

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:

7 TILA MORTGAGE, INC. and RON B. GREENE,  
8 Individually and as President and Designated Broker  
9 of TILA Mortgage, Inc.,

10 Respondents.

NO. C-08-280-08-SC01

STATEMENT OF CHARGES and NOTICE OF  
INTENT TO ENTER AN ORDER TO SUSPEND  
LICENSES, IMPOSE FINES, and COLLECT  
INVESTIGATION FEES

11 INTRODUCTION

12 Pursuant to RCW 19.146.220 and RCW 19.146.223, the Director of the Department of Financial Institutions of the  
13 State of Washington (Director) is responsible for the administration of chapter 19.146 RCW, the Mortgage Broker  
14 Practices Act (Act). After having conducted an investigation pursuant to RCW 19.146.235, and based upon the facts  
15 available as of the date this Statement of Charges is issued, the Director, through his designee, Division of Consumer  
16 Services Director Deborah Bortner, institutes this proceeding and finds as follows:

17 I. FACTUAL ALLEGATIONS

18 A. Respondents.

19 1.1 Respondent TILA Mortgage, Inc. (Respondent TILA) is a for-profit Washington corporation located in  
20 Renton, Washington. The Department of Financial Institutions (Department) licensed Respondent TILA to conduct  
21 business as a mortgage broker on July 15, 2004, license number 510-MB-26333. Respondent TILA was originally  
22 licensed to conduct business only from its Renton office, but was recently approved to conduct business from a  
23 branch office in Clackamas, Oregon, license number 510-MB-26333-49585. Respondent TILA has been  
24 continuously licensed since 2004.

25 1.2 Respondent Ron B. Greene (Respondent Greene) is the President, majority owner, and Designated Broker of  
Respondent TILA. The Department licensed Respondent Greene as a Loan Originator for Respondent TILA on  
December 17, 2007, license number 510-LO-26655, and he has been continuously licensed to date.

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1 **B. Prohibited Acts.**

2 **1.3** Beginning in January 2008, Respondents TILA and Greene started a radio advertising campaign focused on  
3 interest rate advertising. During the relevant time period, January 9, 2008, through March 20, 2008, Respondents  
4 aired radio advertisements throughout Western Washington promoting residential mortgage loans available at a  
5 specified annual percentage rate (APR)<sup>1</sup>. While the APR changed slightly over that time, the body of the  
6 advertisement did not. A sample of the advertisement from early February 2008, follows:

7 Do you know how much money you could save if you reduced your mortgage rate by just ¼ percent?  
8 What about one half percent? Now, consider the potential savings with one full percent. At TILA  
9 Mortgage people from all over Washington are finding out that they can now save tens of thousands of  
10 dollars on their mortgage with our new five and one half percent APR fixed rate mortgage. That's right,  
11 at TILA Mortgage, our fixed rate mortgage is now down to an amazingly low five and one half percent  
12 APR, and there's never ever a prepayment penalty on this loan. TILA – spelled T-I-L-A – stands for the  
13 Truth in Lending Act and emphasizes our commitment to honest and ethical lending. So, for your new  
14 fixed rate mortgage at five and one half percent APR, we invite you to call TILA Mortgage at 206-7-66-  
15 88-88. Again, in Seattle, that's 7-66-88-88. *Loan amounts up to \$417,000, requires lender approval.*  
16 (Emphasis in original.)

17 **1.4** During the relevant time period, Respondents advertised a 5.5 APR for 48 days; a 5.7 APR for 9 days; and a 5.9  
18 APR for 19 days.

19 **1.5** The Department requested, and Respondents verified, that the advertised APR was available during the relevant  
20 time period. However, the advertised APR was generally available only if the borrower agreed to buy down the  
21 simple interest rate by paying discount points to the lender.<sup>2</sup>

22 **1.6** During the first month of the advertising campaign, the average cost to borrowers to buy down the interest rate  
23 to the advertised APR was close to \$1,500. Only 15 of 83 borrowers agreed to pay the discount points; 59 of the 83  
24 borrowers received loans at an APR higher than advertised. The advertisement did not disclose that the advertised  
25 APR included discount points, and that borrowers would have to pay discount points to obtain the advertised APR.

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<sup>1</sup> The APR refers to the total finance charge expressed as a yearly rate. The APR includes interest, loan fees, and, if applicable, discount points. As a result, the APR is usually higher than the simple interest rate.

<sup>2</sup> Sometimes referred to simply as points, discount points are paid by a borrower to a lender to reduce (or discount) the interest rate over the life of the loan.

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

2 **2.1 Unfair or Deceptive Practices.** Based on the Factual Allegations set forth in Section I above, Respondents are  
3 in apparent violation of RCW 19.146.0201(2), for engaging in unfair or deceptive practices toward any person by the  
4 use of false, deceptive, or misleading advertising.

5 **2.2 False or Deceptive Statements.** Based on the Factual Allegations set forth in Section I above, Respondents are  
6 in apparent violation of RCW 19.146.0201(7), for making false or deceptive statements with regard to rates.

7 **2.3 Violation of Federal Trade Commission Act.** Based on the Factual Allegations set forth in Section I above,  
8 Respondents are in apparent violation of RCW 19.146.0201(11), for failing to comply with the Federal Trade  
9 Commission Act, 15 U.S.C. §§41-58, *as amended*, by engaging in unfair or deceptive acts or practices.

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11 **III. AUTHORITY TO IMPOSE SANCTIONS**

12 **3.1 Authority to Suspend License.** Pursuant to RCW 19.146.220(2)(e), the Director may suspend a license for  
13 any violation of the Act.

14 **3.2 Authority to Impose Fines.** Pursuant to RCW 19.146.220(2)(e), the Director may order licensees to pay fines  
15 for any violation of the Act.

16 **3.3 Authority to Collect Investigation Fee.** Pursuant to RCW 19.146.228(2), WAC 208-660-520, and  
17 WAC 208-660-550(4)(a), the Department is entitled to collect the costs of any investigation of alleged violations of the  
18 Act. The investigation fee will be calculated at the rate of forty-eight dollars per hour.

19  
20 **IV. NOTICE OF INTENT TO ENTER ORDER**

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

24 **4.1** TILA Mortgage, Inc.'s Mortgage Broker license, number 510-MB-26333, be suspended for thirty days;

25 **4.2** Respondent Ron B. Green's Loan Originator license, number 510-LO-26655, be suspended for thirty days;


1 4.3 Respondents TILA Mortgage, Inc. and Ron B. Greene jointly and severally pay a fine. As of the date of this  
2 Statement of Charges, the fine totals \$50,000; and

3 4.4 Respondents TILA Mortgage, Inc. and Ron B. Greene jointly and severally pay an investigation fee. As of the date  
4 of this Statement of Charges, the fee totals \$1,000.

5 **V. AUTHORITY AND PROCEDURE**

6 This Statement of Charges and Notice of Intent to Enter an Order to Suspend Licenses, Impose Fines, and  
7 Collect Investigative Fees (Statement of Charges) is entered pursuant to the provisions of RCW 19.146.220,  
8 RCW 19.146.221, RCW 19.146.223 and RCW 19.146.230, and is subject to the provisions of chapter 34.05 RCW  
9 (The Administrative Procedure Act). Respondents may make a written request for a hearing as set forth in the  
10 NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Statement  
11 of Charges.

12  
13 Dated this 5<sup>th</sup> day of December, 2008.

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15 DEBORAH BORTNER  
16 Director, Division of Consumer Services  
17 Department of Financial Institutions

18 Presented by:

19   
20 ANTHONY W. CARTER  
21 Enforcement Attorney

22 Approved by:

23   
24 JAMES R. BRUSSELBACK  
25 Enforcement Chief

