

ORDER SUMMARY – Case Number: C-13-1377

Names: CLS Mortgage, Inc., Jeffrey Bell

Order Number: C-13-1377-16-FO02

Effective Date: 9/6/2016

License Number: NMLS ID #3177
Or NMLS Identifier [U/L]

License Effect: Revoked

Not Apply Until:

Not Eligible Until:

Prohibition/Ban Until: 5 years from date of entry

Investigation Costs	\$2,863.91	Due	Paid <input type="checkbox"/> Y <input checked="" type="checkbox"/> N	Date
Fine	\$50,000.00	Due	Paid <input type="checkbox"/> Y <input checked="" type="checkbox"/> N	Date
Examination Fee	\$15,663.00	Due	Paid <input type="checkbox"/> Y <input checked="" type="checkbox"/> N	Date
Restitution	\$67,191.21	Due	Paid <input type="checkbox"/> Y <input checked="" 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:		17		

Comments: Interest on exam fee at 1% per month



**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS**

IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Consumer Loan Act of Washington by:

No.: C-13-1377-16-FO02

CLS MORTGAGE, INC.,
NMLS ID#3177, and
JEFFREY BELL, President,

FINAL ORDER

Respondents.

I. DIRECTOR'S CONSIDERATION

Procedural History. This matter has come before the Director of the Department of Financial Institutions of the State of Washington ("Director"), pursuant to RCW 34.05.440(2). On May 28, 2014, the Director, through his designee, Consumer Services Division Director Deborah Bortner, issued a Statement of Charges and Notice of Intent to Enter an Order to Revoke License, Prohibit From Industry, Order Restitution, Impose Fine, Collect Investigation Fee, and Collect Examination Fee ("Statement of Charges") against CLS Mortgage, Inc. and Jeffrey Bell ("Respondents"). On May 29, 2014, the Department of Financial Institution ("Department") served Respondents with the Statement of Charges and accompanying documents, sent by First-Class mail and Federal Express overnight delivery. The Statement of Charges was accompanied by a cover letter dated May 29, 2014, a Notice of Opportunity to Defend and Opportunity for Hearing, and blank Applications for Adjudicative Hearing for Respondents. On June 19, 2014, Respondents filed Applications for Adjudicative Hearing. On February 6, 2015, the Department made a request to the Office of Administrative Hearings ("OAH") to assign an Administrative Law Judge ("ALJ") to schedule and conduct a hearing on the Statement of Charges.

1 On February 26, 2015, ALJ Courtney Beebe issued a Notice of Prehearing Conference
2 scheduling a prehearing conference on Tuesday, March 10, 2015, at 2:00 p.m. That Order stated:
3 "You must call in to the conference. If you fail to call in, the administrative law judge may hold you
4 in default and dismiss your appeal."

5 On March 10, 2015, the prehearing conference was convened by ALJ Beebe at 2:00 p.m.
6 Respondents failed to appear and the Department moved for an order dismissing the administrative
7 appeal. On March 13, 2015, ALJ Beebe issued an Order Dismissing Appeal dismissing Respondents'
8 administrative appeal. On March 13, 2015, ALJ Beebe sent the Order Dismissing Appeal to
9 Respondents via First-Class mail.

10 Pursuant to RCW 34.05.440(3), Respondents had seven (7) days from the date of service of
11 the Order Dismissing Appeal to file a written motion with OAH requesting that the Order Dismissing
12 Appeal be vacated, and stating the grounds relied upon. Respondents did not make a request to
13 vacate during the statutory period.

14 Pursuant to RCW 34.05.464 and WAC 10-08-211, Respondents had twenty (20) days from
15 the date of service of the Order Dismissing Appeal to file a Petition for Review of the Order
16 Dismissing Appeal. Respondents did not file a Petition for Review during the statutory period.

17 A. Record Presented. The record presented to the Director for his review and for entry of
18 a final decision included the following:

- 19 1. Statement of Charges, cover letter dated May 29, 2014, and Notice of Opportunity
20 to Defend and Opportunity for Hearing, with documentation of service.
- 21 2. Applications for Adjudicative Hearing for CLS Mortgage, Inc. and Jeffrey Bell.
- 22 3. Request to OAH for Assignment of Administrative Law Judge.
- 23 4. Notice of Prehearing Conference dated February 26, 2015, with documentation of
24 service.
5. Order Dismissing Appeal, dated March 13, 2015, with documentation of service.

1 B. Factual Findings and Grounds for Order. Pursuant to RCW 34.05.440(2), the Director
2 hereby adopts the Statement of Charges, which is attached hereto.

3
4 II. FINAL ORDER

5 Based upon the foregoing, and the Director having considered the record and being otherwise
6 fully advised, NOW, THEREFORE:

7 A. IT IS HEREBY ORDERED, That:

- 8 1. Respondent CLS Mortgage, Inc.'s license to conduct business as a consumer loan
9 company is revoked.
- 10 2. Respondent CLS Mortgage, Inc. and Respondent Jeffrey Bell are prohibited from
11 participation in the affairs of any consumer loan company licensed by the
12 Department for a period of five (5) years.
- 13 3. Respondent CLS Mortgage, Inc. and Respondent Jeffrey Bell shall jointly and
14 severally pay sixty seven thousand one hundred ninety one dollars and twenty one
15 cents (\$67,191.21) in restitution to the seventeen consumers listed in Appendix D
16 to the Statement of Charges, attached hereto and incorporated into this Final Order
17 by this reference.
- 18 4. Respondent CLS Mortgage, Inc. and Respondent Jeffrey Bell shall jointly and
19 severally pay to the Washington State Department of Financial Institutions, within
20 thirty (30) days of receipt of this order, a fine in the amount of fifty thousand
21 dollars (\$50,000.00).
- 22 5. Respondent CLS Mortgage, Inc. and Respondent Jeffrey Bell shall jointly and
23 severally pay to the Washington State Department of Financial Institutions, within
24 thirty (30) days of receipt of this order, investigation costs in the amount of two
thousand eight hundred sixty three dollars and ninety one cents (\$2,863.91).
- 25 6. Respondent CLS Mortgage, Inc. and Respondent Jeffrey Bell shall jointly and
severally pay to the Washington State Department of Financial Institutions, within
thirty (30) days of receipt of this order, an examination fee in the amount of fifteen
thousand six hundred sixty three dollars (\$15,663.00), plus accrued interest at 1%
per month.

26 B. Reconsideration. Pursuant to RCW 34.05.470, Respondents have the right to file a
27 Petition for Reconsideration stating the specific grounds upon which relief is requested. The Petition
28 must be filed in the Office of the Director of the Department of Financial Institutions by courier at

1 150 Israel Road SW, Tumwater, Washington 98501, or by U.S. Mail at P.O. Box 41200, Olympia,
2 Washington 98504-1200, within ten (10) days of service of the Final Order upon Respondents. The
3 Petition for Reconsideration shall not stay the effectiveness of this order nor is a Petition for
4 Reconsideration a prerequisite for seeking judicial review in this matter.

5 A timely Petition for Reconsideration is deemed denied if, within twenty (20) days from the
6 date the petition is filed, the agency does not (a) dispose of the petition or (b) serve the parties with a
7 written notice specifying the date by which it will act on a petition.

8 C. Stay of Order. The Director has determined not to consider a Petition to Stay the
9 effectiveness of this order. Any such requests should be made in connection with a Petition for
10 Judicial Review made under chapter 34.05 RCW and RCW 34.05.550.

11 D. Judicial Review. Respondents have the right to petition the superior court for judicial
12 review of this agency action under the provisions of chapter 34.05 RCW. For the requirements for
13 filing a Petition for Judicial Review, see RCW 34.05.510 and sections following.

14 E. Non-compliance with Order. If you do not comply with the terms of this order,
15 including payment of any amounts owed within thirty (30) days of receipt of this order, the
16 Department may seek its enforcement by the Office of the Attorney General to include the collection
17 of the fines, fees, and restitution imposed herein. The Department also may assign the amounts owed
18 to a collection agency for collection.

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1 F. Service. For purposes of filing a Petition for Reconsideration or a Petition for Judicial
2 Review, service is effective upon deposit of this order in the U.S. mail, declaration of service
3 attached hereto.

4 DATED this 6th day of September, 2016.



6 STATE OF WASHINGTON
7 DEPARTMENT OF FINANCIAL INSTITUTIONS

8 [Redacted Signature]
9 SCOTT JARVIS
10 Director

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-13-1377-14-FO01

CLS MORTGAGE, INC.,
NMLS ID#3177, and
JEFFREY BELL, President,

FINAL ORDER TO CEASE AND DESIST

Respondents.

I. DIRECTOR'S CONSIDERATION

A. Default. This matter has come before the Director of the Department of Financial Institutions of the State of Washington (Director), through his designee, Consumer Services Division Director Deborah Bortner (Director's designee), pursuant to RCW 34.05.440(1). On September 24, 2014, the Director, through the Director's designee, issued a Temporary Order to Cease and Desist against CLS Mortgage, Inc. and Jeffrey Bell (Respondents). A copy of the Temporary Order to Cease and Desist is attached and incorporated into this order by this reference. The Temporary Order to Cease and Desist was accompanied by a cover letter dated September 24, 2014, a Notice of Opportunity to Defend and Opportunity for Hearing, and blank Applications for Adjudicative Hearing for Respondents (collectively, accompanying documents).

On September 24, 2014, the Department served Respondents with the Temporary Order to Cease and Desist and accompanying documents by First-Class mail and Federal Express overnight delivery. On September 25, 2014, the documents sent by Federal Express overnight delivery to Respondent CLS Mortgage, Inc. were delivered. On September 26, 2014, the documents sent by Federal Express overnight delivery to Respondent Jeffrey Bell were delivered. The documents sent by First-Class mail to Respondent CLS Mortgage, Inc.'s registered agent for service of process were

1 returned to the Department as undeliverable by the United States Postal Service. The documents sent
2 to Respondent Jeffrey Bell and to Respondent CLS Mortgage, Inc. were not returned to the
3 Department by the United States Postal Service.

4 Respondents did not request an adjudicative hearing within twenty calendar days after the
5 Department served the Notice of Opportunity to Defend and Opportunity for Hearing, as provided for
6 in WAC 208-08-050(2).

7 B. Record Presented. The record presented to the Director's designee for her review and
8 for entry of a final decision included the following: Temporary Order to Cease and Desist, cover
9 letter dated September 24, 2014, Notice of Opportunity to Defend and Opportunity for Hearing, and
10 blank Applications for Adjudicative Hearing for Respondents, with documentation for service.

11 C. Factual Findings and Grounds for Order. Pursuant to RCW 34.05.440(1), the
12 Director's designee hereby adopts the Temporary Order to Cease and Desist, which is attached
13 hereto.

14 II. FINAL ORDER

15 Based upon the foregoing, and the Director's designee having considered the record and being
16 otherwise fully advised, NOW, THEREFORE:

17 A. IT IS HEREBY ORDERED, That:

- 18 1. Respondent CLS Mortgage, Inc.'s license to conduct the business of a Consumer
19 Loan Company is suspended.
- 20 2. Respondent CLS Mortgage, Inc. and Respondent Jeffrey Bell shall cease and
21 desist from engaging in the business of a consumer loan company; specifically
22 including, but not limited to:

23 A. Servicing Washington residential mortgage loans.

24 B. Collecting and/or receiving funds related to Washington residential
mortgage loans.

1 B. Reconsideration. Pursuant to RCW 34.05.470, Respondents have the right to file a
2 Petition for Reconsideration stating the specific grounds upon which relief is requested. The Petition
3 must be filed in the Office of the Director of the Department of Financial Institutions by courier at
4 150 Israel Road SW, Tumwater, Washington 98501, or by U.S. Mail at P.O. Box 41200, Olympia,
5 Washington 98504-1200, within ten (10) days of service of the Final Order upon Respondents. The
6 Petition for Reconsideration shall not stay the effectiveness of this order nor is a Petition for
7 Reconsideration a prerequisite for seeking judicial review in this matter.

8 A timely Petition for Reconsideration is deemed denied if, within twenty (20) days from the
9 date the petition is filed, the agency does not (a) dispose of the petition or (b) serve the parties with a
10 written notice specifying the date by which it will act on a petition.

11 C. Stay of Order. The Director's designee has determined not to consider a Petition to
12 Stay the effectiveness of this order. Any such requests should be made in connection with a Petition
13 for Judicial Review made under chapter 34.05 RCW and RCW 34.05.550.

14 D. Judicial Review. Respondents have the right to petition the superior court for judicial
15 review of this agency action under the provisions of chapter 34.05 RCW. For the requirements for
16 filing a Petition for Judicial Review, see RCW 34.05.510 and sections following.

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1 E. Service. For purposes of filing a Petition for Reconsideration or a Petition for Judicial
2 Review, service is effective upon deposit of this order in the U.S. mail, declaration of service
3 attached hereto.

4 DATED this 28th day of October, 2014.



STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS


DEBORAH BORTNER
Director
Division of Consumer Services

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:

C-13-1377-14-TD01

CLS MORTGAGE, INC.,
NMLS ID#3177, and
JEFFREY BELL, President,

TEMPORARY ORDER TO CEASE
AND DESIST AND SUMMARY
SUSPENSION OF LICENSE

Respondents.

THE STATE OF WASHINGTON TO: CLS MORTGAGE, INC.
JEFFREY BELL

COMES NOW the Director of the Washington State Department of Financial Institutions (Director), by and through his designee Deborah Bortner, Division Director, Division of Consumer Services (designee), and finding that the public is likely to be substantially injured by delay in issuing a cease and desist order, enters this temporary order to cease and desist and summary suspension of license pursuant to chapter 31.04 RCW, the Consumer Loan Act (Act), based on the following findings:

I. FACTUAL FINDINGS

1.1 Respondents.

A. CLS Mortgage, Inc. (Respondent CLS Mortgage) was licensed by the Department of Financial Institutions of the State of Washington (Department) to conduct business as a Consumer Loan Company on or about August 25, 2008, and continues to be licensed to date. Respondent CLS Mortgage is licensed to conduct business from its main office located at 920 N. Argonne Rd., Ste. 100, Spokane, Washington 99212.

B. Jeffrey Bell (Respondent Bell). Respondent Bell is the President of Respondent CLS Mortgage.

1.2 Servicing. Respondent CLS Mortgage services about 142 residential mortgage loans secured by residential real property located in Washington State. As a servicer, Respondent CLS Mortgage's responsibilities include: collecting or receiving payments on existing obligations due and owing to the lender or investor, including payments of principal, interest, escrow amounts, and other amounts due; collecting fees due to the servicer; working with the borrower and the licensed lender to collect data and make decisions necessary

1 to modify certain terms of those obligations either temporarily or permanently; and otherwise finalizing
2 collection through the foreclosure process. Respondent CLS Mortgage collects monthly payments for payment
3 of hazard insurance and real property taxes on behalf of about 40 borrowers which it is in turn required to
4 timely remit to insurance carriers and taxing authorities.

5 **1.3 Bond Cancellation.** Respondent CLS Mortgage's surety bond was cancelled effective July 9, 2014.
6 To date, the Department has not received a replacement surety bond.

7 **1.4 Bankruptcy.** On or about August 14, 2014, Respondent CLS Mortgage filed for bankruptcy protection
8 in the Eastern District of Pennsylvania.¹

9 **1.5 Failure to Pay Tax and Insurance Premiums.** Respondent CLS Mortgage has not made payments on
10 behalf of borrowers for property taxes or hazard insurance premiums since at least August 28, 2014.

11 **1.6 Risk of Injury to the Public.** Respondents' financial and operational condition is such that there is
12 serious risk of injury to the public. Failure to pay real property taxes places borrowers at risk of late payment
13 penalties and loss of their homes. Failure to pay hazard insurance premiums may result in loss of insurance
14 coverage and may result in uninsured damage to or destruction of borrower's homes. Failure to provide timely
15 responses to inquiries from borrowers may result in an increased likelihood of default and foreclosure. Failure
16 to collect information for evaluation of temporary or permanent modification of borrower's loans may result in
17 an increased likelihood of foreclosure.

18 **1.7 Substantial Injury to the Public.** Respondents' apparent violations of the Act are such that the
19 public is likely to be substantially injured by delay in issuing a cease and desist order.

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

21 **2.1 Failure to Maintain Bond.** Based on the Factual Findings set forth in Section I above, Respondents
22 are in apparent violation of RCW 31.04.045(4) for failing to file and maintain a surety bond approved by the
23 Director.

24 _____
25 ¹ The bankruptcy was filed in the United States Bankruptcy Court for the Eastern District of Pennsylvania. The case
number is 14-16534-ref. The liquidation of CLS Mortgage's assets will be made pursuant to Chapter 7 of the Bankruptcy
Code. Inquiries should be made directly to the Bankruptcy Trustee.

1 **2.2 Failure to Comply with Servicing Requirements.** Based on the Factual Findings set forth in Section
2 I above, Respondents are in apparent violation of RCW 31.04.290(1)(d) for failing to collect and make
3 payments for escrow amounts on residential mortgage loans held for the borrower for payment of insurance,
4 taxes and other charges with respect to the property and for failing to ensure that no late penalties are assessed
5 or other negative consequences result for the borrower.

6 **III. AUTHORITY TO ISSUE TEMPORARY ORDER TO CEASE AND DESIST**

7 **3.1 Authority to Issue Order to Cease and Desist.** Pursuant to RCW 31.04.093(5), the director may issue
8 an order directing the licensee, its employee or loan originator, or other person subject to the Act to cease and
9 desist from conducting business in a manner that is injurious to the public or violates any provision of the Act;
10 and take such affirmative action as is necessary to comply with the Act.

11 **3.2 Authority to Issue Temporary Order to Cease and Desist.** Pursuant to RCW 31.04.093(8),
12 whenever the Director determines that the public is likely to be substantially injured by delay in issuing a cease
13 and desist order, the director may immediately issue a temporary cease and desist order. The order may direct
14 the licensee to discontinue any violation of the Act, to take such affirmative action as is necessary to comply
15 with the Act, and may include a summary suspension of the licensee's license and may order the licensee to
16 immediately cease the conduct of business under the Act. The order shall become effective at the time specified
17 in the order.

18 **IV. ORDER**

19 Based on the above Factual Findings, Grounds for Entry of Order, and Authority to Issue Temporary
20 Order to Cease and Desist, and pursuant to RCW 31.04.093 and RCW 31.04.165, the Director determines that
21 the public is likely to be substantially harmed by a delay in entering a cease and desist order. Therefore, the
22 Director ORDERS that:

23 **4.1** Respondent CLS Mortgage, Inc.'s license to conduct the business of a Consumer Loan
24 Company is summarily suspended.
25

1 **4.2** Respondent CLS Mortgage, Inc. and Respondent Jeffrey Bell shall immediately cease and
2 desist from engaging in the business of a consumer loan company; specifically including, but
3 not limited to:

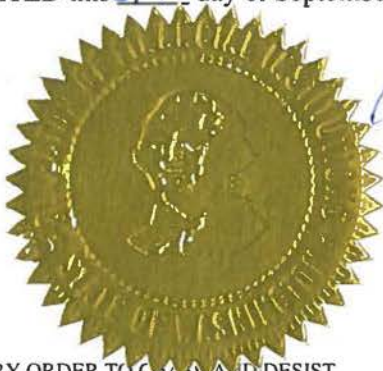
4 A. Servicing Washington residential mortgage loans.

5 B. Collecting and/or receiving funds related to Washington residential mortgage
6 loans.

7 **NOTICE**

8 PURSUANT TO CHAPTER 31.04 RCW, YOU ARE ENTITLED TO A HEARING WITHIN 14 DAYS
9 OF REQUEST TO DETERMINE WHETHER THIS ORDER SHALL BECOME PERMANENT. IF YOU
10 DESIRE A HEARING, THEN YOU MUST RETURN THE ATTACHED APPLICATION FOR
11 ADJUDICATIVE HEARING INCORPORATED HEREIN BY THIS REFERENCE. FAILURE TO
12 COMPLETE AND RETURN THE APPLICATION FOR ADJUDICATIVE HEARING FORM SO THAT IT IS
13 RECEIVED BY THE DEPARTMENT OF FINANCIAL INSTITUTIONS WITHIN TWENTY (20) DAYS OF
14 THE DATE THAT THIS ORDER WAS SERVED ON YOU WILL CONSTITUTE A DEFAULT AND WILL
15 RESULT IN THE LOSS OF YOUR RIGHT TO A HEARING. SERVICE ON YOU IS DEFINED AS POSTING
16 IN THE U.S. MAIL, POSTAGE PREPAID, TO YOUR LAST KNOWN ADDRESS. BE ADVISED THAT
17 DEFAULT WILL RESULT IN THIS ORDER TO CEASE AND DESIST BECOMING PERMANENT ON THE
18 TWENTY-FIRST (21ST) DAY FOLLOWING SERVICE OF THIS ORDER UPON YOU.

19
20
21 DATED this 24th day of September, 2014.



22 [Redacted Signature]
23 DEBORAH BORTNER
24 Director
25 Division of Consumer Services
 Department of Financial Institutions

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

IN THE MATTER OF DETERMINING
Whether there has been a violation of the
Consumer Loan Act of Washington by:

NO. C-13-1377-14-SC01

CLS MORTGAGE, INC.,
NMLS ID#3177, and
JEFFREY BELL, President,

Respondents.

STATEMENT OF CHARGES and
NOTICE OF INTENTION TO ENTER
AN ORDER TO REVOKE LICENSE, PROHIBIT
FROM INDUSTRY, ORDER
RESTITUTION, IMPOSE FINE,
COLLECT INVESTIGATION FEE,
AND COLLECT EXAMINATION FEE

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 investigation pursuant to RCW 31.04.145, and based upon the facts available as of the date of this Statement of Charges, the Director, by and through his designee, Division of Consumer Services Director Deborah Bortner, institutes this proceeding and finds as follows:

I. FACTUAL ALLEGATIONS

1.1 Respondents.

A. **CLS Mortgage, Inc. (Respondent CLS Mortgage)** was licensed by the Department of Financial Institutions of the State of Washington (Department) to conduct business as a Consumer Loan Company on or about August 25, 2008, and continues to be licensed to date. Respondent CLS Mortgage is licensed to conduct business from its main office located at 920 N. Argonne Rd., Ste. 110, Spokane, Washington 99212.

B. **Jeffrey Bell (Respondent Bell)** is the President of Respondent CLS Mortgage.

1.2 Consumer Complaint. The Department received a complaint from a consumer, D.D., on or about August 6, 2013, alleging that Respondent CLS Mortgage charged excessive interest rates.

1.3 Examination. The Department conducted an examination of Respondent CLS Mortgage beginning September 3, 2013. The Department expanded the scope of this examination and conducted a further off-site

1 examination from January 2, 2014, through January 23, 2014. The examination included a review of
2 Respondents' business practices for the period of June 1, 2011, through October 31, 2013. The Department
3 examined 21 loan files and an additional six application files where no loan was made.

4 **1.4 High Risk Loan Program.** Respondents made residential mortgage loans to borrowers with poor
5 credit history. These loans typically had a term of 10 years, an interest rate greater than 12%, and a large
6 balloon payment due at the end of the term. Respondents charged high origination fees for these loans.
7 Respondents obtained funding for these loans from private investors.

8 **1.5 Failure to Use Prudent Underwriting Standards.** On at least four occasions, Respondents made
9 loans with balloon payments to borrowers unable to pay the balloon payment at maturity. These borrowers had
10 insufficient income to allow them to save enough funds to pay the balloon payment and no analysis or
11 documentation of any other future increase in income that would mitigate the lack of savings potential. In
12 addition, on at least four other occasions Respondents made loans with balloon payments to borrowers where
13 Respondents' own documentation indicates that the borrowers would not be expected to be able to make the
14 balloon payment at maturity, instead indicating that the borrowers would refinance the mortgage or sell their
15 homes. Respondent CLS Mortgage charged fees to these borrowers as set forth on Appendix A, attached hereto
16 and incorporated into this Statement of Charges by this reference.

17 **1.6 Failure to Cure Exceeded Tolerance Limit.** On at least 11 occasions, Respondents provided
18 inaccurate Good Faith Estimates which disclosed a lower title services charge than was actually incurred by the
19 borrower. On each occasion this caused the total charges for certain required settlement services to exceed the
20 disclosed charges by more than 10%. These residential mortgage loans resulted in damages to the borrowers as
21 set forth on Appendix B, attached hereto and incorporated into this Statement of Charges by this reference.

22 **1.7 Failure to Properly Disclose Origination Fees.** On at least four occasions, Respondents provided
23 Good Faith Estimate disclosures to borrowers which inaccurately disclosed origination fees inuring to
24 Respondents. In each case, Respondents disclosed a lower origination fee than was actually charged. These
25

1 residential mortgage loans resulted in damages to the borrowers as set forth on Appendix C, attached hereto and
2 incorporated into this Statement of Charges by this reference.

3 **1.8 Failure to Pay Examination Fee.** The Department charged a fee of \$15,663.00 for the examination
4 referenced in Paragraph 1.3 of this Statement of Charges. The Department mailed an invoice to Respondent
5 and payment of this fee was due no later than March 6, 2014. Respondents have not paid this examination fee as
6 of the date of this Statement of Charges.

7 **1.9 On-Going Investigation.** The Department's investigation into the alleged violations of the Act by
8 Respondents continues to date.

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

10 **2.1 Unfair or Deceptive Practice.** Based on the Factual Allegations set forth in Section I above,
11 Respondents are in apparent violation of RCW 31.04.027(2) for directly or indirectly engaging in any unfair or
12 deceptive practice toward any person.

13 **2.2 Obtaining Property by Fraud or Misrepresentation.** Based on the Factual Allegations set forth in
14 Section I above, Respondents are in apparent violation of RCW 31.04.027(3) for directly or indirectly obtaining
15 property by fraud or misrepresentation.

16 **2.3 Failure to Ensure Underwriting Standards Consistent with Prudent Lending Practices.** Based on
17 the Factual Allegations set forth in Section I above, Respondents are in apparent violation of WAC 208-620-
18 506 for failing to ensure its underwriting standards are consistent with prudent lending practices by failing to
19 include an analysis of borrowers' ability to repay its loans.

20 **2.4 Failure to Include an Ability to Repay Analysis.** Based on the Factual Allegations set forth in
21 Section I above, Respondents are in apparent violation of WAC 208-620-507(1) by failing to maintain an
22 underwriting policy that includes standards used to evaluate the borrower's ability to repay by final maturity
23 and standards for counseling borrowers on the impact of their decision to accept a mortgage with a balloon
24 payment.

1 **2.5 Failure to Cure Exceeded Tolerance Limit.** Based on the Factual Allegations set forth in Section I
2 above, Respondents are in apparent violation of RCW 31.04.027(13) by failing to comply with any applicable
3 state or federal law relating to the activities governed by the Act.

4 **2.6 Failure to Properly Disclose Origination Fees.** Based on the Factual Allegations set forth in Section I
5 above, Respondents are in apparent violation of RCW 31.04.027(6) for failing to make disclosures to loan
6 applicants as required by RCW 31.04.102 and any other applicable state or federal law.

7 **2.7 Failure to Pay Examination Fee.** Based on the Factual Allegations set forth in Section I above,
8 Respondents are in apparent violation of RCW 31.04.145(3) and WAC 208-620-590 for failing to pay to the
9 Director the cost of the examination as determined by rule by the Director.

10 **III. AUTHORITY TO IMPOSE SANCTIONS**

11 **3.1 Authority to Revoke License.** Pursuant to RCW 31.04.093(3) and WAC 208-620-570, the Director
12 may revoke a license if a licensee: has failed to pay any fee due the state of Washington; or, either knowingly or
13 without the exercise of due care, has violated any provision of the Act or any rule adopted under the Act.

14 **3.2 Authority to Prohibit From Industry.** Pursuant to RCW 31.04.093(6)(e), the Director may issue an
15 order removing from office or prohibiting from participation in the affairs of any licensee, or both, any officer,
16 principal, employee or loan originator, or any person subject to this chapter for violation of RCW 31.04.027.

17 **3.3 Authority to Order Restitution.** Pursuant to RCW 31.04.093(5), the Director may issue an order
18 directing the licensee, its employee or loan originator, or other person subject to the Act, to make a refund or
19 restitution to a borrower or other person who is damaged as a result of a violation of the Act.

20 **3.4 Authority to Impose Fine.** Pursuant to RCW 31.04.093(4), the Director may impose fines of up to one
21 hundred dollars per day per violation upon the licensee, its employee or loan originator, or other person subject
22 to the Act for any violation of the Act.

23 **3.5 Authority to Collect Cost of Investigation.** Pursuant to RCW 31.04.145(3), every licensee investigated
24 by the Director or the Director's designee shall pay to the Director the cost of the investigation.
25

1 **3.6 Authority to Collect Cost of Examination.** Pursuant to RCW 31.04.143(3) and WAC 208-620-590,
2 every licensee examined by the Director or the Director's designee shall pay to the Director the cost of the
3 examination. Pursuant to RCW 43.17.240, interest at the rate of 1% per month, or fraction thereof, shall accrue
4 on debts owed to the state, starting on the date the debts become past due.

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

6 Respondents' violations of the provisions of chapter 31.04 RCW and chapter 208-620 WAC, as set forth in
7 the above Factual Allegations, Grounds for Entry of Order, and Authority to Impose Sanctions, constitute a basis
8 for the entry of an Order under RCW 31.04.093, RCW 31.04.165, and RCW 31.04.205. Therefore, it is the
9 Director's intention to ORDER that:

- 10 **4.1** Respondent CLS Mortgage, Inc.'s license to conduct business as a consumer loan company be revoked.
- 11 **4.2** Respondent CLS Mortgage and Respondent Jeffrey Bell be prohibited from participation in the affairs of
12 any consumer loan company licensed by the Department for a period of five (5) years.
- 13 **4.3** Respondent CLS Mortgage, Inc. and Respondent Jeffrey Bell jointly and severally pay refunds to the
14 seventeen consumers listed in Appendix D, attached hereto and incorporated into this Statement of Charges
15 by this reference, in the total amount of \$67,191.21.
- 16 **4.4** Respondent CLS Mortgage, Inc. and Respondent Jeffrey Bell jointly and severally pay a fine in the amount
17 of \$50,000.00.
- 18 **4.5** Respondent CLS Mortgage, Inc. and Respondent Jeffrey Bell jointly and severally pay investigation costs
19 in the amount of \$2,863.91 as of the date of this Statement of Charges.
- 20 **4.6** Respondent CLS Mortgage, Inc. and Respondent Jeffrey Bell jointly and severally pay an examination fee
21 in the amount of \$15,663.00, plus accrued interest at 1% per month.

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1 **V. AUTHORITY AND PROCEDURE**

2 This Statement of Charges is entered pursuant to the provisions of RCW 31.04.093, RCW 31.04.165,
3 RCW 31.04.202, and RCW 31.04.205, and is subject to the provisions of chapter 34.05 RCW (The
4 Administrative Procedure Act). Respondents may make a written request for a hearing as set forth in the
5 NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this
6 Statement of Charges.

7 Dated this 28th day of May, 2014.



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[Redacted Signature]

DEBORAH BORTNER
Director
Division of Consumer Services
Department of Financial Institutions

16 Presented by:

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[Redacted Signature]

ROBERT E. JONES
Financial Legal Examiner

20 Approved by:

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[Redacted Signature]

CHARLES E. CLARK
Enforcement Chief