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State issues fines, enforcement orders in three mortgage cases

(Salem) – As part of the state's ongoing effort to protect Oregonians from mortgage fraud, the Department of Consumer and Business Services recently took action against three mortgage lending companies and their owners. Violations ranged from misleading advertising to failing to perform criminal background checks on employees to not making proper disclosures.

“Oregon's mortgage lending laws are designed to protect consumers,” said David Tatman, administrator of the department's Division of Finance and Corporate Securities. “We will continue to work hard to ensure lenders are following them.”

- **First Financial and Real Estate Services, Inc.** The division issued a cease-and-desist order against First Financial and its two principals, Casey LeBlanc and Masud Sarwary of California, for using direct mail advertisements in Oregon that were false, misleading, or deceptive. First Financial sent direct mail advertisements to Oregon residents with existing mortgages that suggested the resident's current mortgage lending institution would refinance the loan at a lower rate when in reality First Financial would be the one refinancing the loan. First Financial voluntarily surrendered its mortgage lender license, agreed to not reapply for a license for a period of three years, and agreed to pay a \$5,000 civil fine with \$3,500 suspended as long as they do not commit further violations of the mortgage lender laws.

“All mortgage lenders, whether in Oregon or out-of-state, must treat prospective customers fairly by not using deceptive and misleading advertising,” Tatman said.

- **Killion Enterprises, Inc. dba Spartan Mortgage.** During a routine examination, the division found numerous violations at Killion Enterprises of Tigard including deficiencies in performing criminal background checks, failure to notify the division within 30 days of the employment/termination of loan originators, employing loan originators with disqualifying convictions, and operating from an unlicensed branch. At a second exam, the division found repeated violations. Between the first and second exams, the division discovered that Steve Killion, the president, owner, and a loan originator, had been indicted on felony assault charges, arrested in Idaho, and charged as a fugitive from justice. Killion did not report the indictment to the division until four months later; state law requires licensees to notify the division of any indictment of its officers, directors or principals within 30 days.

The division revoked the company's mortgage license, and Killion agreed to a bar from reapplying for a mortgage lending license or acting as a loan originator in Oregon, among other limitations. Killion is also permanently barred from applying for a securities license. The division levied a \$25,000 civil fee, of which all will be suspended as long as Killion does not violate Oregon mortgage lending or securities laws.

- **Custom Mortgage, LLC and Patrick Carney.** In the third case, the division issued a consent cease-and-desist order and levied a \$2,000 examination fee and a suspended \$5,000 civil penalty against Custom Mortgage, LCC, of Salem and owner Patrick Carney. Carney brokered a loan between a

business associate and an individual without properly disclosing that property used as the loan's collateral was under pending legal action.

"Mortgage brokers who match borrowers with investors to fund the loans, also known as 'hard money' loans, must ensure the proper disclosure and information is provided to investors," Tatman said.

To read the recent enforcement orders, go to:

http://www.cbs.state.or.us/dfcs/securities/enf/orders/ml_enforcement_orders_index.html

These orders are part of a statewide effort to prevent mortgage fraud. In addition to working on administrative actions, DCBS collaborates with the Oregon Department of Justice and federal, state, and local law enforcement entities to investigate and prosecute mortgage cases.

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The Division of Finance and Corporate Securities (DFCS) helps ensure that a wide range of financial products and services are available to Oregonians and protects consumers from financial fraud and abuse. It does that by licensing financial institutions and service providers, regulating the sale of securities in Oregon, investigating complaints and alleged violations of financial-service laws, and providing education and other resources to consumers.

The Department of Consumer and Business Services is Oregon's largest business regulatory and consumer protection agency. For more information, visit www.dcbcs.oregon.gov.