

Terms Completed

ORDER SUMMARY – Case Number: C-08-020

Name(s): Freedom Mortgage Corporation
dba Jefferson Home Mortgage and Loan;
Stanley C. Middleman

Order Number: C-08-020-08-CO01

Effective Date: June 17, 2009

License Number: DFI: 17494 [NMLS: 2767] (Freedom Mortgage Corporation)

Or NMLS Identifier [U/L] (Revoked, suspended, stayed, application denied or withdrawn)

License Effect: n/a
If applicable, you must specifically note the ending dates of terms.

Not Apply Until: n/a

Not Eligible Until: _____

Prohibition/Ban Until: n/a

Investigation Costs	\$4,485.65	Due	Paid <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date
Fine	\$33,000	Due	Paid <input checked="" type="checkbox"/> Y <input type="checkbox"/> N	Date
Assessment(s)	\$	Due	Paid <input type="checkbox"/> Y <input type="checkbox"/> N	Date
Restitution	\$2,989.66	Due	Paid <input checked="" 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: Restitution paid to consumers per restitution schedule (completed prior to entry of CO) / \$12,317.08 in exam fees.

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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-08-020-08-CO01

FREEDOM MORTGAGE CORPORATION dba
JEFFERSON HOME MORTGAGE AND LOAN
and STANLEY C. MIDDLEMAN, President,
Owner and CEO.

CONSENT ORDER

Respondents.

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COMES NOW the Director of the Department of Financial Institutions (Director), through his designee Deborah Bortner, Division Director, Division of Consumer Services, and Freedom Mortgage Corporation dba Jefferson Home Mortgage and Loan (hereinafter Respondent Freedom), Stanley C. Middleman, President, Owner and CEO (hereinafter Respondent Middleman), by and through their attorney John A. Long, and finding that the issues raised in the 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 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 Respondents have agreed upon a basis for resolution of the matters alleged in Statement of Charges No. C-08-020-08-SC01 (Statement of Charges), entered July 16, 2008, (copy attached hereto). Pursuant to chapter 31.04 RCW, the Consumer Loan Act (Act) and RCW 34.05.060 of the Administrative Procedure Act, Respondents hereby agree to the Department's entry of this Consent Order and further agree 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 resolve the Statement of Charges and agree that Respondents do not admit any wrongdoing by its entry. Respondents are agreeing not to contest the Statement of Charges in consideration of the terms of this Consent Order.

CONSENT ORDER
C-08-020-08-CO01
Freedom Mortgage Corporation dba Jefferson Home
Mortgage and Loan and Stanley C. Middleman

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

1 Based upon the foregoing:

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

4 B. **Waiver of Hearing.** It is AGREED that Respondents have been informed of the right to a hearing
5 before an administrative law judge, and that they hereby waive their right to a hearing and any and all
6 administrative and judicial review of the issues raised in this matter, or of the resolution reached herein.

7 Accordingly, Respondents agree to withdraw their appeal and to inform the Office of Administrative Hearings in
8 writing of their withdrawal.

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

11 D. **Future Examinations of Respondent.** It is AGREED that, for purposes of future examinations of
12 Respondents, the Department considers this Consent Order as resolution of the Statement of Charges and issues
13 raised therein.

14 E. **Fine.** It is AGREED that Respondents shall pay to the Department a fine of \$33,000 in the form of a
15 cashier's check made payable to the "Washington State Treasurer," upon entry of this Consent Order.

16 F. **Restitution.** It is AGREED that prior to the entry of this Consent Order, Respondents paid restitution
17 to the consumers identified in the attached Restitution Schedule. Such payments were made in the form of a
18 check and were sent to borrowers' last known address via the United States mail. Respondents included a letter
19 with each check notifying the borrower that the check was a refund and that the borrower has 30 days to cash
20 the check or the refund amount would be provided to the State Department of Revenue as unclaimed property.
21 Respondents provided the Department with a signed affidavit attesting to mailing the checks, and a copy of the
22 checks mailed (each with the accompanying explanatory cover letter). All checks that were not returned as
23 undeliverable, but were not cashed within 30 days of mailing, were immediately turned over to the State
24 Department of Revenue, pursuant to Department of Revenue procedures, as unclaimed property. A list of such

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1 checks was provided to the Department. Further, Respondents notified the Department of all checks that were
2 returned as undeliverable and the Department attempted to locate a current address. Upon notification by the
3 Department that no new address was available, Respondents immediately sent the refund amounts to the State
4 Department of Revenue, pursuant to Department of Revenue procedures, as unclaimed property. As noted
5 above, Respondents refunded to the consumers referenced in paragraph 1.5 and 1.11 of the Statement of
6 Charges any and all prepayment penalty fees actually paid in regard to the loans in question, refunded to the
7 consumers referenced in paragraph 1.8 of the Statement of Charges all unauthorized fees obtained by
8 Respondents, and refunded \$596.66 to the consumer referenced in paragraph 1.12 of the Statement of Charges.
9 (See Restitution Schedule)

10 **G. Examination Fee.** It is AGREED that Respondents shall pay to the Department an examination fee
11 of \$12,317.08, in the form of a cashier's check made payable to the "Washington State Treasurer," upon entry of
12 this Consent Order.

13 **H. Investigation Fee.** It is AGREED that Respondents shall pay to the Department an investigation fee
14 of \$4,485.65, in the form of a cashier's check made payable to the "Washington State Treasurer," upon entry of
15 this Consent Order.

16 **I. Authority to Execute Order.** It is AGREED that the undersigned Respondents have represented and
17 warranted that they have the full power and right to execute this Consent Order on behalf of the parties
18 represented.

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

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

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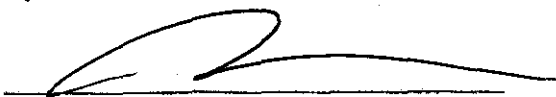
L. **Completely Read, Understood, and Agreed.** It is AGREED that Respondents have read this

Consent Order in its entirety and fully understand and agree to all of the same.

RESPONDENTS:

Freedom Mortgage Corporation dba Jefferson Home Mortgage and Loan
and Stanley C. Middleman

By:



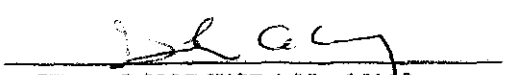
STANLEY C. MIDDLEMAN
President, Owner and CEO

3-9-09
Date



STANLEY C. MIDDLEMAN
Individually

3-9-09
Date



JOHN A. LONG WSBA No. 15119
Attorney at Law
Attorney for Respondents

Date

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DO NOT WRITE BELOW THIS LINE

THIS ORDER ENTERED THIS 17th DAY OF June, 2008. ^{9 DB}

Deborah Bortner

DEBORAH BORTNER
Director
Division of Consumer Services
Department of Financial Institutions

Presented by:

Marnie Sheeran

MARNIE SHEERAN
Financial Legal Examiner

Approved by:

James R. Bruselback

JAMES R. BRUSSELBACK
Enforcement Chief



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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:

NO. C-08-020-08-SC01

FREEDOM MORTGAGE CORPORATION dba
JEFFERSON HOME MORTGAGE AND LOAN
and STANLEY C. MIDDLEMAN, President,
Owner and CEO.

STATEMENT OF CHARGES and
NOTICE OF INTENTION TO ENTER
AN ORDER TO REVOKE OR SUSPEND LICENSE,
IMPOSE FINE, ORDER RESTITUTION, AND
COLLECT EXAMINATION AND INVESTIGATION
FEES

Respondents.

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 examination and 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 Deborah Bortner, institutes this proceeding and finds as follows:

I. FACTUAL ALLEGATIONS

1.1 Respondents.

A. Freedom Mortgage Corporation dba Jefferson Home Mortgage and Loan (Respondent Freedom) was licensed by the Department of Financial Institutions of the State of Washington (Department) to conduct business as a Consumer Loan Company on July 15, 1999, and continues to be licensed to date. Respondent Freedom is licensed to conduct the business of a consumer lender at eight locations.

1 B. Respondent Freedom is wholly owned by Stanley C. Middleman (Respondent
2 Middleman). Respondent Middleman is also the President and CEO of Respondent Freedom.

3 **1.2 Examination.** In or around June 2007, the Department conducted an examination of the books
4 and records of Respondent Freedom for the period of February 1, 2006 through June 30, 2007. The
5 Department reviewed 40 loan files as part of its examination. The Department found violations of the
6 Act as outlined below.

7 **1.3 Failure to Provide Loan Servicing Disclosures.** In at least twenty-three loan files, Respondents
8 did not maintain records sufficient to establish that loan servicing disclosures were provided to borrowers
9 within three business days of the borrowers' loan applications, or Respondents did not provide loan
10 servicing disclosures to borrowers within three business days of the borrowers' loan application.

11 **1.4 Untimely Disclosure of Costs and Fees.** In at least twenty-two loan files, Respondents did
12 not maintain records sufficient to establish that Good Faith Estimate (GFE) disclosures or an
13 itemization of all fees and costs were provided to borrowers within three business days of receipt of a
14 loan application, or Respondents did not provide GFE disclosures or an itemization of all fees and
15 costs to borrowers within three business days of receipt of a loan application.

16 **1.5 Failure to Timely Provide Truth in Lending Disclosures or to Disclose the Annual**
17 **Percentage Rate and Prepayment Penalty.** In at least twenty-two loan files, Respondents did not
18 maintain records sufficient to establish that truth in lending (TIL) disclosures or the Annual Percentage
19 Rate (APR) or prepayment penalty were disclosed to borrowers within three business days of the
20 borrowers' loan application, or Respondents did not provide TIL disclosures or did not disclose the
21 APR or prepayment penalty to borrowers within three business days of the borrowers' loan
22 application.
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1 **1.6 Unlicensed Locations.** Between at least May 2006 through August 2007, Respondents
2 conducted the business of a consumer lender with Washington residents from the following two
3 unlicensed locations:

4 A. 12509 Bel-Red Rd, Suite 200, Bellevue, WA 98005

5 B. 10900 NE 8th St, Suite #980, Santa Ana, CA 92705

6 To date, the Department has not issued a license to Respondents to conduct the business of a consumer
7 lender from either of these locations.

8 **1.7 Use of Line 801 of the HUD 1/1A Settlement Statement for Mortgage Broker Fees.** In at
9 least eight loans, Respondents used line 801 of the HUD 1/1A Settlement Statement to record mortgage
10 broker fees.

11 **1.8 Unauthorized Fees.** In at least seven junior lien loans, Respondents charged fees other than loan
12 origination fees.

13 **1.9 Failure to Provide Initial Variable Rate Loan Program Disclosures.** In at least four loan
14 files, Respondents did not maintain records sufficient to establish that initial variable rate loan
15 program disclosures were provided to borrowers within three business days of the borrowers' loan
16 application, or Respondents did not provide initial variable rate loan program disclosures to borrowers
17 within three business days of the borrowers' loan application.

18 **1.10 Failure to Maintain Records.** During the examination, Respondents were directed to provide
19 loan files or documents for review during the examination. Respondents did not produce requested
20 loan documents for at least five loans.

21 **1.11 Unlawful Prepayment Penalty on Junior Lien Mortgages.** Respondents required a
22 prepayment penalty on at least one junior lien mortgage made under the Act.
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1 **1.12 Inaccurate Truth in Lending Disclosures.** Respondents understated the finance charge by
2 more than \$100 in at least one loan.

3 **1.13 Repeat Violations.** Respondents did not correct procedures and internal controls as noted in
4 the prior examination, which was conducted in February 2006. In or about March 2006, Respondents
5 received a Report of Examination detailing the findings of the 2006 examination. The conduct noted
6 in paragraphs 1.4 through 1.10 and 1.12 are repeat findings from the previous Department
7 examination.

8 **1.14 On-Going Investigation.** The Department's investigation into the alleged violations of the
9 Act by Respondents continues to date.
10

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

12 **2.1 Disclosures Other than GFE and TIL.** Based on the Factual Allegations set forth in Section I
13 above, Respondents are in apparent violation of RCW 31.04.027(6) and (10), WAC 208-620-505,
14 WAC 208-620-510(2) and (3), Regulation X, 24 C.F.R. Section 3500.21(b)(1) (1996), and Regulation
15 Z, 12 C.F.R Section 226.19(b) (2001) for failure to provide loan servicing disclosures or initial
16 variable rate loan-program disclosures to consumers.

17 **2.2 GFE and TIL Disclosures.** Based on the Factual Allegations set forth in Section I above,
18 Respondents are in apparent violation of RCW 31.04.027(6) and (10), RCW 31.04.102(1) through (3),
19 and WAC 208-620-505, WAC 208-620-510(1) through (3), WAC 208-620-512, Regulations X, 24
20 C.F.R. Section 3500.21(b)(1) (1996), Regulation Z, 12 C.F.R Section 226.18(d)(1) (2001), and
21 Regulation Z, 12 C.F.R. Section 226.5(b) and 226.22(a) (2001) for failure to provide required GFE
22 and TIL disclosures within three business days of receiving a loan application or for failure to provide
23 accurate TIL disclosures to consumers.
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1 **2.3 Unlicensed Activity.** Based on the Factual Allegations set forth in Section I above,
2 Respondents are in apparent violation of RCW 31.04.035 and WAC 208-620-300, WAC 208-620-310
3 or WAC 208-620-380 (effective 1/27/2006) for transacting the business of a consumer lender with
4 Washington residents from an unlicensed location.

5 **2.4 Use of Line 801 of the HUD 1/1A Settlement Statement:** Based on the Factual Allegations
6 set forth in Section I above, Respondents are in apparent violation of RCW 31.04.027(6) and (10),
7 WAC 208-620-505, and Regulation X, 24 C.F.R Section 3500 and Appendix A (1996) for using line
8 801 of the HUD 1/1A Settlement Statement to record mortgage broker fees.

9 **2.5 Unauthorized Fees.** Based on the Factual Allegations set forth in Section I above,
10 Respondents are in apparent violation of RCW 31.04.105(2) and WAC 208-620-515(1) for charging
11 unauthorized fees on junior lien mortgages.
12

13 **2.6 Record Keeping.** Based on the Factual Allegations set forth in Section I above, Respondents
14 are in apparent violation of RCW 31.04.155 and WAC 208-620-520(1) for failing to maintain
15 sufficient records to enable the Director to determine whether the licensee is complying with the
16 Consumer Loan Act. In the alternative, Respondents are in apparent violation of RCW 31.04.145 for
17 failure to comply with the Director's investigatory authority by failure to fully and completely comply
18 with the Department's directives.

19 **2.7 Requiring a Prepayment Penalty.** Based on the Factual Allegations set forth in Section I
20 above, Respondents are in apparent violation of WAC 208-620-560(7) for requiring a prepayment
21 penalty on junior lien mortgages.
22

23 **2.8 Unfair and Deceptive Practices.** Based on the Factual Allegations set forth in Section I
24 above, Respondents are in apparent violation of RCW 31.04.027(1), (2) and (3) for directly or
25 indirectly employing any scheme, device or artifice to defraud or mislead any borrower or any person

1 or engaging in any unfair or deceptive practice toward any person or directly or indirectly obtaining
2 property by fraud or misrepresentation.

3 4 **III. AUTHORITY TO IMPOSE SANCTIONS**

5 **3.1 Authority to Revoke or Suspend License:** Pursuant to RCW 31.04.093(3)(a) and (b), the
6 Director may revoke or suspend a license if a licensee fails to pay any fee due the state of Washington,
7 or fails to comply with any specific order or demand of the Director lawfully made and directed to the
8 licensee in accordance with the Act, or violates any provision of the Act or any rule adopted under the
9 Act either knowingly or without exercise of due care.

10 **3.2 Authority to Impose Fine:** Pursuant to RCW 31.04.093(4), the Director may impose fines of
11 up to one hundred dollars per day upon the licensee, its employee, or any other person subject to the
12 Act for any violation of the Act or failure to comply with any order or subpoena issued by the Director
13 under the Act.

14 **3.3 Authority to Issue Orders to Pay Restitution:** Pursuant to RCW 31.04.093(5), the Director
15 may issue an order directing a licensee, its employee, or any other person subject to the Act to make
16 restitution to a borrower or other person who is damaged as a result of a violation of the Act.
17

18 **3.4 Authority to Charge Examination Fee and Investigation Fee:** Pursuant to RCW
19 31.04.145(3) and WAC 208-620-590, every licensee examined or investigated by the Director or the
20 Director's designee shall pay for the cost of the examination or investigation, calculated at the rate of
21 sixty-nine dollars and one cent (\$69.01) per staff hour devoted to the examination or investigation, and
22 shall pay travel costs if the licensee maintains its records outside the state.

23 **IV. NOTICE OF INTENTION TO ENTER ORDER**

24 Respondents' violations of the provisions of chapter 31.04 RCW and chapter 208-620 WAC, as
25 set forth in the above Factual Allegations, Grounds for Entry of Order, and Authority to Impose Sanctions

1 constitute a basis for the entry of an Order under RCW 31.04.093, RCW 31.04.165, and RCW 31.04.205.

2 Therefore, it is the Director's intention to ORDER that:

- 3 4.1 Respondent Freedom's license to conduct the business of a Consumer Loan Company be
4 revoked or suspended;
- 5 4.2 Respondents Freedom and Middleman jointly and severally pay a fine, which as of the date of
6 this Statement of Charges is \$100,000 for the violations set forth above;
- 7 4.3 Respondents Freedom and Middleman jointly and severally refund all fees that inured to
8 Respondents' benefits on the HUD 1/1A settlement Statement or equivalent on all loans
9 referred to in paragraphs 1.3-1.6, and 1.8, 1.9, 1.11 and 1.12 above;
- 10 4.4 Respondents Freedom and Middleman jointly and severally refund \$596.66 to the consumer
11 referenced in paragraph 1.12 for understated finance charges;
- 12 4.5 Respondents Freedom and Middleman jointly and severally pay an examination fee totaling
13 \$12,317.08, for the June 2007 examination, which consists of \$8,771.17 calculated at \$69.01
14 per hour for 127.10 staff hours and \$3,545.91 in travel fees devoted to the examination;
- 15 4.6 Respondents Freedom and Middleman jointly and severally pay an investigation fee which as
16 of the date of this Statement of Charges totals \$3,519.51 calculated at \$69.01 per hour for 51
17 staff hours devoted to the investigation;
- 18 4.7 Respondents Freedom and Middleman maintain records in compliance with the Act and
19 provide the Director with the location of the books, records, and other information relating to
20 Respondent Freedom and Respondent Middleman consumer loan company business, and the
21 name, address, and telephone number of the individual responsible for maintenance of such
22 records in compliance with the Act.

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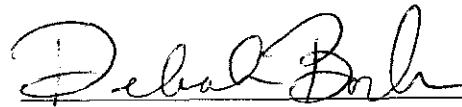
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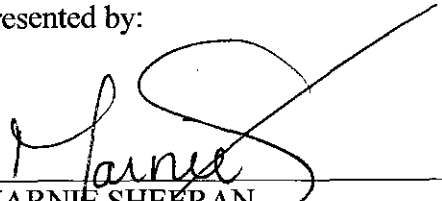
1 **V. AUTHORITY AND PROCEDURE**

2 This Statement of Charges and Notice of Intention to Enter an Order to Revoke or Suspend
3 License, Impose Fine, Order Restitution, and Collect Examination and Investigation Fees (Statement
4 of Charges) is entered pursuant to the provisions of RCW 31.04.093, RCW 31.04.165, RCW 31.04.202
5 and RCW 31.04.205, and is subject to the provisions of chapter 34.05 RCW (The Administrative
6 Procedure Act). Respondents may make a written request for a hearing as set forth in the NOTICE OF
7 OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this
8 Statement of Charges.
9

10 Dated this 16th day of July, 2008.
11


12 
13 DEBORAH BORTNER
14 Director
15 Division of Consumer Services
16 Department of Financial Institutions

17 Presented by:

18 
19 MARNIE SHEERAN
20 Financial Legal Examiner



21
22 Approved by:

23 
24 JAMES R. BRUSSELBACK
25 Program Manager and Enforcement Chief