent Order, Respondent shall not apply to the Department for any license under the
12 Act. It is further AGREED that, should Respondent apply to the Department for any license under
13 the Act at any time later than five years from the date of entry of this Consent Order, Respondent
14 shall be required to meet any and all application requirements in effect at that time.

15 E. **Fine.** It is AGREED that Respondent shall pay a fine to the Department in the amount of
16 \$3,000, in the form of a cashier's check made payable to the "Washington State Treasurer," upon
17 entry of this Consent Order.

18 F. **Annual Assessment Late Penalty.** It is AGREED that Respondent shall pay a penalty
19 for filing its 2009 Consolidated Annual Report and 2009 Annual Assessment Report 14 days late, in
20 the amount of \$1,400, in the form of a cashier's check made payable to the "Washington State
21 Treasurer," upon entry of this Consent Order.

1 **G. Annual Assessment.** It is AGREED that Respondent shall pay an annual assessment for
2 2009, in the amount of \$1,158.45, in the form of a cashier's check made payable to the "Washington
3 State Treasurer," upon entry of this Consent Order.

4 **H. Investigation Fee.** It is AGREED that Respondent shall pay to the Department an
5 investigation fee of \$3,105.45, in the form of a cashier's check made payable to the "Washington
6 State Treasurer," upon entry of this Consent Order. The Fine, Annual Assessment Late Penalty,
7 Annual Assessment, and Investigation Fee may be paid together in one \$8,663.90 cashier's check
8 made payable to the "Washington State Treasurer."

9 **I. Records Retention.** It is AGREED that Respondent, its officers, employees, and agents
10 shall maintain records in compliance with the Act and provide the Director with the location of the
11 books, records and other information relating to Respondent's consumer loan company business, and
12 the name, address and telephone number of the individual responsible for maintenance of such
13 records in compliance with the Act.

14 **J. Authority to Execute Order.** It is AGREED that the undersigned has represented and
15 warranted that she has the full power and right to execute this Consent Order on behalf of the party
16 represented.

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

21 **L. Voluntarily Entered.** It is AGREED that the undersigned Respondent has voluntarily
22 entered into this Consent Order, which is effective when signed by the Director's designee.
23

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

3 **RESPONDENT:**

4 **NorthStar Alliance Inc., d/b/a Northstar Mortgage Alliance, Inc.**

5 By:

6 

7 Catrina M. Brogan
8 President and Chief Executive Officer

5/17/2011
Date

9 DO NOT WRITE BELOW THIS LINE

10 THIS ORDER ENTERED THIS 1st DAY OF June, 2011



16 

17 DEBORAH BORTNER
18 Director
19 Division of Consumer Services
20 Department of Financial Institutions

21 Presented by:

22 

23 MARK T. OLSON
24 Financial Legal Examiner

Approved by:

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22 JAMES R. BRUSSELBACK
23 Enforcement Chief

24 CONSENT ORDER
C-10-336-11-CO01
NorthStar Alliance Inc., d/b/a Northstar Mortgage Alliance, Inc.

1 STATE OF WASHINGTON
2 DEPARTMENT OF FINANCIAL INSTITUTIONS
3 CONSUMER SERVICES DIVISION

4 IN THE MATTER OF DETERMINING
5 Whether there has been a violation of the
6 Consumer Loan Act of Washington by:

NO. C-10-336-10-SC01

7 NORTHSTAR ALLIANCE INC., d/b/a
8 NORTHSTAR MORTGAGE ALLIANCE, INC.,

Respondent.

STATEMENT OF CHARGES and
NOTICE OF INTENTION TO ENTER
AN ORDER TO REVOKE LICENSE,
IMPOSE FINE, ASSESS LATE PENALTY
COLLECT ANNUAL ASSESSMENT,
COLLECT COST OF INVESTIGATION,
AND MAINTAIN RECORDS

9 INTRODUCTION

10 Pursuant to RCW 31.04.093 and RCW 31.04.165, the Director of the Department of Financial Institutions
11 of the State of Washington (Director) is responsible for the administration of chapter 31.04 RCW, the Consumer
12 Loan Act (Act). After having conducted an investigation pursuant to RCW 31.04.145, and based upon the facts
13 available as of the date of this Statement of Charges, the Director, by and through his designee, Division of
14 Consumer Services Director Deborah Bortner, institutes this proceeding and finds as follows:

15 I. FACTUAL ALLEGATIONS

16 1.1 Respondent NorthStar Alliance Inc., d/b/a Northstar Mortgage Alliance, Inc. (Respondent) was
17 licensed by the Department of Financial Institutions of the State of Washington (Department) to conduct
18 business as a Consumer Loan Company on or about June 2, 2009, and continues to be licensed to date. On or
19 about November 16, 2010, Respondent submitted a request through the Nationwide Mortgage Licensing System
20 and Registry (NMLSR) to surrender its State of Washington consumer loan license. On or about November 19,
21 2010, Respondent provided the Department with additional documents necessary to comply with the closure
22 requirements of the Act.¹ Respondent indicated its effective date of closure was November 30, 2010.

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¹ Respondent did not provide a list of Washington loans supporting its closure reports.

1 **1.2 Prohibited Practices.** On or about September 23, 2010, the Department received a letter from
2 Respondent that included the following:

3 “In recent weeks, [Respondent] has been in the process of renewing our warehouse line.
4 Unfortunately, after the close of business on Thursday, September 16, we received word that the
5 line would not be renewed and no additional funding would be issued under it. Although
6 [Respondent] has been in discussions with another lender about securing a new warehouse line,
7 these attempts have not been successful. As a result, the company does not currently have the
8 funding capacity for additional loans, and we do not believe it likely we will be able to find
9 alternative funding sources at this time. Due to these events, [Respondent] is immediately
10 ceasing all origination activity, and is no longer seeking or accepting applications.”

11 According to information obtained by the Department from Gateway Bank, F.S.B. (Gateway), Gateway notified
12 Respondent by letter dated September 1, 2010, that Respondent’s application to renew its warehouse facility
13 with Gateway was denied. On or after September 1, 2010, Respondent provided residential mortgage loan
14 documents to First American Title Insurance (First American), a closing agent, to close at least three residential
15 mortgage loans, totaling over \$890,000 and secured by real property located in the State of Washington, to be
16 funded with Respondent’s Gateway warehouse facility. The terms of these loans were not actually available
17 since Respondent no longer maintained its Gateway warehouse facility. Borrowers signed these loan
18 documents on or after September 3, 2010, expecting these loans to fund. First American sent these signed loan
19 documents to Respondent. Respondent did not fund these loans and did not inform these consumers or First
20 American that these loans would not be funded.

21 **1.3 Failure to File Reports Timely.** A Consolidated Annual Report (CAR) and an Annual Assessment
22 Report (AAR), concerning the business and operations of each licensed place of business conducted during the
23 preceding calendar year, are due to the Department on or before the first day of March of each year. A licensee
24 is subject to a penalty of \$50 per report for each day’s delay in filing required reports. Respondent filed its
25 2009 CAR and AAR, due on or before March 1, 2010, on March 15, 2010.

1.4 Failure to Pay Annual Assessment. Payment of an annual assessment, as calculated on the AAR, is
due to the Department on or before the first day of March of each year. Respondent’s 2009 annual assessment,
as calculated on its 2009 AAR, totals \$1,158.45 and was due on or before March 1, 2010. On or about July 22,
2010, and on or about September 16, 2010, the Department sent letters to Respondent notifying Respondent that

1 its 2009 CAR and AAR were filed 14 days late and directing Respondent to pay its 2009 annual assessment of
2 \$1,158.45 and late penalty of \$1,400. As of the date of this Statement of Charges, Respondent has not paid its
3 2009 annual assessment.

4 **1.5 License Suspension.** On or about September 22, 2010, the Commonwealth of Pennsylvania
5 Department of Banking issued an administrative order suspending Respondent's Mortgage Lender license.

6 **1.6 Corporate Certificate of Authority.** A corporate certificate of authority issued by the State of
7 Washington Secretary of State is required for a corporation to obtain a consumer loan license from the
8 Department. On or about December 2, 2008, the State of Washington Secretary of State issued Respondent a
9 corporate certificate of authority. On or about August 3, 2009, the State of Washington Secretary of State
10 revoked Respondent's corporate certificate of authority. On or about October 6, 2009, the State of Washington
11 Secretary of State issued Respondent a new corporate certificate of authority. On or about June 1, 2010, the
12 State of Washington Secretary of State again revoked Respondent's corporate certificate of authority.
13 Respondent has not had a certificate of authority to do business in the State of Washington since June 1, 2010.
14 As of the date of this Statement of Charges, Respondent has not amended its NMLSR record to reflect this
15 change in standing with the State of Washington Secretary of State.

16 **1.7 On-Going Investigation.** The Department's investigation into the alleged violations of the Act by
17 Respondent continues to date.

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

19 **2.1 Prohibited Practices.** Based on the Factual Allegations set forth in Section I above, Respondent is in
20 apparent violation of RCW 31.04.027(5) for entering into a contract for specific interest rates, points, or other
21 financing terms that were not actually available at the time of contracting.

22 **2.2 Requirement to File Annual Reports.** Based on the Factual Allegations set forth in Section I above,
23 Respondent is in apparent violation of RCW 31.04.155, WAC 208-620-430(1), WAC 208-620-460(1), and
24 WAC 208-620-499(2) for failing to file a Consolidated Annual Report and an Annual Assessment Report with
25 the Director on or before the first day of March of each year, giving such relevant information as the Director

1 may reasonably require concerning the business and operations of each licensed place of business conducted
2 during the preceding calendar year.

3 **2.3 Requirement to Pay Annual Assessment.** Based on the Factual Allegations set forth in Section I
4 above, Respondent is in apparent violation of RCW 31.04.085, WAC 208-620-430(1), WAC 208-620-460(1),
5 and WAC 208-620-499(2) for failing to pay an annual assessment, as calculated on the Annual Assessment
6 Report, to the Director on or before the first day of March of each year.

7 **2.4 Requirements for Licensure.** Based on the Factual Allegations set forth in Section I above,
8 Respondent fails to meet the requirements for licensure in RCW 31.04.045(1), RCW 31.04.055(1), WAC 208-
9 620-280(1), and WAC 208-620-370(2) by: failing to demonstrate financial responsibility, experience, character,
10 and general fitness such as to command the confidence of the community and warrant a belief that the business
11 will be operated honestly, fairly, and efficiently within the purposes of the Act; having a license to conduct
12 lending, issued in this state or another state, revoked or suspended within the last five years; and, failing to
13 maintain a corporate certificate of authority from the State of Washington Secretary of State.

14 **2.5 Requirement to Report Significant Developments.** Based on the Factual Allegations set forth in
15 Section I above, Respondent is in apparent violation of WAC 208-620-490(2) for failing to amend its NMLSR
16 record within ten days after a change in Respondent's standing with the State of Washington Secretary of State.

17 **2.6 Requirement to Maintain Records.** Pursuant to RCW 31.04.155 and WAC 208-620-520, a licensee
18 shall preserve the books, accounts, records papers, documents, files, and other information relevant to a loan for
19 at least twenty-five months after making the final entry on any loan: Pursuant to WAC 208-620-380, an out-of-
20 state licensee must request approval from the Department in writing to maintain a licensee's records at an out-
21 of-state location and must agree to provide the Department access to the records.

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1 **III. AUTHORITY TO IMPOSE SANCTIONS**

2 **3.1 Authority to Revoke License.** Pursuant to RCW 31.04.093(3) and WAC 208-620-570, the Director
3 may revoke a license if a licensee: has failed to pay any fee due the state of Washington; either knowingly or
4 without the exercise of due care, has violated any provision of the Act or any rule adopted under the Act; or a
5 fact or condition exists that, if it had existed at the time of the original application for the license, clearly would
6 have allowed the director to deny the application for the original license.

7 **3.2 Authority to Impose Fine.** Pursuant to RCW 31.04.093(4), the Director may impose fines of up to one
8 hundred dollars per day upon the licensee for any violation of the Act.

9 **3.3 Authority to Issue Order to Take Affirmative Action.** Pursuant to RCW 31.04.093(5), the Director
10 may issue an order directing the licensee to take such affirmative action as is necessary to comply with the Act.

11 **3.4 Authority to Assess Report Late Penalties.** Pursuant to RCW 31.04.155 and WAC 208-620-430(2), a
12 licensee that fails to file a report that is required to be filed by the Act, within the time frame required under the Act,
13 is subject to a penalty of fifty dollars per report for each day of delay.

14 **3.5 Authority to Collect Cost of Investigation.** Pursuant to RCW 31.04.145(3) and WAC 208-620-590,
15 every licensee investigated by the Director or the Director's designee shall pay to the Director the cost of the
16 investigation, calculated at the rate of \$69.01 per staff hour spent on the investigation.

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

2 Respondent's violations of the provisions of chapter 31.04 RCW and chapter 208-620 WAC, as set forth in
3 the above Factual Allegations, Grounds for Entry of Order, and Authority to Impose Sanctions, constitute a basis
4 for the entry of an Order under RCW 31.04.093, RCW 31.04.165, and RCW 31.04.205. Therefore, it is the
5 Director's intention to ORDER that:

- 6 **4.1** Respondent Northstar Alliance Inc., d/b/a Northstar Mortgage Alliance, Inc.'s license to conduct business
as a consumer loan company be revoked.
- 7 **4.2** Respondent Northstar Alliance Inc., d/b/a Northstar Mortgage Alliance, Inc. pay a fine. As of the date of
this Statement of Charges, the fine totals \$5,000.
- 8 **4.3** Respondent Northstar Alliance Inc., d/b/a Northstar Mortgage Alliance, Inc. pay a \$1,400 penalty for filing
9 its 2009 Consolidated Annual Report and 2009 Annual Assessment Report 14 days late.
- 10 **4.4** Respondent Northstar Alliance Inc., d/b/a Northstar Mortgage Alliance, Inc. pay an annual assessment of
\$1,158.45 for 2009.
- 11 **4.5** Respondent Northstar Alliance Inc., d/b/a Northstar Mortgage Alliance, Inc. pay the cost of the
12 Department's investigation. As of the date of this Statement of Charges, the cost of the investigation
totals \$3,105.45.
- 13 **4.6** Respondent Northstar Alliance Inc., d/b/a Northstar Mortgage Alliance, Inc., its officers, employees, and
14 agents maintain records in compliance with the Act and provide the Director with the location of the books,
15 records and other information relating to Respondent Northstar Alliance Inc., d/b/a Northstar Mortgage
Alliance, Inc.'s consumer loan company business, and the name, address and telephone number of the
individual responsible for maintenance of such records in compliance with the Act.

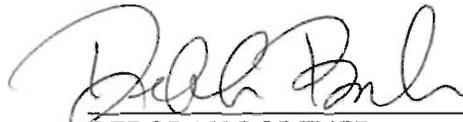
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1 **V. AUTHORITY AND PROCEDURE**

2 This Statement of Charges and Notice of Intention to Enter an Order to Revoke License, Impose Fine,
3 Assess Late Penalty, Collect Annual Assessment, Collect Cost of Investigation, and Maintain Records is
4 entered pursuant to the provisions of RCW 31.04.093, RCW 31.04.165, RCW 31.04.202, and RCW 31.04.205,
5 and is subject to the provisions of chapter 34.05 RCW (The Administrative Procedure Act). Respondent may
6 make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND
7 OPPORTUNITY FOR HEARING accompanying this Statement of Charges.

8 Dated this 21st day of December, 2010.



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10 _____
11 DEBORAH BORTNER
12 Director
13 Division of Consumer Services
14 Department of Financial Institutions

15 Presented by:

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17 _____
18 MARK T. OLSON
19 Financial Legal Examiner

20 Approved by:

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22 _____
23 JAMES R. BRUSSELBACK
24 Enforcement Chief