

ORDER SUMMARY
Consumer Services Division Case Number C-22-3402

Consent Orders resolve investigations. In these, companies and individuals work with us to agree to terms that resolve the alleged issues in the investigation.

Name(s)	Reduced Fee Mortgage, Inc., NMLS #1974130 Arik Michael Orosz, NMLS #340901
Order Number	C-22-3402-24-CO03
Date issued	July 22, 2024

What does this Consent Order require?

- Must pay a fine of \$20,000.00 paid in 12 payments of \$1,250.00. *\$7308.80 of this fine is stayed (doesn't have to be paid) until July 22, 2027, as long as Respondents comply with the order. The fine goes away on that date if Respondents have complied.*
- Must pay an investigation fee of \$2,308.80. (Investigation fees cover the cost of DFI staff time working on the investigation.)
- Revocation of Respondents' mortgage broker licenses has been stayed until July 22, 2027.
- Prohibition from industry for Respondents has been stayed until July 22, 2027.
- Cease and desist from engaging third-party processing companies to process residential mortgage loans related to real estate located in Washington unless they are licensed or exempt from licensing.
- Confession of Judgment for fine and investigation fee to be entered only if Respondents fail to make any monthly payments.

Need more information?

You can contact the Consumer Services Division, Enforcement unit at (360) 902-8703 or cseforcecomplaints@dfi.wa.gov. *Please remember that we cannot provide financial or legal advice to members of the public. We also cannot release confidential information.*

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

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

No.: C-22-3402-24-CO03

CONSENT ORDER

7 REDUCED FEE MORTGAGE, INC.,
8 NMLS #1974130

9 and

ARIK MICHAEL OROSZ,
Owner, CEO, and Designated Broker,
NMLS #340901,

Respondents.

10 COMES NOW the Director of the Department of Financial Institutions (Director), through his
11 designee Ali Higgs, Director, Division of Consumer Services, and Reduced Fee Mortgage, Inc.
12 (Respondent RFM) and Arik Michael Orosz (Respondent Orosz), collectively Respondents, and
13 finding that the issues raised in the above-captioned matter may be economically and efficiently
14 settled, agree to the entry of this Consent Order. This Consent Order is entered pursuant to Revised
15 Code of Washington (RCW) 19.146, the Mortgage Broker Practices Act (Act), and RCW 34.05.060
16 of the Administrative Procedure Act, based on the following:

17 AGREEMENT AND ORDER

18 The Department of Financial Institutions, Division of Consumer Services (Department) and
19 Respondents have agreed upon a basis for resolution of the matters alleged in Statement of Charges
20 No. C-22-3402-24-SC02 (Statement of Charges), entered April 1, 2024 (copy attached hereto).
21 Pursuant to 19.146.218 and RCW 34.05.060, Respondents and the Department agree to entry of this
22 Consent Order and further agree that the matters alleged herein may be economically and efficiently
23 settled by the entry of this Consent Order. The parties intend this Consent Order to fully resolve the
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CONSENT ORDER
C-22-3402-24-C003
REDUCED FEE MORTGAGE and
ARIK MICHAEL OROSZ

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

1 Statement of Charges. Respondents agree not to contest the Statement of Charges in consideration of
2 the terms of this Consent Order.

3 Based upon the foregoing:

4 **1.1 Jurisdiction.** It is AGREED that the Department has jurisdiction over the subject matter of
5 the activities discussed herein.

6 **1.2 Waiver of Hearing.** It is AGREED that Respondents hereby waive any right they have to a
7 hearing and any and all administrative and judicial review of the issues raised in this matter or the
8 resolution reached herein. Accordingly, Respondents, by their signatures or the signatures of their
9 representatives below, withdraw their appeal to the Office of Administrative Hearings.

10 **1.3 No Admission of Liability.** The parties intend this Consent Order to fully resolve the
11 Statement of Charges and agree that Respondents do not admit to any wrongdoing by its entry.

12 **1.4 Cease and Desist and Future Compliance.** It is AGREED and ORDERED that
13 Respondents shall cease and desist from engaging third-party processing companies to process
14 residential mortgage loans related to real estate located in Washington unless such companies and
15 individuals are properly licensed by the Director or exempt from licensing under the Act. It is
16 AGREED and ORDERED that Respondents shall cease and desist from engaging all other alleged
17 violations of the Act, rules, and applicable federal laws and regulations contained in the Statement of
18 Charges. It is FURTHER AGREED and ORDERED that Respondents shall henceforth comply with
19 the Act, and all related rules.

20 **1.5 Revocation of Licenses (Stayed).** It is AGREED and ORDERED that Respondent RFM's
21 license to conduct the business of a mortgage broker and Respondent Orosz's designated broker
22 registration are revoked. It is further AGREED and ORDERED that Respondent RFM's license
23 revocation and Respondent Orosz's designated broker registration revocation are stayed for three (3)
24 years from the date of the entry of this Consent Order contingent upon Respondents' compliance with

1 the Act and related rules, and compliance with this Consent Order, unless lifted pursuant to Paragraph
2 1.11. Absent any action by the Department to lift the stay and impose the stayed revocations pursuant
3 to Paragraph 1.11, the revocations shall expire three (3) years from the date of entry of this Consent
4 Order without further action or notice by the Department, however expiration shall not occur if the
5 steps of lifting the stay as stated in Paragraph 1.11 are in process by the Department.

6 **1.6 Prohibition from Industry (Stayed).** It is AGREED and ORDERED that Respondent RFM
7 and Respondent Orosz are prohibited from participation, in any manner, in the conduct of the affairs
8 of any mortgage broker subject to licensure by the Director, for a period of three (3) years from the
9 date of the entry of this Consent Order. It is FURTHER AGREED and ORDERED that the
10 prohibition is stayed for three (3) years from the date of the entry of this Consent Order contingent
11 upon Respondents' compliance with the Act and related rules, and compliance with this Consent
12 Order, unless lifted pursuant to Paragraph 1.11. Absent any action by the Department to lift the stay
13 and impose the stayed prohibition pursuant to Paragraph 1.11, the prohibition shall expire three (3)
14 years from the date of entry of this Consent Order without further action or notice by the Department,
15 however expiration shall not occur if the steps of lifting the stay as stated in Paragraph 1.11 are in
16 process by the Department.

17 **1.7 Fine (Partially Stayed).** It is AGREED and ORDERED that Respondent RFM and
18 Respondent Orosz are jointly and severally liable to pay a fine to the Department in the amount of
19 \$20,000.00 with \$12,691.20 paid (Paid Fine) and \$7,308.80 stayed (Stayed Fine). The Paid Fine shall
20 be paid pursuant to Paragraph 1.9. The Stayed Fine shall be stayed for a period of three (3) years
21 from the date of entry of this Consent Order contingent on Respondents' compliance with the Act,
22 and this Consent Order. Absent any action by the Department to lift the Stayed Fine pursuant to
23 Paragraph 1.11, the Stayed Fine shall expire and be vacated three (3) years from the date of entry of
24

1 this Consent Order without further action or notice by the Department, however expiration shall not
2 occur if the steps of lifting the stay as stated in Paragraph 1.11 are in process by the Department.

3 **1.8 Investigation Fee.** It is AGREED and ORDERED that Respondents shall pay an
4 investigation fee to the Department in the amount of \$2,308.80 pursuant to Paragraph 1.9.

5 **1.9 Payments.** It is AGREED and ORDERED that the Paid Fine and Investigation Fee totaling
6 \$15,000.00 shall be paid in twelve (12) payments of \$1,250.00 in the form of a cashier's check made
7 payable to the "Washington State Treasurer." Respondents shall make the first payment of \$1,570.33
8 upon delivery of this Consent Order to the Department, properly dated and signed.¹ Respondents
9 shall make all subsequent \$1,250.00 payments by the 15th day of each month in the form of a
10 cashier's check made payable to the "Washington State Treasurer" until the entire Paid Fine and
11 Investigation Fee have been paid. Respondents may pay any or all of the monthly payments in
12 advance of the established due date. Respondents shall submit payments by U.S. Mail or overnight
13 delivery using the following addresses:

14 U.S. Mail:

15 Department of Financial Institutions
16 Division of Consumer Services
17 Enforcement Unit
18 PO Box 41200
19 Olympia, WA 98504-1200

20 Overnight Delivery:

21 Department of Financial Institutions
22 Division of Consumer Services
23 Enforcement Unit
24 150 Israel Rd SW
Tumwater, WA 98501

18 **1.10 Confession of Judgment.** It is AGREED and ORDERED that Respondents have entered
19 into a Confession of Judgment for the Paid Fine in the amount of \$11,120.87 and Investigation Fee
20 in the amount of \$2,308.80. A copy of this Confession of Judgment is attached and incorporated into
21 this Consent Order by this reference. It is further AGREED and ORDERED that the Confession of
22 Judgment shall only be entered against Respondents in the event Respondents do not make any
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24 ¹ The Department received \$929.67 from Respondents under a prior agreement. That amount was considered in the calculation of the first payment.

1 monthly payment on time and in the amount as ordered by Paragraph 1.9. If Respondents do not
2 comply with the terms of Paragraph 1.9, the Department may immediately, and without further notice
3 to Respondents, seek entry of the judgment for the entire amount. It is FURTHER AGREED and
4 ORDERED that Respondents shall, upon the Department's request, fully and promptly cooperate
5 with the Department in its efforts to get the judgment entered by the superior court.

6 **1.11 Lifting of Stay and Imposition of Stayed Sanctions.** It is AGREED and ORDERED that:

7 1. If during the stay, the Department determines that Respondents have not complied with
8 the Act, related rules, or this Consent Order, and the Department seeks to lift the stay and
9 impose the Stayed Fine, the Department will first serve Respondents with a written notice
of alleged noncompliance.

10 2. The notice will include:

- 11 a. A description of the alleged noncompliance;
12 b. A statement that the Department seeks to lift the stay and impose the Stayed
13 Revocations, Prohibitions, and Fine;
14 c. Notice that either Respondents can contest the Department's determination of
15 noncompliance either in an adjudicative hearing before an Administrative Law
16 Judge (ALJ) of the Office of Administrative Hearings (OAH), or by submitting a
written response to the Department contesting the alleged noncompliance; and
17 d. Notice that the notification and adjudicative hearing process provided in this
Paragraph applies only to this Consent Order in the event either Respondent
18 chooses to contest the Department's determination of noncompliance.

19 3. Any Respondent who wishes to contest the Department's determination of noncompliance
20 will have twenty (20) days from the date of receipt of the Department's notice to submit a
21 written request to the Department for an adjudicative hearing.

22 4. The scope and issues of the adjudicative hearing are limited solely to whether or not
23 Respondents are in violation of the terms of this Consent Order.

24 5. At the conclusion of the hearing, the ALJ will issue an initial decision. Either party may
file a Petition for Review of the initial decision with the Director of the Department.

6. In lieu of requesting an adjudicative hearing, within twenty (20) days from the date of
service of the notice of alleged noncompliance, Respondents may submit a written
response for consideration by the Department contesting the alleged noncompliance. The

1 response must include each Respondent's waiver of the right to an adjudicative hearing,
2 may address the alleged noncompliance, and may seek an alternative resolution to lifting
3 the stayed sanctions.

4 **7. DEFAULT:** If any Respondent does not timely either request an adjudicative hearing, or
5 timely submit a written response contesting the alleged noncompliance, the Department
6 will impose the Stayed Revocations, Prohibitions, and Fine and pursue whatever other
7 enforcement action it deems necessary to enforce the Act and Consent Order.

8 **1.12 Complete Cooperation with the Department.** It is AGREED and ORDERED that, upon
9 written (including email) request by the Department, Respondents shall cooperate fully and truthfully
10 with the Department and shall provide the Department timely and complete responses and any and all
11 documents requested.

12 **1.13 Records Retention.** It is AGREED and ORDERED that Respondents, their officers,
13 employees, and agents shall maintain records in compliance with the Act and provide the Director
14 with the location of the books, records, and other information relating to Respondents' mortgage
15 broker business, and the name, address, and telephone number of the individual responsible for
16 maintenance of such records in compliance with the Act.

17 **1.14 Non-Compliance with Order.** It is AGREED and ORDERED that Respondents understand
18 that failure to abide by the terms and conditions of this Consent Order may result in further legal
19 action by the Director. In the event of such legal action, Respondents may be responsible to
20 reimburse the Director for the cost incurred in pursuing such action, including but not limited to,
21 attorney fees.

22 **1.15 Voluntarily Entered.** It is AGREED and ORDERED that Respondents have voluntarily
23 entered into this Consent Order, which is effective when signed by the Director's designee.
24


1 **1.16 Completely Read, Understood, and Agreed.** It is AGREED and ORDERED that
2 Respondents have read this Consent Order in its entirety and fully understand and agree to all of the
3 same.

4 **1.17 Authority to Execute Order.** It is AGREED and ORDERED that the undersigned
5 authorized representative has represented and warranted that he has the full power and right to
6 execute this Consent Order on behalf of Respondent RFM.

7 **1.18 Counterparts.** This Consent Order may be executed in any number of counterparts,
8 including by facsimile or e-mail of a .pdf or similar file, each of which shall be deemed to be an
9 original, but all of which, taken together, shall constitute one and the same Consent Order.

10 **RESPONDENTS:**

11 Reduced Fee Mortgage, Inc.

12 
13 ARIK MICHAEL OROSZ
14 Designated Broker and CEO

5/8/2024
Date

14 
15 ARIK MICHAEL OROSZ
16 Individually

5/8/2024
Date

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DO NOT WRITE BELOW THIS LINE

THIS ORDER ENTERED THIS 22nd DAY OF July, 2024.



[Redacted Signature]

ALI HIGGS, Director
Division of Consumer Services
Department of Financial Institutions

Presented by:

[Redacted Signature]

MEGAN GUTHRIE
Financial Legal Examiner

Reviewed by:

[Redacted Signature]

KENDALL FREED
Financial Legal Examiner Supervisor

Approved by:

[Redacted Signature]

JAMES R. BRUSSELBACK
Acting Enforcement Chief

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**STATE OF WASHINGTON
THURSTON COUNTY SUPERIOR COURT**

STATE OF WASHINGTON,
DEPARTMENT OF FINANCIAL
INSTITUTIONS,

Plaintiff,

v.

REDUCED FEE MORTGAGE, INC.,
ARIK MICHAEL OROSZ,

Defendants.

NO.

DFI CASE NO.: C-22-3402-24-CO03

CONFESSION OF JUDGMENT

(Clerk's Action Required)

Judgment Summary

Judgment Creditor:	State of Washington, Department of Financial Institutions
Attorneys for Department of Financial Institutions:	Robert W. Ferguson, Washington Attorney General _____, Assistant Attorney General
Judgment Debtor:	Reduced Fee Mortgage, Inc. and Arik Michael Orosz (Jointly and Severally)
Principal Judgment Amount for Fine:	\$11,120.87 owed to the Department of Financial Institutions
Principal Judgment Amount for Investigation Costs:	\$2,308.80 owed to the Department of Financial Institutions
Total Judgment Amount:	\$13,429.67
Post-Judgment Interest (per annum):	12%

1
2 Pursuant to Chapter 4.60 of the Revised Code of Washington, Judgment by Confession,
3 Defendants Reduced Fee Mortgage, Inc. and Arik Michael Orosz hereby authorizes entry of a
4 judgment under the following terms:

5 **Factual Basis for Judgment**

6 The State of Washington, Department of Financial Institutions, Reduced Fee Mortgage,
7 Inc., and Arik Michael Orosz have agreed upon a basis for resolution of the matters alleged in the
8 Statement of Charges No. C-22-3402-24-SC02, entered April 1, 2024. Reduced Fee Mortgage,
9 Inc. and Arik Michael Orosz has agreed to enter into a Confession of Judgment, pursuant to
10 chapter 4.60 RCW, and the terms of Consent Order No. C-22-3402-24-CO03, in the amount of
11 \$13,429.67, of which they shall be jointly and severally liable, which shall be paid to the State
12 of Washington, Department of Financial Institutions.

13 **Authorization for Entry of Judgment**

14 I, Arik Michael Orosz, being duly sworn upon oath, acknowledge the debt of \$13,429.67
15 to the State of Washington, Department of Financial Institutions. I authorize entry of judgment
16 against me for the amount set forth in the judgment summary above and at an interest rate set
17 forth in the judgment summary above.

18 As the authorized representative of Reduced Fee Mortgage, Inc., I also acknowledge this
19 same joint and several debt of \$13,429.67 to the State of Washington Department of Financial
20 Institutions on behalf of Reduced Fee Mortgage, Inc. I authorize entry of judgment against
21 Reduced Fee Mortgage, Inc., for the amount set forth in the judgment summary above.

22
23 DATED this 11th day of July, 2024.

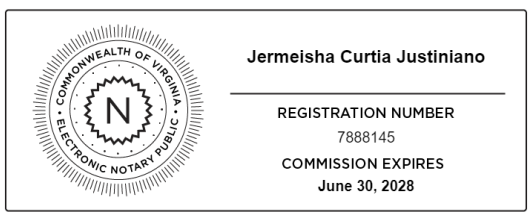
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ARIK MICHAEL OROSZ, Individually

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[Redacted Signature]
ARIK MICHAEL OROSZ, Owner and CEO
of Reduced Fee Mortgage, Inc.

SUBSCRIBED AND SWORN TO before me in N/A (City),
Chesterfield (County), Virginia (State) this 11th day of July, 2024.

[Redacted Signature]



Notary Public in and for the State of
Virginia
residing at N/A (City),
Chesterfield (County).
My Commission expires: 06/30/2028
Title: Electronic Notary Public
Rank: Electronic Notary Public

Notarized remotely online using communication technology via Proof.

1 **Order for Entry**

2 The above Confession of Judgment having been presented to this Court for entry in
3 accordance with RCW 4.60.070, the Court having found said Confession of Judgment to be
4 sufficient, now, therefore, it is hereby:

5 ORDERED that the Clerk of this Court shall forthwith enter Judgment against Reduced Fee
6 Mortgage, Inc. and Arik Michael Orosz in accordance with the terms of the Confession of
7 Judgment.

8
9 DONE IN OPEN COURT this ____ day of _____, 202_.

10
11 _____
12 JUDGE/COURT COMMISSIONER

13 Presented by:

14 ROBERT W. FERGUSON
15 Attorney General

16 _____, WSBA # _____
17 Assistant Attorney General
18 Attorneys for State of Washington
19 Department of Financial Institutions
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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:

REDUCED FEE MORTGAGE, INC.,
NMLS#1974130

and

ARIK MICHAEL OROSZ,
Owner, CEO, and Designated Broker,
NMLS #340901

Respondents.

No. C-22-3402-24-SC02

STATEMENT OF CHARGES and
NOTICE OF INTENT TO ENTER AN
ORDER TO CEASE AND DESIST, REVOKE
MORTGAGE BROKER LICENSE and
DESIGNATED BROKER REGISTRATION,
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 19.146.235, and based upon the facts available as of the date of this Statement of Charges, the Director, through his designee, Consumer Services Division Acting Director Ali Higgs, institutes this proceeding and finds as follows:

I. FACTUAL ALLEGATIONS

1.1 Respondents.

A. Reduced Fee Mortgage, Inc. The Washington State Department of Financial Institutions (Department) licensed Reduced Fee Mortgage, Inc. (Respondent RFM), to conduct business as a mortgage broker under the Act on or about October 7, 2020, and Respondent RFM continues to be licensed to date.

1 **B. Arik Michael Orosz.** Arik Michael Orosz (Respondent Orosz) is the owner and CEO
2 of Respondent RFM. The Department issued a Designated Broker Registration to
3 Respondent Orosz to conduct business as the Designated Broker for Respondent RFM
4 on or about October 7, 2020, and continues to be Designated Broker for Respondent
5 RFM to date.

6 **1.2 Examination.** On or about May 10, 2022, the Department conducted a preliminary
7 examination of Respondents books and records. The examination revealed multiple violations of the
8 Act, including those identified below.

9 **1.3 Failed to Use a Licensed Third-Party Processing Company.** Between at least February 10,
10 2021, and October 18, 2021, Respondent RFM engaged a third-party processing company to process
11 at least fourteen residential mortgage loans related to real estate located in Washington. The third-
12 party processing company did not have a company level mortgage broker license and did not have an
13 individual loan originator licensed to engage in the business of an independent contractor loan
14 processor for residential mortgage loans related to real estate located in Washington.

15 **1.4 Failed to Timely Submit Call Reports.** Respondents did not submit complete mortgage call
16 reports to the Department within 45 days of the end of the quarter for the fourth quarter of 2020, and
17 the first, second, third, and fourth quarters of 2021. Additionally, after receiving the results of the
18 examination, Respondents did not submit complete mortgage call reports to the Department within 45
19 days of the end of the quarter for the first, second, third, and fourth quarters of 2022.

20 **1.5 Failed to Accurately and Completely File Report.** Respondents did not accurately and
21 completely file the financial condition filing with the Department for 2020.

22 **1.6 Advertised without Displaying Required Information.** Between April 5, 2022, and March
23 1, 2024, on at least thirteen website and social media pages advertising Respondent RFM,

24 Respondents and mortgage loan originators employed by Respondent RFM did not provide one or

1 more of the following: Respondent RFM’s license number, or mortgage loan originators’ license
2 numbers.

3 **1.7 Advertised Using Disallowed and Misleading Phrases.** On or about April 5, 2022,
4 Respondent RFM’s website and social media pages included in at least ten advertisements that
5 Respondent RFM offered the “lowest rate,” “lowest fees available,” “best loan,” “best rate,” or other
6 similar terms.

7 **1.8 Failed to Provide Written Notice on Borrower Paid Services.** In at least three loan files,
8 Respondent RFM did not provide the borrower with any written notice on borrower paid services.

9 **1.9 Failed to Respond Timely and Completely to Department Directives.** On or about
10 January 19, 2023, the Department sent Respondents a letter and directive requiring information to
11 assist in its investigation. A copy of the May 10, 2022, letter regarding the examination was
12 included.

13 On or about January 21, 2023, the letter and directive were delivered to Respondents. The
14 due date for the directive response was February 3, 2023. On or about February 3, 2023, the
15 Department received a response to the January 19, 2023, directive. The response was found to be
16 deficient and on or about February 23, 2023, the Department sent Respondents a second letter and
17 directive requiring a complete response. The February 23, 2023, letter explained the deficiencies
18 with Respondents’ initial submission, required the information specified in the directive, and set the
19 due date for Respondents’ response as March 10, 2023. On or about February 24, 2023, the letter and
20 directive were delivered to Respondents.

21 The Department did not receive a response to the February 23, 2023, letter and directive and
22 sent another directive on or about May 22, 2023, with a due date of June 5, 2023. The directive was
23 delivered to Respondents on or about May 23, 2023. The Department received a response to the
24 directive on or about June 5, 2023.

1 **1.10 Failed to Provide Privacy Policy.** In at least five loan files, Respondent RFM did not
2 provide to borrowers a clear and conspicuous notice that accurately reflects its privacy policies and
3 practices.

4 **1.11 Failed to Develop a Compliant Anti-Money Laundering Program.** Respondent RFM did
5 not develop a compliant anti-money laundering (AML) program that complies with the requirements
6 of the Financial Crimes Enforcement Network (FinCEN).

7 **1.12 Failed to Develop a Compliant Red Flags Program.** Respondent RFM did not implement a
8 program designed to detect, prevent, and mitigate identity theft (“Red Flags Program”) as required by
9 the Fair Credit Reporting Act.

10 **1.13 Failed to Provide a Business Resumption Plan.** Respondent RFM did not have a written
11 Business Resumption Plan as required by the Federal Trade Commission’s Standards for
12 Safeguarding Customer Information.

13 **1.14 On-Going Investigation.** The Department’s investigation into the alleged violations of the
14 Act by Respondents continues to date.

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

16 **2.1 Definition of Mortgage Broker.** Pursuant to RCW 19.146.010(14), “Mortgage broker”
17 means any person who for direct or indirect compensation or gain, or in the expectation of direct or
18 indirect compensation or gain (a) assists a person in obtaining or applying to obtain a residential
19 mortgage loan or performs residential mortgage loan modification services or (b) holds himself or
20 herself out as being able to assist a person in obtaining or applying to obtain a residential mortgage
21 loan or provide residential mortgage loan modification services.

22 **2.2 Duties of Mortgage Broker.** Pursuant to RCW 19.146.085, the activities of a mortgage
23 broker affect the public interest, and require that all actions of mortgage brokers, designated brokers,
24 loan originators, and other persons subject to this Act be actuated by good faith, abstain from

1 deception, and practice honesty and equity in all matters related to their profession. The duty of
2 preserving the integrity of the mortgage broker business rests upon the mortgage broker, designated
3 broker, loan originator, and other persons subject to this Act.

4 **2.3 Responsibility of Designated Broker.** Pursuant to RCW 19.146.200(3)(a) and (b), every
5 licensed mortgage broker must at all times have a designate broker responsible for all activities of the
6 mortgage broker in conducting the business of a mortgage broker. A designated broker, principal, or
7 owner who has supervisory authority over a mortgage broker is responsible for a licensee’s,
8 employee’s, or independent contractor’s violations of the Act if the designated broker, principal, or
9 owner directs or instructs the conduct or, with knowledge of the specific conduct, approves or allows
10 the conduct; or the designated broker, principal, or owner who has supervisory authority over the
11 licensed mortgage broker knows or by the exercise of reasonable care and inquiry should have known
12 of the conduct, at a time when its consequences can be avoided or mitigated and fails to take
13 reasonable remedial action.

14 **2.4 Liability of Mortgage Broker.** Pursuant to RCW 19.146.245 and WAC 208-660-155(4), a
15 licensed mortgage broker is liable for any conduct violating the Act by the Designated Broker, a loan
16 originator, or other licensed mortgage broker while employed or engaged by the licensed mortgage
17 broker. Pursuant to WAC 208-660-530(6), a licensed mortgage broker and each of its principals,
18 officers, Designated Brokers, loan originators, employees, independent contractors, and agents must
19 comply with the applicable provisions of the Act, and are subject to a fine of up to \$100 per day for
20 each violation of the Act.

21 **2.5 Definition of Loan Originator.** Pursuant to RCW 19.146.010(11), “Loan originator” means
22 an individual who for direct or indirect compensation or gain, or in the expectation of direct or
23 indirect compensation or gain (i) takes a residential mortgage loan application or (ii) offers or

1 negotiates terms of a mortgage loan. "Loan originator" also includes a person who holds themselves
2 out to the public as able to perform any of these activities.

3 **2.6 Use of an Unlicensed Third-Party Processor.** Based on the above Factual Allegations set
4 forth in Section 1.3 above, Respondent RFM is in apparent violation of RCW 19.146.0201(2),
5 19.146.200(1), and WAC 208-660-300(13) by engaging a third-party processing company that was
6 not licensed to process residential mortgage loans related to real estate located in Washington. The
7 third-party processing company did not have a company level mortgage broker license as required by
8 the Act, and also did not have an individual loan originator licensed to engage in the business of an
9 independent contractor loan processor for residential mortgage loans related to real estate located in
10 Washington. Under WAC 208-660-155(4), Respondent is responsible for violations of the Act
11 committed by independent contractors that Respondent employed or engaged to conduct work related
12 to Respondent's business activities covered by the Act.

13 **2.7 Requirement to Timely Submit Call Reports.** Based on the Factual Allegations set forth in
14 Section 1.4 above, Respondents are in apparent violation of RCW 19.146.0201(2), RCW 19.146.390,
15 and WAC 208-660-400(1) for failing to file timely, complete, or accurate Mortgage Call Reports
16 with the Department through the Nationwide Mortgage Licensing System (NMLS).

17 **2.8 Requirement to Submit Financial Condition Reports.** Based on the Factual Allegations
18 set forth in Section 1.5 above, Respondents are in apparent violation of RCW 19.146.0201(2) and (8),
19 RCW 19.146.390, and WAC 208-660-400(1), for failing to file timely, complete, or accurate
20 Financial Condition Reports with the Department through NMLS.

21 **2.9 Advertised without Displaying Required Information.** Based on the Factual Allegations
22 set forth in Section 1.6 above, Respondents are in apparent violation of RCW 19.146.0201(2) and
23 WAC 208-660-446(1) for advertising without displaying the company's license number, the
24 company's licensed name, and MLOs' license numbers.

1 **2.10 Prohibition on advertising using disallowed and misleading phrases.** Based on the
2 Factual Allegations set forth in Section 1.7 above, Respondents are in apparent violation of RCW
3 19.146.0201(2) and (7) for advertising using disallowed and misleading phrases as prohibited by
4 WAC 208-660-440(1) and (7), and WAC 208-660-500(3)(a).

5 **2.11 Requirement to Provide Borrower Paid Services Disclosure.** Based on the Factual
6 Allegations set forth in Section 1.8 above, Respondent RFM is in apparent violation of RCW
7 19.146.030(2)(d) for failing to provide borrowers with the written notice of Borrower Paid Services
8 within three business days of an application.

9 **2.12 Requirement to Comply with Director's Authority.** Based on the Factual Findings set
10 forth in Section 1.9 above, Respondent RFM is in apparent violation of RCW 19.146.235 by failing
11 to comply with the Director's investigation authority and for failing to timely and completely respond
12 to directives issued by the Director.

13 **2.13 Failure to Provide Privacy Policies.** Based on the Factual Allegations set forth in Section
14 1.10 above, Respondent RFM is in apparent violation of, RCW 19.146.0201(2), RCW
15 19.146.0201(11), and 12 C.F.R. §§ 1016.4(a), (c)(1), and (2) for failing to provide borrowers with
16 timely, complete, or accurate Privacy Policies.

17 **2.14 Requirement to Develop Compliant Anti-Money Laundering Program.** Based on the
18 Factual Allegations set forth in Section 1.11 above, Respondent RFM is in apparent violation of
19 RCW 19.146.0201(11) by failing to develop and implement an anti-money laundering program as
20 required by the FinCEN, Department of the Treasury, codified at 31 C.F.R. §1029.210.

21 **2.15 Failure to Implement a Red Flags Program.** Based on the Factual Allegations set forth in
22 Section 1.12 above, Respondent RFM is in apparent violation of RCW 19.146.0201(2), RCW
23 19.146.0201(11), and 12 C.F.R. § 681.1(e) and (f) for failing to implement a program designed to

1 detect, prevent, and mitigate identity theft (“Red Flags Program”) as required by the Fair Credit
2 Reporting Act.

3 **2.16 Requirement to have Business Resumption Plan.** Based on the Factual Allegations set
4 forth in Section 1.13 above, Respondent RFM is in apparent violation of RCW 19.146.0201(2) and
5 WAC 208-660-490 for failing to develop a business resumption plan, and RCW 19.146.0201(11) for
6 failing to comply with the FTC’s Standards for Safeguarding Customer Information, codified at 16
7 CFR § 314.4.

8 III. AUTHORITY TO IMPOSE SANCTIONS

9 **3.1 Authority to Issue an Order to Cease and Desist.** Pursuant to RCW 19.146.220(3), the
10 Director may issue orders directing a licensee, its employee, loan originator, independent contractor,
11 agent, or other person subject to the Act to cease and desist from conducting business.

12 **3.2 Authority to Revoke License.** Pursuant to RCW 19.146.220(2)(d) and (e), the Director may
13 revoke licenses for: failure to comply with any directive, order, or subpoena of the Director, or any
14 violation of the Act.

15 **3.3 Authority to Prohibit from Industry.** Pursuant to RCW 19.146.220(4)(a) and (d), the
16 Director may issue orders prohibiting from participation in the conduct of the affairs of a licensed
17 mortgage broker, or both, any officer, principal, employee, or loan originator of any licensed
18 mortgage broker or any person subject to licensing under the Act for any violation of the Act or
19 failure to comply with any directive or order of the Director.

20 **3.4 Authority to Impose Fine.** Pursuant to RCW 19.146.220(2) and WAC 208-660-530(6), the
21 Director may impose a fine of up to \$100 per day for each violation of the Act.

22 **3.5 Authority to Collect Investigation Fee.** Pursuant to RCW 19.146.228(2) and WAC 208-
23 660-550(4)(a), the Department will charge \$48 per hour for an examiner’s time devoted to an
24 investigation of any person subject to the Act.

1 **3.6 Authority to Recover Costs and Expenses.** Pursuant to RCW 19.146.221(2), the Director
2 may recover the state's costs and expenses for prosecuting violations of the Act.

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

4 Respondents' violations of the provisions of chapter 19.146 RCW and chapter 208-660 WAC,
5 as set forth in the above constitute a basis for the entry of an Order under RCW 19.146.220, RCW
6 19.146.221, and RCW 19.146.223. Therefore, it is the Director's intent to ORDER that:

7 **4.1** Respondents Reduced Fee Mortgage, Inc., and Arik Michael Orosz cease and desist
8 cease and desist engaging in the business of a mortgage broker or Designated Broker.

9 **4.2** Respondent Reduced Fee Mortgage, Inc.'s license to conduct the business of a
10 mortgage broker be revoked.

11 **4.3** Respondent Arik Michael Orosz's registration as a Designated Broker be revoked.

12 **4.4** Respondent Reduced Fee Mortgage, Inc. be prohibited from participation in the
13 conduct of the affairs of any mortgage broker subject to licensure by the Director, in
14 any manner, for a period of five (5) years.

15 **4.5** Respondent Arik Michael Orosz be prohibited from participation in the conduct of the
16 affairs of any mortgage broker subject to licensure by the Director, in any manner, for
17 a period of five (5) years.

18 **4.6** Respondents Reduced Fee Mortgage, Inc., and Arik Michael Orosz jointly and
19 severally pay a fine. As of the date of this Statement of Charges, the fine totals
20 \$20,000.

21 **4.7** Respondents Reduced Fee Mortgage, Inc., and Arik Michael Orosz jointly and
22 severally pay an investigation fee. As of the date of this Statement of Charges, the
23 investigation fee totals \$2,308.80.

24 **4.8** Respondents Reduced Fee Mortgage, Inc., and Arik Michael Orosz jointly and
severally pay the Department's costs and expenses for prosecuting violations of the
Act in an amount to be determined at hearing or by declaration with supporting
documentation in event of default by Respondents Reduced Fee Mortgage, Inc., and
Arik Michael Orosz.

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1 **V. AUTHORITY AND PROCEDURE**

2 This Statement of Charges and Notice of Intent to Enter an Order to Cease and Desist
3 Business, Revoke Mortgage Broker License and Designated Broker Registration, Prohibit From
4 Industry, Impose Fine, Collect Investigation Fee, and Recover Costs and Expenses (Statement of
5 Charges) is entered pursuant to the provisions of RCW 19.146.220, RCW 19.146.221, RCW
6 19.146.223, and RCW 19.146.230, and is subject to the provisions of chapter 34.05 RCW (the
7 Administrative Procedure Act). Respondents may make a written request for a hearing as set forth in
8 the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING
9 accompanying this Statement of Charges.

10 Dated this 1st day of April, 2024.



11 [Redacted Signature]
12 _____
13 ALI HIGGS, Acting Director
14 Division of Consumer Services
Department of Financial Institutions

15 Presented by:

16 [Redacted Signature]
17 *Megan Guthrie*

18 _____
19 MEGAN GUTHRIE
Financial Legal Examiner

20 Reviewed by:

21 [Redacted Signature]
22 *Kendall Freed*

23 _____
24 KENDALL FREED
Financial Legal Examiner Supervisor

Approved by:

[Redacted Signature]

JAMES R. BRUSSELBACK
Acting Enforcement Chief