

Terms Completed

ORDER SUMMARY – Case Number: C-16-2047

Name(s): Dale James Knott

Order Number: C-16-2047-16-CO01

Effective Date: _____

License Number: NMLS# 14117

Or NMLS Identifier [U/L] _____

License Effect: N/A

Not Apply Until: N/A

Not Eligible Until: N/A

Prohibition/Ban Until: N/A

Investigation Costs	\$696	Due	Paid <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date 12/13/2016
Fine	\$5,000	Due	Paid <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date 12/13/2016
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: Licensing has been notified to proceed with applicant's license application.

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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF CONSUMER SERVICES**

IN THE MATTER OF INVESTIGATING:
The Loan Originator License Application under
the Mortgage Broker Practices Act of Washington
by:

No. C-16-2047-16-CO01

CONSENT ORDER

DALE JAMES KNOTT,
Mortgage Loan Originator, NMLS # 14117,

Respondent.

COMES NOW the Acting Director of the Department of Financial Institutions (Director),
through her designee Charles E. Clark, Division Director, Division of Consumer Services, and Dale
James Knott (Respondent), by and through his attorney Wynn Mosman, 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 19.146 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-16-2047-16-SC01 (Statement of Charges), entered October 27, 2016, (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 may be
economically and efficiently settled by entry of this Consent Order. The parties intend this Consent

1 Order to fully resolve the Statement of Charges. Respondent is agreeing not to contest the Statement
2 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
5 of the activities discussed herein.

6 B. **Waiver of Hearing.** It is AGREED that Respondent has been informed of the right to a
7 hearing before an administrative law judge, and hereby waives the right to a hearing and any and all
8 administrative and judicial review of the issues raised in this matter, or of the resolution reached
9 herein.

10 C. **Mortgage Loan Originator License Application.** It is AGREED that Respondent does
11 not currently hold a mortgage loan originator license and that the status of his application is currently
12 "pending." It is also AGREED that the Department will continue to process Respondent's mortgage
13 loan originator license application in due course.

14 D. **Fine.** It is AGREED that Respondent shall pay a fine to the Department in the amount of
15 \$5,000, in the form of a cashier's check made payable to the "Washington State Treasurer," upon
16 entry of this Consent Order.

17 E. **Investigation Fee.** It is AGREED that Respondent shall pay to the Department an
18 investigation fee of \$696, in the form of a cashier's check made payable to the "Washington State
19 Treasurer," upon entry of this Consent Order. The Fine and Investigation Fee may be paid together
20 in one \$5,696 cashier's check made payable to the "Washington State Treasurer."

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

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

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

I. Counterparts. This Consent Order may be executed by Respondent in any number of counterparts, including by facsimile or e-mail of a .pdf or similar file, each of which shall be deemed to be an original, but all of which taken together, shall constitute one and the same Consent Order.

RESPONDENT:

Dale James Knott

By: [Redacted Signature]

Dale James Knott

Mortgage Loan Originator

Date

11/29/16

Approved for Entry: [Redacted Signature]

Wynn Mosman, WSBA No. 22245

Mosman Law Offices

Attorney for Respondent

Date

DO NOT WRITE BELOW THIS LINE

THIS ORDER ENTERED THIS 13th DAY OF December, 2016.



[Redacted Signature]
CHARLES E. CLARK
Director
Division of Consumer Services
Department of Financial Institutions

CONSENT ORDER
C-16-2047-16-CO01
DALE JAMES KNOTT

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

1 Presented by:

2 [REDACTED]

3 BRETT CARNAHAN
4 Financial Legal Examiner

5 Approved by:

6 [REDACTED]

7 STEVEN C. SHERMAN
8 Enforcement Chief

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24 CONSENT ORDER
C-16-2047-16-C001
DALE JAMES KNOTT

**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF CONSUMER SERVICES**

IN THE MATTER OF INVESTIGATING:
The Loan Originator License Application under
the Mortgage Broker Practices Act of Washington
by:

DALE JAMES KNOTT,
Mortgage Loan Originator, NMLS #14117,

Respondent.

No.: C-16-2047-16-SC01

STATEMENT OF CHARGES and
NOTICE OF INTENT TO ENTER
AN ORDER TO DENY LICENSE
APPLICATION, PROHIBIT FROM
INDUSTRY, IMPOSE FINE, COLLECT
INVESTIGATION FEE, AND RECOVER
COSTS AND EXPENSES

INTRODUCTION

Pursuant to RCW 19.146.220 and RCW 19.146.223, the Director of the Department of Financial Institutions of the State of Washington (Director) is responsible for the administration of chapter 19.146 RCW, the Mortgage Broker Practices Act (Act). After having conducted an investigation pursuant to RCW 19.146.310, 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 Dale James Knott (Respondent) submitted an application to the Department of Financial Institutions of the State of Washington (Department) for a license to conduct the business of a mortgage loan originator. The license application was received by the Department, through the Nationwide Mortgage Licensing System and Registry (NMLS), on or about July 18, 2016. As of the date of this Statement of Charges, Respondent's application is pending.

1.2 Prior Business Affiliations. Respondent is a former control person for North County Real Estate, Inc., dba HMC Funding (HMC), a mortgage lending company. Respondent held a 48%

ownership in the company from November of 1995 to December of 2003, and held sole ownership from January of 2004 to March of 2014.

1.3 Prior Administrative Actions. On or about June 25, 1999, the Georgia Department of Banking & Finance, Mortgage Division entered an order to revoke HMC's Mortgage Lender License. On or about June 8, 2000, the Rhode Island Department of Business Regulation, Division of Banking entered an order to revoke HMC's Lender License for failure to file license renewal forms and pay the annual license fee and related late filing penalties. On or about April 11, 2001, the Indiana Department of Financial Institutions entered an order to revoke HMC's Mortgage Lending License. On or about December 20, 2002, the Idaho Department of Finance entered an order requiring HMC to pay an administrative penalty of \$2,500 for failure to update information required in Respondent's original application for a license. On or about January 20, 2004, the Oregon Department of Consumer and Business Services, Division of Finance and Corporate Securities, Finance Section entered an Order to Cease and Desist, an Order Assessing Civil Penalties, and a Consent to Entry of Order against HMC for failure to provide notification of previous license revocation orders within a statutorily required 30 day period. On or about April 8, 2005, the Department entered a Consent Order revoking HMC's Consumer Loan License and requiring HMC to refrain from applying for a new license for a period of five years.

1.4 Responses to Application Questions. Respondent is required to submit answers to a series of questions listed on the Uniform Individual Mortgage License/Registration & Consent form (Form MU4) in the NMLS. The Regulatory Action Disclosure section of the Form MU4 includes Question (M): "Based upon activities that occurred while you exercised control over an organization, has any State or federal regulatory agency or foreign financial regulatory authority or self-regulatory organization (SRO) ever taken any of the actions listed in (K) through (L) above against any

organization?" Question (K) in this section includes the following scenarios: "Revoked your registration or license," and "Entered an order concerning you in connection with any license or registration." Upon submission of his application on or about July 18, 2016, Respondent answered "no" to Question (M) and attested, under penalty of perjury, that the information and statements contained within the Form MU4 were current, true, accurate, and complete. On or about September 1, 2016, the Department sent correspondence to Respondent directing Respondent to provide an explanation for the lack of disclosure on his application regarding regulatory action taken against HMC during the period in which Respondent acted as its control person. On or about September 13, 2016, Respondent sent his explanation to the Department regarding his non-disclosure, updated Question (M) in the NMLS by responding 'yes', and uploaded an electronic copy of the Oregon State order (referred to in Paragraph 1.3 above) to his NMLS record. However, Respondent at that time failed to include in Question (M) the other additional actions identified in Paragraph 1.3, and failed to inform the Department during verbal exchanges that any other actions existed beyond those specified in the Oregon State issued order. On or about September 23, 2016, following a subsequent request from the Department, Respondent updated his NMLS record regarding Question (M) by uploading both an electronic copy of a report generated by the Mortgage Asset Research Institute, Inc., reflecting all previous actions listed in Paragraph 1.3, as well as an electronic copy of the Department's 2005 Consent Order.

1.5 Character and General Fitness. Respondent has not demonstrated character and general fitness such as to command the confidence of the community as evidenced by Respondent's providing of false statements on his MLO application and making omissions in his statements to the Department with respect to previous regulatory actions against HMC.

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II. GROUNDS FOR ENTRY OF ORDER

2.1 False Statement or Omissions of Material Facts. Based on the Factual Allegations set forth in Section I, Respondent is in apparent violation of RCW 19.146.0201(8) for negligently making any false statement or knowingly and willfully making any omission of material fact in connection with any reports filed with the department by a licensee or in connection with any investigation conducted by the department.

2.2 Requirement to Provide Information on License Application. Based on the Factual Allegations set forth in Section I, Respondent is in apparent violation of RCW 19.146.300(1), (2), and RCW 19.146.310(1)(b), for failing to provide, at the time of application complete and accurate answers to all disclosure questions listed on the Form MU4 (via NMLS).

2.3 Requirement to Demonstrate Character and General Fitness. Based on the Factual Allegations set forth in Section I, Respondent fails to meet the requirements of RCW 19.146.210(f) and WAC 208-660-007(1) by failing to demonstrate character and general fitness such as to command the confidence of the community and to warrant a belief that the business will be operated honestly, fairly, and efficiently within the purposes of the Act.

III. AUTHORITY TO IMPOSE SANCTIONS

3.1 Authority to Deny Application for Loan Originator License. Pursuant to RCW 19.146.220(2), the Director may deny, condition, suspend, decline to renew, decline to reactivate, or revoke licenses for any violations of the Act. Pursuant to RCW 19.146.310(2), if the Director does not find the conditions of RCW 19.146.300 have been met, the Director shall not issue the loan originator license and shall notify the loan originator applicant of the denial.

3.2 Authority to Prohibit From Industry. Pursuant to RCW 19.146.220(4), the Director may issue an order removing from office or prohibiting from participation in the conduct of the affairs of a

licensed mortgage broker, or both, any officer, principal, employee, or loan originator of any licensed mortgage broker or any person subject to licensing under the Act for any violations of this Act.

3.3 Authority to Impose Fine. Pursuant to RCW 19.146.220(2), the Director may impose fines and order restitution and refunds against licensees, employees, independent contractors, agents of licensees, and other persons subject to the Act for any violation of the Act.

3.4 Authority to Collect Investigation Fee. Pursuant to RCW 19.146.228(2), WAC 208-660-520(9) & (11), and WAC 208-660-550(4)(a), the Department will charge forty-eight dollars per hour for an examiner's time devoted to an investigation of a licensee or other person subject to the Act.

3.5 Authority to Recover Costs and Expenses. Pursuant to RCW 19.146.221(2), the Director may 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.

IV. NOTICE OF INTENT TO ENTER ORDER

Respondent's violations of the provisions of chapter 19.146 RCW and chapter 208-660 WAC, as set forth in the above Factual Allegations, Grounds for Entry of Order, and Authority to Impose Sanctions, constitute a basis for the entry of an Order under RCW 19.146.220, RCW 19.146.221, RCW 19.146.223, and RCW 19.146.310. Therefore, it is the Director's intent to ORDER that:

- 4.1** Respondent Dale James Knott's application for a license to conduct the business of a mortgage loan originator be denied.
- 4.2** Respondent Dale James Knott be prohibited from participation in the conduct of the affairs of any mortgage broker subject to licensure in Washington State in any manner for a period of five (5) years.
- 4.3** Respondent Dale James Knott pay a fine. As of the date of this Statement of Charges, the fine totals \$5,000.
- 4.4** Respondent Dale James Knott pay an investigation fee. As of the date of this Statement of Charges, the fee totals \$696.

1 4.5 Respondent Dale James Knott pay the Department's costs and expenses for
2 prosecuting violations of the Act in an amount to be determined at hearing or by
3 declaration with supporting documentation in event of default by Respondent.

4 **V. AUTHORITY AND PROCEDURE**

5 This Statement of Charges is issued pursuant to the provisions of RCW 19.146.220, RCW
6 19.146.221, RCW 19.146.223, and RCW 19.146.230, and is subject to the provisions of chapter
7 34.05 RCW (The Administrative Procedure Act). Respondent may make a written request for a
8 hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR
9 HEARING accompanying this Statement of Charges.

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11 Dated this 27th day of October, 2016.



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[Redacted Signature]

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

Presented by:

[Redacted Signature]

BRETT CARNAHAN
Financial Legal Examiner

[Redacted Signature]

STEVEN C. SHERMAN
Enforcement Chief