

Terms Completed

ORDER SUMMARY – Case Number: C-14-1568

Respondent Name: Quicken Loans Inc.
Order Number: C-14-1568-15-CO01
Effective Date: April 11, 2016
License Number: NMLS #3030
License Effect: None
Not Apply Until: Not applicable
Not Eligible Until: Not applicable
Prohibition/Ban Until: Not applicable
Financial Literacy Payment Amnt: \$ 250,000.00 Paid: Y Date: April 13, 2016

Comments: In compromise and settlement of the Department's Statement of Charges, William C. Emerson, on behalf of Quicken Loans, Inc. (Quicken Loans) agreed to pay \$250,000 to the Department's financial literacy and education programs authorized under the Consumer Loan Act (the Act). Pursuant to the Consent Order and the Act, Quicken Loans cannot advertise the Financial Literacy Payment (RCW 31.04.093(7)).

In addition, Quicken Loans was ordered (and agreed) to comply with the Act when advertising in Washington. In particular, Quicken Loans was ordered (and agreed) to comply with provisions of the Act prohibiting unfair or deceptive practices toward any person (RCW 31.04.027(2)); making, in any manner, any false or deceptive statement or representation with regard to the rates, points, or other financing terms or conditions for a residential mortgage loan (RCW 31.04.027(7)); engaging in bait and switch advertising (RCW 31.04.027(7)); violating any state of federal law relating to advertising (RCW 31.04.027(13)); and advertising in any manner whatsoever, any statement or representation with regard to the rates, terms, or conditions for the lending of money that is false, misleading, or deceptive.

Quicken Loans was ordered (and agreed) to be subject to an examination by the Department within one year of entry of the Consent Order to determine compliance with the advertising provisions of the Consumer Loan Act and the Consent Order. Quicken Loans was ordered (and agreed) to be liable to the Department for, and to pay, all the costs of the examination.

William C. Emerson, on behalf of Quicken Loans, further agreed that failure to comply with the terms and conditions of the Consent Order may result in further action against Quicken Loans by the Department, and that Quicken Loans may be responsible to reimburse the Department for its costs and expenses, including attorney fees and the cost to prosecution, in pursuing action to enforce the Consent Order.

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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
Consumer Loan Act of Washington by:

No. C-14-1568-16-CO01

CONSENT ORDER

QUICKEN LOANS, INC., NMLS No. 3030,

Respondent.

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COME NOW the Director of the Department of Financial Institutions (Director), through his designee Charles E. Clark, Division Director, Division of Consumer Services, and Quicken Loans, Inc. (Respondent), by and through its counsel, Tim J. Filer and John L. Bley of Foster Pepper PLLC, and Jeffrey B. Morganroth of Morganroth & Morganroth, PLLC, 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:

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AGREEMENT AND ORDER

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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-14-1568-14-SC01 (Statement of Charges), entered June 15, 2015, attached hereto. Pursuant to chapter 31.04, 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 and completely resolve all matters alleged in the Statement of Charges and all uncharged complaints pending before the Department at the time of the entry of this Consent Order.

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Based upon the foregoing:

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

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

6 **C. No Admission of Liability.** It is AGREED that this Consent Order represents a compromise and is for
7 settlement purposes only. Respondent neither admits nor denies any wrong doing by entry of this Consent
8 Order. It is further AGREED that Respondent will not make any public statement that is inconsistent with the
9 terms of this Consent Order, and that nothing in this Consent Order affects Respondent's testimonial
10 obligations or right to take legal or factual positions in defense of any subsequent administrative proceedings
11 or litigation.

12 **D. Compliance with the Act.** It is AGREED and ORDERED that Respondent shall comply with the Act
13 and the rules adopted thereunder, now existing and as hereafter amended, when advertising in Washington. In
14 particular and without limitation, Respondent Quicken Loans shall comply with RCW 31.04.027(2), RCW
15 31.04.027(7), RCW 31.04.027(13), and RCW 31.04.135.

16 **E. Compliance Examination.** It is AGREED and ORDERED that approximately one year from the date
17 of entry of this Consent Order, Respondent shall be subject to an examination by the Department to determine
18 compliance with the advertising provisions of the Act and with this Consent Order. It is further AGREED and
19 ORDERED that Respondent shall be liable for and shall pay all costs of the examination authorized by
20 WAC 208-620-590.

21 **F. Financial Literacy Payment.** Pursuant to RCW 31.04.093(7), the Director may accept payments to
22 the Department for purposes of financial literacy and education programs authorized under RCW 43.320.150.
23 Accordingly, in further compromise and in consideration of the additional terms set forth herein, it is
24 AGREED that upon entry of this Consent Order Respondent shall pay by wire transfer \$250,000 to the
25 Department for purposes of financial literacy and education programs (the "Financial Literacy Payment").

1 The Department, while reserving sole discretion to determine the use of the Financial Literacy Payment,
2 acknowledges and will endeavor to honor Respondent's request that the Financial Literacy Payment be used
3 to promote and support financial literacy services and programs benefiting Washington servicemembers,
4 veterans, and their families. It is FURTHER AGREED and ORDERED that Respondent shall not advertise
5 the Financial Literacy Payment.

6 **G. Rights of Non-Parties.** It is AGREED that the Department does not represent or have the consent of
7 any person or entity not a party to this Consent Order to take any action concerning their personal legal rights,
8 and this Consent Order does not limit or create any private rights or remedies against Respondent, limit or
9 create liability of Respondent, or limit or create defenses of Respondent to any claims.

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

12 **I. Non-Compliance with Order.** It is AGREED that Respondent understands that failure to comply with
13 the terms and conditions of this Consent Order may result in further legal action by the Director. In the event
14 of such legal action, Respondent may be responsible to reimburse the Department for its costs and expenses,
15 including attorney fees, incurred in pursuing such further action.

16 **J. Voluntarily Entered.** It is AGREED that Respondent has voluntarily entered into this Consent Order,
17 which is effective when signed by the Director's designee.

18 **K. Completely Read, Understood, and Agreed.** It is AGREED that the authorized representatives of
19 Respondent have read this Consent Order in its entirety and fully understand and agree to all of the same.

20 **L. Counterparts.** This Consent Order may be executed by the authorized agents of and attorneys for
21 Respondent in any number of counterparts, including by facsimile or e-mail of a .pdf or similar file, each of
22 which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same
23 Consent Order.

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1 BY RESPONDENT:
QUICKEN LOANS, INC.

2 [Redacted]

3 3-23-2016
Date

4 William C. Emerson, CEO
Approved for Entry:

5 [Redacted]

6 3-30-2016
Date

7 Tim J. Filer, WSBA No. 16285
Roster Pepper PLLC

8 [Redacted]

9 3-30-2016
Date

10 John L. Bley, WSBA No. 15230
Roster Pepper PLLC

11 Jeffrey B. Morganroth, SBM No. P41670
Morganroth & Morganroth, PLLC

Date

12 Attorneys for Respondent Quicken Loans, Inc.

13 DO NOT WRITE BELOW THIS LINE

14 THIS ORDER ENTERED THIS _____ DAY OF FEBRUARY, 2016.

17 CHARLES E. CLARK
Director, Division of Consumer Services
Department of Financial Institutions

21 Presented by:

Approved by:

23 ANTHONY W. CARTER
Senior Legal Examiner

STEVEN C. SHERMAN
Enforcement Chief

1 BY RESPONDENT:
2 QUICKEN LOANS, INC.

3 [Redacted]

4 William C. Emerson, CEO
5 Approved for Entry:

3-23-2016
Date

6 Tim J. Filer, WSBA No. 16285
7 Foster Pepper PLLC

Date

8 John L. Bley, WSBA No. 15230
9 Foster Pepper PLLC

Date

10 [Redacted]

11 Jeffrey D. Morganroth, SBM No. P41670
12 Morganroth & Morganroth, PLLC

3-28-16
Date

13 Attorneys for Respondent Quicken Loans, Inc.

14 DO NOT WRITE BELOW THIS LINE

15 THIS ORDER ENTERED THIS 11th DAY OF APRIL, 2016.

16 [Redacted]

17 CHARLES E. CLARK
18 Director, Division of Consumer Services
19 Department of Financial Institutions

20 Presented by:
21 [Redacted]

22 Approved by:
23 [Redacted]

24 ANTHONY W. CARTER
25 Senior Legal Examiner

STEVEN C. SHERMAN
Enforcement Chief



CONSENT ORDER
C-14-1568-16-CO01
Quicken Loans, Inc.

Page 4

DEPARTMENT OF FINANCIAL INSTITUTIONS
Division of Consumer Services
PO Box 41200
Olympia, WA 98504-1200
(360) 902-8703

Division of Consumer Services
Dept. of Financial Institutions

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**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:

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Quicken Loans, Inc., NMLS No. 3030,

Respondent.

No. C-14-1568-15-SC01

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STATEMENT OF CHARGES and
NOTICE OF INTENT TO ENTER AN
ORDER TO CEASE AND DESIST, TAKE
AFFIRMATIVE ACTION, IMPOSE FINE,
AND COLLECT COSTS

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INTRODUCTION

Pursuant to RCW 31.04.093 and RCW 31.04.165, the Director of the Department of Financial Institutions of the State of Washington (Director) is responsible for the administration of chapter 31.04 RCW, the Consumer Loan Act (Act). After having conducted an investigation pursuant to RCW 31.04.145, 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 Charles E. Clark, institutes this proceeding and finds as follows:

I. FACTUAL ALLEGATIONS

1.1 Respondent Quicken Loans, Inc. (Respondent Quicken) has been licensed by the Department of Financial Institutions of the State of Washington (Department) since at least 1998, and is currently licensed to conduct business in Washington as a consumer loan company. Respondent Quicken is a non-supervised participating lender with the U.S. Department of Veterans Affairs (VA) licensed in all 50 states. At the end of 2014, Respondent Quicken reported it had become the nation's leading VA lender.

1.2 Unfair, Deceptive, and Misleading VA Mortgage Loan Advertising. Between around January 1 and August 8, 2014, Respondent Quicken distributed at least 65 direct mail solicitations in Washington offering servicemembers, veterans, and family members residential mortgage loans guaranteed by the VA. As an example, a solicitation captioned **INTEREST RATE REDUCTION**

1 **NOTICE** (the IRRRL Notice) was distributed in Washington between May and August 2014, and
 2 offered a VA 5/1 adjustable rate mortgage (ARM). Respondent Quicken distributed the IRRRL
 3 Notice to 35,432 Washington consumers. The IRRRL Notice contained a number of features,
 4 representations, and disclosures in violation of the Act, including:

FEATURE, REPRESENTATION, DISCLOSURE	ALLEGED VIOLATION
Used a watermark emblem designed to resemble the seal of the VA, including by the use of the phrase "GOVERNED BY: UNITED STATES VETERANS DEPARTMENT." (Identified as the "Eagle Seal Watermark.")	RCW 31.04.027(2) and (13) WAC 208-620-550(5) WAC 208-620-630(1), (1)(b), and (6) WAC 208-620-640
Used an official-looking emblem of an eagle surrounded by a circle of stars, all in red ink. (Identified as the "VA Distressed Red Eagle Stamp.")	RCW 31.04.027(2) and (13) WAC 208-620-550(5) WAC 208-620-630(1)(b) WAC 208-620-640
Advertised a rate of interest that was bought down by 1.00 point without disclosing that the advertised rate was bought down.	RCW 31.04.027(2), (7), (13) RCW 31.04.135 WAC 208-620-550(5)
Advertised a rate of interest that was bought down by 1.00 point without disclosing the cost to the consumer of buying down the interest rate.	RCW 31.04.027(2), (7), (13) RCW 31.04.135 WAC 208-620-550(5)
Did not clearly and conspicuously disclose the APR.	RCW 31.04.027(2), (12), (13) WAC 208-620-630(2)
Advertised "new initial fixed interest rate" without first clearly and conspicuously disclosing that the loan product being offered was a 5/1 ARM.	RCW 31.04.027(2), (7), (13) RCW 31.04.135 WAC 208-620-550(5) WAC 208-620-640
Advertised "new initial fixed interest rate" without clearly and conspicuously disclosing by an equally prominent and closely proximate statement that the interest rate was only available for 5 years, and that the rate may increase after that period.	RCW 31.04.027(2), (7), (13) RCW 31.04.135 WAC 208-620-550(5) WAC 208-620-640
Advertised "new est. monthly payment" without clearly and conspicuously disclosing by an equally prominent and closely proximate statement that the monthly payment was only available for 5 years, and that the payment may increase after that period.	RCW 31.04.027(2), (7), (13) RCW 31.04.135 WAC 208-620-550(5) WAC 208-620-640
Advertised that recipients were eligible and prequalified for a VA-guaranteed 5/1 ARM when the recipients were not selected based on assumed income of \$8,000 a month.	RCW 31.04.027(2), (7), (13) RCW 31.04.135 WAC 208-620-550(5) WAC 208-620-640
Engaged in bait and switch advertising, as the advertised terms were only available to consumers with an assumed income of \$8,000 a month.	RCW 31.04.027(2), (7), (13) WAC 208-620-550(5) WAC 208-620-640
Advertised that the purpose of the IRRRL Notice was to notify the recipient of the status of their mortgage refinance eligibility.	RCW 31.04.027(2), (13) WAC 208-620-550(5) WAC 208-620-640

Created a false sense of urgency by directing recipients to immediately contact Respondent Quicken to confirm receipt of the IRRRL Notice, by including a "response required by" date, and by closing with another direction to call Respondent Quicken "now."	RCW 31.04.027(2), (13) WAC 208-620-550(5) WAC 208-620-640
Did not provide recipients with the name of the source of consumer loan information used in the IRRRL Notice.	RCW 31.04.027(2) WAC 208-620-630(7)

Between about January and August 2014, Respondent Quicken distributed at least 40 other direct mail solicitations offering VA guaranteed residential mortgage loans to consumers that contained similar unfair, deceptive, or misleading features, representations, and disclosures in violation of the Act. At least 20 offered ARMs without clearly and conspicuously disclosing that the offer was for an ARM; at least 20 misrepresented that the interest rate was fixed; at least 20 included the Eagle Seal Watermark and VA Distressed Red Eagle Stamp; at least 20 misrepresented that the recipient was eligible or prequalified for the advertised loan terms when no income eligibility criteria had been used; and most advertised bought-down interest rates without clearly and conspicuously disclosing both that the rate was bought down and the cost to the consumer of buying down the rate. Respondent Quicken distributed those solicitations to approximately three million consumers nationwide, including Washington consumers.

1.3 Failure to Comply or Cooperate. In August 2014, the Department issued a Complaint Directive (Directive) to Respondent Quicken relating to the use of the IRRRL Notice in Washington. The Directive specifically requested the identity, including names, titles, and contact information, of every person who reviewed or authorized the use of the IRRRL Notice in Washington.

In its initial response to the Directive dated September 4, 2014, Respondent Quicken failed to comply with the specific request, responding only that the IRRRL Notice "was reviewed by members of the direct mail team and the Legal Team." During a September 29, 2014, call related to omissions in Respondent Quicken's initial response to the Directive, the Department advised that Respondent Quicken was required to comply with the Directive by identifying, as defined in the

1 Directive, every person who reviewed or authorized the use of the IRRL Notice in Washington. The
2 Department further advised that failure to comply with the Directive would be a violation of the Act.

3 In a supplemental response to the Directive dated October 10, 2014, Respondent Quicken
4 claimed that they did not understand the relevancy of the Department's request and again failed to
5 identify every person who had reviewed or authorized the use of the IRRL notice in Washington.

6 **1.4 On-Going Investigation.** The Department's investigation into the alleged violations of the
7 Act by Respondent Quicken continues to date.

8 II. GROUNDS FOR ENTRY OF ORDER

9 **2.1 Unfair or Deceptive Practices.** Based on the Factual Allegations set forth in Section I
10 above, Respondent Quicken is in apparent violation of RCW 31.04.027(2) for directly or indirectly
11 engaging in any unfair or deceptive practice toward any person, and by being in apparent violation
12 of WAC 208-620-550(5) and (6); WAC 208-620-610(5); WAC 208-620-630(1) and (1)(b);
13 WAC 208-620-630(2), (6), and (7); and WAC 208-620-640.

14 **2.2 False or Deceptive Statements or Representations.** Based on the Factual Allegations set
15 forth in Section I above, Respondent Quicken is in apparent violation of RCW 31.04.027(7) for
16 making, in any manner, any false or deceptive statement or representation with regard to the rates,
17 points, or other financing terms for a residential mortgage loan, or engaging in bait and switch
18 advertising, and by being in apparent violation of WAC 208-620-550(5) and WAC 208-620-640.

19 **2.3 Failure to Conspicuously Disclose the APR.** Based on the Factual Allegations set forth in
20 Section I above, Respondent Quicken is in apparent violation of RCW 31.04.027(12) for advertising
21 any rate of interest without conspicuously disclosing the annual percentage rate implied by that rate
22 of interest, and by being in apparent violation of WAC 208-620-630(2).

23 **2.4 Violation of Applicable Federal Law.** Based on the Factual Allegations set forth in Section
24 I above, Respondent Quicken is in apparent violation of RCW 31.04.027(13) for violating any

1 applicable federal laws relating to the activities governed by the Act, including but not limited to the
2 advertising prohibitions contained in the Federal Trade Commission Act, 15 U.S.C. §§ 41-58;
3 Regulation Z, 12 C.F.R. Part 1026; and Regulation N, 12 C.F.R. Part 1014; and by being in apparent
4 violation of WAC 208-620-640.

5 **2.5 False, Misleading, or Deceptive Advertisements or Promotions.** Based on the Factual
6 Allegations set forth in Section I above, Respondent Quicken is in apparent violation of RCW
7 31.04.135 for advertising, in any manner whatsoever, any statement or representation with regard to
8 the rates, terms, or conditions for the lending of money that is false, misleading, or deceptive, and by
9 being in apparent violation of WAC 208-620-550(5) and WAC 208-620-640.

10 **2.6 Requirement to Comply with Investigation Authority.** Based on the Factual Allegations
11 set forth in Section I above, Respondent Quicken is in apparent violation of RCW 31.04.145 for
12 failing to comply with the Department's investigation authority, and by being in apparent violation
13 of WAC 208-620-550(6) and WAC 208-620-610(5).

14 III. AUTHORITY TO IMPOSE SANCTIONS

15 **3.1 Authority to Issue an Order to Cease and Desist.** Pursuant to RCW 31.04.093(5)(a), the
16 Director may issue an order directing a licensee to cease and desist from conducting business in a
17 manner that is injurious to the public or violates any provision of the Act.

18 **3.2 Authority to Order Affirmative Action.** Pursuant to RCW 31.04.093(5)(b), the Director
19 may issue an order directing a licensee to take such affirmative action as is necessary to comply with
20 the Act.

21 **3.3 Authority to Impose Fine.** Pursuant to RCW 31.04.093(4), the Director may impose fines of
22 up to one hundred dollars per day, per violation, upon the licensee for any violation of the Act or
23 failure to comply with any order or subpoena issued by the Director under the Act.

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1 **3.4 Authority to Charge Costs.** Pursuant to RCW 31.04.145(3), every licensee examined or
2 investigated by the Director or the Director's designee shall pay for the cost of the examination or
3 investigation. Pursuant to WAC 208-620-590, the Department charges \$69.01 per staff hour.¹

4 **IV. NOTICE OF INTENT TO ENTER ORDER**

5 Respondent Quicken's violations of the provisions of chapter 31.04 RCW and chapter 208-620
6 WAC, as set forth in the above Factual Allegations, Grounds for Entry of Order, and Authority to
7 Impose Sanctions, constitute a basis for the entry of an Order under RCW 31.04.093, RCW
8 31.04.165, and RCW 31.04.205. Therefore, it is the Director's intent to ORDER that:

9 **4.1** Respondent Quicken Loans, Inc. cease and desist distributing direct mail solicitations
10 offering Washington servicemembers, veterans, and their families VA residential
11 mortgage loans until such time as it is able to demonstrate to the Department's
12 satisfaction that it has in place compliance policies, procedures, and testing systems
reasonably designed to detect and prevent the distribution of false, deceptive, or
misleading direct mail solicitations in Washington.

13 **4.2** Respondent Quicken Loans, Inc. take affirmative action as is necessary to comply
with the Act, including:

- 14 a. Within 30 days of the entry of a Final Order in this matter, review Respondent
15 Quicken's Marketing/Legal Guide and make necessary changes to ensure the
16 existing direct mail compliance systems are reasonably designed to detect and
prevent the distribution of false, deceptive, or misleading direct mail
solicitations in Washington; and
- 17 b. Within 60 days of the entry of a Final Order in this matter, provide the
18 Department with a report of Respondent Quicken's review of the
19 Marketing/Legal Guide and any changes made to ensure the direct mail
20 compliance systems are reasonably designed to detect and prevent the
21 distribution of false, deceptive, or misleading direct mail solicitations in
22 Washington.

23 **4.3** Respondent Quicken Loans, Inc. pay a fine. As of the date of this Statement of
24 Charges, the fine totals \$500,000.

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¹ Effective July 24, 2015, the Department is authorized to recover the state's costs and expenses for prosecuting violations of the Act including staff time spent preparing for and attending administrative hearings and reasonable attorneys' fees unless, after a hearing, the Director determines no violation occurred. Laws of 2015, Chapter 229, § 30(2).

