

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF CONSUMER SERVICES

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

C-13-1377-14-TD01

CLS MORTGAGE, INC.,
NMLS ID#3177, and
JEFFREY BELL, President,

TEMPORARY ORDER TO CEASE
AND DESIST AND SUMMARY
SUSPENSION OF LICENSE

Respondents.

THE STATE OF WASHINGTON TO: CLS MORTGAGE, INC.
JEFFREY BELL

COMES NOW the Director of the Washington State Department of Financial Institutions (Director), by and through his designee Deborah Bortner, Division Director, Division of Consumer Services (designee), and finding that the public is likely to be substantially injured by delay in issuing a cease and desist order, enters this temporary order to cease and desist and summary suspension of license pursuant to chapter 31.04 RCW, the Consumer Loan Act (Act), based on the following findings:

I. FACTUAL FINDINGS

1.1 Respondents.

A. CLS Mortgage, Inc. (Respondent CLS Mortgage) was licensed by the Department of Financial Institutions of the State of Washington (Department) to conduct business as a Consumer Loan Company on or about August 25, 2008, and continues to be licensed to date. Respondent CLS Mortgage is licensed to conduct business from its main office located at 920 N. Argonne Rd., Ste. 100, Spokane, Washington 99212.

B. Jeffrey Bell (Respondent Bell). Respondent Bell is the President of Respondent CLS Mortgage.

1.2 Servicing. Respondent CLS Mortgage services about 142 residential mortgage loans secured by residential real property located in Washington State. As a servicer, Respondent CLS Mortgage's responsibilities include: collecting or receiving payments on existing obligations due and owing to the lender or investor, including payments of principal, interest, escrow amounts, and other amounts due; collecting fees due to the servicer; working with the borrower and the licensed lender to collect data and make decisions necessary

1 to modify certain terms of those obligations either temporarily or permanently; and otherwise finalizing
2 collection through the foreclosure process. Respondent CLS Mortgage collects monthly payments for payment
3 of hazard insurance and real property taxes on behalf of about 40 borrowers which it is in turn required to
4 timely remit to insurance carriers and taxing authorities.

5 **1.3 Bond Cancellation.** Respondent CLS Mortgage's surety bond was cancelled effective July 9, 2014.
6 To date, the Department has not received a replacement surety bond.

7 **1.4 Bankruptcy.** On or about August 14, 2014, Respondent CLS Mortgage filed for bankruptcy protection
8 in the Eastern District of Pennsylvania.¹

9 **1.5 Failure to Pay Tax and Insurance Premiums.** Respondent CLS Mortgage has not made payments on
10 behalf of borrowers for property taxes or hazard insurance premiums since at least August 28, 2014.

11 **1.6 Risk of Injury to the Public.** Respondents' financial and operational condition is such that there is
12 serious risk of injury to the public. Failure to pay real property taxes places borrowers at risk of late payment
13 penalties and loss of their homes. Failure to pay hazard insurance premiums may result in loss of insurance
14 coverage and may result in uninsured damage to or destruction of borrower's homes. Failure to provide timely
15 responses to inquiries from borrowers may result in an increased likelihood of default and foreclosure. Failure
16 to collect information for evaluation of temporary or permanent modification of borrower's loans may result in
17 an increased likelihood of foreclosure.

18 **1.7 Substantial Injury to the Public.** Respondents' apparent violations of the Act are such that the
19 public is likely to be substantially injured by delay in issuing a cease and desist order.

20 II. GROUNDS FOR ENTRY OF ORDER

21 **2.1 Failure to Maintain Bond.** Based on the Factual Findings set forth in Section I above, Respondents
22 are in apparent violation of RCW 31.04.045(4) for failing to file and maintain a surety bond approved by the
23 Director.

24 _____
25 ¹ The bankruptcy was filed in the United States Bankruptcy Court for the Eastern District of Pennsylvania. The case
number is 14-16534-ref. The liquidation of CLS Mortgage's assets will be made pursuant to Chapter 7 of the Bankruptcy
Code. Inquiries should be made directly to the Bankruptcy Trustee.

1 **2.2 Failure to Comply with Servicing Requirements.** Based on the Factual Findings set forth in Section
2 I above, Respondents are in apparent violation of RCW 31.04.290(1)(d) for failing to collect and make
3 payments for escrow amounts on residential mortgage loans held for the borrower for payment of insurance,
4 taxes and other charges with respect to the property and for failing to ensure that no late penalties are assessed
5 or other negative consequences result for the borrower.

6 **III. AUTHORITY TO ISSUE TEMPORARY ORDER TO CEASE AND DESIST**

7 **3.1 Authority to Issue Order to Cease and Desist.** Pursuant to RCW 31.04.093(5), the director may issue
8 an order directing the licensee, its employee or loan originator, or other person subject to the Act to cease and
9 desist from conducting business in a manner that is injurious to the public or violates any provision of the Act;
10 and take such affirmative action as is necessary to comply with the Act.

11 **3.2 Authority to Issue Temporary Order to Cease and Desist.** Pursuant to RCW 31.04.093(8),
12 whenever the Director determines that the public is likely to be substantially injured by delay in issuing a cease
13 and desist order, the director may immediately issue a temporary cease and desist order. The order may direct
14 the licensee to discontinue any violation of the Act, to take such affirmative action as is necessary to comply
15 with the Act, and may include a summary suspension of the licensee's license and may order the licensee to
16 immediately cease the conduct of business under the Act. The order shall become effective at the time specified
17 in the order.

18 **IV. ORDER**

19 Based on the above Factual Findings, Grounds for Entry of Order, and Authority to Issue Temporary
20 Order to Cease and Desist, and pursuant to RCW 31.04.093 and RCW 31.04.165, the Director determines that
21 the public is likely to be substantially harmed by a delay in entering a cease and desist order. Therefore, the
22 Director ORDERS that:

23 **4.1** Respondent CLS Mortgage, Inc.'s license to conduct the business of a Consumer Loan
24 Company is summarily suspended.
25

1 **4.2** Respondent CLS Mortgage, Inc. and Respondent Jeffrey Bell shall immediately cease and
2 desist from engaging in the business of a consumer loan company; specifically including, but
3 not limited to:

4 A. Servicing Washington residential mortgage loans.

5 B. Collecting and/or receiving funds related to Washington residential mortgage
6 loans.

7 **NOTICE**

8 PURSUANT TO CHAPTER 31.04 RCW, YOU ARE ENTITLED TO A HEARING WITHIN 14 DAYS
9 OF REQUEST TO DETERMINE WHETHER THIS ORDER SHALL BECOME PERMANENT. IF YOU
10 DESIRE A HEARING, THEN YOU MUST RETURN THE ATTACHED APPLICATION FOR
11 ADJUDICATIVE HEARING INCORPORATED HEREIN BY THIS REFERENCE. FAILURE TO
12 COMPLETE AND RETURN THE APPLICATION FOR ADJUDICATIVE HEARING FORM SO THAT IT IS
13 RECEIVED BY THE DEPARTMENT OF FINANCIAL INSTITUTIONS WITHIN TWENTY (20) DAYS OF
14 THE DATE THAT THIS ORDER WAS SERVED ON YOU WILL CONSTITUTE A DEFAULT AND WILL
15 RESULT IN THE LOSS OF YOUR RIGHT TO A HEARING. SERVICE ON YOU IS DEFINED AS POSTING
16 IN THE U.S. MAIL, POSTAGE PREPAID, TO YOUR LAST KNOWN ADDRESS. BE ADVISED THAT
17 DEFAULT WILL RESULT IN THIS ORDER TO CEASE AND DESIST BECOMING PERMANENT ON THE
18 TWENTY-FIRST (21ST) DAY FOLLOWING SERVICE OF THIS ORDER UPON YOU.

19
20
21 DATED this 24th day of September, 2014.



DEBORAH BORTNER
Director
Division of Consumer Services
Department of Financial Institutions